



ALL INDIA INSURANCE PENSIONERS' ASSOCIATION

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President : Com Ashok Tiwari

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General Secretary : Com T K Chakraborty

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To

All Divisional/Regional/State units of AIIPA

Dear Comrades,

Re: LIC IPO and Insurance pensioners' Tasks

The Joint Front of Officers and Employees of LIC -Federation of Class I Officers' Associations, National Federation of Insurance Field Workers of India, AIIEA and AILICEF - have decided to organise a DHARNA at Jantar Mantar, New Delhi on March 05, 2022 to sharply focus reasons for their opposition to LIC IPO and to seek the support of general public. AIIPA wholeheartedly supports the decision and calls upon insurance pensioners of Delhi to massively join the Dharna.

This decision, in the background of the growing opposition to LIC IPO by eminent people from all walks of life and several political leaders from the opposition amid the breakneck speed with which the government proceeds with its plan for LIC IPO, AIIPA hopes, will help channelise the widespread resistance and enhance the determination and firm up resoluteness to fight against LIC IPO.

Peoples Commission for Public Sector and Public Services, a body of eminent economists, scholars, academicians, legal luminaries has appealed to the people to oppose LIC IPO and prevent dismantling of a great Institution.

The Government announcement for an LIC IPO on February 01, 2020, was followed by Amendments to LIC Act, through the Budget 2021, appointment of pre-transaction advisers, agencies to ascertain embedded value, merchant bankers to handle LIC IPO etc. The appeal to the Government to delink LIC Act Amendments, to enable a full-fledged discussion was not heeded and it was too much to expect from a Government suffering from democratic deficit and having disregard to parliamentary norms.

SEBI tweaked its Rule for IPOs to suit the needs of an LIC IPO and Government is expected to modify its stipulations in regard to FDI to enable upto 20% FDI in LIC IPO.

Utilising the Free Reserves and retaining the Government Share of Dividends, the Share Capital has been raised to Rs. 6325 Crores and LIC Board has been reconstituted, with more independent Directors.

The DRHP has been filed with SEBI on February 13, 2022 and 31.6 Crores of shares of Rs.10 each are offered for sale with no fresh shares to be issued by LIC. Hence all the proceeds of LIC IPO will go to the Government to bridge its fiscal deficit. Reservation of 10% for Policyholders and 5% for Employees has been proposed.

Disinvestment target of Rs 1.75 Lakh Crores in Budget 2021 has been lowered, in the Revised Estimates.

The Price Band based on the embedded value of Rs.539686 Crores is yet to be announced and funds from LIC IPO will be utilised to achieve the revised estimates.

In the whole process, there has been opaqueness and there has been no discussion with stakeholders and communications from Organisations, requesting for discussions have not elicited response.

Life Insurance Corporation of India has been an Institution par excellence for more than 65 years, providing Insurance Cover to the very rich, rich, poor and marginalised sections of the society, holding a market share of 72%, even after 21 years in a competitive atmosphere.

The ticket size of LIC Policy vis-a-vis its peers clearly shows, that it has catered to the needs of common people more and its penetration into rural areas significant.

The Offer of Sale of 5% of its Share Capital is a step towards privatisation and Government has already got authorisation to go upto 49%.

The announcements that the Sovereign Guarantee to the Policyholders will continue and it will hold 51% of Share for all time to come, are only the off-shoots of the resistance movements against LIC IPO. But Sovereign Guarantee for how long, is the question.

As per DRHP, the embedded value is Rs.539686 crores and for purposes of its ascertainment, Life Fund has been segregated into two Funds - participating and non participating - and it seems the huge real assets of LIC, have not been properly factored in. Anyhow the enormous Goodwill generated by LIC among the policyholders and public and gold standard of its Agency Force cannot be quantified.

The pattern of Surplus Distribution will undergo a change to 90% for policyholders and 10% to Shareholders akin to private players. The change reflects preference for prospective shareholders above, present and future policyholders.

The document filed with SEBI itself states that reduced share of profits to policyholders may reduce the attractiveness of its policies and may impact its future business potential.

The focus of LIC post-IPO may shift to policies that generate more profits to the shareholders, to policies from urban areas at the cost of a rural focus and small policyholders who go in for insurance cover not only against the risk of dying early, but also on the possibility of living long, may not get the attention they need and deserve.

More use of alternate channels for business procurement, will raise the vulnerability of the huge agency force who have been the backbone of LIC and through whom major chunk of business comes.

LIC has been an Institution that has grown with Policyholders' money, with only Rs.5 Crore put in by Government in 1956 and in a sense LIC belongs to its Policyholders. There are more than 29 crores of individual policyholders besides those covered under Group Schemes, whose interests LIC is protecting besides its contribution to nation building. LIC IPO is only a step to hand over the prosperity to private interests.

None can explain how a government can sell an Institution that has been giving regular returns and has never needed a capital infusion from the Government in its 65 year span and will not need in future too.

From whatever angle one looks at it, the decision for an LIC IPO is more political than economic.

The Finance Minister avers that market is abuzz about LIC IPO and Chairperson of LIC states they are watching the markets and geo political situation closely and are keen on listing in March.

According to government sources, they are watching the situation with concern but not alarm and LIC IPO will be on track.

Insurance Employees have been safeguarding the Public Sector Insurance Industry since 1994, when Malhotra Committee recommended private sector entry and privatisation of LIC. For 27 long years, they have halted privatisation and they do hope that their movement will succeed even now. Privatisation of one Public Sector General Insurance Company and two Public Sector Banks has been halted for now and the TWO DAYS ALL INDIA STRIKE involving crores of workers and employees in March, will pave the way for defeating the ill-conceived economic policies of the Government.

Let insurance pensioners, who have built the edifice LIC and nurtured it to grow and develop into a gigantic premier public sector, helping in nation building activities, rededicate themselves to the task of protecting the great Public Sector and ensuring economic sovereignty and secular democratic fabric of our country remain unhindered.

**LET US MARCH FORWARD WITH TOTAL CONVICTION AND GREAT DETERMINATION,
TOWARDS OUR AVOWED GOAL AND VICTORY SHALL BE OURS.**

**“HOTON PE SACHAI REHTI HAI, JAHAN DIL MEIN SAFAI REHTI HAI HUM US DESH KE WASI
HAIN.....”**

With Greetings,

Yours faithfully,



(T.K.CHAKRABORTY)
General Secretary