

# APPEAL – SAY NO TO LIC IPO

## PUBLIC SECTOR LIC IS A NECESSITY FOR SELF RELIANT ECONOMY

The present BJP government is in a tearing hurry to sell the National Assets, at a throw away price. The government is making an all-out attempt to privatise the public sectors and the Financial Sector, which have immensely contributed for building a self-reliant Indian economy, over the years.

The government has proposed, through the Budget for 2020-21, to mobilise Rs. 1.75 lakh crore by the disinvestment of public sector. As a part of this, the government is aiming to mobilise around Rs. 1 lakh crore by divesting 5-10% of its Stake in LIC and going ahead in this direction vigorously, taking all the necessary measures. The government also proposes to privatise the public sector general insurance companies. Instead of taxing the rich more, to meet the budgetary requirements, the government is trying to sell the public assets to the Corporates and Private Capital. This is contrary to the slogan of building an “Atma Nirbhar Bharat”.

The government has surreptitiously included the Amendments to LIC Act 1956, in the Finance Bill 2021-22, paving way for IPO in LIC, bypassing the parliamentary scrutiny. The provisions of General Insurance Business Nationalisation Act (GIBNA) 1972 were also amended without any discussion in the Parliament.

The arguments forwarded by the government, in support of its decision, defy logic as well as economic sense and are purely out of political compulsions. We, the insurance employees organised under the banner of All India Insurance Employees' Association (AIIEA), the oldest and the largest trade union in the Indian Insurance Industry are opposed to the moves of the government. We strongly feel that these are not in the interest of the Public Sector insurance industry, the Indian economy and the people of India.

The Public Sector LIC as well as the General Insurance Companies has been performing exemplarily, over the years, fulfilling the objectives of nationalisation and have won the unstinted trust of the people. The performance of LIC is phenomenal. On a capital base of Rs. 100 crore, LIC has repaid the government Rs. 28000 crore as dividend, so far. LIC pays 5% of the surplus generated through its operations as dividend to the government and distributes the remaining 95 % to the policyholders as bonus.

LIC has invested more than 32 lakh crores for the Nation Building activities like construction of roads, housing, irrigation, electricity and for providing basic infrastructure to the people, especially to the rural population. LIC funds almost 25% of the internal borrowings of Indian Government. Today, LIC owns assets worth Rs 38 lakh crores (nearly 550 Billion Dollars), which is more than the GDP of 75% of Countries. Claim settlement is the parameter which should define the efficiency of any life insurance company. With 99.86 % claim settlement (2.29 crore) in FY 2020-21, LIC has once again became World Number 1 in Claim Settlement. LIC has the lowest operating cost in the entire life insurance industry in India.

The government is trying to hoodwink the people by saying that listing of LIC in stock market will unlock its value and enhance corporate governance. LIC has won so many National and International Awards for excelling in Corporate Governance. LIC had received “Golden Peacock”, “Most Trusted Brand”, “Excellence in Corporate Governance” etc., awards from MARG and various reputed organizations. LIC could achieve all these milestones in Corporate Governance despite not being a listed company. As per International reports of UK, LIC was rated as Most Valuable Brand throughout the Globe. On the basis of Brand Strength, LIC Occupies third position. The brand value of LIC is immeasurable. Hence, it is preposterous to imagine that real value of LIC will unfold after its listing. The Superlative Corporate Governance of LIC debunks the myth that Listing will enhance Corporate Governance of LIC!!!

The government is telling that listing will bring discipline and transparency in the operations of LIC. These arguments are laughable. It may be recalled that in the aftermath of the 2008 Global Economic Crisis, when most of the listed corporate giants have collapsed world over, it was the strong presence of the public sector financial institutions in India, including LIC that helped the Indian economy to withstand and absorb the shock of the crisis. LIC submits periodical reports on its functioning, apart from public disclosures to the Insurance Regulator, IRDA. The Annual Performance and Accounts of LIC are being tabled, every year, in the Parliament. Whereas, it may be noted that many listed companies, which are under the scanner of RBI & SEBI have collapsed due to bad managerial practices viz., ILFS, DHFL, Yes Bank and Lakshmi Vilas Bank.

