

Can LIC's investments in public sector units hurt policyholders?



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- › Of the total investments made by LIC worth ₹26.6 trillion, as of March 2019, ₹22.6 trillion went into the public sector and only ₹4 trillion went into the private sector
- › A public listing of LIC is another tool to create transparency



Only a strong investment process can help customers

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Policyholders who are diligently contributing their premiums into insurance products that have a combination of investment and insurance, or insurance products that are predominantly investment-oriented tend to do so as they may not have the expertise to manage their money and use third-party managers like insurers to manage on their behalf. When premiums are invested, they need to be allocated to businesses that have high corporate governance standards, are well-run, accountable to shareholders, and are available at a significant discount to their fair value.

A strong investment process based on the above parameters is likely to help policyholders benefit from a robust fund management process from a longer-term perspective.

Unfortunately, not all investments that have been made over the last five years are likely to meet these expectations of policyholders, and thus they may need to diversify across multiple investment managers as a part of their risk management process. They also need to ideally separate out their investment and insurance needs.