APPENDIX – I

PROFILE OF LIFE INSURANCE CORPORATION OF INDIA

Backdrop

Regulation of Insurance Companies began with the Indian Life Assurance Companies Act, 1912. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers. The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was huge. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business. There were several reasons behind the nationalization decision. First, the government wanted to channel more resources to national development programmes. Second, it sought to increase insurance market penetration though nationalization. Third, the government found the number of failures of insurance companies which cannot be acceptable. The government argued that the failures were the result of mismanagement and nationalization would help better to protect policy holders.

LIC was set up in 1956 when the life insurance business was nationalized. It took over the assets and liabilities of 245 private insurers engaged in the transaction of life insurance business in India. LIC with its central office in Mumbai and seven zonal offices at Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Kanpur and Bhopal operates through 100 divisional offices in important cities and 2048 branch offices. With 7.92 lakh agents, it has the largest field organization in the country. As per the reports of the RBI, in 2010-11, LIC sanctioned an assistance worth Rs. 43897.5 crore while disbursement was Rs. 38993.8 Crores. Thus LIC has emerged as the most important financial institution. Assistance by LIC has been provided in the following forms: (1) term loans; (2) underwriting and direct subscriptions in the form of (i) equity and preference shares and (ii) debentures; (3) resource support to financial
institutions. Because of LIC's efforts to earn sustained and guaranteed income for its policy holders, it has preferred investment in debentures over equity shares.  

Formation of LIC
An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation of India (LIC) formed with the LIC Act 1956 in the same year with a capital contribution of only Rs. 5 crore from the Government of India. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. Presently, it is having a vast network of 2048 branches, 101 divisions and 7 zonal offices and 24 satellite offices across the country, enjoyed monopoly position till March 2000, when the Government of India opened the insurance sector, lifting all entry restrictions for private players and allowing foreign players to enter the market with a limit of 26 percent equity capital for foreign partners in an insurance company. The opening up of the sector has infused competitiveness in the industry leading to greater spread and deepening of insurance in the country and restructuring and revitalizing of the public sector companies. Thus, the monopoly of the LIC came to an end in 2000, and since then at least 20 private sector players have taken the plunge.

Objectives of LIC
The emergence of LIC as the largest single channel of individual savings and the biggest investing institution is a significant event in the socio-economic development of the country. Explaining the benefits of the LIC, the late C.D. Deshmukh, the then Finance Minister observed: “With the Second Plan involving an accelerated rate of investment and development, the widening and deepening all the possible channels of public savings has become more than ever necessary”, and of these the nationalization of life insurance business was a vital part. He added: “The nationalization of life insurance will be another milestone on the road the country has chosen in order to reach its goal of a socialistic pattern of society. In the implementation of the Second Five-Year Plan, it is bound to give material assistance. In the lives of millions in the rural areas, it will introduce a new sense of awareness of building for the future in the spirit of claim confidence, which insurance alone can give. It is a measure conceived in a genuine spirit of services to the people to respond, confound the doubters and make it a resounding success”.

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Main objectives of the LIC are as follows:

1) To protect the interest of the policy holders against embezzlement of funds by the insurers.

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

3) To maximize mobilization of people's savings by making insurance linked savings adequately attractive.

4) To deploy funds in the best advantage of the investors as well as the community as a whole keeping in view national priorities and obligations of attractive return.

5) To conduct business with utmost economy and with the full realization that the money belongs to the policyholders.

6) To act as trustees of the insured public in their individual and collective capacities.

7) To cater to the various life insurance needs of the community that would arise from the changing social and economic environment.

Strategic Policy of LIC

The LIC is essentially an investment institution. Its investment policy has been designed after providing a thoughtful consideration to cardinal principles of safety of principal, diversification of investments in terms of types of securities, number and types of enterprise, maturities and regions. The Corporation is supposed to act on business principles and its investments policy is governed by consideration of interest of its policy holders unless it is in the larger interest of the country.

