



थॉमस मॅथ्यू टी.  
प्रबंध निदेशक  
**THOMAS MATHEW T.**  
Managing Director

December 1, 2010

**LET US BE IN TOUCH....**

My Dear LICians,

The 109<sup>th</sup> Division of LIC---Thrissur--- was inaugurated by the Hon'ble Finance Minister, Govt of India, Shri Pranab Mukherjee on 27/11/2010. In his address, the Hon'ble Finance Minister said "LIC is very strong and stable organization.....LIC is one of the success stories of the Country's Public Sector. Encouraging performance of LIC has proved that a Public Sector Institution can perform well even under tight competition from national and international firms." Referring to the recent media reports regarding LIC and LIC HFL, Shri Pranab Mukherjee said "There is no cause for any anxiety for the investors as not a single paisa would be lost by them."

Time and again we have affirmed that trust is the most valuable asset of LIC- Trust of Policy holders', Trust of employees and agents and Trust of the nation at large. But the recent media reports alleging lapses and referring to investigations by Govt agencies into our investments and into project loans of our housing finance company-LIC HFL-- have created confusion & concern among the public. Friends, the truth is as follows:

LIC HFL is a big sized housing finance company with total loan book size of ₹44,000/- crore- mainly in the retail segment. The Project loan is only 11.87%, comparatively quite low. The Gross NPA in Project loan is only 0.08%--among the best in the Industry. All the loans of the company are performing assets and backed by adequate security cover as per valuation. An internal enquiry by a committee has proved that---- all procedures for sanction of loan, consistent with Board approved guidelines, have been followed and that there are proper systems in place for sanction and disbursement. The investigation is about 8 companies and Outstanding balance is only ₹388 crore, a very small amount compared to overall book size and all these are performing assets. There is no systemic failure; nor have any rules or procedures been

violated. Crisil, a reputed, independent rating agency, has re-affirmed on 29/11/10 its top most AAA rating for LIC HFL, indicating highest safety levels.

Media reported also about investigation into LIC's investments in some real estate companies. The facts.... The total assets of LIC as on 30/09/2010 are ₹12 lac crore. LIC's exposure to real estate is hardly 0.68% of our total assets. LIC's equity exposure to realty companies is only 0.66% of our total equity and in loan only 2.38% of our total corporate loans. All these are performing assets in our books backed by proper security cover.

In corporate loan segment, Gross NPA is only 0.90% showing Standard Assets of 99.10% as per regulatory norms. Our Net NPA is only 0.19%-- perhaps the best among financial institutions. LIC has proper systems and procedures for investment of funds. All our investments are decided by/reported to the Investment Committee and no single individual alone can take investment decisions. All investment decisions are on the basis of Insurance Act, IRDA Investment Regulations, Investment Policy duly approved by the Board, Investment Committee guidelines and Standard Operating Procedures. All investment proposals are backed by research reports from Risk Management & Research Dept. All these show how foolproof and time-tested our investment practices are.

The media earlier reported also some valuation deficit of ₹14,000 crore under three of our pension schemes. But the fact is that this deficit is only notional, actuarially estimated present value of future liabilities till the last annuitant is paid. It is a deficit which may arise over future years. This estimated valuation deficit is provided for at the time of actuarial valuation on an year on year basis. The notional deficit as reported by the media is only a small fraction of the total fund size. Chairman, IRDA also has given a 'clean chit' to LIC and stated that "there is no violation committed by LIC and it is just an actuarial shortage to current estimates, which is not a real cash shortage."

Total Assets of LIC are far more than LIC's Total Liabilities and we have provided for a Solvency margin of 154%, which is ₹46,718 crore as at 31/03/2010. The total valuation surplus of LIC increased from ₹10,949 crore in 2002-03 to ₹23,478 crore in 2009-10 after providing for deficit in Pension business during these years. Our

Balance Sheet is inherently very strong. With our prudent practices, we have built in mechanisms to manage all kinds of risks on behalf of our Policy Holders’

Shri R Ramakrishnan, eminent actuary in his article in the “Hindu” dated 21/11/2010 titled “LIC Pension Fund, The Real Facts” has well clarified the confusion created by some newspapers and stated that “the perceived loss into Pension fund is only due to lack of understanding of the guiding principle of insurance.”

Friends, let me assure you that we are fundamentally, structurally and financially a very strong organization. The nation trusts LIC. All attention and expectation of the nation is on us. Yes, these are trying times....

but we shall not fall prey to malicious rumours.....

we shall stand united to defend the honour of our dear organization.....

we shall reiterate our commitment to the nation with higher business performance and better customer service.

We shall overcome.....

*Hum honge kamyab.....*

Best Wishes and regards,

  
**(Thomas Mathew T)**