

LIFE INSURANCE AGENTS FEDERATION OF INDIA



CHARTER OF DEMANDS
AGENTS REPRESENTATIVE MEETING (LIAFI)
WITH LIC MANAGEMENT

Date: 03-07-2010

VENUE:
LIC of India,
Committee Room No-1, 7th Floor,
Central Office,
MUMBAI

Representatives from LIAFI

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|--------------------------------|---------------------------------|
| 1. S.B.SREENIVASA CHARY | President |
| 2. SHYAMAL CHAKRABORTY | Sec.General |
| 3. SUBHASH MISRA | Vice President |
| 4. SHYAM MODI | Vice President |
| 5. B.N.CHARY | Chairman, Adv.Committee |
| 6. N.C.CHANDHAK | Chairman, Plng.Committee |

**To
The Chairman
Life Insurance Corporation of India
Central Office,"Yogakshema"
MUMBAI.**

Respected Sir,

Subject: - Life Insurance Agents Federation of India (LIAFI 1964) –Submission of Charter of Demands of LIC Agents-Req-Reg.

It must at once be admit that the LIC's Record of new business, thanks to the Agency force and other factors, has been quite impressive during this financial year.

It is known factor that more than 14 lakhs Agents are working in LIC of India. By the nature of their work, they are best able to understand not only the problems of the policyholders and, of course, their own, but also to know the inherent virtues of Life Insurance Corporation of India. They are the "eyes and ears" of the corporation for the policyholders and of the policyholders for the Government and the corporation. It is therefore, hoped that our Demands will receive due attention of the Life Insurance Corporation of India, the Government of India.

Some of the following Charter of Demands of LIC Agents are furnished below for your kind consideration and favorable orders.

1. GRATUITY: As you are aware that Govt of India has enhanced the Gratuity limit from 3.5 lakhs to 10 Lakhs for all Govt Employees, whereas the existing gratuity of Rs.2 Lakhs for Agents, which is very inadequate

The existing pattern of calculation system for the payment of Gratuity needs to be changed. The system of calculation for other categories, the Basic salary last drawn + DA will be taken in to consideration. Whereas for agents average commission of 15 years will be taken in to consideration for payment of the same. Compare to other category every year there will be an increase in their basic salary due to effect of sanction of Increment and periodical revision of pay scales. However, in the case of Agents, though they are increasing business every year, there will be a negative growth of renewal commission due to Maturity, lapsation (that is beyond our control), surrender of policies and particularly lesser commission paid on Ulip Policies.

Because of this system though agent is eligible for maximum Gratuity, majority of the agents are not getting.

Hence we demand the maximum limit of the Gratuity also needs to be enhanced up to 10 lakhs. The present system of the calculation has to be changed and highest Renewal commission paid in any Financial year out of total 15 years service, should be taken in to consideration for payment of the Gratuity.

For example: -The Highest commission registered Rs 2,000,00X 15 years = 30, 00,000. Divided by 180 =16,666.666, is called eligible rate

**Then the gratuity will be calculated with the following formula.
Eligible rate X 15+1/2 X No of qualifying years.**

Total gratuity amount is Rs.2,58,333.323. However, maximum amount of gratuity now payable is Rs.2, 00,000.

At the same time, the corporation can propose alternative method, which may give more benefit rather than existing system.

2. MEDICLAIM: - As you are aware that the agent's job involves maximum fieldwork, which attracts risk while moving in the market to procure insurance business. While traveling on the roads, the agents are facing lot of Health Problems due to pollution. Because of the growing population and vehicles, the possibility of Accidents also increasing day-by-day.

