CHAPTER III

LIFE INSURANCE CORPORATION OF INDIA - A PROFILE
Various studies related to marketing of LIC products conducted in the recent past were reviewed in the second chapter. In this chapter, an attempt has been made by the researcher to bring out the profile of the LIC and the features of its products along with the details how marketing of its products is executed in India in general and in the study area in particular.

Insurance is the outcome of man’s constant search for security and finding out ways and means of ameliorating the hardships arising out of calamities. The urge to provide protection against the loss of life and property must have prompted people/groups to make some sort of sacrifice willingly in order to achieve security through ‘Collective Co-operation’. In this sense, the story of insurance is as old as the story of mankind. The instinct for security against loss and disaster existed during ancient period also. Primitive man sought to avert the evil consequences of fire and flood and loss of life by making provisions for safety and security. The instinct for security against such risks is one of the basic motivations determining human attitude. As a sequel to this quest for security, the concept of insurance must have been born.

**Insurance**

Insurance is essentially a social device to reduce or eliminate risk of loss of life and property. It may be defined as a contract between the insurer and the insured against certain identified perils for which a mutually agreed upon premium has to be paid by the insured. Insurance is mainly of two types – Life Insurance and Non life Insurance (General Insurance), which refers to insurance cover against fire damages, marine losses etc.,

**Life Insurance**

Life Insurance is a contract for payment of a sum of money to the person assured, or failing him/her, to the person entitled to receive the same on the happening of the event insured against. Usually, the contract provides for payment of an amount on the date of maturity or at
specified dates at periodic intervals or death, if it occurs earlier. Among other things, the contract also provides for periodical payment of premia by the insured to the insurer.

**Life Insurance Products**

Life Insurance products are popularly known as 'Plans' of insurance. These plans have two basic elements; one is the ‘Risk Coverage’ (Risk is used here to mean ‘death’) providing for the benefit being paid on the death of the insured within a specified period. The other is the ‘Saving for the future’ (survival benefits) providing for the benefit being paid to the insured on survival for a specified period. If the breadwinner dies, the income to the family ceases. If the breadwinner does not die, but retires from service, even then the regular income to the family ceases or is reduced. Thus life insurance has to cover both the contingencies of death or survival. They are mutually exclusive.

The first basic need is to provide a lump sum amount to the family in the event of the premature death of the breadwinner. This is called ‘Term Insurance’. Here, the sum assured is paid only if the death of the insured occurs during a specified period. If the insured survives till the end of the specified period, nothing becomes payable. The second is accumulation of savings for the future. Here, the lump sum insurance amount is paid only if the insured survives till the maturity date of the policy. If the insured dies during the period of insurance, nothing becomes payable. This is a ‘Pure Endowment’. These two concepts ‘Term Insurance’ and ‘Pure Endowment’ are the basic elements in different proportions in the plans the insurers develop.

Prior to independence, financial institutions were either apathetic or were not in a position to provide long term finance for the economic development of the country. Hence, the Government of India set-up a number of financial institutions such as Industrial Finance Corporation of India, State Finance Corporation, Industrial Credit Investment Corporation of India, Unit Trust of India, Industrial Development Bank of India, National Small Industries Corporations, Life Insurance Corporation of India, etc., to provide short and long term finance to agriculture, industries and other undertakings. Among these financial institutions, Life Insurance Corporations of India (LIC) is playing an important role in the economic growth of the
country. The Corporation was established with a view to spreading the gospel of life insurance to every part of India in order to encourage the habit of thrift among the people and help them to provide against a rainy day and to enhance the resources at the disposal of the Government for promoting the economic development of the country. Besides this, life insurance would be available in every corner of the country and the savings of the people would be mobilized for nation building activities. Life Insurance Corporation is one of the major financial undertakings in India. Its objectives are to serve the individual as well as the state. The profit motive is secondary but the service motive is more dominant in such undertakings.

Life Insurance Corporation of India - Formation

Insurance business in India was nationalized and its management was taken over by the Central Government on September 1, 1956. By an Act of parliament, the Life Insurance Corporation (LIC) was formed with a capital contribution of Rs.5 crores from the Central Government of India. The Corporation is a body corporate having perpetual succession and a common seal with powers to acquire, hold and dispose of property and may by its name sue and be sued. The Corporation is charged with the main duty of carrying on life insurance business. Today, life insurance in India is almost entirely in the hands of the LIC. The Post and Telegraph Department conducts some business in this area for its employees, but the volume of that business in relation to that of the LIC, is negligible and declining.

The LIC is more than 50 years old. With more than one lakh employees, 2,000 odd branch offices, over 5 lakhs active agents and more than 90,000 crores of rupees of investable funds, it is a major part of the nation’s financial life.

Objectives of the LIC

Upto 1956, life insurance was an open market with both Indian and foreign players. The provident societies were also permitted to operate. However in 1956, the life insurance industry was nationalized bringing in 245 private companies under the roof of the Life Insurance Corporation of India. The pivotal objectives of the nationalization of insurance were (i) spreading the insurance gospel to rural areas and (ii) maximum mobilization of savings.
The Life Insurance Corporation of India has been widely accepted as a symbol for security and savings. The main objective of the LIC is to extend the benefit of insurance to every nook and corner of the country - from privileged to underprivileged, from the affluent to the weaker and vulnerable section of the country.

**Other Important Specific Objectives of the LIC**

1. To spread life insurance much more widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.

2. To maximize mobilization of people's savings by making insurance-linked savings adequately attractive.

3. To bear in mind, in the investment of funds, the primary obligation to its policy holders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.

4. To conduct business with the utmost economy and with the full realization that the money belongs to the policy holders.

5. To act as the trustee of the insured public in their individual and collective capacities.

6. To meet the various life insurance needs of the community that would arise in the changing social and economic environment.

7. To involve all people working in the Corporation to the best of their capacity in furthering the interests of the insured public by providing efficient service with courtesy.

8. To promote amongst all agents and employees of the Corporation, a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards the achievement of corporate objectives.
Management

The affairs of the Corporation are managed by the Board of managements not exceeding fifteen in membership, appointed entirely by the Central Government. One of the members is appointed as the Chairman of the Board by the Central Government.

The Board meets once a month. The Chairman has got full control and authority to take any decision in the event of any emergency situation arising in the interim period between two meetings of the Board.

Committees

The Life Insurance Corporation Act, 1956 empowers the Corporation to entrust its work to its Committees. The law specifically provides for the formation of two committees.

1. Executive Committee
2. Investment Committee

The Corporation is also permitted by the Act to form some other Committees as it deems necessary.

1. Executive Committee

This Executive Committee is entrusted with the general superintendence over the affairs and business of the Corporation. The Committee is also authorized to exercise all powers and do all such acts as may be delegated by the Corporation. The Committee consists of five members of the Corporation including the Chairman and it meets once a month, just before the Board of Management meets for its regular business.

