MEMORANDUM TO THE COMMITTEE ON REFORMS IN INSURANCE SECTOR IN TOTAL OPPOSITION TO THE ENTRY OF FOREIGN AND INDIAN PRIVATE INSURERS INTO THE LIFE INSURANCE SECTOR

Submitted By

ALL INDIA LIC EMPLOYEES FEDERATION

MEMORANDUM SUBMITTED TO THE COMMITTEE ON REFORMS IN INSURANCE SECTOR

THE MAIN ISSUE

The terms of reference of the Committee on Reforms in Insurance Sector include "recommendation of changes in the structure of the insurance industry and in the general policy framework, keeping in mind the changes that are taking place in other parts of the financial system and in the economy".

The appointment of this committee follows the finance minister's budget speech in which he stressed the need for reforms aimed at introducing a more "competitive environment" subject to suitable regulation and supervision.

At about the same time, the press quoted highly-placed sources in the North Block as having indicated that the government was not averse to opening the entire insurance sector in the country to private Indian and foreign companies. They also said that if the insurance market continued to be regulated, money would flow out of the insurance business to more productive sectors like stock markets, banks and mutual funds.

The press reports, not denied by the government sources, also conveyed that three UK companies - Prudential Insurance, Eagle Star and Greysham Insurance - wanted to step into the life insurance business in India while two UK firms had sought permission to operate in general insurance.

Mr. Ron Anderson, a senior insurance executive in an US Corporation formed an impression, after talks with senior officials of the finance ministry, that the Government would like to allow entry to the international insurance companies in to the country even in areas like life insurance but it was hesitating to take that step as it feared opposition from a strong trade union movement of LIC employees and also from the left parties on whom it had to depend for its survival.

Mr. Peter Grant, Chairman of the UK - based Sunlife Assurance Society, who came to India in January 1993 as a member of the high-level business delegation accompanying the British prime minister Mr. John Major, announced that Sunlife Company was likely to launch an open-ended unit trust scheme for international investment in India with Sunlife itself acting as a market maker. The Company hoped to receive 30 pc stake in a joint venture with LIC of India but Mr. Grant did not hesitate to add, "in 10 to 15 years' time, we may want to operate on our own".

It was already clear to knowledgeable circles as to which way the wind was blowing. In September 1992, Mr. K. P. Narasimhan, who was the LIC Chairman at that time, expressed, "the insurance industry was likely to face a lot of competition in future, particularly from the private sector and from outside the country in the wake of the liberalisation policies and pressures from the International Monetary Fund (IMF) to open India's insurance industry to the world" (Financial Express - 17-9-1992).

On the issue of access to multinationals involved in financial operations like insurance, India was under pressure from the Uruguay Round of General Agreement Tarrifs and Trade (GATT) negotiations.

And the US administration continued to threaten that it would revive and use Section 301 of the US Trade Act of 1974 whereunder it could bypass GATT and other international mechanisms and unilaterally initiate actions against the countries which denied access to US insurers to domestic markets.

In this particular background, the first and the foremost question before the committee appears to be to consider as to whether the government should allow private Indian and also foreign companies to enter into the insurance sector. We, therefore, propose to deal with this crucially important question more elaborately before replying to the whole questionnaire.

FOREIGN ENTRY

The protectionist measures adopted in many countries are not aimed solely at reducing external competition and increasing profits. The main purpose of prohibitions against foreign insurers is to provide the domestic industry with the largest possible volume of business so as to enhance its capacity to indemnify losses and remain solvent. An insurance company collects premiums and pays claims. The number and magnitude of such claims are not known in advance; they are subject to random fluctuations (more so, in general insurance but also in the life sector). Restrictions on insurers abroad are likely to increase domestic insurance potential by expanding the number and diversity of policies made available to the domestic market. These are the observations of Mr. Jose Ripoll, former Deputy Chief of Insurance for UNCTAD.

It is not that industrialised countries are characterised by "open markets" while protective barriers are a distinctive feature of developing countries. For instance, a link did exist between restrictions imposed by New York on reinsurance business and the establishment of New York Insurance Exchange, which was associated with the desire to expand the domestic market and maximise premium retention within the USA.

Germany and France prohibit imports of insurance for domestic risks. The traditionally liberal and profitable Swiss market has withstood foreign efforts to establish a foothold; only a marginal 3 pc of premiums are under -written by foreign insurers. In Norway, no foreign company has been allowed to settle down for the last 45 years. The Japanese market does not permit entry of foreign insurers.

