

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
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2nd March, 2020

To
All the Zonal/Divisional/State/Regional Units

Dear Comrades,

Listing of LIC in Stock Market

A joint circular on the above subject has been issued by the Federation of LIC Class-I Officers' Associations, NFIFWI & AIIEA which is reproduced hereunder on the above subject.

The contents are self-explanatory.

With greetings,

Comradely yours,

Shreekant Mishra

General Secretary,
(Shreekant Mishra)

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FEDERATION OF LIC CLASS I OFFICERS' ASSOCIATIONS
NATIONAL FEDERATION OF INSURANCE FIELD WORKERS OF INDIA
ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

2nd March, 2020

To All LIC Employees;

Dear Comrades/Friends,

Listing of LIC and the need to give confidence to Policy Holders

The leadership of Federation of LIC Class I Officers' Associations, National Federation of Insurance Field Workers of India and All India Insurance Employees' Association met at Thiruvananthapuram on 23rd February 2020 discussed the issue of Listing of LIC in great detail.

The meeting of the Joint Front congratulated employees and officers throughout the country for the magnificent response to the call of One Hour Walk-Out Strike on 4th February 2020 against the proposal of the government to list in the Stock Exchange and pare its holding through an Initial Public Offer (IPO). The meeting noted with satisfaction that our Agent friends came out in large numbers to express solidarity with the industrial action.

The success of the spontaneous strike action demonstrates the depth of anger and the determination to resist the government push towards listing of LIC. The meeting felt that there was absolutely no reason as to why LIC should be listed in the Stock Exchange. This clearly was a desperate measure by a government facing severe resource crunch due to its mismanagement of the economy.

The Public Sector in India was created to lay the foundations for industrialisation in the backward agricultural economy. The LIC was established to help this process through mobilisation of small savings and converting them into capital for long term investments in infrastructure. The LIC played a glorious role in helping India industrialise while at the same time giving total security to the policy monies and ensuring decent returns to the policyholders. In the process, LIC emerged as the most influential and premier public financial institution in the country. In a country which is still struggling with low incomes, where poverty and hunger are disturbing realities, it is to the credit of LIC that it has insured substantial number of Indians and given them the much needed security. It is unsurprising that LIC is the most admired institution in the country as also the most valuable brand.

The meeting felt that there was no need to be unduly panicky. This is not the first time such an attempt is being made. The Malhotra Committee appointed by PV Narasimha Rao government had recommended the raising of capital in LIC and divesting 50 percent of the same in the market. Subsequently, during the Vajpayee government the management consultant Deloitte was asked to suggest improvement in the working and restructuring of LIC. The Deloitte recommended the corporatisation of LIC by increasing its capital and thereafter divesting substantial portion in the stock markets to what they called as unlocking the true value of the Corporation. Both these governments found it impossible to implement these recommendations due to public perception of LIC. The attempts to divest LIC shares were revived once again in 2016 when Sri Arun Jaitley, then Finance Minister visited LIC to participate in its golden jubilee celebrations. Acknowledging the successes of LIC, he pointed out that it will be the most valuable company in India if listed on the stock exchanges. Therefore, the announcement of the present Finance Minister comes as no surprise.

The Indian people see LIC as the ultimate in security, they were impressed with its work, they were aware of its national importance and its immense contribution to the national development. This strong public sentiments in favour of LIC coupled with the glorious resistance put up by its employees did not allow the governments to succeed in its plan. This glorious struggle halted for over a quarter century a government policy. There is no such parallel in the history of the resistance movement of global working class. Naturally, the policyholders and concerned citizens are now anxious about the Listing of LIC. The employees are angry that an institution that is built by their blood and toil is targeted for disinvestment.

The votaries of privatisation argue that since LIC is used by the government to bail out its programs, the policyholders' interests can be safe only when there is transparency in governance and that can come about only when the government pares its holding. These arguments do not stand scrutiny of truth. If LIC today is the most valuable institution, it is because of its transparency in governance and it being an efficient board managed institution.

These votaries cannot be unaware of the fact that the need for nationalisation of life insurance industry arose primarily due to the mismanagement and fraudulent practices of the private sector. We do agree that a greater functional autonomy to LIC in the matter of investment decisions and wage and service conditions of the employees would further add to its strength. The argument that private sector is better governed is totally flawed. There are innumerable instances where in the financial sector, the public sector banks had to take over the failed private banks including the once greatly admired and acclaimed Global Trust Bank.

The LIC has to make investments according to guidelines laid down by the Regulator IRDAI. They also point out to the increasing NPAs. The majority of investments LIC makes are in government securities which are totally safe. It has a great track record of earning profits in its investments in equities. Its corporate loan investment is done on the basis of strong credit ratings. Yes like any business organisation LIC also has to run the risk of some of its investment turning bad. But the alarm raised about the increasing NPAs is totally unwarranted. The vested interests talk about high NPAs which are only in relation to its loan portfolio and not the total investments. In terms of the total investments of LIC, the NPAs in LIC are less than one percent. The scare these votaries want to raise is to achieve their aim of transferring the huge value created by the blood and toil of LIC employees and its agency force to the elite of this country.

The meeting of the Joint Front decided that it was now our supreme duty to inform the policy holders and general public that their interests are totally safe. LIC is a very strong financial institution. The strength of this financial institution combined with the vigilance of the trade union movement will ensure the safety and interests of the policyholders.

This is the immediate task that needs to be undertaken by the trade union movement and the growth momentum in the new business of LIC must be kept up.

The employees must understand the process of disinvestment will not stop with the dilution of a small portion as IPO. As per the existing regulations, any listed company will have to have a minimum of 35% of its share floating in the market. Therefore, attempts will be made to continuously pare the stakes in LIC. The experiences of the other institutions explain that the ultimate aim of divestment is privatisation.

There is absolutely no reason for divestment in LIC. If the public sector Banks have had to offload their shares in the market, it was to raise capital to expand their operations and meeting the regulatory requirement for lending. In the case of LIC, it is to fund the government expenses. We, cannot allow the sale of this 'Jewel in the Crown' to help the government meet its fund requirement for its day to day needs. The Trade Union movement in LIC has to come out with a sustained program of campaign on this very important task. The LIC is a national asset and it must remain the most precious asset of the public.

The meeting decided that our constituent units should educate their membership on the various facets of the Listing issue and work in a co-ordinated manner to give confidence to our policy holders. The meeting also felt that other organisations having similar understanding on the issue of LIC's listing should be approached and unity expanded.

With greetings,

Comradely Yours



S. Rajkumar
General Secretary
Federation of LIC
Class I Officers' Association



Vivek Singh
Secretary General
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Shreekant Mishra
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