2. Investment Committee

The Investment Committee has been charged with the responsibility of advising the Corporation in all matters concerned with the investment of the funds of the Corporation.

It consists of not more than seven members of whom not less than three are members of the Corporation and the remaining are persons from other areas of knowledge. The Committee meets frequently and the sittings are normally at the Central Office.
Organization Structure

The organizational set-up of the Life Insurance Corporation of India is subject to frequent review and examination by various committees appointed by the parliament. The Administrative Reforms Commission examined the organization in detail in 1968. On the basis of the recommendations of this Commission, the Corporation modified its organizational set up.

The Corporation consists of a Central office, zonal offices, divisional offices and branch offices. The Central office is located at Mumbai. There are seven zonal offices, one each at Mumbai, Kolkata, New Delhi, Kanpur, Bhopal, Chennai and Hyderabad. At present the Corporation has 103 divisional offices and 2,049 branch offices in India. Besides these, it has offices at London, Fiji and Mauritius outside India.

The zone wise figures of divisional and branch offices are shown in the Table 3.1.

Table 3.1
Zonal Offices of LIC

<table>
<thead>
<tr>
<th>Zone</th>
<th>Divisional Offices</th>
<th>Branch Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>8</td>
<td>148</td>
</tr>
<tr>
<td>North Central</td>
<td>11</td>
<td>247</td>
</tr>
<tr>
<td>Eastern</td>
<td>18</td>
<td>363</td>
</tr>
<tr>
<td>Northern</td>
<td>16</td>
<td>324</td>
</tr>
<tr>
<td>South Central</td>
<td>16</td>
<td>314</td>
</tr>
<tr>
<td>Southern</td>
<td>12</td>
<td>261</td>
</tr>
<tr>
<td>Western</td>
<td>22</td>
<td>392</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>2049</td>
</tr>
</tbody>
</table>

(Source : Annual Report of LIC)

From Table 3.1 it can be understood that Western Zone is the largest one with 22 divisional offices and 392 branch offices whereas the Central Zone is the smallest one with 8 divisional offices and 148 branch offices.
The organizational structure of the LIC is presented in the form a chart in Figure 3.1

Figure 3.1
Organizational Structure of the LIC

Life Insurance Corporation of India

Central Office (Mumbai)

Zonal Offices

Central
North Central
Eastern
Northern
South Central
Southern
Western

Bhopal
Kanpur
Kolkata
New Delhi
Hyderabad
Chennai
Mumbai
The Head Office (Central Office)

The corporation’s Central office is located at Mumbai. The Central office is concerned with policy making and matters such as union negotiations, wage fixation and revision of the employees, terms and conditions for remuneration of agency force, formation and modification of staff regulations, recruitment and training of officers, management of investable funds, valuation of assets and liabilities, declaration of bonus to policy holders, fixation, revision and updating of premium rates, updating of policy conditions and introduction of new policies of insurance etc. At present the LIC has three branches in foreign countries. They are governed by the Central office. It is the Central office or Head office that gives directions and provides guidelines to the divisional offices on all matters of importance. The Central office keeps in liaison with the Central Government and various State Governments and other financial institutions. This is done by the various departments in the Central office. They are:

1. Marketing including Sales, Planning, Policy-servicing.
2. Reliability and Public Relations
3. Finance and Accounts
4. Inventory
5. Human Resources Development and Industrial Relations
6. Vigilance
7. Internal Audit and Inspection
8. Legal and House Property Finance
9. Buildings
10. Foreign Operation Cell.

Zonal Offices

The LIC has seven zonal offices one each at Mumbai, Kolkatta, New Delhi, Kanpur, Bhopal, Hyderabad and Chennai. The supervision and direction of affairs and business of each zonal office is entrusted to a senior officer known as the Zonal Manager who performs all such functions as may be delegated to him with respect to his zone. For each zone, the Corporation has constituted a Zonal Advisory Board, whose function is to
discuss various important issues in insurance. The Chairman of the Corporation is the Chairman of all these Advisory Boards. The Zonal Manager is also a member of this Board by virtue of his office. The zonal office is also entrusted with the job of advertising and publicising life insurance products within the zonal area.

**Divisional Offices**

Divisional offices work under the broad framework of the policies laid down by the Central Office and under the guidance and supervision of the Zonal Office.

On the recommendations of the Era Chezhian Committee which submitted its report on 30\textsuperscript{th} August, 1980 and on the suggestions of Prof. Iswal Dayal, an eminent management consultant, appointed by the Corporation to go into organizational improvements required in the life insurance industry, the Corporation has effected some improvements in the structure and functioning of the divisional offices and branch offices.

The Divisional offices will be primarily responsible for controlling and guiding the branches without assuming any operating functions in any area except in matters like legal mortgages etc., It will be an office of support, service and guide to the branches. It will supervise the functioning of the branches and enable them to perform by providing support services like physical and human resources, training etc.,

The present functions of the Divisional Offices are as under:

1. Development of the organization, new business planning and issue of directions in the matter of new business development.
2. Underwriting of new business and issue of policies.
3. Policy-servicing to the extent that is not decentralized to the branch office.
5. Sanction of Loans under various mortgage loan schemes.
6. Personnel matters such as promotion, posting, transfers etc., of class II, III and class IV employees.
7. Exercising supervision and control over the working of branch offices and sub-offices in their jurisdiction.
Branch Offices

The branch office of the Corporation is the main operating office in the sense that it is the only office where sales (of life insurance) are effected and services are extended. Each branch is given a specific area of operation and is expected to strictly adhere to the territorial limits for business procurement. New business is brought in by licensed agents who are of different kinds – career agents, direct agents and agents working through Development Officers. Career Agents are paid a stipend for three years and they are given intensive training in the office and their work is supervised by the Branch Manager or Assistant Branch Manager (Sales).

Direct Agents are directly working under the Assistant Branch Manager (Sales). The third category of agents is recruited by Development Officers.

The Development Officer gives them initial training and assistance. The Development Officer is supervised by the Assistant Branch Manager(Sales).

Reorganization Scheme of LIC

As per the suggestions of Era- Chezhian Committee, the LIC has gone ahead in its reorganization of its divisional and branch offices. At present the reorganization work has been completed in all divisions and branches.

