CHAPTER I

INTRODUCTION

MAIN FRAMEWORK

OF

LIC OF INDIA
Letters we treasure

Prime Minister's House
New Delhi
August 5, 1961

The remarkable success which the Life Insurance Corporation of India has achieved is most gratifying and I should like to congratulate all those who have worked with this Corporation on this achievement. I have no doubt that this progress will continue as the field in India is vast.

There is one aspect of the work of the Life Insurance Corporation to which I would like to draw special attention. Both in England and in the United States of America, private insurance companies and corporations undertake building operations on a tremendous scale. This is not only good investment, but has obvious social advantages when there is such a great lack of housing. It seems to me that in India this is even more needed than elsewhere, and a State corporation, like the Life Insurance Corporation of India, should be presumed to have a greater social outlook than private companies.

This idea struck me more especially when visiting Poona after the tremendous flood calamity that it had suffered. It seemed to me that the Life Insurance Corporation could undertake large-scale building there which would be an excellent investment for it and at the same time would serve an urgent social need and purpose. But it is not Poona only which needs this. All over India there is such a need. In all the towns of India there are also areas which have to be replaced by clean and healthy living conditions and good houses. State Governments are responsible for such improvements, but the L.I.C. can certainly help in a big way.

My good wishes to the Life Insurance Corporation of India.

Jawaharlal Nehru

Camp Bombay,
April 11, 1957.

I am glad to hear that the first issue of the House Magazine of the Central Office of the Life Insurance Corporation of India, 'Yogakshema', is to appear on the 1st of May.

I send the venture my very best wishes.

Jawaharlal Nehru

Rashtrapati Bhavan
April 9, 1971.

Dear M.P. Dai,

Please refer to your telegram of 4th addressed to the Private Secretary to the President, conveying that the L.I.C. has recorded the highest rate of growth this year. I send my congratulations to you and your colleagues.

Yours sincerely,

(T. V. Sethu)

Sri M. P. Dai
Chairman
Life Insurance Corporation of India
Bombay.

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Life insurance is a contract providing for the payment of a sum of money to the person assured or to the person entitled to receive the same, on the happening of certain event.

A family is generally dependent for its food clothing and shelter on the income brought in at regular intervals by the breadwinner of the family. So long as he lives and the income is received steadily, that family is secure, but in the event of death suddenly, the family is in a very difficult situation and sometimes in stark poverty. Uncertainty of death is inherent in human life. It is on account of this uncertain risk, which gives rise to the necessity for some form of protection against financial loss arising from death. Insurance substitutes this uncertainty by certainty.

Man has faced risk to his life and property from the time he lived in caves. Tribe, family, agriculture is all measures for security against hunger, sickness and environment.

But these measures were found wanting and individual self respect led him to think of scientific ways to take care of such risks. Insurance is the most scientific way to overcome the need for sufficient time to save adequately for a rainy day. General insurance deals with the insurance of the physical assets while life insurance deals with the financial loss caused by the untimely death or disability.
Central Office Buildings

Oriental Building, Mumbai
Insurance is a social security tool, because without the provision through insurance, the dependants in the absence of the breadwinner shall become burden on the society and so shall be the old man, who needs income, but cannot earn most states are financially too weak to take complete care of this social burden.

The economic development of society would not be possible if the promoters of the industry or any enterprise are always to be worried about the risk from fire, earthquake, accident to their valued assets. Insurance provides a sense of security and hence a peace of mind.

Premium is small sacrifices to protect oneself against a probable future big loss. People placed in similar circumstances contribute or pool their resources for such mutual protection.

While it is easy to determine the value of physical assets, it is rather difficult to ascertain the value of human life even in its financial aspects. The principle of human life determines this value in terms of the capital which shall provide the monthly interest equal to the estimated monthly income.

From just Life Insurance business, LIC has become a multidimensional financial conglomerate today, which has made forays into mutual funds, housing finance and gone global through LIC Mutual Funds, LIC Housing Finance Ltd. & LIC (Int.) (BSC) respectively.
COMPANY PROFILE:

Every insurance company has its own profile, which relates to its market standing, spread in the market with its number of offices and personnels, its record of making profit and declaration of bonus to its policy holders and its achievements in terms of claim payments and consumer satisfaction—all leading to its high image in the insurance market. As life insurance is a long term contract, spreading over a period say 40 to 50 years and may be more, the policy holders investing money in the company, would like to be doubly convinced that the life insurance company will continue to thrive over the years and shall remain solvent enough to pay the claims whenever it is called to do so.

It is therefore essential that the agent should be fully conversant with the company profile. In a competitive environment he shall find it necessary not only to sell the concept of life insurance, but also the company which he represents.