The investment policy of the LIC is subject to regulation by the provision as contained in Section 6(i) of the LIC Act, 1956, enjoining on the Corporation the duty of carrying on its business to the best advantage of the community and the primary obligation of holding the policyholders' money in trust with the help of dynamic and vigorous management imbued with a spirit of trusteeship.

The pattern of investment of the LIC was until recently governed by Section 27A of Insurance Act, 1938. As per this Act, the Corporation was required to invest
at least 50 percent of the controlled funds in Central and state government securities and other approved securities, 35 percent in other approved investments and the remaining 15 percent in unapproved investments as decided by the Corporation's investment committee.

Section 27A of the Insurance Act, 1938, was amended in April 1975. The amended section stipulates that accretion to the controlled fund (all funds of the Corporation pertaining to its life insurance business and capital redemption insurance business) of the LIC shall be involved as under:

1) In Central Government marketable securities: Not less than 25 percent.
2) In Central Government, state government securities, including government guaranteed marketable securities including (i) above: Not less than 50 percent.
3) In socially-oriented sector including public sector, co-operative, houses built by policyholders, OYH schemes including (ii) above: Not less than 75 percent.

In respect of the balance 25 percent of the accretion to the controlled fund, the government has indicated that 9a) about 18 percent would be required for loans against policies within the surrender values; (b) about 2 percent may be invested in immovable properties; (c) about 10 percent may be invested in private corporate sector. This would leave about 5 percent of the controlled fund which may not be available for investment as it would constitute funds in the pipeline. It may be noted here that section 27A, as initially made applicable to the LIC, stipulated that balance of the funds after investment in government and other approved securities would have to be invested in scheduled investments. Of late, IRDA changed the pattern of deployment of funds by life insurance companies. Accordingly, LIC can now invest up to 50 percent of its investible resources in government securities, 15 percent in infrastructure bonds and similar instruments while holding a discretionary control, subject to conditions, on 35 percent of the assets. This balance 35 percent can be put into equities, corporate bonds and mutual funds.
Products offered by LIC

There are various products offered by LIC as follows:

1. Aam Admi Bima Yojana LIC policy
2. Amulya Jeevan-I LIC policy
3. Anmol Jeevan-I LIC policy
4. Bima Bachat LIC policy
5. Bima Nivesh 2005 LIC policy
6. CDA Endowment Vesting At 18 LIC policy
7. CDA Endowment Vesting At 21 LIC policy
8. Child Career Plan LIC policy
9. Child Future Plan LIC policy
10. Educational Annuity Plan LIC policy
11. Fortune Plus LIC policy
12. Gratuity Plus LIC policy
13. Group Critical Illness Riderlic policy
14. Group Gratuity Scheme LIC policy
15. Group Insurance Scheme in Lieu Of EDLI LIC policy
16. Group Leave Encashment Schematic policy
17. Group Mortgage Redemption Assurance Scheme LIC policy
18. Group Savings Linked Insurance Scheme LIC policy
19. Group Super Annuation Scheme LIC policy
20. Group Term Insurance Schemes LIC policy
21. Health Plus LIC policy
22. JanaShree Bima Yojana (JBY) LIC policy
23. Jeevan Aadhar LIC policy
24. Jeevan Akshay-V LIC policy
25. Jeevan Amrit LIC policy
26. Jeevan Anand LIC policy
27. Jeevan Anurag LIC policy
28. Jeevan Bharati LIC policy
29. Jeevan Kishore Jeevan Chhaya LIC policy
30. Jeevan Madhur LIC policy
31. Jeevan Mitra(Double CoverEndowment Plan) LIC policy
32. Jeevan Mitra (Triple Cover Endowment Plan) LIC policy
33. Jeevan Nidhi LIC policy
34. Jeevan Pramukh LIC policy
35. Jeevan Saathi LIC policy
36. Jeevan Saral LIC policy
37. Jeevan Shree-I LIC policy
38. Jeevan Surabhi-15 Years LIC policy
39. Jeevan Surabhi-20 Years LIC policy
40. Jeevan Surabhi-25 Years LIC policy
41. Jeevan Tarang LIC policy
42. Jeevan Vishwas LIC policy
43. Komal Jeevan LIC policy
44. Market Plus I LIC policy
45. Marriage Endowment LIC policy
46. Money Plus-I LIC policy
47. Mortgage Redemption LIC policy
48. New Bima Gold LIC policy
49. New Janaraksha Plan LIC policy
50. New Jeevan Dhara-I LIC policy
51. New Jeevan Suraksha-I LIC policy
52. Profit Plus LIC policy
53. Shiksha Sahayog Yojana LIC policy
54. The Convertible Term Assurance Policy LIC policy
55. The Endowment Assurance Policy LIC policy
56. The Endowment Assurance
57. Policy-Limited Payment LIC policy
58. The Money Back Policy-20 Years LIC policy
59. The Money Back Policy-25 Years LIC policy
60. The Whole Life Policy LIC policy
61. The Whole Life Policy- Limited Payment LIC policy
62. The Whole Life Policy- Single Premium LIC policy
63. Two Year Temporary Assurance Policy LIC policy
Main Features of Investment Policy of LIC

