

Petition to  
Lok Sabha speaker

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(59)

## LIC AGENTS' ORGANISATION OF INDIA

Regn.No.1-7of2001 (Affiliated to CITU)

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President

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### PETITION TO THE HON. LOK SABHA SPEAKER, GOVT. OF INDIA, NEW DELHI.

(Issues concerning LIC Agents)

Our organization is the only one representing LIC Agents all over India, which has about one lakh membership. Our community is under threat of losing our jobs due to the continuously changing regulations of the government, IRDA and LIC. We are a group of self-employed people and we seek the protection of our job by the government.

The Indian insurance agency system has been taken as a model all over the world. It was the agency force of 12,78,234 that raised the capital of LIC to the present Rs.13.17 lakhs crores from a meager Rs.5 crores in 1956. A lot of sweat and blood of the agents have flowed over the years for this significant growth of LIC.

In this era of globalisation, when the government is not in a position to provide more employment, instead of protecting the existing job of the LIC Agents, the government is bringing reforms that will make them jobless. This is all the more important when these Agents found self-employment without creating any liability to the government.

For the first time in the history of LIC the decrease of business was lower at 5.67% last year. The total first year premium stood at Rs.81,514 crores as against Rs.86,445 crores in the previous year. The reason for this can be attributed to the introduction of minimum business guarantee and the resultant termination of about 12,23,049 agents. If these agents had given minimum 12 policies with Rs.40,000 sum assured and minimum premium of Rs. 100/-, this situation would not have arisen. Thus LIC would have got 1.47 lakhs policies and the situation would have

been reversed. If the termination of agents on this count continues 9,59,872 agents would have been terminated within 3 years, as that many agents are earning less than Rs.50,000 as yearly commission. With the new criteria of IRDA it will be more difficult to canvass business especially from rural area. At present there are only 69,234 agents earning more than Rs.2 lakhs as yearly commission. Even according to IRDA Chairman, the commission given to the LIC Agents are not very attractive. The LIC Agents have certain grievances which need be resolved with your kind interference.

#### 1. Cancellation of Amendments to Agents Regulations 1972

LIC issued an order on 24.7.09 amending the Rules with effect from 9.7.09. This stipulates a minimum first year premium income of Rs.1 lakh in order to continue the Agency. If a list from LIC is taken of the agents terminated for want of this condition, it will be a clear proof of the adverse effect of this amendment to the agents regulations. Our organization approached LIC on many occasions with a request to withdraw the circular. LIC then informed us that it was an administrative instruction dated 9.7.09 of the Central Govt. to amend rules 9 and 19(4) of the agents' regulations 1972. As per LIC records, 12,23,049 agents have been terminated as a result of the new amendment. It is almost impossible to procure conventional policies to fetch a first year premium income of Rs. 1 lakh, which is the minimum business guarantee.

Even from the publicity angle LIC Agents play a substantial role. Before a policy is finalised, an agent would have met and discussed on an average 10 prospective people. Thus the message of LIC would have gone to at least ten times of public than the number of policies. The benefit of this wide life insurance education given by LIC agents would have been lost by terminating this large number of agents. For giving this much publicity LIC would have to spend a large sum of money even otherwise.

According to the new criteria, the renewal commission for the continuance of an agent is Rs.3,000 per year. Though this might appear to be a reasonable amount, we fear that this may be increased in future which will cause termination of many agents in future. The majority of agents who will be affected by this rule are old agents who worked hard to bring LIC to this stage. It is not at all humane to ignore or forget such agents. This meager income is very essential for their very existence - even to meet their medical expenses at their old age. The new rule will also automatically stop the hereditary payment of commission. At present there is



provision to get renewal commission to the nominee of the Agent and also his nominee.

Under the above circumstances, we request your goodself to kindly issue instructions to cancel the direction amending clause (9) and (19 (4) of the Agents' Regulations 1972.

