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GENERAL SECRETARY:
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The Editor/ Correspondent

Date: 24.01.2022

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Madam/ Dear Sir,

Re: Statement issued by Peoples Commission on Public Sector and Public Services on LIC IPO

The Peoples Commission on Public Sector and Public Services, comprising of eminent economists, educationists, civil society organisations and trade unions, has issued a Statement on LIC IPO. This statement is a damning indictment of the LIC IPO process that the government is trying to push through disregarding public opinions to the contrary.

According to the People's Commission, it is highly imprudent to disinvest the equity of the LIC, as it will result in a radical change in the role and the character of the Corporation as the largest social security provider in the country for the disadvantaged sections of the society. The divestment exercise should therefore be dropped forthwith. The disinvestment process initiated by the government has been utterly non-transparent, with very little information about the process being made public — especially about how the valuation exercise is being conducted. The changes already made to the character of LIC in the run-up to the disinvestment process threaten not just the vitality of the pioneering enterprise but jeopardise the growth, development and penetration of life insurance in India, which can only have adverse consequences for those at the margins.

Terming the reliance of the government on Disinvestment of LIC and CPSEs as a way of mobilising resources as fallacious and illusory, the statement says that the government can access the same resources from the common pool of savings in the economy on far better terms, without having to dismantle the LIC as a social security provider. According to the report, the government seeking additional fiscal resources for financing its social sector schemes is also fallacious as there are other more sensible ways to reduce the fiscal gap, for instance, by reducing public expenditure on non-essential, unproductive items and by raising resources by levying redistributive taxes on the more affluent sections. The statement goes on to argue that the government's argument that listing the LIC on the bourses will enhance the transparency of LIC's functioning and create wealth through retail investors is not valid, as the LIC's operational efficiency is amply demonstrated not only in its profitability but also by the multifarious social benefits through the social security cover it provides to a large number of disadvantaged households and the funding it provides for implementing infrastructure projects and social security schemes undertaken by both the Centre and the States.

Commenting on the unique nature of LIC, the statement says considering that it is millions of small policy holders who have almost exclusively funded LIC's phenomenal growth over the last six decades, without any significant support from the public exchequer, the way the government has relegated the policy holders to the background, merely to benefit a few affluent investors, is patently reprehensible. The decision to divest the equity of the LIC is a unilateral one, without taking

Parliament, the public or millions of policy holders into confidence. The Peoples Commission has therefore demanded that the government should drop disinvestment of LIC altogether.

We enclose the Statement issued by the Peoples Commission on Public Sector and Public Services for your kind perusal. We would request you to kindly give wide coverage to this statement in your valued publication in the interest of LIC, the national economy and the people of India at large.

Thanking You,

Yours faithfully

Handwritten signature of Shreekanth Mishra in black ink.

General Secretary