A point is sought to be made that the objective of reducing the barriers is to allow consumers to avail of more competitive condition; their rational selection of the product and of the Company would ensure an optimization of product and of market structure.

We may take the liberty of quoting Mr. Repoll once again. He observes in this connection that such an objective cannot be attained in the present context of corporate power, capital accumulation and transnational production patterns. "The process of acquisitions, mergers and other transnational operations would not permit any of the individual units to make free decisions in accordance with an independent strategy; the process aims precisely at conforming the decisions to a centralised corporate strategy and the result may well be many sorts of market manipulations and decisions far removed from those which would be made under the conditions which open markets are supposed to ensure," he says.

The "international" supply of insurance also does not improve the quality of the product. It grows in the developing countries in accordance with patterns under the close influence of external models which do not suit the needs of the majority of the population. The imitative processes lead to the neglect of the country's most urgent social security needs.

"The free play (of international economic forces) is admissible in relations between countries that are structurally similar but not between those whose structures are altogether different, as are those of the industrially advanced and the developing countries". The UNCTAD secretariat expressed this opinion twenty years ago and today, it seems to be more true than ever before.

INTERNAL COMPETITION

The Life Insurance Business in India was in the private sector upto 1956 when the Government took it over. The Government took this step after having given fairly long trial through various measures to place the industry on a sound footing. It is better to quote here Mr. C.D. Deshmukh who was the finance minister at that time. While moving the Bill for the nationalisation of life insurance, he said : "We entered on the study with no pre-conceived notions and it was conducted strictly on pragmatic lines. This study was a prolonged and comprehensive one. Even the first examination in 1951 pointed towards nationalisation as the obvious step. Loans were given on every type of security - good, bad and indifferent - loans on shares, agricultural lands, barges, standing sugarcane crops and libraries as well. With the tightening of the provisions regarding loans in 1950, we thought that these tendencies would disappear; but they did not. In 1950, we amended the Act to limit the shareholding of any one person to 5 pc of the capital of the insurance company. The act was circumvented by holding shares in the names of family members, friends and employees. Another amendment at the same time prohibiting payment of excessive emoluments to officers was circumvented by appointing all dummies, the whole or substantial portion of their salaries being passed on to those who controlled the companies. Legislative control has been tried long enough and it would have been difficult to justify persisting with it any longer".

The MPs like Mr. G.D. Somani and Mr. Tulsidas Kilachand, the representatives of big industrialists, opposed the move and demanded that at least the profit-making companies should be left in the private sector. Mr. C.P. Matthen, another representative of Indian Industrialists, quoted the experience of one American Corporation manufacturing soap and explained how there was cut-throat competition between two different factories of the same corporation producing two brands of washing soap and how one was allowed to compete and cut the other soap from the market. "Americans know the value of competition which is a basic factor not appreciated by our finance minister," he said.

A suggestion of four automomous corporations surfaced in the process. Referring to this suggestion, the finance minister observed: "In a nationalised set-up, competition would have a restricted field and could only be in terms of either of efficiency in service or in the rate of development of new fields of business and we believe that competition of this nature could be achieved through Zonal Organisations contemplated in the Bill without creating other complications...... It would be extremely difficult, if not impossible, to stamp out some of the evils of competitive business such as, for instance, rebating."

Thereafter, a delegation of Indian Chamber of Commerce and Industries comprising of M/s. Lakshmipat Singhania, Kamalnayan Bajaj and Madan Mohan Ruia appeared before the select Committee to which the Bill was referred for a closer examination and again pleaded for the establishment of independent corporations in each zone. Mr. Singhania lamented, "if there is no competition, in course of time, the LIC would turn into something like a post office with only those who want to insure going there and no one canvassing for business."

The predictions of such prophets of doom have proved to be figments of wild imagination. But before taking a quick look at the LIC's performance, it is necessary to deal with the aspect of 'competition' little more extensively.

A CONCEPT CONSISTENTLY REJECTED

The concept of competition in relation to life insurance business was rejected by one after another committee appointed for examining the LIC's working. The observations of the various committees may be summarised hereunder.

The Working Group of Administrative Reforms Commission (1968) - "It was the evil of competition that mainly influenced the government to embark upon nationalisation. Now to suggest that the corporation can be split up for the same kind of rehearsal does not appear to us desirable in view of the past experience. The deficiencies in the corporation's working are not due to its monopolistic or monolithic size or nature. The Corporation has now taken a definite shape and it is advisable to make improvements in the present organisation rather than disintegrating it into many parts, in the pious hope that several corporations will function more effectively. Further, once the process of fragmentation starts, there may be no stopping it. It may eventually lead to each state having its own corporation with all its entanglements. All the fissiparous tendencies handicapping our national life would creep into various corporations."