Reorganized Divisional Office

1. Marketing Department

It is responsible for the performance of the branch and is the single point of contact for supervising sales. The department is responsible for judging the quality of work done in branches through its sections like Sales, Policy Holder’s servicing, sales training and branch-support.
a. **Sales Section**

It is responsible for carrying out supervisory functions relating to sales and the field-force and customer satisfaction. The major task of the sales manager in charge of the sales section is the supervision of the sales functions at the branches and the performances of the field personnel. This section is also responsible for spreading awareness among the general public about the benefits of life insurance and the nature of cover that LIC’s policies provide and how different policies are designed to meet varying individual needs. This section assesses the quality of business of the various branches and effectiveness of their plans in penetrating the respective territories and markets assigned.

b. **Policy holder’s Service Section**

It is also responsible for supervising the policyholder servicing function including claims and the operational function of early settlement of claims. It handles matters referred to the divisional office by branches with respect to all policyholder’s service functions. It may undertake the training of branch staff and carry out supervisory inspection. This section is primarily concerned with the time frame and the quality of the service rendered by the branches to the policy holder. This section has also to deal with the individual cases referred to by branches. All old claims have to be got investigated and settled by this section.

c. **Sales Training Section**

This section is entrusted with the responsibility of training in sales personnel and sales planning. It arranges and conducts training for field- personnel, such as ABM (D), Development Officers and Agents.

d. **Branch Support Section**

This section provides secretarial support to the various sections in the marketing department. It provides administrative support to the section under the Marketing Manager. This section is responsible for analysis of budget proposals and monthly review of data. They analyze the performance data, raise special issues concerning the performance of branches and generally help the various sections in the marketing department to process work and perform liaison work with other departments and take up routine functions as assigned to them.
have to undertake general follow-up of routine matters with the branches and with other departments of the divisional office.

The marketing department controls the entire sales and service functions in the divisional area and also serves as a single point of contact between the branches and the departments of the divisional office.

2. New Business and Actuarial Department

The new Business and Actuarial Department is responsible as specialists to decide on the proposals referred to the divisional office in respect to all individual, SSS and GSD proposals, Cheque, Declined Life Index Cards and undertake supervisory inspection tasks vis-a-vis branches. They also have the responsibility to train new business incumbents in branches according to their capabilities and needs. This department is responsible for the supervision of branch functions from underwriting to issue of policy, appointment and control of medical examiners etc. It underwrites proposals of higher sums assured, which are beyond the powers of the branches and conducts actuarial valuation and undertakes actuarial research.

3. Accounts Department

The Accounts Department is responsible for supervision of accounts in the branches, collection of branch accounts and all the accounting functions in the division. It also trains staff and test-checks how well the work in branches is being done. The Accounts Department has two sections (a) Branch Accounts Section has the responsibility for supervision of branch accounts, expenses and training of staff. They analyze the Trial Balances from branches and recommend suitable action to the divisional management (b) General Accounts Section, which has three units:

(i) Cash and Banking System
(ii) Salary and Provident Fund Section; and Final Accounts Section.

4. Legal and Mortgage Department

The legal and Mortgage Department has the responsibility for all legal and mortgage loan work in the division. It advises branches when required on mortgage loans and legal matters.
5. Office Management Department

The Office Management Department consists of two divisions: (a) Purchases Section, which has the responsibility for purchases, inventory and materials utilization and (b) Service Section that consists of security dispatch, duplicating and office services, transportation etc.,

6. Machine Department

It is responsible for data processing and offers service to user departments in the divisional office and to branches that do not have machine support. It has two sections (a) System Section which is responsible to oversee the systems and programmes for data processing machines in branches and divisions (b) Operations Section that is responsible for providing machine support to branches that do not have an in house system, as also to the divisional office.

7. Personnel Department

It consists of three sections

(i) Management Development Section: This section is responsible for management forecast, management development and carrier planning of staff. It has the responsibility to ensure that branches implement the policies laid down in letter and spirit. They carry out periodic personnel audit to ensure that the corporate plans and policies are implemented satisfactorily.

(ii) Industrial Relations Section: It is responsible to develop relations with trade unions and to carry out negotiations in matters that relate to the division as a whole.

(iii) Training Section: It is responsible for organizing programmes for supervisors and middle management personnel within the division. This section is also responsible for organizing functional programmes according to the needs of various departments in the divisional office.
8. Planning and Review Department

The Planning and Review Department has responsibilities in two main areas. One is the operation section with responsibility for locality data suitable for planning, education and developing among people concerned, the understanding of the concepts and their applications, review of performance budget proposals and review of monthly, quarterly or six monthly performance reports. The other is the special studies section with responsibility for understanding such studies as the performance data may indicate or the divisional management may consider necessary.

Reorganized Branch Office

The reorganized branch offices of the LIC have the following sections.

1. Sales Section

This section is responsible for supervision of development officers and agents for building up the agency force in its jurisdiction. It has to plan and review business performance and take remedial action where necessary. It registers new proposals, settles commission and makes all payments to agents and development officers.

2. New Business Section

This section is responsible for underwriting all new business and issue of new policies. It sends recommendations and obtains approval for business beyond its permissible limits, from the higher authorities.

3. Policy holder’s Servicing Section, including claims

This section is responsible for total servicing of policies, including loans and claims and for obtaining approval from higher authorities for matters beyond their sanctioned powers. A separate section for claims and salary saving scheme has been created, where the volume of work justifies it. It is responsible for providing the required support to all departments. An in-house machine will be provided where the size justifies it. In other cases, such support will come from the divisional office.
4. **Office Service Section**
   It is responsible for establishment and personnel matters in the branch.

5. **Accounts Section**
   This section is responsible for cash and banking, preparation of trial balance of the branch, reconciliation of various accounts and issue and control of premium receipts.

**Branch Management Committee**

This Committee consists of the Branch Manager and all the heads of sections and has higher financial powers. The members of the Branch Management committee are section Heads, Higher Grade Assistants, Superintendents, Assistant Administrative Officers or Administrative Officers. The Committee is also been vested with the financial authority beyond the power of the officer in charge of the branch in matters relating to underwriting and policy services. The decisions of the management committee on all matters have to be unanimous and in case of differences of opinion committee, the matters have to be referred to the Divisional Office.

The basic function of the Committee is to review the performance of the branch, discuss its work status and evolve methods to overcome the problems facing the branch. The review of the performance of the branch has to be made in relation to some standards. The performance budget for the branch, agreed upon between the Division and the Branch provides the yardstick for this comparison. This review would be meaningful if the planning and budgeting itself is done after a through discussion at the Management Committee, so that all members of the committee have a sense of commitment and identify with the plan. The review of the performance at the branch management committee provides feed- back for future planning and enables suitable measures to be taken speedily wherever necessary to bring performance in line with plans, by a careful analysis of the reasons for deviation.

The performance plan and budget evolved after discussions in the Management Committee provides common goals for the branch to reach and ensures the involvement of individual departmental heads in evolving these goals. It arouses a sense of commitment in them so that when reviews are made individual departmental heads, become prepared to sacrifice
narrow departmental interests whenever required in the interest of the branch attaining the common objectives. The review of performance and analysis of the problems faced which the committee does enables the emergence of a problem-solving culture. It leads to a realization that operational problems can be solved primarily by putting heads together, identifying the causes and tackling the issues that provide the cause and not by just referring to a higher authority.

