

Exploitative Policies of the Governments- Insurance and Banking Sectors as Evidence

People's welfare is not our policy, so people! Insure your life, buy life insurance policy to insure it and buy social security to secure it, says Capitalism. Decades of such policies in all capitalist as well as comprador countries made people accustomed to a variety of insurances.

Over the past few decades, people were made to believe that life insurance is a financial security and that it saves the family from economic devastation if something unexpected happens to the bread winner. However, the current situation is completely different. Even while the head of the family is alive, many insurance companies are chasing the family towards financial insecurity, towards bankruptcy. Some time ago, insurance companies were heavily dependent on agents. The agents sifted the villages and towns in search of those who had surplus money and persuaded them to buy insurance policies. The agents had a commission for that. But the present situation is completely different and is exploiting the people.

Insurance companies now changed their ways of getting customers. They started targeting those who seek loan from bank or finance company since they are in dire need of money. For this, they have started entering into agreements with banks (tie-ups). As part of the agreement, insurance companies have started giving commission to banks or finance companies. This means that if a bank collects an insurance premium of Rs. 1 lakh from the customer, the insurance company will pay up to Rs. 35,000 as commission to the bank for the first year. Similarly, if the customer pays in full for 10 years, the bank will receive about Rs.1 lakh as commission. On the other hand, if the bank gives a loan of Rs 1 lakh, the maximum that it will get is Rs. 13,000 to Rs. 15,000 which is in the form of interest; also there is a risk of default that may lead to loss of the principal itself. So these insurance tie-ups turned very profitable to the banks.

Initially, bank employees were opposed to this insurance business. However, the managements put pressure on them, 'educating' them of the high profits that their company would get. The fact here is that even after paying almost 40 per cent of the first instalment and 10 per cent of the total to the banks or finance companies in the form of commission, the profits of the insurance companies are accumulating enormously. We can clearly see how much eventually reach the customers who have been tied up for years.

Many private companies made tie-ups with public sector banks and formed insurance companies for furthering profits. Examples include SBI Life, PNB MetLife, CHOICE, etc. After this, there has been a drastic change in the sale of insurance policies. All banks

are giving targets to their staff to sell these policies within the stipulated time. Banks are now focusing more on insurance than the core business of deposits and loans as it brings more profits than the core business. They are putting tremendous pressure on the staff working in the bank by enforcing them to reach targets. As a result staff are enforcing every customer who comes for loans to buy insurance. For example, if you want a loan of Rs 1 lakh, you will have to pay an insurance premium of Rs. 10,000. Even if you go for a housing loan you are forced to take an additional loan of up to Rs. 2 lakh along with the housing loan which is considered as insurance premium. Since most of the people who come for loan are in desperate need of money they unwillingly agree to pay the insurance premium lest they lose the loan amount. Some people are not even aware that bankers sold them policy along with the loan. So, in the current circumstances, if someone needs a new loan, it will not be sanctioned unless he agrees to pay the insurance premium. However, lakhs of people who are paying the first year's insurance premium are leaving the policies mid-way as they do not have enough income to pay the next year premium. Most of the insurance companies have a clause that if the insured does not pay premium for a minimum of three years, no amount of money will be returned to the insured. That is all the premiums paid until then will be appropriated by the insurance companies and a percent of that booty is shared with the banks. It must be noted that each insurance company looted crores of rupees in this way from the public.

Insurance companies are throwing baits in the form of luxury trips and foreign tours at the top executives of banks. To grab these, higher officials are putting tremendous pressure on the staff under them to sell insurance policies with daily and weekly targets. It doesn't matter if you don't make deposits and loans - the bank's core business, but if you don't sell insurance policies, you will have to face dire consequences. Unable to cope up with this pressure, the bank employees are forcefully selling insurance policies to the customers. Customers are in a situation where they don't know whom to tell about this. In the recent past, after a number of complaints reached the Vigilance (CVC) it warned all banks that they will face serious action if insurance policies are enforced on their customers. So far, for every 1,000 insurance policies sold by banks 27 complaints have been registered, as per the details provided by the CVC. This number is likely to increase further if there is an increase in awareness among the customers. The situation in rural banks (Gramin Banks) is even worse. A large bank acts as a sponsor bank. It owns 35 percent share in the rural banks under it. These big banks are turning the rural banks into their policy selling outlets. The situation is particularly bad in the 15 rural banks sponsored by SBI; it doesn't matter if you don't do core business all that matters is you have to sell SBI insurance policies.

This is just a specific example of how insurance companies and banks are profiting in many ways from the difficulties of people. Ever since banks were nationalised and people thought of state-run insurance companies as their own, people's trust became the capital for these two sectors. People believed that as all their hard earned money is saved for future in government banks and insurance companies it will not be stolen. This trust of the people

is being dented first. There have been lot of changes in this decade in the way governments use people's savings as sources of finance. The policies devised by the comprador ruling classes to cater to the needs of the big capitalists has given a free hand to the corporates over the people's money saved in government financial institutions. The government has converted the people's money in these two sectors into shares and tied the future of these two sectors to the business of the corporates. We are now at a juncture where if Adani's shares fall both of these sectors tumble and crores of people who saved in them have to worry.

Given these circumstances, it doesn't take much to understand that the insurance and banking sector investments in the market scam is the biggest of all the scams that have taken place in the country so far. Just as the masterminds of all scams are the ruling classes and their favoured companies, so are they now. Ultimately, the people will be burdened in multiple ways in the name of getting out of such crises. The government will increase direct and indirect taxes on the people to save and benefit its corporate cronies, after initiating discussions through their favourable media about averting the crisis. These media keep parroting that if a big empire like Adani collapses, the country's economies collapses; Attack on Adani is attack on the country, etc. and so we have to help Adani. All the constitutional institutions stand as a defence for the legal exploitation of the big companies that have converted the savings of the people into their capital. In this scenario, the fact that the policies laid down in the Constitution are primarily designed for the needs of the capitalists has to be conveyed to the people. People should be made to understand that the only way forward is to question and fight against the exploitative economic policies. Do people have a secure life in capitalist exploitative economic system? Or people are safe and secure in a real socialist system? Discussions on such fundamental aspects must be initiated among the masses. People should be led towards the achievement of a new system that eliminates exploitation.