

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
LIC BUILDINGS SECRETARIAT ROAD HYDERABAD 500 063
(E-mail: aiieahyd@gmail.com)

Cir.No.17 / 2022

27th April, 2022

To

All the Zonal /Divisional /State /Regional Units

**LIC IPO – UNDER-VALUATION TO HELP INVESTORS PROFIT
PROTEST THROUGH 2 HOUR WALKOUT STRIKE ON 4TH MAY**

The LIC IPO will open for subscription on 4th May 2022. The details of the issue including its price have been announced by the LIC Board. The Government wants to make it look that the decision on LIC IPO and pricing of share is that of LIC Board. This cannot convince those who are associated with this great institution. The entire process has been driven by the Finance Ministry and LIC Board is only the cover to give a look that this institution is Board managed. The Board of LIC which could not even secure approval for the last two years on its recommendations on increase in Family Pension to its employees cannot be expected to take decision to fundamentally alter the structure of the organization.

In a recent article published in NewsClick, Sri V.Sridhar, a leading journalist has termed the pricing of LIC share as a scam of gigantic proportions. There is no reason not to agree with him. The embedded value of LIC was arrived at Rs. 5.39 lakh crore by the actuarial firm Milliman Advisors, a US based company. The same firm earlier had valued other private life insurance companies which are now listed in the stock market. The offer price of the private life insurance companies was done by multiplying the embedded value by a factor ranging from 2.5 to 3.5. It was initially informed that LIC will also be valued around 3 times its embedded value. This would mean that the value of LIC would have been in the range of Rs.13.5 to 16.2 lakh crore. But to our horror, the value of LIC is determined at Rs 6 lakh crore, just 1.1 times its embedded value. In the process what LIC would have got by sale of 3.5 percent equity shares got reduced to Rs.21000 crore from Rs.47250 crore to Rs.56700 crore. If this is not a gigantic scam, what else it can be. The government is justifying this pricing saying that anchor investors are comfortable with this valuation. It is strange that LIC shares are being sold at the price suggested by the investors rather than its true price. The government is not unaware of the fact that LIC is ranked 5th globally and is recognized as the 3rd strongest and 10th most valuable brand in the global insurance industry. This is the reason that many global analysts too are surprised that LIC's valuation is the cheapest in the globe.

The AIIEA has been opposing the LIC IPO as it sees it as the first step towards privatization. The struggle of AIIEA against privatization began much before the recommendation of Malhotra

Committee and it gathered pace and momentum after this committee's recommendation on privatization. The epic struggle of AIIEA had halted all attempts to privatise this fine institution for the last 28 years. This struggle is hailed across the globe as there is no parallel anywhere in the world where a trade union could succeed in resisting and halting a government policy for over 28 years. The launching of LIC IPO will not overawe the insurance employees and the AIIEA is determined to carry forward the struggle and fight the government policy every inch of the battle ground.

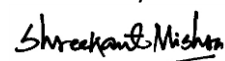
It is too simplistic to say that the listing of LIC IPO in the present global scenario is an act of desperation to raise resources to meet the fiscal deficit target. The picture is much larger than this. The government through implementation of neoliberal economic policies has been transferring the wealth from the poor to the rich and privatization is one such method. The LIC is a national asset and the wealth created by this institution is being transferred to the rich and profit driven stock market investors. We have argued that government morally cannot claim that it owns LIC as it did not provide any capital for its expansion and growth. The entire expansion and growth of LIC has taken place with the funds of the policyholders who in real terms are the owners of this institution. In order to placate the policyholders, the government has announced that it will reserve 10% shares to policyholders at a discounted price. The number of shares reserved for policyholders come to 2.21 crore while the individual policyholders alone number around 20 crore. This is nothing but short changing the interests of the vast number of policyholders.

The AIIEA has decided to protest against these policies. It had earlier called for a day's strike on the launching of LIC IPO. The two day strike on 28-29 March 2022 had brought into sharp national focus the perils of LIC IPO. Therefore in order to develop consensus and develop a united action of all unions, it suggested a two hour strike. We hope that other unions will also react to this scam of gigantic proportions appropriately.

The AIIEA and AILICEF have called for a Two Hour strike preceding lunch recess on 4th May 2022 when the issue opens for subscription. We request all LIC employees to participate in this strike and make it an unprecedented success. Let the history remember that LIC employees did not shy away from responsibility in fighting against the loot of their industry despite great odds loaded against them.

With Greetings,

Comradely Yours



General Secretary