Now the Group Medical Insurance Scheme is available only for Club-Member Agents subject to 50% of the Premium Borne by the Agents. At present, it covers **one lakh for CM, 60,000 for ZM, 40,000 DM and 25,000 for BM.**

The present system of claim settlement is absolutely not worthy and some of the club member agents lost their faith on the present system of mediclaim. For entire agency force in India having only one Medi Asst under TPA, situated at Mumbai which is unable to extend proper services. Hence, we propose that this system should be decentralized and each State should have One Medi Asst to extend prompt and proper services for settlement of the claims

If this Scheme is extended to all agents, who have completed 5 years of Agency, the additional financial burden to the corporation on each agent it may not be more than Rs 140/- P.A for coverage of 50000. Since the working pattern of all the agents, including Club Members is one and the same. Hence, they are also deserved for this facility.

Keeping in view of this the Mediclaim facility should be extended to all the Agents irrespective of Club-Members. The coverage also should be enhanced as stated below.

S.No.	CLUB	EXISTING	PROPOSED TO BE ENHANCED
1	Chairman's Club	1,00,000	3,00,000
2	Zonal Manager's Club	60,000	2,00,000
3	Divisional Manager Club	40,000	1,00,000
4	Branch Managers Club	25,000	75,000
5	Other Agents (5 Yrs & Above)	No coverage	50,000

3. CONTRIBUTORY PROVIDENT FUND & PENSION SCHEME: - In the year 1958 the corporation has decided to introduce Provident fund Scheme for the benefit of Insurance Agents. The Main objective of this scheme is to provide Retirement benefit for the agents of the Corporation.

The agents are prepared to contribute to this Scheme equal share of the corporation contribution. We have been denied of this facility although we are largest professional Community in India.

The technical cooperation mission programme with USA (Study Team) also recommended to introduce some permanent benefits for the agents in the shape of Pension and Provident fund Scheme.

CONTRIBUTORY PENSION: It has become very important factor in human life, because this would take care of financial needs when an agent unable to work on his retirement. As you are very much aware that till to-day there is no such facility available for the agents. The management has not yet designed any Pension scheme exclusively for the agents even after submitting several representations by the LIAFI.

LIC has its own pension fund known as LIC Pension fund limited approved by PFRDA, which takes care to manage funds under New Pension Scheme. We are being LICians feels proud that LIC Pension fund limited is the first company to be incorporates in India as Public Sector Limited Company.

The pension fund Regulatory Development Authority has announced the New Pension Scheme; this is available for all citizens of India with effect from 1st May 2009. LIAFI proposes the following for introduction pension scheme for agents.

i) (a) Eligibility:- All Club Members and other agents who have put in at least 5 years and above Service and who have built up a renewal commission of Rs 30,000 will be eligible to join this scheme as a Group.

(b) Minimum Age at entry in this scheme: - 25 years

(c) Maximum Age at entry into the scheme: - 60 Years

(d) Minimum age to be attained for getting pension: - 45 years

(f) Maximum Age to be attained for getting pension: - 65 years

ii) Contribution: Pension can be built based on Defined contribution by members. A sum equivalent to 10 % of the Renewal Commission drawn by the Agent or such other higher percentage thereof should be the contribution towards the Pension Fund by the Agents

Or

The proposed Contribution should be deducted from the agents monthly Commission by LIC and credited to pension fund. **The details of proposed Contribution of pension to be deducted are mentioned below.**

Sl.No	Details of Agents	Contribution of Amount per month
1	Chairman's Club	2000
2	Zonal Manager's Club	1500
3	Divisional Manager's Club	1000
4	Branch Manager's Club	750
5	Other Agents	500

We can generate very easily more than 650 crores from the agents alone towards pension fund per annum.

- iii) Option should be provided for commutation: - 25% of the Corpus
- iv) (a) Pension Payment Mode: Can be Monthly, Quarterly, Half Yearly or Yearly.
- (b) All the options of Pension (a, b, c, d, e, f and g) as may be applicable for the LIC's Existing Group Superannuation Scheme for the member to choose from.
- v) Early Exit: An agent leaving the agency or being terminated before the vesting of the Pension may select from one of the following options:
- a) Continue to contribute from the eligible renewal commissions to the fund till the age of 60 or cessation of Renewal Commission and avail appropriate commission.
- b) Avail the superannuation and optional commutation at the appropriate age without further contribution as per the rules of the scheme provided that the membership was in vogue for a minimum period of 5 years.
- c) The member may withdraw his contributions without any interest thereon, provided that a minimum period of 1 year's contribution has been made to the fund before he/she leaves his Agency.
- vi) This fund should be managed by LIC only in the capacity of Fund Manager.