1) The crux of the Corporation's investment policy is that the funds shall be invested in such a manner as to safeguard and promote to the maximum extent possible the interest of the policyholders. The larger interest of the country should not, however, be ignored.

2) The LIC's basic investment philosophy has stayed consistent over the years. It still hunts for attractively valued large-cap stocks, holds them for the long-term and does not venture into unknown and small-cap stocks. However, frequently of this trades has changed. For instance, it is not unusual for LIC-empanelled brokers to be given a mandate to sell stock as soon as its price rises by 20-25 percent.

3) Investments are dispersed over different classes of securities, industries and regions. The Corporation's policy has been not to acquire more than 30 percent of the outstanding equity shares of company.

4) The Corporation acts purely as an investor and does not assume the role of an operator or speculator and tries to take advantage of temporary fluctuations in the market prices.

5) It is the explicit policy of the Corporation to underwrite security issues after careful investigation of the project from financial, economic technical, managerial and social angles. Another, notable feature of underwriting of the LIC is that the Corporation's participation in the form of 'firm' underwriting in the sense that it underwrites issues of capital invariably by way of firm commitment. Through underwriting, it purchases a large block of sound securities for its investment portfolio. The approach of the LIC in this regard is that of an investor and one of a catalytic agent to generate public subscriptions.

6) Furthermore, it is the policy of the corporation to lay relatively more emphasis on senior securities because fixed return and preferential claims on income and assets fit into the cannons of sound investments for an insurance organization like LIC.

   a. The IRDA Act 1999 permitted the LIC and other newly formed insurance companies to invest more in corporate equity and debt instruments. The Act has also allowed insurance companies to invest in
venture capital funds with a proven track record under its category of approved investments.

b. The Act specified 2:1 debt-equity ratio for convertible debentures. However, in the case of capital investment project, higher ratio up to 4:1 would be considered. For debentures, the interest cover should at least be 2:5 times, including on proposed loans and the debt-equity ratio would not exceed 2:1.

c. As regards investments in time deposits, the regulatory body has specified that the insurer has to place the deposits with a view to cater to working capital needs of the corporate sector. The placement of the deposit would have to be decided after evaluating financial and non-financial aspects of the performance parameters of the companies. The maximum amount of short-term deposits that can be placed with any company should not exceed Rs.2 crore or 10 percent of net worth including the proposed loan subject to the net worth of the borrowing company being not less than Rs.15 crore.

7) The Corporation reviews its investment portfolio from time to time and makes changes in its composition as may be warranted under the circumstances. The LIC believes in going against conventional market wisdom. It sells when most are buying, and vice-versa. In the volatile quarter ended March 2008, for instance, the LIC was probably among the few investors to take advantage of falling prices.

8) It is the policy of the LIC not to acquire control or participate in management of any concern in which it was interested as an investor unless exceptional circumstances warrant such participation. The Corporation does have nominee directors in some of the boards of the listed companies where it has more than 10 percent, but it plays a supporting role. Over the years, the LIC has become more aggressive and consumer-centric in its approach. It has been active shareholders over the past 10 years or so and has developed its own team that regularly interacts with the companies and seeks information.