The Committee of Enquiry in to the expenses of LIC (1969) - "The remedy lies in decentralisation and not in multiplying the number of corporations, and this decentralisation can be achieved even in the unitary set-up. Examples of Metropolitan and Prudential insurance companies show that the operational effeciency has nothing to do with the size of the Company."

Era Sezhiyan Committee - "The competing corporations setting up offices throughout the country will add to the cost. The competition will increase the cost of production of business and lead to unhealthy practices like rebates to policy holders. For improving premium rates and bonuses, the competing corporations will neglect extension of business to the rural areas and to the weaker sections of the community. Again, competition by itself does not help in improving performance of customer services."

A fresh attempt was made in the early eighties to split the LIC into five independent, competing corporations. The government which moved in this ill-advised direction by introducing a Bill on the LIC's split-up finally dropped this Bill in the face of strong opposition from various quarters.

Our federation made out two important points in its detailed memorandum submitted to the joint select committee of the parliament appointed for a thorough examination of the Bill, in addition to the points repeatedly discussed. First, the LIC's centralised funds were used in a substantial measure for the economic development of backward regions particularly situated in the eastern and central provinces. To state precisely, the investments made by the LIC in eastern and central zones have been more than the premium income earned in these regions. The additional funds for investments in these zones have been provided by northern, western and south/south central zones. Such assistance to the backward regions from the centralised funds of the corporation will come to an end with the LIC's split-up into five independent competing corporations. Second, the corporations operating from northern, western and southern regions will snatch business from eastern and central regions on the strength of their inherent advantages, with the result that these two corporations will go bankrupt in course of time.

LIC's PERFORMANCE

The LIC has been showing continuous improvements in its working results, more splendidly in the recent period. Thus the LIC's annual new business has soared from Rs.5,398.57 Crores in 1984-85 to Rs.35,913.73 Crores in 1992-93 in terms of Sum Assured. In the same period, the business in force has gone up from Rs.33,950.50 Crores to over Rs.1,25,000 Crores.

The proportion of rural business in the total new business secured every year is now 44.7 pc in terms of number of policies. This is a commendable achievement in the context of continuous migration of rural population to urban areas. Another factor which needs to be taken into consideration here is that the more affluent sections of the insurable population in the rural areas do not prefer to buy life insurance policies in view of their ownership of physical assets which has a continuity and also the fact that the question of tax rebates does not arise in their case since the income they earn from agriculture including cash crops, grapeyards, poultries and live stocks is not taxed.

The LIC's performance in settlement of claims compares favourably with that of Life Insurance Companies in USA and UK. The proportion of claims outstanding to the claims payable has come down to about three percent. 75 p.c. of death claims are now settled within 75 days of intimation while large majority of maturity claims are paid on or before the date of maturity.

The overall expense ratio of insurance companies in the western countries is expected to be less since their premium income in relation to the number of policies is much higher. Even then, the LIC's overall expense ratio compares favourably with the overall expense ratio of prestigious Life Insurance Companies like Prudential and Royal from United Kingdom, and several US Life Insurance Companies. It is much less as compared to Australian Life Insurance Companies.

Bonus to policy holders has moved up from Rs.28 in 1981 to Rs.44 in 1985 and Rs.67 to Rs.73 in 1992, per thousand sum assured per year in respect of endowment policies. This is in addition to continuously escalating terminal bonus.

In contrast to the experience of various other undertakings, the government has been the greatest beneficiary of the LIC's increasing prosperity. In 1991-92, the LIC paid to the Government of India an amount of Rs.254.90 Crores by way of income tax and another sum of Rs.104.62 Crores as dividend on its capital of Rs. Five Crores!

The society also stands benefited. As on March 31, 1992, the LIC had lent Rs.1325.74 crores for water supply and sewerage disposal schemes and granted loans of Rs.4122.43 crores to state electricity boards which they could use for electrification of numerous villages. In all, the LIC's investment in national development schemes exceeded Rs.12,000 crores.

These working results show beyond any shadow of doubt that the LIC's monopoly in life insurance business and the consequent absence of 'Competition' has not made it sluggish or indifferent towards the needs of the policyholders. Its performance has been improving continuously and significantly.