2. Withdraw the notification making banks as brokers

There is a proposal to appoint Bankers as Insurance Brokers. We fear that the banks will put undue influence on the prospects to take policies. If a policy has to be taken, a bank account is necessary. So, when a prospect decides to take a policy from any agent he will go to the bank and open an account. At this time, it is quite possible to persuade the prospect to take the policy through the bank. Naturally, there is a possibility that the prospect will be misguided that it will be advantageous to take the policy through bank. Banks are giving loan to public and the repayment is calculated and converted to EMI to be paid by the loanees. In this process the banks may force a policy on the loanee and the premium will be included in the EMI even without his knowledge. This is against the principle of insurance ethics. We have brought before IRDA our objection to the proposal. We request your interference to drop the proposal to appoint banks as insurance brokers.

3. Withdraw service tax on policies and agents' commission

The service tax on commission of Mutual Funds Agents has been withdrawn. On similar lines the service tax on commission of LIC Agents should also be withdrawn. Agent is a service provider and he is also an income tax payer. Double tax cannot be charged on the same individual.

At present, TDS applies on every payment of commission to an agent above Rs 20,000. We request that the government consider increasing this limit to Rs.1,00,000/- cumulative commission.

4. Service Tax on LIC Policies

Service tax on LIC policies was introduced in 2008. We had represented at that time itself that LIC policies are a safety measure to cover the risk of citizens and should not be treated as an investment so as to attract service tax. Our request was not favourably considered till now. On the contrary, now the service tax has been increased. This is an unbearable burden on LIC and ultimately this may be

transferred on to the policy holder. The very survival of LIC is going to be threatened. If LIC's business falls down, the direct loser is government itself. We therefore, request your goodself to kindly consider exempting LIC from paying service tax. The service rendered by LIC is more of a social nature and there is no justification in charging tax on this.

5. Withdraw the proposal to stop traditional policies

IRDA has a proposal for insurance companies to withdraw all old traditional products and introduce new schemes with revised premium. This condition appears to be aiming at LIC only as other insurance companies will not have any such products.

As of now LIC is an organization in the whole world which is charging the lowest premium and giving lowest commission to Agents. It has been sticking on to the traditional policies from inception till now. Even then there has not been a down fall in the growth of LIC. So, it is not clear as to why a change should be introduced in a system which is moving smoothly. Moreover, when new schemes are introduced with revised premium, it will be more difficult to attract clients. The goal of IRDA itself is to help reach life insurance policies to the common man at the least premium, which will be defeated by the above guidelines. In order to help the life insurance sector or its policy holders, the government should withdraw service tax on premium and agency commission.

6. Stop direct marketing by LIC

As it is, the very reason for the growth of LIC – the global insurance model – is the agency system. The whole insurance sector is following this model. Obviously, there does not seem to have a need to change this system. It is at this time that LIC is entering into direct marketing.

The first step towards this was the appointment of Sales Executives at the Divisional level. Since there was no expected progress, this has been brought to the Branch level. The direct enquiries, maturity, survival benefit etc. at the Branch level is passed on to these Sales Executives. This has created a rivalry between these Executives and Agents. It has affected the smooth functioning of the branches. Since this system also was not found to be upto the expectation, LIC has



now entered into direct marketing of policies. 1% rebate on premium is given for policies through direct marketing. This is against section 41 of Insurance Act 1938. This will appear to be a move to totally eliminate LIC agents – a total deviation from functioning as a global model. Moreover, records show that this has resulted only in loss by LIC. Therefore, we request that the government may stop LIC from direct marketing of LIC policies.

LIC has been spending crores of rupees for business promotion through banks and corporate agents. But this could attract hardly 3% of the business. This shows that a policy holder always prefer to take a policy through an Agent who is always ready to offer his services. If this amount was spent on encouraging and motivating agents the business of LIC would have even doubled.

#### 7. Introduce Pension with contribution from LIC, Govt. and Agents

Swalamban and Samvardhan are the two existing pension schemes. Swalamban is given based on total income upto Rs.one lakh including first year commission, bonus commission and renewal commission. For all other purposes LIC is taking into consideration only renewal commission as income. So, the pension also should be treated like this so that maximum agents will get the benefit. The government is providing Rs.1000/- per head per year.