**Relationship Between the LIC and its Policy Holders**

Life Insurance is a contract of ‘Uberrima Fides’ i.e., utmost good faith. It is an agreement whereby the L.I.C. undertakes to pay the sum assured to the nominee of the life assured in case of his death or to the life assured himself along with bonus on his survival to the full term for a consideration received from the life assured known as ‘premium’. The person who insures his life with the LIC is known as customer or policy holder of the LIC. The relationship between a policy holders and the LIC is that of assured and assuror.

L.I.C. renders the following services to its policy holders

1. Grants loans to policy holders on pledging the original policy.
2. Transfers policy records from one branch to another branch at the request of policy holders.
3. Revives the lapsed policy and settles the surrender value when the policy is surrendered.
4. Settles maturity and death claims.
5. Effects changes in nomination or assignment.
6. Issues duplicate policy in case of loss of original policy.
7. Effects alteration in the mode of payment of premium.
8. Effects changes in residential/official address of policy holders.
The LIC (International) Exempt Company

This was formed as an exempt company in July 1989, at Manama, Bahrain in collaboration with the international agencies company to meet the insurance needs of expatriate Indians. It issues policies in a variety of currencies and markets a variety of plans. The LIC has thus travelled substantially in realizing the main objectives of its formation.

Marketing Network

An effective marketing network is a prelude to sustained success. The LIC’s infrastructure as would be seen from Table 3.2 has been evolving and expanding to meet the aspirations of the insuring public. Decentralization and delegation with a view to bringing service to the door step and providing a single window for all policyholders’ servicing needs has been the basic tenets of organizational infrastructure development. The details of its marketing network are presented in Table 3.2.
TABLE 3.2
Marketing Network

<table>
<thead>
<tr>
<th>Year</th>
<th>Agents</th>
<th>Branches</th>
<th>Divisional Offices</th>
<th>Zonal Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>5,19,504</td>
<td>2021</td>
<td>100</td>
<td>7</td>
</tr>
<tr>
<td>2004-2005</td>
<td>5,20,325</td>
<td>2021</td>
<td>100</td>
<td>7</td>
</tr>
<tr>
<td>2005-2006</td>
<td>5,33,133</td>
<td>2023</td>
<td>100</td>
<td>7</td>
</tr>
<tr>
<td>2006-2007</td>
<td>5,45,326</td>
<td>2023</td>
<td>100</td>
<td>7</td>
</tr>
<tr>
<td>2007-2008</td>
<td>5,58,698</td>
<td>2048</td>
<td>100</td>
<td>7</td>
</tr>
<tr>
<td>2008-2009</td>
<td>5,78,236</td>
<td>2049</td>
<td>103</td>
<td>7</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September, 2009 p.3)

From Table 3.2 it can be inferred that the nation wide marketing network covers the entire country in all directions as the national network is divided into 7 Zones coordinating 103 Divisions with 2049 branches. The marketing of LIC products is carried out only through its agents who are around 6 lakhs in number. At present in India there is one LIC agent for every 2000 persons.
Spreading Life Insurance – (Individual Insurance Scheme)

New Business

LIC's achievements, vis-à-vis the main objective of spreading the gospel of insurance, which in fact was the raison d'être of its formation, have to be viewed in the context of its overall growth-vertical and horizontal-encompassing the urban and rural sector and the economically able and weaker section of the society. Table 3.3 shows the Total Sum Assured under Individual insurance Schemes along with number of policies issued.

**Table 3.3**

**Number Of Policies And Amount Of Sum Assured**

<table>
<thead>
<tr>
<th>Year</th>
<th>Policies (In Lakhs)</th>
<th>Sum Assured (Rs.In Crores)</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>108.08</td>
<td>55,228.50</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>110.21</td>
<td>68,039.16</td>
<td>123.00</td>
</tr>
<tr>
<td>2005-2006</td>
<td>122.68</td>
<td>70,432.50</td>
<td>127.52</td>
</tr>
<tr>
<td>2006-2007</td>
<td>133.11</td>
<td>73,256.20</td>
<td>132.63</td>
</tr>
<tr>
<td>2007-2008</td>
<td>148.44</td>
<td>75,316.28</td>
<td>136.37</td>
</tr>
<tr>
<td>2008-2009</td>
<td>169.77</td>
<td>91,213.42</td>
<td>165.15</td>
</tr>
</tbody>
</table>

(Source : The Insurance Times, September, 2009 p.3)

As given in Table 3.3 the number of policies has increased by 70 per cent between 2003-2004 and 2008-2009. It includes replacement of polices matured during the period. Similarly the amount of sum assured has also increased by around 65 per cent during the same period.

The LIC has been maintaining a steady pace in spreading the Gospel of Life Insurance in the country.
Business Finance

Every year a large number of new policies are issued to lakhs of persons both under individual insurance and group insurance. Besides the new business there are a large number of policies issued in previous years whose tenure is yet to expire. The aggregate of existing business relating to he current years is the total existing business in-force. The Corporation has been showing steady progress year by year. The Table 3.4 shows the total business in-force for a period of six years.

Table 3.4

<table>
<thead>
<tr>
<th>Year</th>
<th>Policies (In Lakhs)</th>
<th>Sum Assured (Rs.In Crores)</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>1539.21</td>
<td>9,25,033.33</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>1629.51</td>
<td>10,29,839.55</td>
<td>111.32</td>
</tr>
<tr>
<td>2005-2006</td>
<td>1795.64</td>
<td>12,80,159.24</td>
<td>138.38</td>
</tr>
<tr>
<td>2006-2007</td>
<td>1894.17</td>
<td>13,97,468.14</td>
<td>151.07</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1924.28</td>
<td>14,85,379.90</td>
<td>160.57</td>
</tr>
<tr>
<td>2008-2009</td>
<td>2154.36</td>
<td>15,75,678.56</td>
<td>170.33</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September, 2009 p.3)

Table 3.4 indicates the significant progress of the Corporation in terms of policies and sum assured. It is due to the sustained efforts made by the team of LIC personnel in the office and in the field. From Rs.9,25,033.33 crores of total business in-force in the year 2003-2004, the total business in-force showed a spectacular increase to Rs. 15,75,678.56 crores in the year 2008-2009, which is an increase of around 70 per cent.

Group Insurance Scheme

In addition to schemes for individual insurance, the LIC also offers schemes for group insurance, group gratuity and group superannuation. These are mainly meant for employees of the organized sector and they provide insurance cover at comparatively low rates of premium.
Besides these, there is a vast majority of people, especially in the rural areas, and in the unorganized sectors, who need life insurance but cannot afford to pay for it. For such weaker sections of society, the LIC has introduced Social Security Group Schemes. As many as 23 occupational groups such as weavers, rickshaw pullers, fisherman, tailors, beedi workers and primary milk producers are covered. 50 per cent of the premium is paid from the Social Security Fund created by the LIC and the balance is paid either by the State Government or by the Nodal Agency to which the groups are attached.