9) As regards assistance of the LIC, the Corporation assists public sector undertakings and public limited companies and abstains from assisting private limited companies. The Corporation assists industrial enterprises directly by underwriting of capital issues, subscription of shares and bonds and long term
loans to enterprises. Besides, the Corporation finances the private industry indirectly through subscriptions to the share and bonds of the special industrial financial institutions. In sanctioning loans, the Corporation accords priority to production and generation of electricity, housing schemes, supply of water and drainage, road transport development and financing of industrial development.

During the years 1997-98, the LIC was given greater autonomy in utilizing its investible funds. The restriction of investing 25 percent of investible funds in specified proportion has been removed to enable it to invest the entire amount available under the ceiling of 25 percent on the basis of commercial judgement but subject to prudential norms. The investment pattern of the Group schemes fun has also been liberalized. The revised pattern provides for investments at not less than 40 percent in government securities (Centre and States) and Government guarantee securities, thereby leaving 50 percent with LIC for market investment.

In 2008, the IRDA has changed the rules of the game for insurance companies by amending investment regulations. Accordingly, no insurer can hold more than 10 percent equity in any company. Investment in debt has also been capped at a sum of 10 percent of the paid-up capital, free reserves and debentures and bonds. This particular amendment is going to impact the LIC for the fact that it is not only the largest institutional investors in the stock markets, it also invests in debt instrument of large public sector undertakings and banks. As on June 30, 2008, the LIC held more than 10 percent stake in atleast 45 listed companies including large companies such as Larsen & Toubro, Ranbaxy Laboratories, Mahindra & Mahindra and corporation Bank. If the LIC has to meet the amended guidelines, it will not only have to reduce its sake in the listed companies, tit will also have to scale down its investments in debt securities as well.

In order to make available contractual savings for infrastructure projects, the scope of the socially oriented investment has been widened to include ports, roads including highways and railways. LIC has also been permitted to make such investment in the private sector, subject to prudential norms fixed by the LIC investment Committee / LIC Boards form time to time.

In consonance with the government thrust on rural development, the LIC has made it a policy to make sustained and conscious efforts to carry the message of life insurance to the rural areas, especially the backward and remote areas. This has
resulted in steady growth of new business from these areas. Further, it has been the constant endeavor of the Corporation to provide security to as many people as possible and to channelize the savings mobilized for the welfare of the people at large.

In order to give further boost to the rural business, the IRDA has notified in 2008 amendments to obligations of Insurers to Rural or Social Sectors Regulations, 2002. According to this notification, the regulator has prescribed 24 and 25 percent rural policies (of the total polices written) for 2007-08 and 2008-09 to 2009-10, respectively. In the social sector, the LIC is required to provide cover to 25 lakh lives each from the previous regime and prescribed the percentage of rural business in the range of 5 to 20 percent for life and general insurers and 25,000 to 50,000 lives in the social sector, depending on the year of operations of a particular company. In fact, norms have been laid down keeping in view the LIC’s performance in the rural and social sectors. With a vast reach and solid base, the LIC known does cover 20 percent of business in rural areas.

While granting loans, which constitute one of the major avenues of investment for the corporation’s funds, it lays emphasis on the following:

1. Project / Schemes for generation and transmission of electricity for agricultural and industrial use,
2. Housing Schemes,
3. Piped water supply and sewerage projects / scheme in rural and urban areas and townships.
4. Development of road transport, and
5. Industrial development.

Growth and Development of LIC

The LIC commenced its tryst with trust on 1st September 1956 with formidable challenges of restoring the confidence of the insuring public and efficacious channelisation of people’s savings for economic rejuvenation. The Corporation in its career of over 54 years has passed through several phases of trials and tribulations. The success of the organization benchmarked with the growth of other segments of the financial services industry and with reference to the
environmental ethos attracts the envy of all. In particular, it has been the run of the last 16 years just before liberalization – 1984-2000 with compounding annual growth rate of 20.6 percent and not many industries can boast of such an enviable track record. LIC is the front runner is the insurance sector with market share of 60.79% in terms of premium and 69.88% in policies.


