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Life Insurance Agents' Federation of India (LIAFI)

President :
S.B. Sreenivasa Chary

Secretary General :
Shyamal Chakraborty

Dated : 28th October 2009

To
Mr. D.K. MEHROTRA
Managing Director
LIC of India
Central Office
Yogakshema
Mumbai.

Dear Sir

Sub: LIAFI observations on the "Revision of Agents Club Rules w.e.f Qualifying FY 2010-11 (MY-2011-12).

At the outset, we appreciate the efforts you have put in for the Revised Club rules for the Club Member Agents.

We have made a complete study of the same, and we wish to give our observations as given below.

[1] OFFICE ALLOWANCE FOR POTENTIAL CLUB MEMBERS:

We welcome your decision to encourage the potential CM Club member agents, by providing them the office allowance as soon they qualify for entry into the CM Club.

[2] REIMBURSEMENT OF MOBILE PHONE CALL CHARGES:

This is a welcome move, as it is the first time that even the DM and BM club member agents are included for this benefit.

[3] ENHANCE MENT OF SALES PROMOTIONAL GIFT REIMBURSEMENT:

While appreciating the enhancement made for the reimbursement towards the sales promotional gift items, we feel the enhancement is not in proportion to the enhanced business requirements as demanded by the club rules. We therefore, request you to reconsider this clause suitably.

[4] GRADED BENEFITS FOR HIGHER PERFORMANCE:

It is indeed an encouragement for all CM club to perform better, so that they can avail the higher office allowance, telephone reimbursement and sales promotional gift items. However, this should have been extended to other club members too. Further, in the larger interest of majority of the Club members and the corporation, we request you to reduce the starting Slab of the RC Paid to Rs 400,000.



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[5] REVISION OF DISTINGUISHED AGENTS CLUB CONDITION:

We appreciate your move to encourage the new agents to join the club, with the eligibility criteria being reduced to one year from the existing two years.

However, we have observed some crucial issues which needs your kind attention and necessary action:

[1] **The First Year Commission and the Renewal Commission** requirement has 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 large number 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. The percentage of commission paid on premium income has been reduced from 9.15% to 6.38 % which is a drastic drop in the earning of the agents. In view of these facts, we request you to reconsider this eligibility criterion.

[2] **ESCALATION CLAUSE:** The 5 % enhancement in business during the first year and renewal commission should be commensurately compensated in the fringe benefits.

[3] **LAPSATION OF POLICIES:** As per the new club rules , If the lapsation is greater than 15%, in the first year itself the club member agent has to forgo opportunity to attend the Club convention as well as the fringe benefits. Further, If the lapsation continues in the second year, the club member agent will lose the club membership, even after fulfilling the other conditions.

In the existing club rules, during the first year, if the lapsation is greater than 15% there is disincentive. During the Second year, the club member agent loses the eligibility to attend the convention. And during the third year, along with losing the convention he is also not entitled to avail the fringe benefits. Finally, during the fourth consecutive year of lapsation, he loses his club membership.

It is unfortunate that the agent is being harshly punished during the first and second year itself, instead of the graded punishment. Kindly withdraw this harsh punishment and atleast maintain the existing rules in this matter.

[4] **NET NUMBER OF LIVES:** This is a new clause introduced, which is an additional burden on the club member agent along with enhanced conditions imposed in the new club rules. This clause is very harsh once again. This is definitely a hurdle for the growth of the club member agents. On one hand the first and renewal commission has been enhanced to double, and also the yearly 5% increase in previous year FYC+RC is being imposed, and on the other hand insisting on the minimum net number of lives has to be maintained mandatorily every year. This is absolutely stretching the agent to extremes.



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[5] CONTINUATION OF CLUB MEMBERSHIP IN THE YEARS OF FAILURE: This clause has been totally deleted in the new rules. This clause is a must and has to be continued in the revised club rules. In the interest of so many agents who have dedicatedly been serving the corporation. The one time relaxation has to be given for an agent who has been serving for 5 years and two time relaxation for agent serving for 10 years.

[6] FRINGE BENEFITS:

[a] BASIC OFFICE ALLOWANCE : Though the business requirement has been doubled, the office allowance is not in the same proportion of enhancement. There is absolutely no benefit compared to the results expected out of the agents. It is unfortunate that the “whichever is less” clause has been imposed.

In the history of the corporation, whenever there has been a revision in the club rules, i.e. in 1991-92 and in 2001-02, the Basic office allowance has been enhanced in proportion to the enhancement in the business requirement.

Whereas in this revised club rules, this has been completely neglected. It is observed that the views of LIAFI on this matter have been ignored. This allowance has to be necessarily doubled.

[b] TELEPHONE REIMBURSEMENT & COMPUTER ALLOWANCE: It is observed that the CM club member agents are not given any additional benefit under these reimbursements, though the eligibility conditions have been tightened. How can one increase business with the same amount of calls? Further the usage of computers will be more than double to increase the business as per new rules. Under these circumstances, the reimbursement of telephone bills and computer allowance has to be necessarily enhanced.

We have expected that the Scheme of Advances would have been revised along with the Revised Club rules simultaneously. We request you to issue the revised scheme of advances as soon as possible, and we hope that the LIAFI views will be taken into consideration before finalising the same.

Even after several requests and representations made by LIAFI with respect to the Fringe Benefits 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.



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We request you to kindly view our observations in the true spirit and in the overall interest of the Agency force and the corporation.

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

Thanking you and awaiting your reply in response as soon as possible.

With Best Regards

For LIFE INSURANCE AGENTS FEDERATION OF INDIA

(S. B. SREENIVASA CHARY)
PRESIDENT

(SHYAMAL CHAKRBORTY)
SECRETARY GENERAL