

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
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To
All the Zonal/Divisional/State/Regional Units

Dear Comrades,

Letter addressed to Finance Minister by the Joint Front of Associations in LIC

We reproduce hereunder the letter addressed to the Hon'ble Finance Minister of India regarding certain issues relating to insurance industry and employees as per the decision of the Joint Front Associations in its meeting held at Bengaluru on 29.07.2019.

The contents are self-explanatory.

With greetings,

Comradely yours,



General Secretary,
(V. RAMESH)

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FEDERATION OF LIC CLASS I OFFICERS' ASSOCIATIONS
NATIONAL FEDERATION OF INSURANCE FIELD WORKERS OF INDIA
ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

August 5, 2019

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

Respected Madam,

Some Issues Relating to Insurance Industry and its Employees

We would like to inform you that our three organisations represent nearly 90 percent of the officers, field officers and employees of the Life Insurance Corporation. We have been playing a very constructive role in advancing the interests of our great institution and

motivating the workforce to do their best in meeting the objectives for which LIC was created by an Act of Parliament. We take legitimate pride that from a humble beginning in 1956, the LIC today has emerged as the biggest and finest financial institution of our country. It has been mobilising small savings and converting it into capital for investments in social and infrastructure development. The LIC has been playing a very important role in the nation building activities. Since you are aware of the role LIC has been playing in the national economy, we do not want to burden you with further details. However, some developments relating to the industry in the past few days are disturbing us. Therefore, we are bringing our opinion on these issues to your notice.

Listing of LIC in stock exchanges

The leading newspapers have been carrying reports that the government is contemplating to divest its holding in LIC and list it in the stock exchanges. We are totally opposed to this measure as it would ultimately lead to privatisation of LIC. The Life insurance business was nationalised in 1956 by taking over 245 Indian and Foreign companies to create LIC. This step was taken to safeguard the interests of the insuring public from the fraudulent practices of the erstwhile insurers. The government saw these steps leading to the spread of the message of life insurance in the remotest parts of the country. The major objective of nationalisation was to mobilise small savings for the nation building activities. Thus the motto of nationalisation became peoples' savings for peoples' welfare. In the last 63 years, LIC has greatly succeeded in meeting these objectives. Today on the basis of customer base and number of claims it settles, LIC has emerged as the largest life insurer in the world. It is the single largest investor in the Indian economy. Therefore, any dilution of the government stake which would lead to privatisation will harm our national interests. It is common knowledge that a listed company has to work in the interests of the shareholders to the neglect of social objectives and national interests. We, therefore, request you to drop the idea of listing of LIC.

Hike in FDI Limits in insurance

We also understand that the government is considering further hiking the FDI limits from the present 49%. We have held a consistent position that FDI hike will allow the foreign capital to gain greater access to domestic savings. There is a consensus worldwide that foreign capital is a poor substitute for domestic savings. At a time when there is lack of investments in economy and household savings are on decline, it is necessary for the State to have greater control over these savings. The insurance industry makes cheaper finance available for long term investment in the economy to meet the social objectives of the government and development of infrastructure. The past experience has proved that very little funds mobilised as premiums globally by the Indian partners of private companies have found their way into Indian economy. The FDI hike rather than bringing any significant gains to the national economy will only help the Indian promoters to profit from divestment of their holdings. We, therefore, request you to have a relook at this issue.

Withdrawal of GST

The risk portion of the life insurance premium and health insurance premium are charged 18 percent GST. We have been requesting for the withdrawal of GST on life and health insurance premium. Millions of policyholders have also submitted memorandums requesting the government to withdraw GST on life and health premiums. The imposition of 18% GST on life premiums is restricting expansion of business.

Similarly it is unfair to charge GST on premiums paid to cover the risk of sickness. We urge upon you to consider withdrawal of GST on these two segments of insurance business urgently.

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 believe 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 also 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.

Wage Revision

The Wage Revision in LIC fell due on 1.8.2017. The LIC has recorded significant progress since the last wage revision on 1.8.2012. During these five years, there has been spectacular growth in the productivity of employees resulting in increasing prosperity for the Corporation. We, therefore, request you to advise LIC to convene meaningful discussions on wage revision and settle the issue early on the basis of the prosperity and paying capacity of LIC taking into consideration the legitimate aspirations of the employees.

Improvements in Pension Scheme

The Pension Scheme was introduced in LIC in 1995 on the lines of Central government pension scheme in lieu of Employer's contribution to Pension. In the last 24 years, there are no improvements in the benefits available in the pension scheme. In the government, pension is upwardly revised whenever Pay Commission recommendations are implemented. However pensions are not updated in LIC whenever wage revision takes place. The government has permitted such updation in RBI.

Similarly the rate of family pension remains at 15% of the Pay despite it being revised to 30% in both government and the RBI. There is an urgent need to enhance the family pension to 30% of pay to bring parity with the government and RBI pension schemes.

There is also discrimination in the payment of dearness allowance to the pensioners. Those who retired after 1.8.1997 get full neutralisation consequent to the increase in inflation while the pensioners retired earlier get lesser rate of neutralisation. This discrimination is in violation of Article 14 of the Constitution. We request you to take immediate steps to end this discrimination early.

Scrap Defined Contribution Pension Scheme

The employees recruited in LIC after 1.4.2010 are not covered by the LIC Employees' Pension Scheme 1995. These employees are asked to join a new scheme where contribution is defined but benefit is not. This has created two sets of employees in the institution. We, therefore, request you to scrap the Defined Contribution Pension Scheme and allow the employees who were recruited in LIC on or after 1.4.2010 to join the LIC Employees' Pension Scheme 1995.

We are confident that you will consider our views placed on the above issues favourably. We assure you of our continued support for the expansion of the business of LIC and our commitment to the noble objectives of nationalisation.

Thanking you,

Yours Sincerely,



S. Raj Kumar
General Secretary
Federation of LIC
Class-I Officers' Associations



Vivek Singh
Secretary General
NFIFWI



V. Ramesh
General Secretary
AIIEA