Hence, the Life Insurance Agents Federation of India requests, the corporation to come forward with a suitable proposal to introduce the pension scheme for LIC agents with immediate effect.

4. TERM INSURANCE: In the event of the Death of an agent while his agency is in force, the corporation shall make payment of an amount in accordance with the provisions of Agents Regulations 1972 subject to satisfaction of certain conditions.

At present the maximum amount of term insurance is Rs10000 if the average commission of 15000 earned by deceased agent. Since last 38 years there is no enhancement.

We therefore request the management that the TERM INSURANCE should be increased up to 5 lakh duly liberalising the terms & conditions in the interest of survival of Agents Community.

5. REVISED CLUB RULES & SCHEME OF ADVANCES: At the outset, once again we appreciate the efforts put in by the management for the Revised Club rules and certain modifications brought in the provisions of the said circular.

However, we have observed some more issues which need your kind attention and necessary action.

i) The First Year Commission and the Renewal Commission requirement have been doubled in the revised club rules, with the transitional arrangement, which has already been in existence. Though it is good for the high performers, it is not in the larger interest of the club members, particularly the rural segment. It appears very biased in favour of only performers at higher level. This clause has to be reconsidered keeping in view of the larger interest of the club members who need to be encouraged to do better, instead of frightening their existence. It is very pertinent to note that in the last few years the commission percentage has been consistently being reduced. In view of these facts, we request you to reconsider these eligibility criteria.

ii) ESCALATION CLAUSE: - The 5% enhancement in respect of First Year and Renewal commission paid for entry and continuation of Club membership shall certainly become a problem in future. There is a need to re think in to this matter; which is going to be implemented from 2014-15 financial years. Hence this clause has to be removed.

iii) SPOUSE CLUB MEMBER ALLOWANCE:-Even after several requests and representations made by LIAFI with regard to the Fringe Benefits to be extended to 'spouse club member', the same has not been taken into cognisance. Though the business is welcome, the benefits are not extended, just because spouse is an agent. As per the existing rules, there is an objection to the family members taking up agency from other insurance companies. Neither the corporation extends benefits nor does it allow the spouse to work with any other insurance company. This is very discouraging factor, since the same amount of efforts and costs are involved in getting the business.

iv) GROUP INSURANCE:- a) The introduction of group insurance scheme is to provide insurance coverage to the Members of various Clubs in lieu of the Annual Mementos.

Sl.No	Club Membership	. Existing coverage Up to 65 (Nearer Birth day)	Proposed coverage to be enhanced for difference Clubs up to Age 75 years
1	Chairman's	2,40,000	5,00,000
2	Zonal Manager's	1,20,000	2,50,000
3	Divisional Manager's	60,000	1,25,000
4	Branch Manger's	30000	75,000

This is to bring to your kind notice that agents beyond 65 years also actively working and procuring good quantum of new business for the Corporation. We feel that they should not be deprived of this facility just because of age factor. Hence, it is requested the age for eligibility for Group Insurance should be extended up to 80 years and the coverage should be extended up to a maximum limit mentioned in the above table.

b) Further we would like to inform you that according to Circular Lr. No Mktg/ZD/16/2007-08 Dated 16.08.2007, the GI scheme applicable for all agents of the corporation with a coverage of minimum 50000 to 500000 those who are less than the age of 65 years.