New Business

Policies are issued to groups of persons in the case of group insurance schemes. The Life Insurance Corporation of India offers group schemes of life insurance to persons who work in the same place or under the same employer. These group schemes are open to persons who come under organized and unorganized categories. In the case of the organized category, when at least 75 per cent of the employees who work under the same employer opt for the group insurance scheme, a group insurance policy is issued.

For instance teachers working in a school or a college, employees working in a mill, can take group insurance policies. In the case of the unorganized category, a group consisting of 100 persons or more can take a group insurance policy. For instance, coolies in a railway junction, flower vendors in a city, mobile vendors (hawkers), pilgrims to a temple, church or mosque can take a group insurance policy for their respective group. In the case of group insurance schemes, premium is low and at the same time all the members of the group are given insurance coverage.

Every year a number of group insurance schemes are developed to meet the rising consumer aspirations and preference. The total sums assured under Group Insurance Schemes during the period of the study are shown in the Table 3.5.
Table 3.5
Total New Business Under Group Insurance Scheme.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sum Assured (Rs. In Crores)</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>1,28,047.85</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>1,17,662.56</td>
<td>91.88</td>
</tr>
<tr>
<td>2005-2006</td>
<td>1,77,317.32</td>
<td>138.47</td>
</tr>
<tr>
<td>2006-2007</td>
<td>1,52,864.62</td>
<td>119.37</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1,67,784.93</td>
<td>11.02</td>
</tr>
<tr>
<td>2008-2009</td>
<td>1,75,435.25</td>
<td>140.00</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September, 2009 p.3)

It can be seen from Table 3.5 that the sum assured under group insurance scheme (new) has been increasing considerably year after year. In the year 2003-2004 the total sum assured was Rs.1,28,047.85 crores and its increased to Rs.1,75,435.25 crores in the year 2008-2009. Therefore, the Group Insurance portfolio has shown a growth of 30 per cent over these years.
Business In-Force

Business In-Force under Group Insurance Scheme is seen from Table 3.6

Table 3.6
Total Business In-Force Under Group Insurance Scheme

<table>
<thead>
<tr>
<th>Year</th>
<th>Number Of Schemes</th>
<th>Sum Assured (Rs. In Crores)</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>1,00,051</td>
<td>1,43,398.20</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>1,06,912</td>
<td>1,36,286.92</td>
<td>95.03</td>
</tr>
<tr>
<td>2005-2006</td>
<td>1,09,995</td>
<td>1,99,427.16</td>
<td>139.06</td>
</tr>
<tr>
<td>2006-2007</td>
<td>1,11,729</td>
<td>3,22,042.20</td>
<td>224.56</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1,28,840</td>
<td>3,06,711.77</td>
<td>213.87</td>
</tr>
<tr>
<td>2008-2009</td>
<td>1,36,573</td>
<td>3,47,645.24</td>
<td>242.41</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September, 2009 p.4)

It can be understood from Table 3.6 that there has been an increasing trend in the number of schemes sold under Group Insurance. From a mere Rs. 1,43,398.20 crores of total business in the year 2003-2004, the total business in-force showed a spectacular increase to Rs. 3,47,645.24 in the year 2008-2009. It is a fact that the business in-force under group insurance has increased by more than 1.3 times during the period covered by the study.

Life Insurance Funds

The working results of the LIC can be evaluated by various indicators such as Life Insurance Fund, Premium Income, Total Income, Claims-settlement Operations, Number of Offices and so on.

An increasing trend in life insurance funds is a clear indication of progressive business. Table 3.7 clearly shows the substantial increase in Life Insurance Fund over the years.
Table 3.7
Year Wise Increase In Life Insurance Fund

<table>
<thead>
<tr>
<th>Year</th>
<th>Life Fund (Rs. In Crores)</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>3,21,759.55</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>3,85,791.21</td>
<td>119.87</td>
</tr>
<tr>
<td>2005-2006</td>
<td>4,63,147.62</td>
<td>143.90</td>
</tr>
<tr>
<td>2006-2007</td>
<td>5,60,806.33</td>
<td>174.24</td>
</tr>
<tr>
<td>2007-2008</td>
<td>6,86,616.45</td>
<td>213.33</td>
</tr>
<tr>
<td>2008-2009</td>
<td>8,07,317.43</td>
<td>250.83</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September, 2009 p.4)

The life insurance fund has been increasing fast during the period. It has increased from Rs.3,21,759.55 crores in the year 2003-2004 to Rs.8,07,317.43 crores in the year 2008-2009. i.e., by 150 per cent.
Income Earned

The income of the LIC is not confined to premium income alone. It has income from investments as well as from other miscellaneous sources, the details of which are given in the Table 3.8.

Table 3.8
TOTAL INCOME OF THE LIC
(Rs. In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Income</th>
<th>Investment Income</th>
<th>Other Income</th>
<th>Total Income</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>11,527.80</td>
<td>6,336.19</td>
<td>238.33</td>
<td>18,102.32</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>75,083.37</td>
<td>32,977.50</td>
<td>4,331.87</td>
<td>112,392.74</td>
<td>620.87</td>
</tr>
<tr>
<td>2005-2006</td>
<td>90,759.20</td>
<td>35,478.64</td>
<td>5,909.04</td>
<td>132,146.88</td>
<td>730.00</td>
</tr>
<tr>
<td>2006-2007</td>
<td>127,782.26</td>
<td>40,572.40</td>
<td>6,070.10</td>
<td>174,424.76</td>
<td>963.54</td>
</tr>
<tr>
<td>2007-2008</td>
<td>149,705.59</td>
<td>47,147.00</td>
<td>9,510.39</td>
<td>206,362.98</td>
<td>1139.97</td>
</tr>
<tr>
<td>2008-2009</td>
<td>1,57,186.55</td>
<td>36,432.00</td>
<td>6,662.10</td>
<td>2,00,280.65</td>
<td>1106.37</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September, 2009 p.4)

It can be seen from Table 3.8 that the total income including premium income, investment income and other income of the Corporation has been increasing year after year—a more than 10 fold increase over these years. The Corporation has made spectacular progress in its income generation operations.

