

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

Dear Comrade,

Draft Red Herring Prospectus (DRHP) for IPO of LIC filed with SEBI
Government keen to List LIC anytime in the month of March
Prepare for One Day Strike the day the IPO opens for Subscription

The government filed the Draft Red Herring Prospectus with the capital markets regulator Securities Exchange Board of India (SEBI) yesterday in the evening for the IPO of LIC. The filing of documents on a Sunday after securing approval from a hurriedly convened Board Meeting of LIC shows the desperation of government to raise the resources to meet fiscal deficit target for the current financial year. With this move, the government moves closer to the listing of the LIC in the stock exchange. Usually it takes 75 days for the SEBI to scrutinise the papers and accord its approval for any IPO. But the government as per media reports has asked the market regulator SEBI to fast track the approval process in less than three weeks.

In the DRHP filed with the SEBI, LIC has said that the government will offload 316.25 million shares of face value Rs.10 each of its over 6,325 million shares, constituting 5% of its stake in the LIC. The DRHP also makes it clear that the IPO is 100 per cent OFS (Offer for Sale) by the Government of India and no fresh issue of shares by LIC. Since the offer is an OFS, LIC will not receive any proceeds from the public issue. It is clear that the proceeds will go to the government for meeting its disinvestment target. Actuarial firm Miliman Advisors LLP has estimated LIC's Embedded Value (sum of the net asset value and present value of future profits) at Rs.5,39,686 crore as of September 30, 2021. However, a closer scrutiny of the Embedded Value Report clearly suggests that the government has privileged the prospective shareholders over the present and future policyholders. This is done by changing the surplus distribution pattern. The share of surplus distribution to the policyholders gets reduced from 95% to 90% to the participating policyholders and the entire 100% surplus from the non-participating policies will be appropriated by the shareholders. This is unjust to the policyholders who have financed the growth of this great institution. The DRHP has not revealed the issue size of the IPO.

As far as allocation of shares is concerned, the DRHP says that not more than 50 per cent of the net offer shall be available for allocation to Qualified Institutional Buyers (QIB), not less than 15 per cent of the offer shall be available for allocation to non-institutional bidders or high net-worth individuals (HNI) and not less than 35 per cent will be for retail investors who put up bids of up to Rs.2 lakhs. The DRHP also says that 10 % of the offer shall be reserved for the policy holders of LIC and 5 % will be reserved for the employees.

The filing of the DRHP marks an important step towards the listing of this great institution. The AIEA has always maintained that IPO of LIC is the first step towards privatisation of this premier public sector institution. We have successfully debunked the arguments of the government in justification of LIC's disinvestment. LIC has an unblemished track record as far as transparency and accountability are concerned. The trust and goodwill that the LIC has earned from the Indian people can be gauged from the fact that it has touched every household in the country. The number of policyholders it has is greater than the total number of households in India. The financial muscle of the LIC is such that its Assets Under Management (AUM) of Rs.39.6 trillion are more than 3.3 times that of all private life insurers in India, they are approximately 16.2 times more than that of the second largest player in the Indian life insurance industry the SBI Life. LIC's AUM is also 1.1 times the AUM of the entire mutual fund industry in India as of September 30, 2021. But a government ideologically wedded to neoliberalism and with a single minded devotion to promoting corporate interests has absolutely no qualms in destabilising this great institution.

We take pride in the fact that we have successfully defended LIC in the public sector through our uncompromising struggles of the last three decades. In the process of our campaign we have tried to educate public about the importance of LIC to national development, deployment of funds for the benefit of the entire society and meeting the requirement of lower middle income, poorer sections and rural population. We have demonstrated through our struggle that we are committed to protecting the interests of our policy holders and the people of India at large even when our ruling classes have allied with interests antithetical to the public sector institutions like the LIC. We shall therefore continue to fight every inch of the battle to protect, strengthen and safeguard LIC in the public sector by making common cause with other sections of the toiling people. We have defended LIC in the past, so shall we in the future too.

We call upon our Comrades to remain prepared for a grim battle in the days to come including the One Day Strike Action on the day the LIC IPO opens for subscription. We also call upon our units to remain prepared for the upcoming two days nationwide strike on 28-29 March 2022 by the entire working class of the country against the policies of privatisation and all other anti-people policies.

With Greetings,

Comradely Yours



General Secretary