

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

Dear Comrades,

63 years of Successful Journey of LIC

We reproduce hereunder the Editorial published in Insurance Worker for the month of September, 2019. This circular may be translated in vernacular also and circulated among all the employees.

With greetings,

Comradely yours,



(V. Ramesh)
General Secretary.

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CELEBRATE THE SUCCESS OF LIC
DEFEND AND PROTECT THIS MARVELLOUS INSTITUTION

The LIC of India enters the 64th year of its glorious existence on September 1, 2019 with pride and confidence. Proud that it touched the lives of millions of Indians directly and every citizen of this country indirectly through massive contribution to the nation building exercise. There is no segment of the economy that is left untouched by LIC. In the last 63 years LIC had to sail through rough weather and pass through hostile terrain to develop immense capability and confidence to face the present day challenges. It is truly amazing that at a time when the government institutions are looked down upon by the people, LIC has emerged as the most trusted brand. LIC is a perfect example as to how a public sector institution can work on sound business principles and yet make impressive contribution to the social obligations. It is not surprising that today the nation has come to admire and trust this great financial institution. Therefore, we must celebrate the success of LIC.

The successful journey of the last 63 years was never easy. The Independent India soon found that the colonial power had ravaged and plundered the traditional economy of the country and when power was passed on, we inherited an industrially backward economy which was totally dependent on agriculture. In this background the Parliament entrusted responsibility to LIC to mobilise long term funds for industrialisation. The Parliament also asked LIC to ensure the safety of the policyholders' funds and spread the insurance awareness to every part of the country. LIC did not fail the trust reposed in it by the nation by successfully carrying out the assigned twin tasks.

From a humble beginning in 1956, LIC today has emerged as the biggest financial institution of the country. The Government invested ₹5 crore as capital in LIC and today this institution has invested

nearly ₹30 lakh crore in the economy. From a total life fund of ₹440 crore at the time of nationalisation, its asset base has risen to ₹31.11 lakh crore in these 63 years. The total number of policies were 55 lakhs in 1957 and today it has 30 crore individual policies and another 12 crore lives are covered under group assurances. It is estimated that just around 50% of the Indians constitute insurable population and in this background insuring around 40 crore people is a fantastic feat. The LIC has never defaulted on a policy payment. Therefore the task entrusted to LIC to mobilise funds for industrialisation, provide security to the policyholders' monies and spread insurance awareness has been fulfilled very successfully.

The opening up of the insurance sector in the year 1999 was premised on the understanding that the country need more than one insurance company to mop up savings required for investment in infrastructure and social sector. The arguments were also advanced that the participation of private sector would increase the insurance penetration and density. These arguments did not account for the fact that penetration and density both are dependent on disposal incomes. These arguments also did not take into consideration the significant success LIC achieved in insuring lives as a percentage of the total insurable population. These arguments were smokescreens to hide the real reason behind opening up of the economy. The real reason was the embracing of neo-liberalism by the Indian ruling classes where the dominant belief is that economy must be liberated from government regulations and private sector must be given a greater role as the government has no business to be in business. A critical analysis of the life insurance premium mobilised for a decade before the opening up of the sector and a decade after it was opened up brings out the stark fact that both the decades registered identical annual growth rates. This suggests that private participation did not expand the market size but resulted in more players competing for a share without increasing the size of the cake.

The LIC secured a first year premium income of ₹142191.19 crore in the financial year 2018-19. The total premium income during this period rose to ₹337185.4 cr and the total income of the corporation reached ₹523611.11 cr. The market share of LIC during this financial year was 66 percent in premium income. This reflected a small decline compared to the earlier year. However, LIC fought back in the first four months of the current financial year to increase its share in the premiums to 73.17% and the total number of policies to 71.86%. Of the 23 private companies who are operating in India only 7 have succeeded in securing a market share of over 1%.

The HDFC Life whose foreign partner is Standard Life comes a distant second to LIC with a market share of 6.56% in premium income. The market dominance of LIC is incredible. Even after 19 years of opening the sector for competition, it retains a market share of over 73%. Nowhere in the world has an insurance company in any single country dominated the market as LIC has done. This is due to the trust of the insuring public and the dedication and commitment of the workforce.

As LIC enters its 64th years, newer and greater challenges confront this institution. These challenges come from government policies, regulatory changes, aspirations of the policyholders and the increasing power of technology and artificial intelligence. The government is contemplating to hike FDI limits and allowing greater leverage of funds by the private sector. This gels with the understanding of the government that the role of public sector be diminished and greater space should be provided to the private sector in the economy.

AIIEA is of the firm belief that Life insurance business is not capital intensive unlike manufacturing and other financial services. The sector therefore will not benefit from FDI hike but it provides opportunity for the Indian partners to make huge profits by transferring their equity shares. The unjust charge of GST on life and health premiums too retards the growth of business. The frequent regulatory changes rather than promoting the orderly growth of the business are restricting its growth. The youth which has grown up in the neo-liberal era is made to look at the public institutions as inefficient. The LIC has to win this battle of perception. The LIC has to develop innovative products and efficiently market them to attract this section of the population. The private sector will increasingly use technology and artificial intelligence to mark their presence. The LIC cannot afford to ignore this aspect but has to carefully balance the interest of the institution and its workforce while adopting necessary technological upgrades.

But the biggest challenge comes in the form of protecting its public sector character. Attempts have been made since 1994 to list LIC through disinvestment. The nefarious designs to privatise this successful public sector financial institution have been thwarted for the last 25 years through strikes and public opinion mobilisation. This success has no parallel in the world as a policy decision of the government is halted for over quarter century. But the danger has increased with a government totally wedded to neo-liberalism in power with absolute majority. The Parliament is redundant with Opposition being made inconsequential. This government is now contemplating to list LIC on the bourses. The Indian economy is in a serious crisis. Private investments have practically dried out in the economy. There is no political will to raise revenues for development through taxation, removal of concessions to corporate sector and attacking the black money. In such a situation selling the family silver is the easy option. The government says that it needs ₹100 lakh crore worth of investments in the next 5 years. The question is where from this money will come. The government, therefore, has put outright sale of public sector units and disinvestment on the fast track. There are loud howls from vested interests that government should unlock the value of LIC by selling its equity. They argue that even sale of a small portion of LIC equity could fetch the government impressive amount. Therefore, plans are afoot in this direction.

For the insurance employees, LIC is not just a financial institution but an ideological commitment. The LIC has served the nation and given security to the savings of the policyholders. Privatisation of such a fine public institution and handing it over to the private entities for maximisation of profits is an unpatriotic act. It is surprising that a government which never tires of delivering sermons on nationalism is proceeding to hand over domestic savings to private capital rather than controlling and leveraging it for the greater benefit of the people. The fascination with the foreign capital is making the development hostage to foreign capital. Protecting LIC as a Public Sector Institution is the biggest challenge today. This challenge has to be met by uniting all sections of the employees and field force within the industry; building common struggles with other sections of the public sector employees; winning over the policyholders and waging an intense battle to win the public support. LIC is the Jewel in the Crown and we cannot allow the greedy private capitalists to rob the nation and its people of this invaluable Jewel. Let us therefore prepare for the intense battle to defend and protect our beloved institution.