

**LIFE INSURANCE AGENTS' FEDERATION OF INDIA (LIAFI)**  
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**PRESS RELEASE**

The Draft Report of the Committee on Investor Protection and Financial Literacy recommending scrapping the Agents' Commission by 2011 on Life Insurance and ULIP Products is against the very spirit of Investor Protection and Financial Literacy. Almost 30 Lakh Life Insurance Advisers and millions of people depending upon their Advice and Services will be adversely affected by this proposal.

When LIC was started in 1956, the Life Fund of the Corporation is almost Rs. 400 Cr. Today the same has crossed Rs. 9,00,000 Cr. From a few lakhs of Policies in 1956, today LIC alone has in its books over 25 Crore Policies. Agents played a vital role to bring all these Policies into the Corporation's books. No other evidence is necessary to prove the role played by the Agents of the Corporation to bring about the Customer Awareness and Literacy about Life Insurance.

Life Insurance Agents are known and respected as the Financial Counselors in the Indian households. They are in a position to influence people's decision to plan the family financial wellbeing.

The ill informed Committee is with a mindset that Life Insurance Agents are garnering large incomes by way of commissions on Policies marketed by them. It is a matter of pity that the Average Income of the Life Insurance Agents today is around Rs. 57000/- which is much below the salary of a Class IV employee.

The Committee felt that the Agents at present need not learn their job apart from passing a simple examination held by IRDA at the time they joined the profession. If the job of Life Insurance Agents were to be easy and to earn huge commissions was an unqualified job, why would over 8 lakhs of Agents get terminated in the last 5 years on account of mal performance? Contrary to the Committee's opinion, **those who are on the job of continuous learning about their profession and undertake regular customer service only remain in the profession.** It is those highly competent and qualified 20 % of the Agents who approach people extend them professional guidance and bring in 80 % the business.

Two years ago the then IRDA Chairman Mr. C.S.Rao in his report has ruled out the need to bring about a change in the existing Commission Structure for Agents.

Comparing the Mutual Fund Agents' Commission with that of the Life Insurance Agents is not proper. Investment and Life Insurance are two different needs. Life Insurance is a long term contract and certainly needs understanding the proponents' long term needs and offer counseling appropriately.

In Australia or UK the Literacy Rate is far higher (99 %) and the financial literacy is also high. The per capita income in these countries is US \$ 41000 and 38000 respectively as against Indian Per Capita Income equivalent to US \$ 1000 approximately. Insurance can only be sold in India and people will not queue up to buy the same. It remains to be a ***subject matter of solicitation***. Blindly following the Advanced Countries for deciding the Life Insurance Marketing Models in India will be highly injurious to the Industry as well as the Policy Holders.

The Committee's claim about dearth of Financial Literacy in the country is true. LIAFI strongly believes that this dearth can only be effectively addressed through the Financial Intermediaries. Towards this, the Agents have already commenced several educational programmes. Thousands of Seminars are held by Agent groups across the Country every year attended by Lakhs of Agents. Apart from LIAFI, Fellow Agents' Organizations like Life Underwriters' Guild of India, Life Insurance Round Table, Institute of Excellence and many others are constantly conducting seminars and conferences for upgrading Agents' Knowledge and Skill sets. The Committee may go through their respective Websites to understand the massive efforts being carried out by Agents themselves apart from the Insurers' initiatives of holding periodic training to their field force.

Mis selling cases are caused by and large the Insurance Companies' greed to promote their product and are mostly done by the Bank and Large Institutional brokers. However the case of mis selling is blown out of proportion. In any profession there are black sheep. By way of asking Agents to collect advisory fee from people this can't be corrected. Corrective steps can be initiated to arrest mis selling continuing the existing payout model for Agents.

LIAFI firmly believes that the Findings and Recommendations of the Committee on Investor Protection and Financial Literacy headed by Mr. D.Swaroop are baseless, imaginary, arbitrary, are against Public Interest and will be hampering the livelihood of 30 lakhs of Life Insurance Agents in the Country.

LIAFI in view of all the reasons stated above, Strongly Condemns the IPFL Committee's misleading Draft Report and recommendations and appeals to the Government of India to scrap the Committee Report and save the Life Insurance Industry and the lives of Agents who are Committed to their Profession failing which LIAFI would have to take up massive Nationwide Agitation to protect their interest as well as the interest of Crores of their Policy Holders.

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