In the face of this refreshing reality, any consideration of allowing private Indian and foreign companies to enter into the life insurance sector or splitting the LIC into independent competing corporations is out of question. An institution firmly settled on the path of progress must not be destabilised.

It is relevant to state here that the single biggest factor which has contributed to the growth of life insurance in a developing country like India is the government security. Once this absolute security gets withdrawn in a sense that the policyholders are exposed to a competitive market where "higher returns" become the driving force of the growth of life insurance business, they will feel totally insecure. It should be mentioned here that in the so-called wonderland of USA, several insurance companies became insolvent during the last two years as a direct consequence of competition. In Japan, where life insurance companies were earning higher profits through investments in real estate got caught in a serious crisis when the real estate prices crashed and they had to cut down terminal bonuses. The policyholders in a developing country like India, whose investments in life insurance policies are their savings out of hard-earned incomes, can not afford to go for such speculative gains.

Finally, a simple question. Will private insurance firms, foreign or Indian, invest their funds in social security schemes ? Will they insure the hut of a farmer against fire, a village weaver's loom against theft or the life of a person engaged in hazardous occupation ? Will they provide to our electricity boards, state transport corporations, municipalities and Zilla Parishads loans at comparatively cheaper rates ?

The answer to all such questions is a clear NO. The private companies will concentrate on snatching the cream of business in metropolitan cities through rebates and various other manipulations including hijacking of more talented persons from the LIC's highly experienced administrative staff and field force with bait of higher emoluments and better perquisites. Its inevitable consequence will be that the LIC will be deprived of a very substantial portion of this big business which is more profitable since it brings to the insurer much higher premium income per policy and helps reduction in operational costs through a centralised functioning largely restricted to a more sophisticated clientele. This will affect the LIC's profits and its capacity to take up plans and invest in schemes which are socially purposive. By way of information, it may be stated here that the premium income earned by the LIC in six metropolitan cities of Bombay, Delhi, Calcutta, Madras, Ahmedabad and Bangalore constitues around 26 pc of the LIC's total premium income.

Eventually, the country will go back to financial anarchy of the pre-nationalisation era. The social objectives of nationalisation of life insurance business will be replaced by commercial objectives of individual corporations in pursuit of higher profits part of which, in the case of private insurers, may get concealed in the Life Fund, in course of time. And the policyholders who are now assured of complete security of their policy monies will get exposed to a speculative market that would care much less for their interests in spite of promises of higher returns.

With this preliminary submission in favour of retention of the LIC's monopoly in life insurance business, we now proceed to reply to the questionnaire, keeping in view the interests of the policyholders, the institution and the common population whose interests it is expected to serve. As the different questions are overlapping one another, we deem it more appropriate to make a comprehensive submission covering all these questions.

OBJECTIVES FULFILLED IN A SUBSTANTIAL MEASURE

The objectives of nationalising the Life Insurance Industry have been achieved in a substantial measure. This can be seen from the LIC's working results cited above. In particular, there has been faster and wider expansion of life insurance business since 1985 when the LIC started making changes in its organisational structure in a big way by converting the branch offices into mini-divisional offices and providing machine support to them. The entire range of service from acceptance of proposal to settlement of claim was taken near, if not at the doorstep of the policyholders. This created a new kind of relationship between the corporation and the policyholders many of whom could visit the LIC's office for redressal of their grievances. Micro-processors installed at the branch level gave to the branch offices certain degree of self-reliance in service to the policy holders.

As at March 31, 1992 the LIC had 81 divisional offices and 1774 branch offices, as against 43 divisional offices and 1107 branch offices by the end of March 1985. Other indicators of growth have already been mentioned. The progress has been achieved in spite of political instability, widespread social turmoils and economic crisis witnessed in this period.

However, the progress so far made by the corporation does not warrant complacence, particularly in the context of the fast changing environment. Thus in all countries, insurers, large and small, are threatened by greater competition from other financial institutions. The insurers are, therefore, innovating new methods to face such a competition. In France, for instance, 70 pc of new life policies in 1989 were sold through banks or other non-insurance institutions. Many of these insurance products sold through banks were in addition to, rather than a replacement for those sold by traditional insurers. A larger branch network and the existing customer base of the banks help the insurers.

