



LIC AGENTS' ORGANISATION OF INDIA

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3rd August 2017

The Finance Minister,
Government of India,
New Delhi

Sir,

Ours is the only national organisation registered under the Trade Union Act representing LIC Agents all over India. We are writing this to bring to your kind attention certain issues affecting LIC, its Agents and policy holders. These are serious factors which will affect the business of LIC and ultimately the government is the loser. These points may be considered and favourable directions may be issued on our proposal.

1.GST on LIC policies

Service tax on LIC policies was introduced in 2008. Now this will be replaced by GST. The GST rate ranges from 1.8% to 18%. This addition on the premium discourages a prospective buyer of LIC policy which will naturally affect the business of LIC. We had represented at that time itself that LIC policies are a safety measure to cover the risk of individual lives. This means that the actual beneficiary is not the policy holder, but the nominee. Thus this becomes a social commitment and hence it is unfair to levy GST on insurance policies. This point has not been considered seriously by the authorities.

The very purpose of attracting private insurance companies into India was to have more penetration of life insurance to maximum people. However, the new GST will have an adverse effect. Even in West countries like Canada and European Union do not tax life insurance. This tells us that these governments understand the need for insurance protection and encourage it by supportive policy. Under GST regime in India taxability on the gross premium for pure risk policies is contrary to the principle of taxing the "value addition". GST is a tax on value addition and net premium after deduction of claim in the net value addition. It is very difficult to segregate the "savings" component and find a "value" that could be treated as the proper base for tax, particularly for every premium transaction during the life circle

of an insurance policy. So the very purpose of "life insurance penetration" will be defeated by introduction of GST on policies.

The GST Council has allowed continuance of exemption of GST on (1) Janasree Bhima Yojana (2) Aam Aadmi Bhima Yojana (3) Varishta Pension Bhima Yojana (4) Pradhan Manthri Jeevan Jyothi Bhima Yojana (5) Pradhan Manthri Jan Dhan Yojana (6) Pradhan Manthri Vaya Vandana Yojana (7) Micro Insurance Products (8) any other insurance scheme of State Government (9) Annuity of PFRDA and (10) Services provided by IRDAI to insurers under IRDAI. These are the schemes for which service is provided by LIC on behalf of the government. So there is no reason why the other policies of LIC also could not be exempted from GST. This will attract more and more policies which will bring in maximum business to LIC and in turn benefit the government. This benefit will be much more than the GST levied resulting in reduced business. We therefore, request your goodself to kindly consider exempting GST on LIC premia.

2. Pension

Swalamban and Samvardhan are the two existing pension schemes. Both these are schemes not beneficial to LIC Agents. What we need is a real pension scheme with contribution from government, LIC and agent.

3. Job Security and Welfare Measures

LIC Agents do not come under any groups such as professionals, employees, workers, contract labourers. They should be included in any of these categories or a separate bill may be introduced. Dr. A. Sampath, M.P. has already presented a Private Member's Bill in the parliament to this effect.

As it is there is no welfare measurers for LIC Agents. (a) A welfare scheme for the LIC agents and their family should be started with a Board to manage the same. (b) A Mediclaim facility for all Agents should be introduced. It is the government's policy to cover all the citizens under medical insurance. (c) CPF scheme should be made applicable to LIC Agents.

4. Gratuity

Presently the LIC Agents get Rs.2 lakhs as gratuity. This is taxable. The gratuity may be raised to Rs.15 lakhs as in the case of LIC and other Central government employees. This may be exempted from tax. The calculation of gratuity may be based on the total commission received during the entire service period. In the case of employees the last 15 years of service is taken into account when they will be receiving the highest salary. As against this an LIC agent in general will be

receiving highest commission during the initial years which will go on decreasing in the subsequent years.

5. IRDAI recommendation on commission

IRDAI has vide circular No.F.No.IRDAI/REG/25/137/2016 dated 14th December 2016 has fixed the commission structure for Insurance Agents with effect from 1st April 2017. Private insurance companies have implemented the recommendation. But LIC has not done this. Direction may be given to LIC to implement this recommendation on future policies.

6 GST on agents' commission

The service tax on commission of Mutual Funds Agents has been withdrawn. On similar lines the service tax (GST) 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.

7. Income tax is levied on short term maturity claims

Income tax is levied on maturity of short term policies. Normally short term policies are taken by aged people and the premium itself is high. Service tax(GST) is also levied on these policies. Since income tax is deducted on maturity claims the demand for these policies is much less. If tax is removed there is a possibility to attract more people for short term policies also.

8. Direct Marketing

LIC has now entered into direct marketing of policies. 1% rebate on premium is given for policies through direct marketing. This is against Insurance Acts. 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.

9. Diamond Jubilee Gift

In commemoration of the Diamond Jubilee Year of LIC it has been decided to (1) adopt a village by every division (2) adopt a school by every branch (3) carry out tree plantation project (4) illuminating the buildings of LIC (5) awarding a gift to all the employees (6) give special bonus to all the policy holders etc.

In addition insurance week celebrations were also conducted at the zonal, divisional and branch levels. This has involved heavy expenditure as can be seen in

A/c code 113144 (insurance week celebration account). A large amount has also been earmarked for cultural, sports, academic and social activities also.

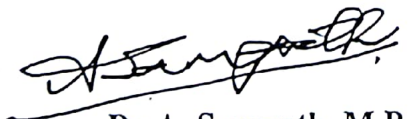
When such elaborate activities have been planned as a part of the Diamond Jubilee Celebrations, the LIC Agents who are vital part of the organisation have been completely ignored. Our request is that LIC should honour the Agents also with a Diamond Jubilee Year gift. Your interference in the matter is kindly requested.

10. Miscellaneous

- (a) Bankers are made as Insurance Brokers. This will encourage banks to 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.
- (b) Nationalised banks have started charging service charges on payment of premium through ECS. (c) LIC has started new mini offices in various centres as per government direction, which involves a lot of unwanted expenses. Since there are over 30,000 Agents' premium points for LIC, this work can be done here. (d) LIC may be directed to discuss and resolve the Charter of Demands submitted by us to LIC.

We request your intervention in these matters and favourable directions. LIC is the only government-owned life insurance company. This is the largest financial institution supporting the government. Therefore, it is very important for the government to protect the organisation.

Yours faithfully,



Dr.A. Sampath, M.P.
Working President



Dr. P.G. Dileep
General Secretary