Being a Government sponsored organization; the payment of policy money is guaranteed by the Govt. of India.

LIC’S ORGANISATIONAL SET UP:

With its corporate office at Mumbai, it has 7 zonal offices in the metropolitan cities at Mumbai, Delhi, Kolkata, Chennai, Kanpur, Hyderabad
and Bhopal. There are 101 Divisional Offices. Each of these zonal offices has several Divisional offices under their control and they are total hundred. Each divisional offices intern supervises the functioning of several Branch offices, which are marketing units directly selling and servicing insurance products. As on today there are 2048 branch offices spread in every nook and corner of the country. There are 69 P&GS Units.

At the field level, an insurance branch office has to have the departments dealing with marketing to guide and remunerate the field staff, the new business department to process the proposals for life insurance, an account department to collect and account the money received against the insurance policies, a policyholders servicing department to take care of change in address, surrender, loans and other varied needs of the policyholders during the continuance of the policy ending in the payment of maturity and death claims. A department of office services is required for the maintenance of the office building and staff.

The Divisional office at the next level has all the aforesaid departments to guide and supervise the corresponding departments at the Branch level. The Zonal office and the control offices are next in hierarchy. However the central office or the corporate office has an added function of investment of the surplus funds of the corporation. Valuation of the corporation assets and
liabilities at the end of the year is the responsibility of the corporate office with the data being supplied by the subordinate offices. Building activity is an important aspect in all insurance company’s portfolios and therefore it has an important place in its organizational set up. Planning and training of personnel including field staff are necessary activities of any growing insurance organization. It has 29 satellite sampark. To support it activities it provided with the field force of 10, 35,097 agents.

FROM INVESTING FUNDS TO EMPOWERING NATIONAL DEVELOPMENT

India is on the brink of a revolution in terms of social and economic growth. On a global scale, India’s potential is on a par with the most technological, innovative and resourceful countries in the world. At LIC, they understand country’s need of the hour-building the strong foundation for the big dreams to be launched. It is in accordance with this sense of responsibility that the Corporation has deployed its funds to the best advantage of its policy holders as well as nation at large, ensuring the nation’s growth in terms of infrastructure, technology, housing, water supply, etc.

For 50 years, LIC has not only been excelling in its primary job of insurance, but it has also taken the centre stage in encouraging India’s social and industrial development. To put a figure to fact, LIC’s total contribution
towards the benefits of community amounts to Rs. 3, 85,639.07 crore as on 31st march, 2005. LIC has extended its horizon to encompass different field of social welfare.

Not less than 75% of its accretion to the funds is invested in central government securities; government guaranteed marketable securities, loans in the socially oriented sectors for approved purposes such as power (electricity), housing, water supply and sewerage, road transport and co-operative industrial estates.

The Corporation currently provides financial assistance to state government for social housing schemes for economically weaker sections, low income groups, middle income groups, state government employees and rural population. The total contribution of LIC up to 31st March 2005 to housing development activities by way of loans/ bond to state governments, state level apex societies, HDFC, HUDCO,NHB,LICHFL, etc. and loans under mortgage housing scheme amounted to Rs. 21,436 crore.

LIC takes care that all Indian citizens have their fair and regular share of it. LIC’s total investment to the tune of Rs. 10,346 crore speaks volumes of its endeavor in the field of water supply. While our nation works towards progress, LIC supplies the energy to sustain its ambitions. LIC is the single largest contributor in the progress of electrification schemes in the country.
Its financial assistance to state electricity board / Power Corporation for power generation projects has grossed a whopping Rs. 25,727 crore up to 31\textsuperscript{st} March, 2005.

It is difficult for a nation to move ahead on the path of progress without a stable transport system. That’s precisely why LIC has been assisting this vital cause with great determination. Transport infrastructure projects pertaining to rail, road, sea and air, have all been receiving due support from corporation in the form of investment to the tune of Rs. 2,463 crore. The corporation has been assisting development of road transport by providing financial assistance to State Road Transport Corporation for augmenting their fleet of buses. The total investment in this field up to 31\textsuperscript{st} March, 2005, amounted to Rs.1, 387 crore. It’s well understood by all that the crux of the nation’s economic growth lies in its industrial development. Be it assisting big finance corporations like IDBI, IFCI, ICICI bank, etc. or helping small scale and medium scale industries, the LIC has been in the fore front to boost industrial growth in the country.