Another aspect of life insurance in the developed countries is that for small policies, there is a separate class of business called "industrial" whose accounts are kept distinct. It is transacted by separate offices or by separate departments of the combined office; The LIC does not seem to be sufficiently aware of the need for developing new products in response to the changing needs of the population, known and uncovered and by way of accepting the new challenges coming from various other institutions. Its business continues to be mainly confined to endowment and anticipated endowment policies. The so-called new products it marketed during the recent period were minor variations of the existing products and betrayed lack of imagination. The only new field it has covered is in respect of pensions where it will have to move ahead with an aggressive posture notwithstanding the government's plan for covering the members of Central Provident Fund under a pension scheme.

The LIC also did not examine the causes of the failure of its Janata policy plan introduced long ago and did not think of a new plan of life assurance for the lower income groups of the population.

We are hereunder suggesting a few new products which, we feel, will catch the imagination of the people and help the LIC to achieve a new breakthrough in the business field.

NEW PRODUCTS

(i) First of all, we wish to refer here to a special endowment assurance (with profits) plan for lower income groups of the population repeatedly suggested by us. The premiums to be paid under this plan, with Sum Assured to be restricted to Rs.25,000 for any one person, will not be eligible for income tax relief, since it is meant for those whose low earnings do not attract income tax.

The premium collections under this plan will form a separate fund and the entire accretions to this fund will be invested in socially oriented projects at market rates of interest. Alternatively, the fund will be deposited with the Reserve Bank of India and the government will pay interest thereon at a fixed rate which will be two percent higher than the bank interest rate. (It may be mentioned in this connection that the government runs a scheme of National Savings Certificate where the amount spent by way of commission to agents and for operating expenses is debited to the government's revenue account. This means a subsidy for the scheme given at the cost of the people. Again, the government pays on NSCs more than 12 pc interest which means that it is either investing the amount to earn a still higher yield or otherwise the scheme is further subsidised from the government's funds).

The corporation will maintain a separate account of this fund. The income by way of premium and interest earnings and the outgo by way of expenses including claim payments will be accounted separately. (The indirect expenses can also be allocated between the ordinary life fund and this fund on some equitable basis).

The expenses will be kept at the minimum with no grant of loan and no issuance of premium notices. Alongwith the policy document, a Pass Book will be issued to the Policyholder and the premium payment will be recorded in the Pass Book with simultaneous entry in the policy ledger. The Pass Book will show the paid-up/surrender value of policy yearwise for the policyholders' ready reference.

The LIC will sell this plan of assurance, an additional product, through a nationalised bank on mutually agreed commission basis. The bank will also collect the premium.

(ii) Similarly, the LIC and GIC can evolve a comprehensive insurance package covering risk on life and against sickness, fire etc. A new type of package can be formulated to suit the needs of the rural population.

(iii) A Plan with an option to enhance Sum Assured-the survival benefit available under Anticipated Endowment Assurance can be utilised for enhancement of the Sum Assured.

(iv) Term Assurance for a longer period on individual basis.

In addition, we want to submit two important points, which are relevant in this connection. First, the life insurance provides certain discipline which enables the policyholder to save regularly and for a longer period. Once such a discipline is removed and large number of people prefer to go for short-term investments to earn higher returns, the total volume of savings is likely to come down. It should be understood that investment in life insurance and provident/pension funds which is a long-term investment is essentially an anti-inflationary measure. Thus it calls for higher tax rebates. In most of the European countries and more so in Germany, life insurance premiums carry substantial tax reliefs.

The LIC should also be given some relief in the tax on premium collections in the rural areas. This will provide a fresh impetus to the LIC's rural business.

Second, it is time to consider introduction of "compulsory insurance" for the entire workforce in the organised sector with the "premiums to be shared in equal proportion by the employers and the employees".

INVESTMENTS

The nationalised banks are required to invest 35 pc of their funds in government and government approved securities. In the case of Provident/ Gratuity Funds, 40 pc of the funds are required to be invested in such securities. It is, therefore, unfair to force the LIC to invest upto 50 pc of its investible funds in government and government approved securities. This long-term investment fetching lower returns should be reduced to 40 pc so that the LIC can advance more loans at market rates of interest and enhance the interest yield on its total investments.

In UK, the investment of life insurance companies in government and local authority securities is 25 pc of the investible funds while in Japan, it is as low as 10 pc. However, we are not suggesting such a drastic reduction in the LIC's investment in government and government approved securities since such an investment is completely secure and moreover, the government needs money for its development plans.

SOCIAL SECURITY SCHEMES

In a major initiative for providing social security to the economically weaker sections of the society, the LIC set up a social security fund with a corpus of Rs.100 crores in 1988-89 from certain tax concessions it received from the government. This fund is used for financing life insurance schemes for them. 50 pc of the premium of such group insurance schemes is adjusted from the social security fund. The balance 50 pc is paid by the beneficiaries themselves or by the state governments, municipalities or other agencies. The life cover is provided upto Rs.5000.

