

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
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To

All the Zonal/Divisional/Regional/State Units,

Dear Comrades,

Government to sell stake in IDBI to LIC

We have come across the news that the Government of India wanted to sell its stake in IDBI to LIC. In this background AIIEA has addressed a letter to Chairman, LIC today. We are reproducing the letter for your information.

With greetings,

Comradely yours,



General Secretary.

25th June, 2018

The Chairman,
LIC,
Central Office,
Mumbai

Dear Sir,

Investment Decisions – IDBI Bank

We have come across a number of news reports quoting from reliable sources that LIC has decided to acquire a controlling stake in the ailing IDBI Bank. Many of the financial analysts are critical of this move by LIC. The criticism is on the ground that IDBI has not been performing well; it has a bad loan portfolio of around 28 percent of its advances; the bank has reported a net loss for six consecutive quarters; and the bank recorded a loss of nearly Rs.5700 crore the last financial year. Due to the very nature of this Bank, the majority of the loans are to the corporate sector and the difficulties Banks in India are facing due to corporate defaults are too well known to merit any elaboration.

We are sure that these concerns would have been taken into account by LIC if it has really taken such a decision. The LIC is a trustee of the policyholders' monies. The Nationalisation Act mandates LIC to offer total security to the policy monies and also to ensure decent returns to the policyholders. It is therefore necessary to keep this objective as the prime consideration before anything else while taking any investment decision.

Acquiring a controlling stake in IDBI Bank cannot just be an investment decision. It is a decision to enter a totally new business in which we are afraid we do not have the necessary expertise. We are aware that LIC long back had desired to enter into banking operations but we do not know how prudent it would be to enter into banking at a time when Indian banking is going through a very difficult period for reasons well known. It is also a fact that today well established banks are struggling to adjust to the new environment and regulatory changes. In this background we have a serious doubt about LIC having the necessary expertise to turn around an ailing bank to benefit its core constituency, our policyholders.

The LIC today is acknowledged as the most trusted brand. This trust has been earned through our commitment to safeguard the interests of the policyholders while at the same time making significant contribution to nation building. Since acquiring the Bank will not be through the shareholder's capital but from the savings of the policyholders, we need to be extra cautious in taking such investment decisions.

You are aware that AIIEA is committed to the institution and its clientele as much as it is committed to advance the interests of the employees. We, therefore, request you to address our concerns on this issue and share with us the grounds and optimism of deciding to acquire the ailing IDBI Bank.

Thanking you,

Yours faithfully,
Sd/-
(V.Ramesh)
General Secretary.