

**ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION**  
**LIC BUILDING SECRETARIAT ROAD HYDERABAD 500 063**  
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To  
All the Zonal/Divisional/State/Regional Units

Dear Comrades,

**AIEA writes to Finance Minister**

The Secretariat of AIEA which met at Goa on 8<sup>th</sup> & 9<sup>th</sup> June 2019 decided to write to Finance Minister of Government of India on certain important issues concerning public sector insurance industry and its employees. As per this decision, we have sent a letter to the Finance Minister today and same is reproduced hereunder.

With greetings,

Comradely yours,



General Secretary.

17.06.2019.

**Smt. Nirmala Sitharaman,**  
Hon'ble Minister for Finance,  
Government of India,  
New Delhi

Madam,

**Some Issues of public sector insurance industry**

We take this opportunity to congratulate you on your taking over as Union Minister for Finance. We hope under your able leadership, the economic growth will be inclusive and development will benefit all sections especially more vulnerable sections of our population.

We would like to inform you that All India Insurance Employees' Association (AIEA) is the oldest and the biggest trade union of public sector insurance employees. It has been playing a very constructive role in the promotion of the interests of LIC and Public Sector General Insurance companies and helping these institutions to fulfil the social obligations.

The public sector insurance industry is facing certain problems today that are inhibiting its potential for growth and consequently its contribution to the national development. There

are also some employee related issues which need early resolution to motivate the workforce to rise up to meet the challenges of a very competitive environment. We list below some of the issues for your urgent consideration.

### **WITHDRAWAL OF GST ON LIFE AND MEDICAL INSURANCE PREMIUM**

The Life insurance premiums attract GST at the rate of 18 percent. Similarly the GST rate for medical insurance premium too is at 18 percent. We have in the past raised the demand for withdrawal of the GST on these two segments of insurance businesses on sound reasoning. Levying GST on life insurance premium means levying tax on the uncertainties of life. The person who covers the risk of life's uncertainties to give some protection to the family should not be levied tax on the premium to purchase cover against this risk. Similarly, when the public spending on health is on the decline, the premiums paid to purchase a medical and sickness insurance should not be charged the GST. We would like to point out that the GST charged on life and medical insurance premiums are way above the rates at which gold and diamonds are taxed. The high rate of GST is also retarding the growth in premium earnings that basically go to fund the infrastructure and social sector. We, therefore, request you to re-examine the issue and withdraw the GST on life and medical insurance premiums.

### **SEPARATE INCOME TAX EXEMPTION LIMITS**

At present the life insurance premiums are grouped together with other forms of savings for the purpose of income tax relief under Section 80 (C ). We have been suggesting that life insurance premium need separate exemption limits considering the fact that they provide long term capital for social and infrastructure development. Though significant part of our population is covered through individual and group insurances, it is seen that there is a huge insurance protection gap. Those who have insurance policies are not adequately covered. In order to encourage new insurances and adequate protection to the existing insured, it is necessary to have a separate and substantial exemption limits for life insurance premiums. We request you to kindly consider this.

### **FUNCTIONAL AUTONOMY**

LIC and PSGI companies are Board managed. They have been functioning well. This is reflected in the growth of these institutions and their contribution to the nation building activities. The growth and prosperity of these institutions critically depends upon the satisfaction level of the work force. We, therefore, request you to grant functional autonomy to LIC and PSGI companies on decisions relating to wage, amenities and service conditions for amicable resolution of these issues.

### **WAGE REVISION**

The Wage Revision in LIC and PSGI industry has fallen due from 1.8.2017. We have raised a demand for upward revision of wages commensurate with the growth and paying capacity of the institutions. Some progress has been made in LIC on the issue of wage revision but there is no progress in the General Insurance Industry. Since the last wage revision in 2012, these institutions have registered remarkable progress. There is huge increase in the

productivity of the employees. Servicing standards have further improved. In this background the demand for wage revision based on the performance of the public sector insurance industry is fully justified. We, therefore, request you to advise LIC and GIPSA to conduct negotiations on wage revision with meaningful offers based on the strength of the institutions without the influence of external factors to arrive at an amicable settlement at the earliest.

## **PENSION**

1. The Pension in insurance industry was introduced in the year 1995 on the lines of the Central Government Pension Scheme. The Pension is revised in the Central Government whenever the salaries are revised on the recommendation of the Pay Commission. Recently, the government allowed updation of Pension in Reserve Bank too. We would like to inform you that pensions are not revised in LIC and GIPSA companies. We have been requesting for updation of pension whenever wage revision takes place in these institutions. Unfortunately, this genuine demand is not being considered. We, therefore, seek your intervention with a request to allow updation of pension as it is being done in the central government and the RBI.
2. The family pension in Central Government and RBI is revised to 30% of the Pay while it remains at 15% in LIC and GIPSA companies. We request you to allow the increase in family pension in these institutions on the lines of Central Government and RBI schemes.
3. The defined benefit pension scheme is withdrawn for the employees joining these institutions on or after 1.4.2010. This has created two classes of employees in these institutions. We request you to allow the employees who joined services after 1.4.2010 the benefit of defined benefit pension scheme.

We hope you will consider our representations on the above issues favourably.

Thanking you,

Yours faithfully,

Sd/-  
(V. Ramesh)  
General Secretary