



ALL INDIA LIC AGENTS' FEDERATION

CENTRAL SECRETARIAT, 'AGENTS BHAVAN', T.C 36/1567(4), KERA-196, ENCHAKKAL,
VALLAKKADAVU (PO), TRIVANDRUM, KERALA-695008.
Regd. No. 174/86 (Under Indian Trade Union Act 1926)

President

N.K.PREMACHANDRAN.M.P

Member of Parliament-Loksabha

New Delhi-110001.

Mob: 9400117700.

E-mail: nkprem07@gmail.com

Working President

C.RADHAKRISHNAN

'Krishnavihar', Ambalapuzha,

Alapuzha Dist.

Mob: 9496433422.

E-mail: cradhakrishnanhema@gmail.com

Secretary General

K.RAMACHANDRAN

'Sariga', Manjamala PO

Thonnakkal, Trivandrum.

Mob: 9447221433.

E-mail: ramachandrank123@gmail.com

Date: 01/09/2022

To,

Smt. Nirmala Sitharaman

Hon'ble Union Minister for Finance

Room No: 134, North Block, Raisina Hills

New Delhi-110001.

Esteemed Madam,

Sub: IRDA's proposal to cap agents' commission rates in the guise of reducing cost and make insurance affordable.

We agents express our protest and objection to IRDA's proposal and wish to submit the following facts to substantiate our contention.

Around 13 lakh LIC agents in the country are the backbone of insurance industry, toiling hard day and night to bring in maximum revenue to LIC as premium income and cater to the needs of their clients. Agents contribution in LIC business, among sales intermediaries, accounts for 93% of total business.

Agency Commission is the livelihood of these agents and their families. As of now, LIC Agents are entitled to 35 % commission for 1st year premium (varies as per plans), then 7.5% of 2nd & 3rd year premium and 5 % of renewal premium. Since, lapsation is very high, around 50%, renewal commission is minimal. Thus, 1st year commission is the major source of income for agents. For premium collection and policy servicing, agents have to spend more money than minimal renewal commission. That too only if the policy holder keeps paying premium. Moreover, commission rates were fixed as back as in the year 1956 which were never ever revised after that. Hence, capping commission will adversely affect agents' income and in turn affect business.

In this context we wish to point out major factors in LIC which contribute to cost. The expense ratio of LIC is high despite having biggest infrastructure, own buildings and premises, sprawling real estate area etc. that too at prime locations in almost all cities in the country. But, extravaganza, wastages and mismanagement are rampant in this institution.

Austerity measures are only in paper rather totally ignored. In cities, when vast space in LIC's own buildings is left unoccupied, many offices of LIC in the same center are run in rented buildings.

Besides, staff strength is not fixed as per prudent analysis of requirement, rather decided as per the dictate of militant trade unions. The advent of digital technology and IT enabled services facilitated involvement of minimum man power at maximum speed. But proportionate reduction in staff strength was not allowed nor made. All offices especially in city centers are crowded with excess staff. Divisional offices, Zonal offices and central office are controlling offices where functions are very limited due to advanced technology and decentralization of functions. But in all these offices, jumbo team is accommodated in each department.

Another area is mobility of Staff members which is vehemently blocked by staff Unions. The staff members may be shifted or transferred periodically so that their efficiency and exposure will be more. Here in LIC one can sit in the same chair from his joining till retirement as per his will and wish. Earlier such attempts by management were thwarted by Unions.

Senior level posts and cadres are created just to accommodate officers, as per their choice. LIC Training Centers are crowded with officers in the Cadre of ED and Zonal Managers as faculty members which is testimony for funny state of affairs in LIC.

Number of Class 1 officers in each office are in excess especially Marketing Officers who are graced with very expensive perks, free of cost car, foreign trips, gifts, cash awards and other gratifications.

Hefty amounts being spent on advertisements and marketing are another extravaganza. Marketing meetings are held at premium resorts spending lakhs. Budget for advertising is shockingly high. Indiscriminate business competitions offering gifts like sovereigns, worth more than the premium income it brings, are uneconomic and incomprehensible. At times the motive is to project unrealistic or bogus business figures of Branches, Divisions and Zones.

The food coupon system is another extravaganza eating into policy holders money. Food Coupon is not in any other service sector like banks, general insurance etc. The rationale behind food coupon is to be reviewed. An officer in the junior cadre of AO gets around Rs.10,000/- p.m. as additional income as food coupon where no income tax or other levies. This is running to Crores of rupees, adding fatal burden on cost of insurance.

So, these are the major factors contributing to the high cost of insurance where stringent austerity measures are warranted. Mismanagement and lack of commitment are serious concern.

These issues in LIC are to be addressed in the proper perspective for transforming insurance affordable and attractive. On the other hand, capping agents commission and depriving livelihood of agents are suicidal. The purpose cannot be met, rather the industry will be in crisis.

Hence, this appeal to your good selves to have a serious deliberation on the aforesaid facts before proceeding with cap on commission.

Thanking you

Yours faithfully,

C. Radhakrishnan



Working President

K. Ramachandran



Secretary General

Copy to...

1. The Chairman, LIC of India, Central Office, Mumbai.
2. The Chairman, IRDA of India, Hyderabad.