

Talking Points-10

On to General Strike on 28th & 29th March, 2022.

India Is NOT For Sale!

We, the People, Will NOT Allow It!

NO To Privatisation of LIC

The Indian government is making hectic preparations to list the Life Insurance Corporation of India (LIC) in the stock markets to start selling shares of LIC to private business through an initial public offering (IPO) in the current financial year. The necessary legislative changes have been brought to LIC Act surreptitiously as part of the Finance Bill 2021-22 to facilitate the listing. The government is contemplating to bring some more changes to allow foreign capital to participate in the IPO. In this process shares of LIC, a fully state-owned institution will be disinvested in phases and the ulterior motive is to fully privatise LIC in favour of private financial corporate, both foreign and domestic. All the trade unions are opposing the IPO as they consider it as the first step towards privatisation and a threat to the foundational objectives.

Hollow Arguments for IPO:

The government is trying to justify the move for disinvestment of LIC through IPO process by giving some spurious arguments. According to the government, listing of LIC on stock exchange will bring about discipline, provide access to financial markets and unlock its value. It will also give opportunity for retail investors to participate in the wealth so created.

These arguments are hollow. The LIC is a transparent and efficient Board managed institution. It comes out with Public Disclosures every quarter. It submits Report of its functioning every month to the Regulator – the Insurance Regulatory and Development Authority of India (IRDAI). Its accounts are placed in Parliament for scrutiny. If this is not transparent functioning, what else it is?

Whereas, the private sector financial entities are mostly non-transparent and are full of operational scandals causing huge losses to the investors and customers. All these facts are coming out in public domain from time to time. And nobody could yet raise and blaming finger to LIC or could raise question about its operational integrity. In fact, private sector big business is synonymous to corruption and malpractices through wilful debt-default, deliberate tax-evasion and various other foul means. The private sector insurance businesses are mostly notorious in ditching their policy-holders; their claim-settlement is poor while comparing with LIC. In other wards private insurance companies rejection of claims are much more than LIC.

LIC is the largest investor in the Indian economy. The argument that listing will help LIC access funds from the market is laughable. LIC generates investible funds to the extent of Rs.3.5 to 4 lakh crore annually and therefore there is no necessity for it to access the market for funds.

It is common knowledge that only around 3% of the total participants in the stock market are retail investors. To say listing will enhance the value for retail investors is far from truth. It will enhance value and profit for the rich, foreign capital and

domestic institutional investors. This simply means handing over one of our finest financial institutions for enhancement of value for the rich.

To say that listing will protect the interests of policy holders, means that LIC is lacking in this aspect, which again is not true. LIC has fully protected the interests of its policyholders. While ensuring total safety of the funds of policyholders, it has the track record of giving the best returns in the form of bonus. It has set very high servicing standards. Its claim settlement performance is the best in the global insurance industry. It has the lowest operating cost in the entire life insurance industry in India.

Thus, the arguments of better transparency, policyholders' interests etc all totally fall flat in the face of existing reality.

LIC a Golden Goose

LIC was established on 1 September 1956 by an Act of Parliament. The objectives were to provide security to the policy monies and to mobilise savings for development of infrastructure necessary for industrialisation of the country.

In the last 65 years, LIC devoted itself to achieve these foundational objectives to emerge as the most successful public sector financial institution. It has become an inseparable part of the economy and the national development. It is difficult to find any sector of the economy where the footprints of this great institution are not found. It has made enormous contribution to national development. It has invested around Rs 36 lakh crore in the economy. More than 82% of LIC investments are in government securities and infrastructure sectors.

LIC has fulfilled the objectives of nationalisation through its splendid performance in the last 64 years. It has spread the message of life insurance to the remotest parts of the country. It has become the most recognisable brand in the country. With a policyholder base of over 40 crore, it has touched the lives of tens of millions of Indian households. The assets under management of LIC are a whopping Rs 38 lakh crore. It generates annually Rs 4-5 lakh crore as investible fund. It has paid to the government cumulative dividend amounting to over Rs 28,695 crore since inception.

LIC today is competing with 23 private insurers. Even after 20 years of competition, it continues to dominate the market with a share of around 66% in premium income and 75% in number of policies. For the financial year 2020-21, LIC earned a total premium income of Rs 4.02 lakh crore (both new business and renewal). It has earned an investment income of Rs 2.72 lakh crore. The total net income of this gigantic institution for the year 2020-21 is Rs 6.82 lakh crore. It has settled claims amounting to Rs 2.1 lakh crore during this year. This has made LIC the largest life insurer in the world in terms of the number of policies serviced and claims settled. In fact, over the years, it has the best claim settlement record in the world.

Impact of Disinvestment

Experience has shown that disinvestment finally leads to privatisation. Disinvestment will surely shift the focus from national development to maximisation of profits for the shareholders. The entire business model of LIC in the process will have to undergo a change. There will be concentration on elite

business with high premiums to the neglect of socially necessary insurance for the weaker sections of the society.

There will be more concentration on urban and metropolitan centres at the cost of Rural India.

In order to ensure greater profits, there will be a tendency to sell policies capable of giving better returns to the shareholders rather than encouraging traditional endowment products. Such a situation will be a serious drawback for mobilisation of funds for social and infrastructure development of the country, depriving many basic services to the poor that the government used to provide with funds provided by LIC.

The government is also allowing foreign capital in LIC. This will certainly enable the foreign capital to gain greater access and control over the domestic savings which would harm the national development project.

LIC is too important an institution to be privatised. The LIC IPO which would certainly lead to future privatisation of this great institution has serious ramifications for the entire national economy. It is part of the pro corporate and anti people neoliberal agenda, being aggressively pushed by the Modi led BJP government.

Therefore, it is the responsibility of the entire society to oppose the government move towards disinvestment in LIC and its ultimate privatisation in the interests of national economy and economic freedom.

The two days General Strike on 28-29 March 2022 is part of this struggle to force the Modi government to reverse its pro corporate policies, to stop privatisation in any name.

Let us Unite and Fight!

Make the General Strike on 28-29 March 2022 a Grand Success!