Investments

The LIC utilizes its funds in profitable investments. Investments are made in Banks, Financial Corporations, Private Corporate Business (shares and Debentures), Central and State Government Securities, Local Authorities, Electricity Boards and Commercial Undertakings. The LIC's investments are more or less risk free. The problems of non-performing assets is the minimum in the LIC. Loans and Advances are also provided to the Commercial Banks, Financial Corporations, Private Corporate Business, State and Central Governments and Households. The LIC invests 65 per cent in Government Securities, 8 per cent to 9 per cent in Equities and above 10 per cent with Corporates.
The rules governing the investment pattern are given in the Table 3.9

**Table 3.9**

**Rules Governing Investment Pattern**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Govt. Securities.</td>
</tr>
<tr>
<td>2</td>
<td>Loans to National Housing Bank and (1) above</td>
</tr>
<tr>
<td>3</td>
<td>State Govt. and Govt. Guaranteed Securities and (2) above</td>
</tr>
<tr>
<td>4</td>
<td>Socially Oriented (power, Housing, Public Health etc.,) and (3) above</td>
</tr>
<tr>
<td>5</td>
<td>(i) Corporate sector loans, Equities etc., (ii) Loans to policy holders (iii) Property (iv) Funds in pipeline</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, September 2009, p.5)

The Corporation provides large amounts to governments and semi government institutions. The funds are utilized for infrastructure development in the country. The prime objective of the Corporation has been investment of funds for national development. Its investments cover a wide range of shares and debentures of important industries and undertakings, Coal, Railways Sugar, Electricity, Transport, Industrial Estates, Port Trusts, Co-operative Land Development Banks, Co-operative Housing Societies, Unit Trust of India, Development Corporations, Kisan Vikas Patras etc.,
Table 3.10 highlights the investments made by the LIC in different sectors.

### Table 3.10

**LIC’s Investments In Different Sectors**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Types Of Investment</th>
<th>Investments Upto (31st March)</th>
<th>Rs. In Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>01</td>
<td>Central Govt. Securities</td>
<td>70533</td>
<td>199785</td>
</tr>
<tr>
<td>02</td>
<td>State Govt. &amp; other Govt. Guaranteed Marketable Securities</td>
<td>14156</td>
<td>51303</td>
</tr>
<tr>
<td>03</td>
<td>Infrastructure and Social Sector Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>Housing</td>
<td>11931</td>
<td>16570</td>
</tr>
<tr>
<td>(b)</td>
<td>Power</td>
<td>15885</td>
<td>22439</td>
</tr>
<tr>
<td>(c)</td>
<td>Irrigation/ Water Supply and Sewerage</td>
<td>2997</td>
<td>8807</td>
</tr>
<tr>
<td>(d)</td>
<td>Road, Railways, Port, and Bridges</td>
<td>736</td>
<td>826</td>
</tr>
<tr>
<td>(e)</td>
<td>Others</td>
<td>1650</td>
<td>4272</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>117888</strong></td>
<td><strong>304002</strong></td>
</tr>
</tbody>
</table>


From Table 3.10, it is clear that the Corporation has made investments in different fields in a profitable manner. Investments in the Govt. securities have been increasing constantly. The Corporation makes investments in the outlets, which promote the country's economic growth. The year-wise amount of Investment is shown in the Table 3.11.
Table 3.11
Year-Wise In Investments
(Rs. In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments</th>
<th>Trend %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>4,98,365.78</td>
<td>100.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>5,24,017.25</td>
<td>105.18</td>
</tr>
<tr>
<td>2005-2006</td>
<td>6,13,266.58</td>
<td>123.02</td>
</tr>
<tr>
<td>2006-2007</td>
<td>6,78,298.32</td>
<td>136.07</td>
</tr>
<tr>
<td>2007-2008</td>
<td>7,56,890.51</td>
<td>151.83</td>
</tr>
<tr>
<td>2008-2009</td>
<td>8,79,396.45</td>
<td>176.41</td>
</tr>
</tbody>
</table>


It may be observed from Table 3.11 that the amount of investments has been increased from Rs. 4,98,365.78 crores in 2003-2004 to Rs. 8,79,396.45 crores in 2008-2009. This investment has contributed significantly to the economic development of the country.

The LIC has invested Rs. 1,468 crores in Tamil Nadu, Kerala and Pondicherry. Of this Tamil Nadu’s share is Rs.941 crores.

Claims – Settlements Operations

Life Insurance helps policy holders to meet the requirements old age. It assists family members in the event of the insured person’s premature death.

On the expiry of the period of the policy, the policyholder demands the sum assured from the Corporation. This is known as ‘claim by maturity’. The nominee can claim the amount from the Corporation on the death of the policy holder. When the nominee claims the amount, it is called ‘claim by death’. Irrespective of the type of claim, the Corporation is under an obligation to settle the claim. Quick settlement of claims is one of the indices of efficiency of the Corporation. So, the Corporation lays great emphasis on the timely settlements of claims. Table 3.12 shows the details on Claims – Settlements operation from the year 2003-04 to 2008-09.
Table 3.12
Claims-Settlements Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Claims Intimated</th>
<th>Claims Settled</th>
<th>Claims Outstanding</th>
<th>Per centage Claims Outstanding to Claims Intimated (4/2 X 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>19596.11</td>
<td>19607.20</td>
<td>173.91</td>
<td>1.54</td>
</tr>
<tr>
<td>2004-2005</td>
<td>23563.62</td>
<td>23560.66</td>
<td>176.86</td>
<td>0.75</td>
</tr>
<tr>
<td>2005-2006</td>
<td>28709.42</td>
<td>28472.98</td>
<td>236.44</td>
<td>0.82</td>
</tr>
<tr>
<td>2006-2007</td>
<td>36734.3</td>
<td>36485.91</td>
<td>248.39</td>
<td>0.68</td>
</tr>
<tr>
<td>2007-2008</td>
<td>37561.01</td>
<td>37205.58</td>
<td>355.43</td>
<td>0.95</td>
</tr>
<tr>
<td>2008-2009</td>
<td>38271.43</td>
<td>37893.00</td>
<td>378.43</td>
<td>0.99</td>
</tr>
</tbody>
</table>

(Source: The Insurance Times, June 2009, p.116)

Prompt settlement of claims is the ultimate reflection of the customers’ satisfaction and the life Insurance Company’s efficiency. It can be seen from Table 3.12 that the claims-settlement operation is satisfactory. It may be observed that the percentage of outstanding claims to total claims intimated has declined from 1.54 per cent in 2003-2004 to 0.99 per cent in 2008-2009.
Information Technology in LIC

The LIC has been using information Technology intensively and today they are the largest user of IT in the country in terms of investment and hardware. The LIC is having the largest number of servers (more than 4500) in the country and is second in the number of nodes deployed (approximately 25,000 PCs and Terminals).

The Front-End started with three modules and today there are as many as twelve modules in place. Today almost all activities concerning the policy holders have been computerized. Touch Screen kiosks (TSK) have been installed in 150 locations in the country.

New Initiatives

With the successful implementation of Front-End in all the 2048 Branches of the Corporation, the focus has shifted to providing various value added services to customers at no extra cost.

Green Channel

This is a fast track for New Business Completion wherein processing time for completion and issue of policy bond is brought down from days to minutes by sizing down the various processes in acceptance, scrutiny and underwriting of proposals.

Networking

With a view to making available information about their policies to all locations of LIC, the concept of networking of Branches through Metro Area Network (MAN) and Wide Area Network (WAN) has been adopted and today all the 103 Divisional Offices and all the branches are connected with one another.
IVRS

Interactive Voice Response system is an automated telephone service whereby the customer can get the information about his policy such as premium due, bonus, loan eligibility etc., This service is already implemented in all metros/major cities.