The required premium for this group is totally borne by the agents only. There may be a reason for not allowing beyond 65 year ages that premium of that scheme may be more. However, absolutely we have no problem if there will be a reasonable increase in premium for including the age group beyond 65 years. Our younger age group agents are prepared to sacrifice for the old aged group agents in recognition of their services rendered to the corporation.

Hence, LIAFI request the management, that under this scheme also the maximum age limit should be enhanced up to 80 years and the quantum of coverage should be enhanced reasonably.

v) **DIRECT AGENTS BENEFITS**:-The Direct Agents are showing wonderful performance in procuring New Insurance Business without any assistance. Every year the direct Agents number increasing due to retirement of D.O. that is in turn, reducing the financial liability of the organization. Hence we request the Management to look in to this matter and provide Incentives to Direct Agents, Which will encourage the direct Agents to spend more money in marketing our products to bring in more and more business for availing the incentives of the organization.

vi) **SCHEME OF ADVANCES**:- Nevertheless, the LIAFI appreciates the management for bringing modifications in the scheme of advances to agents 2001. Particularly raising the quantum of amount from 3.5 lakhs to 7.5 lakhs and reducing the term from 96 to 72 instalments for four-wheeler advance and other changes.

Further, we would like to inform you that, those who have availed advance for four-wheeler under old scheme, on expiry of minimum five years term should be allowed to foreclose the outstanding loan.

However, we have observed some changes required in Advances and rate of interest on the same, which needs your kind attention and favorable orders.

- a) Marriage Advance: - This is available for the marriage of self, sons, Daughters or Dependent sisters on interest bearing at the rate of 9 % interest only on two occasions. 3rd Advance for marriage of children bearing 12% interest. Maximum three times only in the entire agency career.**

Generally, agents are availing this facility maximum for the marriage of their dependent sisters. When it comes to perform their daughter's marriage, they are not able to utilize the same due to the number of times restricted to maximum three.

We wish to draw your kind attention on this matter; this is purely interest bearing with a good rate of interest 9% and 12% Guaranteed returns along with principal. So there is no monetary loss to the corporation if number of times of sanction of advance increased.

Hence, we request you to kindly look in to the matter and the number of times for availing the advance for marriage of self, daughter, son and dependent sisters should be increased to maximum five times.

EDUCATION ADVANCE FOR CHILDREN'S:- Corporation has taken care of all-important needs of the agents and provided financial assistance as and when they are in need. As you know, the education for children's has become un-affordable and very important aspect in the life circle. The banks are voluntarily coming forward to lend maximum loans particularly for this purpose. The intention behind this is not only to serve the people but also to earn huge returns by imposing higher rate of interest.

If corporation takes some measures in this regard, certainly, the agents are going to be benefited and there is no need for them to approach the banks or any other financial institutes for borrowing money. The corporation also would be benefited by way getting good and guarantee returns along with principal amounts.

Keeping in view of the above LIAFI request the management to consider our proposal and necessary sanctions may be accorded.

AGENT'S (CLUB MEMBERS') HOUSING LOAN SCHEME: The existing housing loan for Club Member Agents has not been revised since last 71/2 years. During this period particularly in the Metro cities, the cost of the property has been increased nearly 300 times. So there is a need to revise the same.

We request the management to consider the proposed enhancement in the quantum of housing loan as mentioned below. The EMI of the loan may be deducted from the renewal commission of the agent.

EXISTING				PROPOSED		
Club Membership	Loan at concession rate of interest @5%	Extended loan at concession rate of Int @ 7.5%	Total	Loan at concession rate of interest @5%	Extended loan at concession rate of Int @ 7.5%	Total
Chairman's	4 lacs	4.5 lacs	8.5 lacs	8 lacs	7 lacs	15 lacs
Zonal Manager's	3.65	4.35	8 lacs	7.5	6.5	14 lacs
Divisional Manager's	2.90	3.85	6.75 lacs	6.5	5.5	12 lacs
Branch Manger's	-	-	-	4	4.5	8.5 lacs

Further, we would like to bring to your kind notice that the interest rates have been reduced on lending's in the banks as well as other financial institutions. Hence, we request the management the rate of interest on agents advances also should be revised accordingly.

