

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
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To

All the Zonal/Divisional/Regional/State Units,

Dear Comrades,

PRIVATISATION LOBBY BACK AGAIN

The critics of public sector are back again in full strength. They have started a vicious campaign to demand privatisation of LIC. The decision of LIC to take over the IDBI Bank has provided them an opportunity. They claim that the policyholder's funds cannot remain safe as long as government retains control over LIC. They argue that the government is forcing LIC to pump enormous resources in ailing IDBI Bank endangering the policy monies and the interests of the policyholders.

This is a queer logic as the problems of IDBI Bank and the Indian banking sector as a whole are due to the failure of the private sector. The huge non-performing assets in the banking industry have arisen primarily due to default of the loans secured by the corporate sector. A very small portion of these NPAs are due to honest business failures. Largely it is the dishonesty, frauds and the nexus between the politicians, bureaucrats and corporate that has led to the crisis in the Indian banking. In the case of IDBI it is largely due to stalled infrastructure projects. The LIC itself was created through an Act of Parliament to offer protection to the insuring public from the enormous loot and frauds committed by the private companies. Therefore to suggest privatisation of public sector financial institutions and handing them over to the same persons who were responsible for their problems is to say the least is crude and dishonest.

LIC today has emerged as the premier financial institution in the country. Despite the fact that the policyholders monies and accrued bonuses are guaranteed by the government, never in 62 years of its existence LIC ever had to invoke the sovereign guarantee to meet its liabilities. It has set a global bench mark in claim settlement and can proudly claim its services to not only match but beat the global standards. Therefore, the campaign of the privatisation lobby has to be met aggressively. The attempt to manufacture opinion in favour of privatisation has to be defeated through a heightened counter campaign.

The LIC has been mandated by the Nationalisation Act to provide security to the policy monies and ensure decent returns to the policyholders. In order to meet this objective, LIC follows a prudent and transparent investment policy. The total investments of LIC in the Indian economy as at 31st March 2018 are Rs.25.15 lakh crore. It must be noted that 82% of the LIC's investments amounting to over 20.5 lakh crore are in government securities and other approved securities. The LIC has invested Rs. 4.59 lakh crore in equity, preference shares and other instruments. This works out to around 18% of the total investments. The

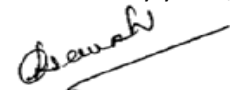
LIC being a long term investor in the stocks has benefited due to its contrarian investment strategy. It has always earned decent returns on its investments. Therefore, to portray that the LIC's proposed investment in IDBI Bank will rob all the savings of the policyholders is misleading and mischievous.

There are two issues involved in the IDBI case. The decision of the government to dilute its holding below 50 percent is a clear case of privatisation. We are against privatisation of public sector and more importantly in financial sector which is the backbone of the economy. Therefore, we stand with the IDBI employees and officers in their struggle against privatisation. The second issue is that of LIC's decision for a strategic investment in IDBI. On this issue too we have certain concerns. For any investment decision it is important to make a detailed cost and benefit analysis. The first question is whether the risk of investment in IDBI is worth taking and the value at which it is acquired. The second point that needs consideration is how much benefit LIC can earn through bancassurance and the possibilities of this leading to increase in the average premium size. The third is what is the plan and strategy to turn around the Bank and how much time it would take. The AIIEA expects this from the LIC Board and its investment team. They should not allow themselves to be coerced by the government in taking any investment of this magnitude. The LIC Board is primarily responsible to the policyholders and its decisions must ensure the protection of their interests.

The AIIEA is committed to protect and advance the interests of both the institution and its policyholders. Through a counter campaign policyholders must be given confidence about the safety and security of policy monies. The nefarious designs of the privatisation brigade must be exposed and defeated. LIC must remain a hundred percent government undertaking to continue its great contribution to the nation building exercise.

With greetings,

Comradely yours,



General Secretary.