

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
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Cir.No.11 / 2024

5 April 2024

To

All the Zonal /Divisional /State /Regional Units

Dear Comrades,

Re: General Elections 2024 and the need to campaign on our issues

The General Elections 2024 will commence on April 19 with the first phase of polls and will conclude on June 1 with phase seven polls. The counting is scheduled to take place on June 4. We stand at a crossroads ahead of the General Elections. At a time when democracy, the rule of law, fundamental rights and independent media have all been considerably whittled away, the upcoming elections assume huge importance for all of us.

There is no gainsaying these elections are of particular significance to the public sector insurance industry. There are media reports indicating that if voted back to power, the BJP-led government will introduce amendments to existing insurance legislation within the first 100 days in office. According to a report published in the Live Mint, dated 02 April 2024, the planned reforms in the insurance sector include a provision for a composite insurance licence, relaxed entry barriers for companies, simplification of investment rules and giving more powers to the regulator (IRDAI) to determine the licence fee structure for companies.

Given these developments, the AIIEA has written letters to the heads of a large number of prominent political parties, both in the governing coalition and the opposition, requesting them to seriously consider our suggestions during the course of the election campaign and even after formation of the 18th Lok Sabha. **We are happy to inform that the Communist Party of India (Marxist)- CPI(M)- has already incorporated the major suggestions of the AIIEA in its Election Manifesto that was released yesterday. Page 17 of the Manifesto mentions: "No further dilution of government shares from the LIC; removal of GST on life, medical and general insurances; public sector general insurance companies will be consolidated to gain economies of scale."**

We reproduce hereinbelow the letter addressed by AIIEA to different political parties. **We request our units to approach the contesting Lok Sabha candidates of all major political parties and seek their support to the issues of insurance industry and employees. This will help project our issues in the election campaign.**

That apart, as citizens of the country, we must be concerned about the political, social and economic situation in the country. The erosion of democratic values, influence of money in election and attack on the constitution should be a matter of serious concern. The corporate takeover of the State and the mixing of religion and politics for electoral advantage have serious consequences for the national unity and life and living of the common people. The situation demands that the working class must campaign and agitate for an alternative economic policy, social cohesion and communal harmony. The insurance employees too

must join this effort. The insurance employees must not only decide to vote to stem the attack on democracy and constitution but also must mobilise other progressive sections of the population to do so. This is the task; we must undertake with the urgency it deserves.

With Greetings,

Comradely Yours



General Secretary

**LETTER DATED 01.04.2024 SENT TO THE HEADS OF
ALL MAJOR POLITICAL PARTIES**

Respected Sir / Madam,

Re: Issues Relating to the Insurance Industry

We wish to introduce ourselves as All India Insurance Employees' Association (AIIEA) – the oldest and the biggest trade union of public sector insurance employees. The AIIEA has been playing a very constructive role in the promotion of the interests of LIC and Public Sector General Insurance companies and helping these institutions to fulfil their social obligations.

We understand that you are in the thick of campaigning for elections to the 18th Lok Sabha. Even then, we would like to place before you some issues of the industry and the employees for your kind consideration and necessary intervention. We do hope that these issues will find a profound expression in the campaign of your party and you will be kind enough to address our concerns even after formation of the new government.

No further Dilution of Government Equity from the LIC: The government has already disinvested 3.5 per cent of its equity from the LIC in May 2022. The government equity in LIC now therefore stands at 96.5 per cent. As per the minimum public shareholding norms of the SEBI (Securities and Exchange Board of India), companies in the public and private sector need to have promoter shareholding of 75 per cent or less. The corporate media is abuzz with shrill cries demanding that the government bring down its equity in LIC to less than 75 per cent in compliance of this rule of the SEBI by further divesting its excess equity in the LIC. We do not see any merit in this argument. As you will appreciate, disinvestment is the first step towards privatisation. There is absolutely no need for further dilution of government equity or privatisation of the LIC. LIC's contribution in providing security to the hard-earned savings of the policy holders while fetching decent returns for them is acknowledged by one and all. Similarly, LIC's contribution to the overall economic development of the country has been phenomenal. In fact, the footprints of LIC are visible in every aspect of the life of the nation. LIC has eminently fulfilled each of its foundational objectives. It would be a truism to say that LIC today is the finest public sector financial institution in the country. We would request you to kindly extend your support to our movement so that there is no further dilution of government equity in the LIC.