- A Single hunting number triggers the process.
- The policyholder dials in the policy number for which he wants the policy particulars.
- This computerized service provides the required information at short notice.

Premium Payment Over Interest

The LIC has tied up with various banks and service providers for collection of renewal premium. The system is fully automated and relies on the Internet to trigger a chain of transactions and processes within the LIC and the tie-up partners which ultimately results in the premium amount being debited from the policy holder’s bank account and being transferred to the LIC’s account. The LIC has this arrangement with Corporation Bank, UTI, The Bank of Punjab, ICICI Bank. Timesofmoney.com and billjunction.com.

Policy Status Over The Internet

- The Policy holder can also register for the policy status over the internet at LIC’s website www.licindia.com and view policy particulars any time of the day from anywhere in the world.
- The site also has an option where the policyholder can send emails automatically to the Divisional Offices / Branches that service his policy.
- The website contains further facilities like premium calculations, plan particulars, bonus rates, information about the organization, contact addresses etc.,

The Info-Centre

A 24- hours customer – user friendly info centre has been inaugurated by LIC in Chennai city. This is the fourth info centre of the LIC in the country (after Mumbai, Hyderabad and Pune). These centers have been receiving approximately 8000 calls per day. The info centre has been built on the lines of a call centre, where any customer can collect details on the personal
policies, information on products and premium calculation and any other relevant information by just making a phone call.

Performance Of LIC During The Past 50 Years - Highlights

- 1\textsuperscript{ST} September 1956 was the day of nationalization of life insurance in India.
- The LIC came into being with 5 zonal, 33 divisional branch office and 97 sub-offices on 1.9.56.
- Jeevan Kentra, Churchgate, Mumbai was LIC’s first Central Office from November 1 1957.
- On 31\textsuperscript{st} December 1957, The Corporation had 2,07,373 Agents and 5,222 Development Officers.
- The first financial year for LIC was of 16 months ending on 31\textsuperscript{st} December 1957.
- The building department was set up in October 1956.
- The first master policy for Group Insurance Scheme was issued by the Mumbai office of the LIC in 1957, covering 122 employees of a company for the total SA of Rs.1,82,000.
- Like wise the first Superannuation master policy covering 11 employees of a company for a total sum of Rs.12.5 lakh with a single premium of Rs.3.5 Lakh was issued in the same year.
- Yogashema' the Corporate magazine was started in May 1957.
- The Salary Saving Scheme was introduced in 1957. About 7000 firms and institutions joined the Scheme from 1957-1960.
- The first Investment Policy was placed on the table of parliament on 25 August 1958.
- In 1958, Talni Purna village in Amravati District, Maharastra, became the first Bima Gram.
- The officers Training College was founded on 16\textsuperscript{th} May 1960 at Nagpur and later shifted to Borvili as Management Development Centre in 1969.
- The First camp for on the Spot policies was organized on 15\textsuperscript{th} August 1961 at Rohtak district.
- The first batch of the Direct Recruit Officers joined the Corporation in 1961.
• Yogaksheme’ an architectural landmark and permanent home for the Corporation’s CO was inaugurated on 26th December 1963.
• Computers were first installed in 1963 one each at the Mumbai and Calcutta offices.
• Yogakshema; the house magazine was awarded the 1st prize at the Ninth State Award Function of September 1, 1964 by Dr.Zakir Hussain, Vice President of India.
• LIC’s first All India Sports Meets was held in 1964.
• In 1965 the Central Co-ordination Committee for sports was founded. It was renamed Sports Promotion Board in 1988.
• Policy holder’s Council (PHC) was set up in each D.O.in 1965.
• The concept of Agents’ Clubs was introduced in 1971.
• The first Career Agent’s branches were set up in 1972.
• The reorganization policy was implemented from the period 1971-78.
• Agency Regulations were introduced in May 1972.
• Direct recruitment of Development Officers began in 1980.
• The National Insurance Academy (NIA) sponsored jointly with GIC and its subsidiaries was founded in 1980.
• Installation of a Microprocessor was first initiated in October 1981.
• Recruitment under sports quota started in 1981.
• Landless Agricultural Laborers Group insurance (LALGI) was introduced in August 1987.
• Human Resource Development (HRD) policy was formulated in 1988.
• In 1988 the Government of India set up a Social Security Fund with a corpus of Rs. 100 crores to cover weaker section of the society.
• In 1992, 864 Systems were in use and DCV was introduced.
• 1993, 1,438 Systems are in use and 770 mainframe and macros were introduced.
• The Corporate Flag and the Corporate Anthem (Nigam Geet) were introduced in 1994.
• The Rural Group Life insurance Scheme (RGLIS) was launched on 15th August 1995.
• 1995, Front end computerization started.
• 1996, 114 Branches were installed with Front End application Packages (FEAP).
• 1997, 508 branches had installed FEAP and a MAN at Mumbai was operational.
• 1998, 1,324 Branches got FEAP and an IVRS system was installed in the Mumbai. WAN and LANs were introduced in Chennai and Bangalore.
• LIC info call centers were established in 8 centers – an infomediary Package was used for Field force – LIC migrated from UNIX to LINUX.
• 2003, IVRS mapped to a Unified Access Number 1,251
• 2004, Payment of premium through ECS and KISOKS were introduced.

Current Scenario

The Insurance sector was opened to private players in the year 1999. Since then, various private players have entered the field through joint ventures with foreign partners. New products like ULIP have raised the level of the life insurance market and the private players have done huge quantum of business.

In the beginning, it was perceived to be quite difficult for private insurance companies to compete with the well established LIC of India, having wide spread net work of about 2,300 branches and over 13 lakh agency force. However, the private players have identified innovative distribution networks like bank assurance to reach the people and establish their presence.

The basic objective of introducing privatization in the insurance sector in India was the low penetration of insurance. Till the opening up of the sector, the insurance penetration level was always stuck near an average level of 1.5 per cent. Today, after almost 9 years of liberalization it has crossed the 4 per cent mark and stands at 4.8 per cent. India ranks 78th in terms of density and 54th in terms of penetration. Before the reforms in the life insurance sector the First Year Premium (FPI) was about Rs.6,500 crores (1999-2000). Today it stands at Rs.75,000 crores, approximately representing a CAGR of 40 per cent plus and average annual growth rate of approximately 130 per cent. The growth in the life insurance sector has been spectacular and beyond the expectations of experts in the field.
**Insurance Regulatory and Development Authority (IRDA)**

IRDA was set up with introduction of the IRDA Act in 1999. Its initial purpose was to bring about general discipline to the industry. It is responsible for protecting the interest of policyholders and promoting efficiency in the insurance business.

