

# LIC AGENTS' ORGANISATION OF INDIA

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## MEMORANDUM SUBMITTED TO THE CHAIRMAN, IRDA

Sir,

We submit this memorandum containing issues and grievances pertaining to LIC Agents in the country with a request for immediate redressal.

1. Persistency Rule: Lapsation of policies is due to the sudden economic crisis because of various reasons. An agent cannot be penalized for this. No agent will encourage a policy to be lapsed. Consequent to this rule an agency gets terminated for no fault of the agent. This is very unjust and we request that this rule may be withdrawn. Even for insurance companies only a fine is imposed for a reduction in rural business, and they are allowed to continue.

2. Direct marketing of life insurance policies will naturally affect the existing agents. It is their livelihood and government will not be able to offer jobs to the agents who will become jobless on account of direct marketing by LIC. The principle of LIC is to sell a suitable policy to an individual after considering his background. This will be defeated by direct marketing. Moreover, even after five years of direct marketing LIC could achieve maximum business through agents only, i.e. 99.89 %. This clearly shows that people are not attracted by direct marketing. Our request is that IRDA should not encourage direct marketing, but should maintain the agents and protect them, a community which has put in their sweat and blood for the growth of insurance industry till now.

3. Section 17 of Agents' Regulations 1972 This section stipulates that an agent can be terminated by giving one month's notice. This is very unreasonable and should be withdrawn.

4. Conditions for new policies: IRDA has stipulated that new policies should be sold only to people with NEFT bank a/c with cheque book, nativity proof and photo etc. ECS facility is not available in co-operative banks where most of the rural population hold accounts. Until this facility is introduced in these banks the above conditions should not be implemented. Government should also encourage public to open bank accounts through awareness programmes. When the objective of IRDA is to reach life insurance policies to maximum people, it can be achieved only if the policy requirements are simplified and liberalized as much as possible.

5. Pension, welfare fund and PF: Permit LIC to introduce pension, welfare fund and PF to all Agents, with contribution from Agents, LIC and central government. LIC had given PF to Agents from 1956 to 1958. Now LIC Agents have been included as Workers in the unorganized sector and are given pension (Swalamban). So, we request you to continue PF for all Agents. A welfare fund is required to be given to the Agents to cover the expense in connection with death, disability, sickness and marriage of children of the Agents.

6. Over-supporting of corporate agents: During last year the business brought by banks is 1.81%, and by alternate channels is 0.59%, and brokers .04% only. 97.56% of the insurance business was canvassed by the LIC agents. This means that the public prefer to do business through Agents. Even for doing this meager business the corporate agents are given facilities such as Finance Service Executives, Managers and other office facilities. Instead, if additional facilities are given to Agents they will be boosted for doing more business. So, we request that IRDA should withdraw IRDA Regulations 2000 which introduces insurance broker system bancassurance and corporate agency system.

7. Introduce Free Health Insurance and Term Assurance for Agents. All the Agents may be covered by a group health insurance for an amount of Rs.5 lakhs per year. A group term policy for Rs.5 lakhs may be given to each Agent. Both these may be at the cost of insurance companies as an incentive to Agents. This is required as the Agents, who are fully engaged in canvassing business day and night have no other benefits other than commission.

8. IRDA should recommend to Central Government to enhance the exemption limit of commission for income tax from Rs.20,000 to Rs.1.6 lakhs.

9. Restrict entry of agents to 45 years of age. Employed people after voluntary retirement or superannuation take up insurance agency and canvass business in tight competition with the existing agents. They are in a position to offer premium incentives to the policyholders and thus are being attracted. This affects the agents who do business after taking up full time agency as an occupation. Therefore, this entry restriction is a must.

10. Designate Agents as Sales Executives. The term LIC Agent has been a very old concept. There is a need to change the designation in the changed global scenario. LIC is already recruiting Sales Executives who are also doing the job of an agent. A glaring discrimination also exists within this group. Moreover, an Agent is an Executive who is selling policies for LIC.

11. IRDA should recommend to the Central Government the withdrawal of service tax on policies. Taking an LIC policy for covering life risk cover is not a service. It is not justifiable to impose service tax on the policy as is done in entertainment and other services. Moreover, if the brochure of LIC shows service tax as directed, it will definitely affect the new business. Hence, this should be withdrawn.

12. LIC Agents may be permitted to sell micro insurance products.


13. There was a press statement that IRDA plans to introduce senior agency system. This will affect the entire agency system and encourage legalized corruption among agents. LIC global model agency system will thus be destroyed. Hence the new system should not be introduced.

We are hopeful that you will kindly look into the points raised by us above and resolve the issues as early as possible.

Thanking you,

Yours faithfully,

Hyderabad.  
22nd February 2012

  
P. G. Dileep,  
General Secretary.