Analysis of total new business of the LIC according to schemes shows the predominance of individual schemes (Table 1). The data reveals that the number of policies were 2404.84 and sum assured was Rs. 2721857 crores Rs. in 2009-10 and it was 2261.59 lakhs and 2422714.40 in 2010-11.

<table>
<thead>
<tr>
<th>Table - 1: New Business (Individual Insurance)</th>
</tr>
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<tbody>
<tr>
<td></td>
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<tr>
<td>2009-10</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>No. of Policies (in Lakh)</td>
</tr>
<tr>
<td>(a) Individual Assurance</td>
</tr>
<tr>
<td>(b) Annuities</td>
</tr>
<tr>
<td>(c) Pension</td>
</tr>
<tr>
<td>(d) Linked</td>
</tr>
</tbody>
</table>

| 2010-11                                      |
|                                               |
| No. of Policies (in Lakh)                     | Sum Assured (Rs. In crores) |
| (a) Individual Assurance                       | 2261.59 | 2422714.40 |
| (b) Annuities                                  | 9.62    | 1569.84   |
| (c) Pension                                   | 18.18   | 2381.20   |
| (d) Linked                                    | 494.34  | 223154.84 |

Source: LIC Annual Reports 2009-10 and 2010-11.
Deployment of Funds by LIC

Table 2 shows the quantum of funds invested by the LIC within the country and outside of the country during the period 2008-09 to 2010-11. As evidenced from the table that the investment in India has been increased from Rs. 814382.66 crores in 2008-09 to Rs. 1265120.20 crores in 2010-11. Simultaneously, the investment in abroad also enhanced from Rs. 1101.29 crores to 1418.84 crores during the period 2008-09 and 2010-11 respectively.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment in India</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Loan</td>
<td>82683.04</td>
<td>85104.36</td>
<td>85464.75</td>
</tr>
<tr>
<td>2. Securities</td>
<td>727130.34</td>
<td>1005112.75</td>
<td>1146610.04</td>
</tr>
<tr>
<td>3. Other investments</td>
<td>4569.28</td>
<td>4500.99</td>
<td>33045.41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>814382.66</strong></td>
<td><strong>1094718.10</strong></td>
<td><strong>1265120.20</strong></td>
</tr>
<tr>
<td><strong>Investment in Outside of India</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Loan</td>
<td>117.28</td>
<td>106.40</td>
<td>110.88</td>
</tr>
<tr>
<td>2. Securities</td>
<td>926.42</td>
<td>961.06</td>
<td>1248.52</td>
</tr>
<tr>
<td>3. House Property</td>
<td>57.59</td>
<td>55.78</td>
<td>59.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1101.29</strong></td>
<td><strong>1123.24</strong></td>
<td><strong>1418.84</strong></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>815483.95</strong></td>
<td><strong>1095841.34</strong></td>
<td><strong>1266539.04</strong></td>
</tr>
</tbody>
</table>

As regards the pattern of investments, it may be noted that more than fourfifth of the fund was deployed in government and corporate securities. The remaining one-fifth was used in lending four housing development and infrastructural facilities as
also in other forms of investment comprising social security fund investment, contribution to the UTI’s initial capital, LIC MF, LIC HFL & CIC international and house property. Thus, the LIC is the largest investor in the Indian equity markets, ahead of foreign institutional investors and mutual funds.

**Forms of Assistance**

The LIC assists industrial undertakings directly as well as indirectly. Direct assistance is rendered by way of loans and underwriting and direct subscription to securities of corporate enterprises. The Corporation also assists corporate enterprises indirectly by way of subscription to shares and debentures of other financial intermediaries.

