

**ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION**  
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To

All the Zonal/Divisional/State/Regional Units

Dear Comrades,

**PUBLIC SECTOR INSURANCE CONTINUE TO DOMINATE**

The Public Sector insurance industry continued its domination in the financial year 2015-16. Though LIC, GIC and National Insurance Company are yet to officially announce the results, it is clearly seen from the available information that it has been another good year for the public sector.

The LIC has towered over the life insurance market. It sold over 2.05 crore new policies to earn a record first year premium income of Rs.97674.32 crore. The Total Premium Income of the Corporation is expected to touch around Rs.2.7 lakh crore. With an investment income of over 1.5 lakh crore, the total income of the corporation is likely to be around 4.2 lakh crore. LIC has done exceptionally well in the P&GS business to earn over Rs.64000 crore as First Year Premium Income. The total assets of the Corporation are expected to cross Rs.20 lakh crore. It is a stunning fact that even after 16 years of competition LIC lords over the market with a share of 70.44% in Premium Income and 76.84% in number of policies. The dominance of LIC can be judged from the fact that SBI life comes a distant second with a market share of 5.13% in premium and 4.76% in policies. Out of the 23 private companies in the life insurance business, only 9 companies have a market share of over 1% in premium and 7 have a share of over 1% in policies. Such has been the scale of dominance of LIC in the Indian life insurance market. LIC has not only excelled in securing new business, it has also established unbeatable records in the policy servicing. The Corporation settled 99.49% of the Death Claims and 99.75% of the Maturity Claims.

The four public sector general insurance companies and the GIC have also done extremely well. The PSGI companies recorded a combined gross direct premium income of Rs.47717.55 Crore with a growth of 12.14% over last year maintaining the market leadership. The New India Assurance Company, United India and Oriental have recorded impressive profits. There is a substantial increase in the investments of these companies and there has been a jump in the assets they hold. The National Insurance and GIC are also expected to announce good results and the Public Sector is bound to record impressive all round performance.

The performances of LIC and PSGI companies have been great considering the fact that financial year 2015-16 was yet another difficult year for the Indian economy. Though it is claimed that the economy grew around 7.5%, it failed to create any jobs. On the other hand, there were massive job losses due to decline in exports and industrial stagnation. The failure of monsoon for two successive years witnessed rural distress with nearly 50 crore Indians across the country suffering from severe drought.

This situation has resulted in the stagnation or even decline in the household savings impacting all businesses including insurance.

The government also did very little to help expansion of the insurance market. The government knows it well that in India life insurance is still a push product and not a pull product. Such a product to be sold in the market must have strong tax incentives. Instead of agreeing to the demand of AIIEA and the industry to frame the tax policy in a way to attract investment in life insurance product, the government has made the life insurance premium more costly. The service tax on life insurance premium has been increased while making some insignificant reduction for the single premium annuities. The tax deduction at source on short term policies is making the people stay away from the life insurance. The justified demand for a separate exemption limit for life premiums considering the increasing inflation has been turned down. Surely, the government's objective of increasing insurance penetration cannot be met without support of a favourable tax regime.

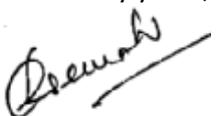
Despite the good performance by LIC and PSGI companies, there are areas of concern. These relate to the individual business in life insurance. This requires new methods of campaign, innovative product development and market initiatives by LIC to attract the middle and upper middle income earners. Since LIC is primarily depended on the field force, there should be extensive efforts to motivate and encourage the field force. The administrative staff can support these initiatives and through their campaign in the street can create goodwill in favour of LIC. The administrative staff should also make efforts to continue to retain and win over the confidence of the policyholders through setting still higher standards of servicing. The PSGI companies also have to look in the direction of personal line of business to capture new markets in order to retain the market domination.

The years ahead are bound to be challenging. The hike in FDI limits will surely add greater muscle to the private companies. We will also see consolidation of the private sector through mergers, acquisitions and amalgamations. The decision of the government to privatize the PSGI companies by listing them on the stock exchanges will threaten the stability and increase unnecessary competition within the public sector. This is unwarranted. The government which is committed to the neo-liberal economic philosophy will make renewed attempts towards privatization of LIC. The situation requires utmost vigilance and preparedness to court sacrifices to defend the finest institutions in the public sector.

The campaign for consolidation of PSGI industry must gain momentum. With the government openly encouraging consolidation of public sector banks, it has no reason or logic to deny the consolidation of public sector general insurance industry. This year is the Diamond Jubilee Year of LIC. In the last sixty years, LIC has won the trust and admiration of the nation. It has made enormous contribution to the nation building exercise. This has been possible due to the unflinching loyalty and commitment of the workforce to LIC. Let us commit ourselves once again to defend these institutions and take them to still greater heights.

With greetings,

Comradely yours,



General Secretary.