Samvardhan is a pension insurance policy of LIC. This pension is aimed at the agents who do business for income above Rs.one lakh. Though this is called a contributory pension scheme, factually it is not so. LIC is conducting a competition among agents for quantum of business and fix a prize money. The prize winning money is put in the account of the particular agent as if it is LIC's contribution and the agent also has to put an equal sum. There are two aspects in this. One is that the prize money is actually owned by the agent and not by LIC. So, in effect both the contributions are that of the agent himself. The second aspect is that those who do not win the price has to anyway put both the amounts. This cannot be called a contributory pension; and it is discriminatory also. Both these schemes are not suitable for LIC Agents. A new scheme has to be worked out with an equal contribution from LIC, central government and Agent. The fund can be managed by LIC. This will be a motivation and security for an Agent. Necessary direction may kindly be given in the matter.

8. Start a Welfare Fund and CPF for Agents

An agent is out in the field 24 hours going after clients without even properly attending to his personal affairs. The only income he gets is the commission earned and also a nominal gratuity. If there is a welfare fund scheme he can look for something on which he can depend on emergency situations and that will give him an extra security while working hard in the field. The scheme we propose is to keep aside one rupee for a premium of every hundred rupees by LIC and create a fund. The Agent also contributes an equal amount. This corpus will form the Welfare Fund and will be managed by a Committee of LIC with representatives of Agents' organizations.

The Central Government has included LIC Agents in the unorganized workers sector. Similar Workers are already covered under provident fund. Therefore, LIC Agents also should be covered under Provident Fund.

9. Enhance gratuity and amend gratuity calculation

The gratuity limit should be raised to Rs.10 lakhs as that of Central Government employees. The gratuity should also be exempted from income tax. Gratuity rule should be amended by taking into account the entire service of the agent and take the full commission earned during the service of the agent (first year commission, bonus commission and the renewal commission without any ceiling).

10. Withdraw the insurance bills and FDI in retail sector

The new proposed bill envisages 49% share by foreign partners as against the present 26%. History for the last 12 years will show that not a penny from the private insurance companies has come as a contribution for infrastructural development in India. Moreover, they have created a liability by sinking in debts. The foreign partners of these insurance companies are already in the hit list in their own countries. At this time, if the FDI is increased to 49% the situation will only worsen. The principle of insurance 'people's money for people's welfare' will be defeated by this step.

We have sample case of ANP Samar, an Australian tie-up, which was closed eight years back. In the case of Tata-AIG, when AIG was facing a big economic crisis three years back, Tata gave an advertisement that AIG had only 26% share in the company and hence the policy holders need have no worry. This will indirectly



mean that if the company had more shares, it would have adversely affected the clients. For these reasons, the government should not go ahead with the bill in order to protect the interest of the country.

Selling of shares of public sector general insurance companies as proposed is not at all a good idea. At present, the service of public sector companies is quite satisfactory. When this sector is privatized it will cause increase of premium to policy holders. This will affect reaching of general insurance to the public as a whole. The four government owned companies are already making sufficient profit now, and there is no reason why private participation should be invited. Therefore, it is not advisable to attract private investors into general insurance.

There are now crores of retail dealers in the country whose livelihood is their business. It is definitely bringing in large money to the state exchequer. As far LIC is concerned, they and their families by turn become the clients of LIC also. Once the foreign corporate come in large scale to the country all these local retail dealers will have to shutter their business. Apart from losing their bread-winning occupation, they will be a liability to the nation. LIC will naturally lose many prospective clients, as they will take policies only if they have excess income. The mass entry of foreign investors in the retail sector will also result in flowing out the revenue which would have otherwise remained in the country itself.

We, 3,28,568 LIC Agents express our solidarity on the above issues and submit this petition before you for your consideration and favourable disposal.

**Basudeb Acharya.M.P.**  
President

**P.G. Dileep**  
General Secretary.