The government is trying to sell the idea that IPO will help LIC to access Indian market to raise resources. This idea is absurd, as LIC itself is investing over Rupees four lakh crore, every year, in the Indian economy and there is no need for LIC to access the markets for resources. It is a well-known fact that it is LIC which comes to the rescue of stock market, in times of need, many a time. LIC is one of the largest Corporate Investor & Contrarian Investor in Stock Market.

The government is also frantically trying to convince that LIC IPO will be benefitting the retail investors and they will get a share of national asset. According to the data of SEBI, only 3% of Indian population invests in stock market and the percentage of retail investors is just a small fraction. Around 6 Crores Demat accounts are registered in India and just 95 lakhs accounts are active. Hence, the argument that listing will enhance the value for retail investors is far from truth. On the contrary, it will enhance the value and profit for the rich, foreign capital and domestic institutional investors only.

Another argument that the listing of LIC will help Policyholders is absolutely wrong. Insurance involves mobilising the savings of people for a longer duration and the policyholder expects security to their investments and good returns. LIC has fully ensured these twin expectations of the customers apart from channelising the funds mobilised from the people for strengthening of the economy. **Hence, there is no justification for LIC IPO.**

The Government has further raised the Foreign Direct Investment (FDI) limit to 74%, in Insurance sector with permission for foreign ownership, also. This is a very retrograde decision as it will give space for foreign capital to have greater access to the internal savings of our people. According to a World Bank report, internal savings contribute to a larger extent for development of any country. India being a developing economy, providing greater access to foreign capital on domestic savings will be a disaster for self-reliant economic development. Hence, this decision to increase the FDI limit in insurance sector should be opposed.

### **STOP PRIVATISATION OF PUBLIC SECTOR GENERAL INSURANCE COMPANIES.**

Privatisation of Public sector General insurance companies is not in the interest of the nation. Despite the slowdown in the economy and intense competition, the public sector General insurance companies have held their ground, recording impressive growth and retained their market dominance. If these companies are facing some difficulties now, it is not due to slack in business performance but it is only due to the higher provisioning they were forced to make them appear attractive for disinvestment in future. Instead of consolidating the public sector general insurance companies, to enable them to face competition successfully, the government is trying to privatise the PSGI companies.

LIC & PSGI Companies have been providing Insurance coverage to underprivileged sections at cheaper rates through PMJJBY, PM Vayo Vandana schemes (low cost insurance Schemes etc.) and small size policies which the poor, vulnerable and lower middle classes purchase. If LIC has to shed its social objective of providing insurance cover to the weaker sections and made to target the big policies, these sections will be neglected. The objective of expanding insurance in the unprofitable rural areas too will suffer. We also feel that Imposing 18% GST on life insurance products and premiums an impediment for the growth of the insurance industry and also a huge disincentive for savings.

The struggles launched by AIIEA and other stake holders, duly supported by the people at large, has forced the Government of India not to amend Section 37 of LIC Act and forced them to continue with sovereign guarantee on LIC policies. This is very significant achievement in the given situation.

While committing ourselves to the cause of our customers and the people of this country, we assure to protect the savings of the people in LIC policies. We appeal to the people of India to support our campaign to protect LIC which is the PRIDE OF INDIA. We feel that it is the patriotic duty of every Indian to protect the greatest and the finest public sector financial giants.

We (AIIEA) firmly believe that the disinvestment of LIC is the first step towards privatisation. This will totally change the Public Sector Character of LIC. LIC is the biggest contributor to the successive five-year plans in Independent India. It is the backbone of our Economic Self – Reliance.

The IPO of LIC violates the very objectives of its Nationalization as the focus gets shifted to delivering increasing profits to the shareholders. The move to disinvest LIC will adversely affect the economy and vulnerable sections of the people of the country.

Hence, we demand that:

- **The proposal to list LIC in stock market should be withdrawn.**
- **Increase of FDI in Insurance from 49% to 74% should be withdrawn.**
- **Privatisation of public sector general insurance company should be stopped.**
- **GST on Insurance Premium be withdrawn**

**PLEASE CONTINUE TO INVEST IN LIC AND SUPPORT OUR CAMPAIGN AGAINST IPO IN LIC**



**SOUTH CENTRAL ZONE INSURANCE EMPLOYEES' FEDERATION**

(Affiliated to All India Insurance Employees' Association)

L.I.C. Building, Secretariat Road, Hyderabad-500 063

scziefaiiea@gmail.com