The total investment in the corporate sector made by way of loans on 31\textsuperscript{st} March, 2005 was Rs. 9,963 crore and by way of subscription to shares/debentures on the same date was Rs. 1, 04,568 crore. Thus, the corporation has made a distinct contribution towards growth in industrialization.
and generation of skilled and unskilled employment opportunities in the country. With a strong focus on industrial development, LIC helps the Indian economy self-sufficient and stable. LIC has been touching people’s life in more ways than one, simply because they respect this glorious nation, in which we have witnessed immense growth since LIC’s formation in 1956. LIC’s investments lead our nation to a brighter and better tomorrow, boosting our nation’s passion to surpass world standards and rise to the top. LIC would help India transform into the next super power.

OBJECTIVES OF LIC:

- Spread life insurance widely and in particular to the rural areas and to the socially and economically backward classes with the view to reaching all insurable person in the country and providing them adequate financial cover against death at a reasonable cost.

- Maximize mobilization of people’s savings by making insurance-linked savings adequately attractive.

- Bear in mind, in the investment of funds, the primary obligation to its policyholders, 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 community as a whole, keeping in view national priorities and obligations of attractive return.
• Conduct business with utmost economy and with the full realization that the money belongs to the policyholders.

• Act as trustees of the insured public in their individual and collective capacities.

• Meet the various life insurance needs of the community that would arise in the changing social and economic environment.

• Involve all people working in the Corporation to the best of their capabilities in furthering the interests of the insured public by providing efficient services with courtesy.

• Promote among all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of corporate objectives.

CORPORATE MISSION:

Any company, particularly in the services sector proclaims a mission, which is beyond its immediate concern. A mission statement enhances the image of an organization with a social outlook and contributing to the welfare of the society.

A life insurance company does contribute to the social welfare by making the life of old people, widows and orphans who have got the benefits of life insurance more comfortable. A mission statement induces its employees and
agents to work in the spirit of public good and thus make them feel proud of their activities. They not only sell life insurance but positively contribute to the prosperity of the country, the nation.

"MISSION STATEMENT"

LIC of India declares its mission "to ensure and enhance the quality of life of people through financial security by providing life insurance products and services of high quality and by providing resources for economic development."

VALUES

LIC declares its values as "integrity and transparency, caring and courtesy, and initiative and innovation, quality and returns, participation and relationship, trustworthiness and reliability."

LIC’s COMMITMENTS:

TO THE COMMUNITY AT LARGE

- Provide insurance cover and financial security to every insurable person.
- Meet its insurance needs in consonance with the changing social economic environment.
- Cater to the insurance needs of the socially and economically weaker sections of the society through schemes specially designed for them.
• Conduct all aspects of our business keeping in view the interest of the community and the national priorities.

TO THE CUSTOMER

• Provide them prompt, efficient and courteous services.

• Act as trustee of their funds and invest it to the best of their advantage.

• Conduct business with utmost economy and on sound business principles.

• Build and maintain enduring relationships.

• Keep the customer informed.

TO THE WORKFORCE

• Promote a sense of participation and make them partners in progress.

• Work towards ensuring their job satisfaction and sense of pride.

• Provide environment and opportunities for growth to enable them to realize their full potential.

• Take steps to develop professional skills to enable them to handle their assignment more efficiently.
STANDARDS OF PERFORMANCE OF DAY TO DAY ACTIVITIES:

- To reduce time lag by 50%
- Respond promptly to customers’ written enquiries
- To settle maturity claims within due date
- Death claims within 60 days after receiving all requirements
- To improve the servicing of salary saving schemes
- Install interactive voice response systems (IVRS) in metropolitan cities
- Revise premium rates on the basis of latest mortality table
- Constitute Consumer Affairs Committee at the central office level
- Educate customer regarding its policies, product through information on the internet and press releases
- More transparency in dealing with its customers
- Accountability in its decision
- Increased product line to offer wider choice to the insuring public

However the mission statement does not give any legally enforceable right to its customers or employees to sue the company, whenever they feel aggrieved. It is merely a declaration of an objective to the achievement of which this organization shall make all efforts.
STRENGTHS AND WEAKNESS:

When we talk of company profile we should also know about its strength and weakness as well. It should also be known why it stands better than other's why should a prospect insure with this company instead of any other.

1. LIC is a Government sponsored life insurance organization backed by the guarantee of the policy money by the Government.

2. Over the years, since 1957 to 2000, its growth has been phenomenal. Its new business in the year 1957, in terms of number of policies was a mere 81000 and sum assured 277 crores which in the year 1999-2000 stands at 170 lakhs and 91000 crores respectively. It is an increase of over two hundred times. The average sum assured increased from 3500 to 55000 per policy, which to a certain extent can be said due to inflation, but certainly speaks volumes about the insurance awareness created by LIC in the public. This awareness is the result of its steady growth in terms of opening of branches and appointment of development officers and agents.