Table 7 exhibits information pertaining to LIC’s forms of direct assistance. It is revealing to note from the table that there has been remarkable change in the pattern of assistance during the period of its existence. Thus, as on 31st August, 1957, as high as 94 percent of the Corporation’s assistance was in the form of investment in securities which nose-dived to 63 percent by the end-march, 1999. In a refreshing contrast to this, direct loans sanctioned by the Corporation to industrial enterprises registered sharp increase from 6 percent to 22 percent during the corresponding period. In recent years, the LIC has also started providing short-term loans to meet working capital needs of the enterprises. As on 31st March, 1999, this amounted to Rs.1,362 crore constituting over 5 percent of the total direct assistance. Loan to component of assistance has gained further prominence, as evidenced from swelling of its proportion to almost 49 percent as on March-end 2006.

Besides, the LIC has assisted companies indirectly by way of subscription to shares and debentures of financial institutions including IDBI, IFCI, ICICI, SIDBI, IIBI, EXIM Bank and others.
Table 7: Forms of Direct Assistance of LIC

(Percentages)

<table>
<thead>
<tr>
<th>Forms</th>
<th>As on 31st August 1957</th>
<th>As on 31st August 1990</th>
<th>As on 31st August 1998</th>
<th>As on 31st August 1999</th>
<th>As on 31st August 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>6.0</td>
<td>42.0</td>
<td>25.4</td>
<td>22.3</td>
<td>48.9</td>
</tr>
<tr>
<td>Underwriting and Direct</td>
<td>94.0</td>
<td>58.0</td>
<td>57.3</td>
<td>62.8</td>
<td>51.1</td>
</tr>
<tr>
<td>Subscription</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>-</td>
<td>-</td>
<td>6.4</td>
<td>5.2</td>
<td>-</td>
</tr>
<tr>
<td>Term Loans to Fin. Inst.</td>
<td>-</td>
<td>-</td>
<td>10.9</td>
<td>9.7</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.00</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Diversified Activities of LIC

In recent years, the LIC has diversified its activities in housing finance and mutual fund and set up wholly-owned subsidiaries to handle these activities.

a) LIC Housing Finance Limited.

LIC Housing Finance Limited with its Corporate Office in Mumbai has 7 Regional Offices, 13 Back Offices, 183 Marketing Offices and 1 Customer Service Point in the country. It also has representative offices at Dubai and Kuwait. The Company’s shares are listed on the Bombay Stock Exchange and the National Stock Exchange and its Global Depository Shares (GDS) listed on the Luxembourg Stock Exchange. The Company is rated ‘AAA’ by CRISIL & CARE. The Company’s Fixed Deposit Program has been rated as ‘FAAA’ by CRISIL indicating the highest degree of safety.

LIC HFL Care Homes Ltd.

It is said that “Birds of the same feather flock together” and if you flock together in the evening of your life under the caring hands of LIC, life will be blissful.
and paradise would seem to have come down to earth. Saluting the exponentially growing population of Senior Citizens, LIC with its Caring hand has taken up the social responsibility of building assisted living centres for the elderlies, providing them with a roof at a competitive price, for a peaceful and enjoyable retired life. With the pilot project at Bangalore completed, construction of the second one at Bhubaneswar in full swing, and half a dozen on the anvil, this LIC Housing Finance’s wholly owned subsidiary is catering to the needs of the Seniors with a competitive edge.

b) LIC Nomura Mutual Fund Asset Management Company Ltd.

- Set up by the Life Insurance Corporation of India on 20th April 1989 to engage in the business of Mutual Fund, LIC Mutual Fund finalized its Joint Venture with Nomura Asset Management Strategic Investments Pte. Ltd. on 18/01/2011 and thus becoming LIC NOMURA Mutual Fund with its investment manager, renamed as LIC Nomura Mutual Fund Asset Management Ltd. (AMC) and trustee as LIC NOMURA Mutual Fund Trustee Company Pvt. Ltd., wherein Nomura acquired 35% stake.
- Since inception, 100 schemes have been launched and continuous sale and repurchase is available under 26 ongoing schemes.
- During the year 2010-11, the AMC has mobilized a substantial sum of ₹4,67,187.72 crore from all live schemes.
- The total number of investors during stood at 4.07 lakh.
- The Average Assets Under Management (AAUM) was ₹11,195.57 crore for the last quarter of 2010-11.
- During the year, AMC has opened two new Area Office at Hubli and Gurgaon taking the total number of Area Offices to 28, besides 86 Business Centers for further penetration into the untapped semi-urban and retail market.
- LIC Nomura Mutual Fund stood at number of 14 among 41 Mutual Funds in Industry as on 31/03/2011 on AAUM basis.
- The AMC has excellent track record in Debt and Liquid Schemes, which has led to its winning of 2 ICRA Awards for 3 year period ended 31st December, 2010. Besides, LIC NOMURA Mutual Fund has been awarded as the “Most Trusted Brand 2010” in Mutual Funds Category by Brand Equity – Economic Times.
c) LIC Pension Fund Ltd.