6. MINIMUM BUSINESS GUARANTEE: According to new amendment in minimum amount of business to be secured by the agent on 12 different lives for not less than first year premium income of Rs 1 lac is going to be difficult for the agents particularly in rural areas. There is a need to re look in to this matter and this has to be reduced atleast 75000 in Urban and 50000 in rural area. Otherwise the termination of agents number would grow which is not good sign for the organization prosperity in the present competitive era.

7. CREATE AGENTS WELFARE FUND: All agency commissions forfeited by the LIC should be put in a separate Fund and utilized for the welfare of the Agents and their families only, such as medical relief, sports promotion, excursions, study tours and sudden death of the agent (Natural or Accidental).

At the same time, LIAFI gives its consent on behalf of the agents to contribute monthly ten rupees towards agent's welfare fund. This contribution may be deducted every month from the agent's commission. The same may be utilized for the benefit of the agent's community.

8. GRADED PUNISHMENT: - The subject matter of graded punishment has been discussed several times, but the issue remains as it is due to not taking constructive

measures in this regard from both sides. As per the Regulation 16(1) & 19 of Agents Regulations 1972, The agents who have been terminated on various grounds including early claims not only losing the employment but also regular income which he supposed to get on the business procured by him. Under this circumstance, due to advanced age, they are also depriving the employment and ultimately the family members suffer for their livelihood.

At the same time, the policyholders of terminated agents, become orphaned, losing interest in keeping their policies in force due to non-availability of services from the agent.

It is very difficult job for the agent to detect internal diseases like Cancer, Kidney, Heart and diabetics that can be detected only through special examination by the professional doctors. Otherwise, this is not possible for an agent to bring to the notice of the corporation unless and until the proposer disclose either to the agent or to the panel doctor. We have practical experience that he/she will not disclose anything even after putting questions in regards to health.

In order to avoid Capital punishments and consequences the LIAFI submitting some of the following suggestions for your kind consideration.

1. The agents should not be punished just because of early claims when the policyholder suppressed the material fact at the time of proposal.
2. A warning should be given in case of first time in his agency
3. If it is proved that agent committed an offence, then he should be disqualified for claiming office allowance and attending for club convention for a certain period. After expiry of such a period, he should be allowed to entitle all such benefits, which he lost as a punishment.
3. The gravity of the offence is more and proved that having strong and material evidences, that he had an intention to deceive the corporation, then such agent should be Punished with suspension club membership for a certain period subject to remove the same after expiry of the term.
4. The offence of the agent is severe and deserved for punishment then his club membership should be removed.
5. Even after initiating of all the above punishments if agent continue to involve in fraud, misappropriation of financial matters and having intention to deceive the corporation and policyholder then he should be served a show cause notice for calling explanation. If the explanation is not satisfactory, the committee, which has been constituted for this, should do a detailed investigation in this regard. Then such agent should be terminated as per the provision 16 of Agents Regulations 1972.

But under at any circumstances no agent should be punished with forfeiture of renewal commission and the regulation 19 of the agents regulations 1972 should not be applied. In order to protect the families of terminated agents, we request the management to consider for implementing the principles of Natural justice.

Keeping in view of the above, LIAFI request the management to go through the above-mentioned charter of demands and take an appropriate action to consider each of demand. Keeping in view strengthening the economic condition and welfare of Agents who are serving for the prosperity of corporation, we request you to kindly consider our reasonable demands.

Your favourable action on the above demands will be highly appreciated.

Thanking you and awaiting for your favourable orders as soon as possible.

With Best Regards

For Life Insurance Agents Federation of India

S.B.SREENIVAS CHARY
PRESIDENT

SHYAMAL CHAKRABORTY
SECRETARY GENERAL