Thus the growth in performance has been much faster than the growth in resources. This miracle has been possible by the unprecedented growth in productivity. There is no doubt that it has made gigantic strides. Large scale computerization at the branch level to facilitate processing of insurance proposals, accounting activities, policy servicing including payments of
Awards & Accolades

Golden Peacock Global Award
Corporate Social Responsibility in emerging economies (Public Sector) for the year 2005 from World Council for Corporate Governance. 233 companies from 31 countries participated in this event.

Business Superbrand 2004-06, Superbrands India.

Harmony Award for Corporate Video Film 'Atmakalpan' in the internal communication category, IIM, 1994, Delhi.

'Most Preferred Life Insurance Company', Awaaz Consumer Award, 2005.

LIC stall received trophy for 1st Prize, Dr. Ambedkar's Birth Centenary celebrations in New Delhi, 1991.

Asia Insurance Industry Awards 2005, Merit Award, for Corporate Social Responsibility.
loans and claims, settlement of agents commission did help improvement in the standard of performance.

In spite of such phenomenal growth, the corporation is not complacent and engages itself in continuously making efforts to build a better image and preparing itself to face the challenges of competition.

- Its large workforce is both its strength and its liability.
- Although having extremely dedicated and experienced workers strong trade unions make adapting to changed conditions very difficult.
- Field force takes success for granted.
- Ethical values in dealings have not been adequately emphasized.
- The total premium growth has not kept pace with the Gross Domestic Product growth.

THE REVOLUTION GOES ON…..

The year wise achievements of LIC

1967—IBM Unit record (punch cards) & Adrema Machines at 36 divisions catered to 539 branches.

1967—07/67 IBM 1401/1410 installed at Mumbai. EDP department started functioning.

1981—07/81 Board decided to change over to microprocessors for select divisions and big branches
1982—Microprocessors introduced in pilot Dos of Delhi, Bangalore & Cuddapah Divisions and their branches with 25,000 policies. ECIL- 2958 Mainframe installed at Mumbai

1983—in phase- 2,198 machines proposed for 21 Dos and their branches.

1985—ECR introduced in 03/85.

1986—Unit record machines completely phased out

1987—Microfilming introduced at CO

1992—DCU introduced in 03/92

1993—770 mainframe and micro, 325 PC+4PC LAN +339 DCUs to cover CO, 7ZOs, 100 Dos, 1906 branches.

1994—Special cell was set up for in-house development of front-end application software in CO.

1995—17/7/95 Front-end computerization started.

1996—114 branches on front-end application packages (FEAP).

1997—508 branches on FEAP. MAN at Mumbai.

1998—IVRS in Mumbai 1524 branches on FEAP. MAN &IVRS at Bangalore and Chennai.

1999—1934 branches on FEAP. MAN &IVRS at Delhi.

2000—Successful incorporation of the necessary changes to combat Y2K.
Establishment of divisional computer training centers (CTC) to train programmers and users in the FEAP modules, networking concepts and ever-changing developments in the field of IT on a continuous basis.

Change in nomenclature from “Data processing” (DP) to “Information technology” (IT).

Touch screen based multimedia kiosks installed.

2001—premium payment through Internet enabled in collaboration with banks and service providers for collection of premium.

2002—LIC Information centre established.

LIC set up call centre in 8 locations across the country.

Corporate Messaging Solution (CMS) implemented all the employees and branches provided with separate mail IDs.

Infomediary Package (as software package for field force) implemented.

Strategic MoU entered into with IIT, Chennai to impart training.

Migration from UNIX to LINUX.

2003—IVRS mapped to a unified access number-1251.

Introduction of payment of premium through ATM. A separate cell called premium collection management centre established.

NASSCOM Awards for the best IT user in insurance sector.

2004—Information technology co-ordination committee (ITCC) instituted.
Jeevan Vikas, Kanpur
Introduction of payment of premium through ECS & KIOSKS.

Vidyanet (an online training portal for agents) launched.

Implementation of middleware (EAI) started.

Information through SMS system to agents, employee and policyholders started.

2005—corporate IT security policy unveiled.

29 satellite sampark branches installed

Enterprise portals inaugurated on 15th November 2005

2038 branches networked

Network audit taken up for evaluating health and capacity of network

Migrated to variable length master format to incorporate history of transaction

Document management system project with the aim of moving away from physical access of documents required for servicing purposes in the regular course of business in the branches.

Data warehouses and data mining project with the aim of creating a huge central repository of all masters and transaction, both current and historical data and will provide on line analytical tools/MIS tools/ data mining tools that patterns and make predictive modeling.