LIC Pension Fund Ltd. has been sponsored by LIC of India with a specific purpose of managing pension funds under New Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) for the employees of Central Government (excluding Defence Services) who have joined services w.e.f. 1st January, 2004. For State Govt. employees, this scheme is applicable as per above as and when it is adopted by the respective State Government. LIC Pension Fund Ltd. is a fund management company. LIC Pension Fund Ltd. manages 3 schemes of New Pension System i.e. Central Government Scheme w.e.f. 02.04.2008, State Government Scheme w.e.f. 25.06.2009 and NPS Lite (Government pattern) since 04.10.2010. The authorized capital of the company is '25 crore and paid up capital of the company is Rs. 15 crore. LIC Pension Fund Ltd. is the first company of its kind in India to manage pension funds under New Pension System. LIC Pension Fund Ltd. started its operations with allocation of 5% Central Government New Pension System fund in the year 2008-09 which increased to 29% in 2009-10. During the year 2010-11 LIC Pension Fund Ltd. had emerged as number 1 Fund Manager by receiving 35% of New Pension System fund of Central Government employees. State Government also followed the same pattern of allocation. During the year 2010-11 i.e. from 01.04.2010 to 31.03.2011, LIC Pension Fund Ltd. received an amount of Rs. 1044.60 crore under 3 schemes. The total Assets under Management (AUM) was Rs.1878.93 crore as at 31st March, 2011. The Net Asset Value of Central Government Scheme as on 31st March, 2011 was '13.3781, that of State Government Scheme was '11.7445 and that of NPS Lite (Government pattern) was '10.4317 translating an annualized return of 11.26030% for Central Government Scheme, 9.8720% for State Government Scheme and 8.8028% for NPS Lite (Government pattern) as at 31st March, 2011.

d) LIC Cards Services Ltd.

LIC Cards Services Limited, a wholly owned company of LIC of India was incorporated on 11th November, 2008 with an objective to provide access to LIC Card customers, the payment products through strategic alliance/s. During the financial year 2010-2011, the company distributed gold and silver cards in tie up with Corporation Bank and distributed 11813 credit cards. With a view to extend the
product line and further improve the quality of card issuance the company has entered into another tie up with Axis Bank and is planning to distribute more than one lakh cards in the current financial year.

**Liberalization and LIC**

Until recently, the life insurance market in India remained underdeveloped with the LIC having monopolized the market. Its penetration was 19 percent of the insurable population. The LIC sold insurance as a tax instrument, not as a product giving protection to most customers were underinsured with no flexibility or transparency in the products. With the entry of the private insurers, the LIC lost its monopoly position.

Nevertheless, LIC continues to occupy predominant position. However, life insurance market of the market share had fallen from 91 percent to almost 70 percent because of emergence of private insurance players who have forayed into the market aggressively. The entry of private insurers into the insurance industry has seen a veritable explosion of products that offer customers a much richer menu of options. They have infused a new flavour into what was perceived as a sober industry and has resulted in the market leader LIC adopting a more market-friendly approach in is bid to retain its premier position. The action is mainly on the products front.

