

EAST CENTRAL ZONE INSURANCE EMPLOYEES' ASSOCIATION

Jeevan Deep Buildings (1st Floor), Exhibition Road, Patna-800001

Circular No. : 01/2013

Date: 12.01.2013

To, all members

Dear Comrade,

Re: 19th January- Life Insurance Nationalisation Day

Over five and a half decades ago, on January 19, 1956, the Government of India took the historic decision to take over the management of life insurance business in India. This, the Government did, through the promulgation of an ordinance. The promulgation of the ordinance, naturally, was the first and preparatory step towards the nationalization of life insurance. On 20th January 1956, all life insurance companies were taken over by the Government of India. 19th January is therefore very dear to LIC employees throughout the length and breadth of India. This is a day for reassurance, a day for firming up our convictions and commitment and a day to forge ahead with renewed vigour for protecting LIC in the public sector.

As we set out to celebrate 19th of January 2013, we must pause to ask some pertinent questions. What after all compelled the then rulers to nationalize the life insurance business? What prompted the then rulers of India to keep the decision of nationalization of life insurance a closely guarded secret? The loot and plunder of the owners of the privately owned insurance companies had created havoc. It would be interesting to know that during the decade 1945-55, as many as 25 insurers went into liquidation and equal number had to transfer their business to other companies. Of those companies that managed to stay afloat, 75 were unable to declare any bonus at their last 1953-54 valuations. It would be a truism to say that while the companies were piling up huge losses, their owners were indulging in stinking luxury. A leading luminary of the industrialist fraternity, Sir Purshottamdas Thakurdas, was forced to criticize his fellow owners during the fourth Insurance Conference in 1949: "We cannot deny that today there is a tendency on the part of insurance companies in general to make 'illicit gains' from insurance business....And still worse is the dishonest practice of adjusting of accounts." It is interesting to note in this context that in a daring expose` in December 1955, Feroze Gandhi (father of Rajiv Gandhi) revealed how Ramkrishna Dalmia, as chairman of a banking and an insurance company, used these companies to fund his takeover of Bennett and Coleman. The decision to nationalize life insurance was kept a well guarded secret as the Government was apprehensive that the owners of the private companies might resort to last minute bungling at the slightest information. Therefore the arrangements to implement the provisions of the ordinance had been planned in extreme secrecy. The then Finance Minister of India Dr. C.D.Deshmukh recalls in his autobiography that while the ordinance was to be announced in All India Radio, the Director General of All India Radio himself was not aware of the contents of the broadcast. To quote Dr. Deshmukh "I believe that the introduction of this will be regarded as one of the best kept secrets of the Government of India in all times to come".

Finally, the LIC came into being on 1 September 1956. The LIC thus came into existence with a lot of hopes and expectations. In the run up to the nationalization of life insurance Jawaharlal Nehru had said on August 24, 1956 "Life Insurance thus becomes one of the major State undertakings in India. It is an important step in our march towards a socialist society. Its objective will be to serve the individual as well as the state. The profit motive goes out of it and the service motive becomes much more dominant. In his broadcast to the nation Dr. C.D.Deshmukh exuded confidence and said: "We will weld together a dynamic and vigorous

organization, capable of taking insurance to every sector of people throughout the country and mobilizing their savings while affording to them complete security together with efficient service.” While the private industrial houses and a cross section of political parties were up in arms against the government decision to nationalize life insurance, the All India Insurance Employees Association (AIIEA) sent a telegram to the Finance Minister congratulating him for the bold decision and assured its co-operation for a smooth transition.

True to its promise, the LIC has grown into a living saga. The LIC has, over the years, not only registered tremendous growth, but has also played a stellar role in channelizing the community’s savings for nation building activities. LIC today services its customers through 8 zonal offices, 113 Divisional Offices, 2048 Branches, 1202 satellite offices, more than 1.19 lakh employees and 12.78 lakh agents. LIC today has a policy base of around 30 crore and manages a sum assured of Rs.2861603 crore. During the financial year 2011-12, LIC had earned a total income of Rs.287315.38 crore, had a life fund of Rs.1283990.72 crore and an asset base of Rs.1417891.79 crore. LIC’s investments in the government and social sector as on 31 March 2012 have been Rs.819835 crore. LIC’s contribution to the eleventh Five Year Plan has been Rs.704151 crore. Even after more than a decade of competition in the insurance sector LIC continues to be the market leader both in terms of premium mobilisation and number of policies. In the matter of policy servicing also LIC continues to be the undisputed leader in the market. With a claim settlement ratio of 97.42 per cent in individual death claims and 99.64 per cent in group death claims, LIC is way ahead of its competitors. While the cumulative losses for the private sector life insurance companies as of 31st March 2012 stood at Rs.17,945 crore, LIC has paid a dividend of Rs.1281 crore to the Government of India for the financial year 2011-12. The strength of this great institution can be gauged from the fact that today LIC funds around 25 per cent of the government borrowing.

Unfortunately however, the LIC has fallen under the covetous eyes of international and domestic capital. There have been repeated attempts to destabilize and privatize this eminently successful public sector financial institution. The recent attempt to amend the LIC Act cannot be seen in isolation from the recommendations of the Malhotra Committee, nor can one ignore the recommendations of the Deloitte Touche Tohmatsu Committee appointed by the NDA government in 2004. It however goes to the credit of the ingenuity of AIIEA and the LIC employees’ resolute and unshakeable faith in struggle that has helped till now to protect LIC in the public sector. But we must not be complacent; for the danger is still lurking in the form of the Insurance Laws (Amendment) Bill. FDI hike is merely a ruse to destabilize public sector insurance. Pandit Nehru and C.D.Deshmukh had invoked the concept of socialist pattern of society to nationalize life insurance. Today 56 years after that momentous decision, their followers in the Congress have abdicated all veneers of socialism and are out to sell each and every public sector that they can lay their hands on. 19th January 2013 demands of us to show a new patriotism; a love to fight for protecting LIC in the public sector. Our comrades all over the zone have unleashed a very powerful campaign. This campaign needs to be deepened further. The Working Committee of the ECZIEA that met at Patna on 8-9 December 2012 has called upon our units to observe 19th January 2013 as SAVE PUBLIC SECTOR INSURANCE DAY. We are informed that preparations are afoot in a big way in many centres. We should make all attempts to coalesce our movement with that of the broader democratic movement.

We wish a Very Happy, Prosperous and Purposeful New Year to one and all.

With Revolutionary Greetings,

Comradely Yours



General Secretary