Consolidation of Public Sector General Insurance Companies: The Public Sector General Insurance Companies viz; National Insurance, New India Assurance, Oriental Insurance and United India Insurance- have been recording reasonably good performances in spite of myriad challenges confronting them. They hold a market share of around 32 per cent. However, these companies have been literally facing a war of attrition. They have to compete not only with the private players but they have to compete among themselves for the same line of business. This does not make any economic sense. We are of the considered opinion that these companies should be merged into a

single entity to form a monolithic corporation so that they derive advantage of the economies of scale.

Differential Treatment to Savings by way of Life Insurance: We are sure, you will agree with us that the growth of the life insurance industry critically depends upon the growth in the household savings, particularly financial savings. Today the life insurance industry has to compete with other modes of savings. Life insurance premiums are grouped together with other forms of savings for the purpose of income tax relief under Section 80 (C). We strongly feel that life insurance needs to be given a differential treatment compared to other modes of savings considering the fact that the funds mobilised here can be deployed in long term infrastructure requirements of the country. In order to encourage new insurances and adequate protection to the existing insured, it is necessary to have a separate and substantial exemption limit for life insurance premiums over and above the Rs.1,50,000 provided under Section 80 (C) of the Income Tax Act. We would also request you to please see that this provision is incorporated in the New Tax Regime introduced by the Union Finance Minister in the Union Budget 2023-24.

Withdrawal of GST on Life and Medical Insurance Premium: Both life insurance and medical insurance premiums attract a GST rate of 18 per cent. Levying GST on life insurance premium amounts to levying tax on the uncertainties of life. We do feel that the person who covers the risk of life's uncertainties to give some protection to the family should not be levied tax on the premium to purchase cover against this risk. Similarly, the 18 per cent GST on medical insurance premium is proving to be a deterrent for the growth of this segment of business which is socially so necessary. We would request you to re-examine the issue and withdraw the GST on life and medical insurance premiums.

Enhancement of Family Pension to General Insurance family Pensioners at a uniform rate of 30 per cent: Family Pensioners of almost all the public sector financial institutions like the RBI, Public Sector Banks, LIC, NABARD, RRBs etc are drawing family pension at a uniform rate of 30 per cent. Family pensioners of public sector general insurance companies are the only exception. The General Insurers Public Sector Association (GIPSA) has already sent its recommendations to the ministry of Finance in December 2021 for increasing the family pension to a uniform rate of thirty per cent. The issue is however pending at the ministry for a long period of time. In the meanwhile, large number of pensioners have unfortunately passed away leaving their families in acute financial distress. We seek the intervention of your party in this matter so that the benefit flows to family pensioners of PSGI companies without any further delay.

Need to Introduce a Universal Pension Scheme: An overwhelmingly large proportion of workers in our country are in the unorganised sector. They are practically out of the purview of any state supported social security measures. Life becomes unmanageable for them once they become old and unemployable. It is the basic responsibility of the state to come to the rescue of such people. Even the Constitution of India, through the Directive Principles of States Policy, has directed the State to take measures so that the elderly persons can live a life of dignity. We would request you and your party to kindly consider this aspect and champion the cause of a non-contributory Universal Pension Scheme, fully funded by the State to all senior citizens who do not have a pension scheme provided by the employer.

Thanking you and wishing all the very Best for the upcoming General Elections,

Yours faithfully
Sd/-
General Secretary