Private insurance players have established their image as those known for innovative products, smart marketing and aggressive distribution. Investing public are increasingly turning to these insurers and snapping up the new innovative products on offer. They are coining money in new niches launched by them. The ability of the private players to flex their muscle comes on the back of the successful launch of market-linked insurance policies known as Unit Linked Insurance Plans (ULIPS). These policies provide protection and prospects of returns. Although LIC still dominates endowments and money back policies, private insurers have already wrested over 33 percent of the market in annuity or pension products. In the popular unit linked insurance schemes they have a virtual monopoly with over 90 percent of the customers. Although the LIC is no stranger to ULIPS, it was only in 2003-04 that it began focusing sharply on such plans. By March 2008, these policies accounted for
85 percent of its total annual premium income, as against 42 percent two years earlier. The shift to ULIPS has translated into the pursuit of performance on Dalal Street.

Buoyed by their quicker than expected success, nearly all private insurers are fast forwarding the second phase of their expansion plans. The impact of liberalization and consequent aggressive foray of private sector life insurers with their new and innovative products and customer friendly approach has had telling effect upon the LIC whose proportion in financial year decreased to 13.5 percent in 2005-06 from 15.1 percent in 2004-05.

The aggressive stance of private insurers has forced the public sector behemoth LIC to rejuvenate itself to fight back to new customers and even it has recently run a catchy advertising campaign featuring a customer saying he had bought an LIC when he actually meant that he had bought an insurance policy. The Corporation was trying to convey, in a not too subtle fashion, the ‘LIC’ was a byword for insurance in the ‘customers’ mind.

Because of aggressive marketing strategies and launching of slew of innovative products, the LIC has transformed itself from annual growth rates of 16-17 percent in 2004-05 to 34 percent the following year and it has closed 2006-07 with a 9 percent growth and thus managed to arrest the steady decline in its market share.

In its efforts to improve its market share, the LIC has recently decided to change its focus from geo-graphics to modern distribution companies and banks work on a pan-India basis and to give a channel-specific relationship. Given that insurance is not as transaction-heavy as a bank, the corporation would rely more on web-based solutions down the line, so that people are encouraged to these channels.

The LIC is likely to seek a license to float a bank as soon as the RBI allows more players. It has been keen to run a bank for a long time to manage the large premium collection and claim settlement work.
Profile of Machilipatnam Division

Machilipatnam also known as Masulipatnam or Bandar or Masula is a city on the southeastern or Coromandel Coast of India. Situated on one of the mouths of the river Krishna at the Bay of Bengal, Machilipatnam is the administrative center of Krishna District in the state of Andhra Pradesh. It was a 17th century port for French, British and Dutch trade. It is a small fishing town; has a carpet-weaving industry; other products include rice, oilseed, and scientific instruments. The town is a railway terminus and an educational center. Machilipatnam derived its name owing to the construction of a gateway to the town decorated with eyes of a fish (also called machili). Machilipatnam was founded in the 14th century by the trading Arabs who found their way from the red sea to southern India to the spot of eastern peninsula. Machilipatnam was a flourishing seaport on the east coast during the time of the Satavahanas and in the 17th century AD, it was a centre of French, British, and Dutch trade. It was the British East India Company’s first trading post on the coromandel coast. Machilipatnam city is located at 16°10'N 81°08'E 16.17°N 81.13°E on the southeast coast of India and in the east corner of Andhra Pradesh. The city has an average elevation of 14 meters (45 feet). Machilipatnam has big industries. Fashion gold (also called rold gold or gold covering) ornaments produced there. Agriculture is the most important occupation, with rice being the main food crop. Bharat Electronics Limited (BEL), a unit of the Union Defence Ministry, of the Government of India, operates a manufacturing unit in Machilipatnam. BEL is involved in design, development and manufacture of electronic equipment that are used by the Indian Defense Services and paramilitary organisations.

Machilipatnam Division of LIC was established during the year 1956. It is under the South-Central Zone. At present the division looks after two districts - Guntur and Krishna Districts. The total number of branches covered under this division is 24. The total number of employees working under this division is 750. There are 262 Development Officers and 15,152 Agents are working under the umbrella of this division. There are two customer zones come under this division.
References

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