To ensure their stability, transparency and financial strength, new entrants are subject to rigorous scrutiny and the conduct of their business is closely monitored, particularly in relation to capital adequacy and prudent investment policies. The regulatory environment to date has attracted many insurers whose domestic partners are leaders in their chosen fields and their foreign counterparts are all well-established with considerable experience in developed and emerging markets.

The regulator has laid down investment guidelines that limit exposure in certain class of assets and also sets threshold limits for some assets. At the moment, insurers have to invest a minimum 30 per cent in government securities, in contrast to some of the more mature markets like the US and Australia, which do not have such restrictions. Compliance with these relatively restrictive guidelines could limit insurers’ ability to diversify and build optimal portfolios.

The guidelines also stipulate a minimum 10 per cent investment in the social and infrastructure sector. The investment in un-approved securities has been limited to 25 per cent of total investment books.

General insurers must maintain a solvency ratio (available solvency margin/required solvency margin) of 1.5 times, calculated based on net premium earned and net claims incurred in various segments. Public sector entities have maintained comfortable solvency margins, supported by their strong investment portfolios and capitalizations. The private players, being in a growth phase, may require capital infusions from time to time to maintain their solvency requirements.

The Indian insurance regulator has set the minimum capital required at a level to ensure that all insurers -- especially the start-ups -- have enough funds to meet their claim obligations and to limit their overall writings to the amounts supported by their capital bases. The need to manage capital to comply with IRDA’s solvency margin will induce insurers to be more risk conscious when taking on new business.
To ensure an orderly transition towards a deregulated insurance market and risk-based pricing, IRDA has enacted enabling legislation and issued guidelines to de-tariff various segments. De-tariffing -- introduced in January 2007 -- has been well accepted and corrections to prices in profitable lines have been dramatic and have noticeably impacted premium growth rates. In fact, the discounting has been so extreme that the regulator intervened in September 2007 and capped maximum discounts at 52.5 per cent.

**South Zone, Chennai**

The South Zone comprises of Tamil Nadu, Kerala States and Pondycherry (Union Territory). The Zone has a mosaic of old culture, rich heritage and tradition.

The art and architecture of Tamil Nadu encompasses some of the greatest contributions of India to the art world. The music, the temple architecture and the stylized sculptures favored by the people of Tamil Nadu are still being learnt and practiced. Tamil Nadu has famous hill stations like Kodaikanal and Ootacamund. The other famous place of tourist importance is Kanyakumari which is situated at the south tip.

Kerala state covers an area of 38863 sq. km. with a population of 3,18,38,619. Kerala tops with highest literacy in the country. The state is known for its scenic beauty and famous beaches.

The Union territory of Pudhucherry encompasses an area of only 492 sq.km. The famous Aurabindo ashram is located in Pudhucherry.

**Thanjavur Division** on bifurcation from Madurai Division, was formed on 14.02.1962. It consists of 9 Districts namely Thanjavur, Tiruvarur, Trichirappalli, Nagapattinam, Karur, Perambalur, Ariyalur, Pudukottai and Karaikkal region of Pondichery state, spreading over a total area of 23641 sqkms.
The jurisdiction of Thanjavur Division is mainly rural in nature. The main source of income for this region comes from agriculture and allied operation except Trichy where BHEL and allied factories play a major role.

Thanjavur Division started functioning with 9 Branches and has grown to operate with 27 main Branches and 3 SO Branches today. The total population of this area is 1,10,63,701 as per 1991 census. Nearly 70 per cent of the population are living in rural area with agriculture, weaving and fishery as main source of income.

Thanjavur Division achieved a new business of on 5,36,122 lives and a first premium of 728.2985 crores. The Division has achieved the target on fifth consecutive year.
### View of Thanjavur Division

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Area</td>
<td>23,641 sq kms</td>
</tr>
<tr>
<td>Total Population</td>
<td>1,16,16,886</td>
</tr>
<tr>
<td>Urban Population</td>
<td>34,85,065</td>
</tr>
<tr>
<td>Rural Population</td>
<td>81,31,821</td>
</tr>
<tr>
<td>No. of Districts</td>
<td>8 + Karaikkal Region</td>
</tr>
<tr>
<td>No. of Taluks</td>
<td>44 with Karaikkal Region</td>
</tr>
<tr>
<td>No. of Village Panchayats</td>
<td>1822</td>
</tr>
<tr>
<td>No. of Villages</td>
<td>5475</td>
</tr>
<tr>
<td>Per centage of Middle Income Group</td>
<td>33.87 %</td>
</tr>
<tr>
<td>Per centage of Low Income Group</td>
<td>32.12%</td>
</tr>
<tr>
<td>Working Population</td>
<td>48.79,110</td>
</tr>
<tr>
<td>Insurance Population</td>
<td>34,98,110</td>
</tr>
<tr>
<td>No. of members Representing state Assembly</td>
<td>41</td>
</tr>
<tr>
<td>No. of members Representing Lok Shaba</td>
<td>7</td>
</tr>
<tr>
<td>No. of Main Branchs</td>
<td>27</td>
</tr>
<tr>
<td>No. of SO’s (Manaparai, Lalkudi, Jayankondam)</td>
<td>3</td>
</tr>
<tr>
<td>No. of proposed so’s (Peravurani, Vedharanyam, Musuri)</td>
<td>3</td>
</tr>
<tr>
<td>No. of Development Officers (Including 26 PDO’S)</td>
<td>271</td>
</tr>
<tr>
<td>No. of Agents</td>
<td>14,055</td>
</tr>
<tr>
<td>No. of Class I Officers</td>
<td>205</td>
</tr>
<tr>
<td>No. of Class III Employees</td>
<td>865</td>
</tr>
<tr>
<td>No. of Class IV Employees</td>
<td>6</td>
</tr>
</tbody>
</table>

During the year 2009-2010, the Thanjavur division collected Rs. 482.80 crore as first Premium through 4,23,704 policy. The division has achieved third place in the south zone comprising 12 divisions in the year 2009-10. With respect to first Premium, the division achieved fourth place in the zone. The division has settled 1,84,310 policies and disbursed Rs.341.21 Crore of marketing claims.
A target of 5,57,000 Policies and a sum of Rs.630 crore as first premium has been fixed for the Thanjavur Division, for the year 2010-2011. For the year 2010-11 the division has collected 1,28,672 Policies and Rs. 250.37 crore as first Premium till August, 31. Thirty Six agents of the division have achieved Million Dollar Round Table (MDRT) status at the World level by their performance.

To conclude the profile of the LIC is outlined in this chapter. The organizational structure of the LIC, its products and their features and its marketing strength and strategies are also explained. It also visualizes the present scenario of the functioning of the LIC especially in marketing arena. The results of the opinion survey conducted among the LIC agents in the study area are analyzed in the next chapter in order to identify the issues in marketing LIC products and also to assess the problems and expectations of the agents.