However, there has been no further addition to this fund and the financing of social security schemes is being done only out of the interest earnings with the result that much less sections have been covered so far.

In most of the countries, such schemes are financed by the government under an elaborate social security plan.

A question has been raised as to whether social security schemes should be entrusted to a separate body, financed by government funds. Such a course of action is wholly unwarranted as the LIC has the expertise and a wealth of experience to formulate and administer the social security schemes. The best way to cover wider sections of the economically weaker groups of the population, without affecting the interests of the policy-holders, is to divert a portion of the share of valuation surplus available to the Government of India to the social security fund already established by the corporation.

We may mention here the amount received by the government by way of its share in the valuation surplus, during the last five years, on the strength of its capital of Rs. Five Crores.

(in crores of rupees)

Year	Amount
1987-88	47.83
1988-89	59.62
1989-90	76.14
1990-91	90.00
1991-92	104.62

This shows that the government can very comfortably part with a substantial portion of its earnings after keeping a reasonable dividend on its capital. That will enable the LIC to cover far wider sections of the population under various types of social security schemes.

INCENTIVES FOR CONSERVATION OF BUSINESS

The LIC is fast reaching a stage where it can not hope to consolidate its position unless it concentrates more on conservation of business and development of more refreshing relationship with the existing policyholders. Two proposals are being suggested hereunder in this matter.

(i) A reward should be given to the policyholders for keeping the policy in force for the full term without lapsation at any time and not availing of loan during the policy period (which increases the servicing costs). This can be done by way of granting to such policy-holders additional terminal bonus.

(ii) A thought should be given to changing the schedule of commission to agents with reduction in commission on the first year's premium and a corresponding increase in commission on renewal premium, within the overall commission available to them during the policy term. This will act as an incentive to the agents for maintaining the policies in force. It will also persuade the agents to keep contact with the policyholders and offer them service throughout the period of policy contract.

SALES ORGANISATION

For toning up the sales force, the following suggestions may be considered.

(i) Agencies should be given to persons having the same qualifications as are prescribed for the Assistants and through a better recruitment procedure.

(ii) Development Officers should be made a promotional cadre by granting promotions to agents and the office staff with appropriate eligibility standards.

(iii) The incentive scheme should be suitably modified so as to provide an impetus for a successful development officer to accept promotion as ABM (Sales).

COMPUTERISATION

We accept in principle the need for modernisation of the LIC's operations to provide better and cost-effective service to the customers. The problem in LIC is not about further computerisation. The problem is of utilising the existing micro-processor systems more effectively. A number of systems are lying idle at several centres. No steps are being taken towards overcoming the problems of non-availability of micro-processor operators or relating to technical problems. At many centres, the officers in charge of branch offices are not at all conversant with the new machine system. No thought is being given to providing additional services to the policyholders with the aid of such a more sophisticated system. There is no Research & Development department at the central office, manned by actuaries, computer experts and research assistants.

The corporation must formulate a comprehensive plan, in consultation with the employees' unions, with specific details about the use of micro-processors for better service to the policyholders, for over a period of time. The plan should also indicate the incentives and other benefits to the employees.

SUPERVISION, CONTROLS AND COMPETITION

The LIC's autonomy should be restored in full measure with removal of undesirable ministerial and administrative interference from New Delhi so that it can act with complete independence within the policy framework decided by the parliament.

This should be coupled with another measure for subjecting the LIC's working to a close scrutiny and control by another autonomous body like the office of Controller of Insurance. The role of this office, abandoned soon after the nationalisation of life insurance, should be restored with a suitable remodelling.

The government had stated at the time of nationalisation of life insurance that Zonal Organisations would be regarded as the executive arms of the corporation and they would be allowed to run their business with grant of autonomy. With regard to the talk of 'competition', the government had stated that there could be competition within the LIC in terms of service to the policyholders or development of new fields of business and that competition of this nature could be achieved through the Zonal Organisations. Nothing, however, was done in this direction except awarding shields or offering dinners, which was a mockery of what was envisaged. It is time carefully thought of schemes are evolved for promoting a spirit of healthy competition so that better performances are acknowledged and rewarded without even slightly disturbing the common wage structure and service conditions. A thought also needs to be given to the concept of "growth incentive" to the employees which means conceding to them a small share in the growing prosperity of the corporation.

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