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CLASSIFICATION OF LIFE INSURANCE BUSINESS

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CHAPTER – VI

CLASSIFICATION OF LIFE INSURANCE BUSINESS

Insurance is a complex business involving a high degree of financial stake. It is therefore, most essential that the business is managed by qualified and experienced professionals. The insurance law normally prescribes certain minimum professional qualification & a certain minimum number of years of relevant work experience for the principal officer of an insurer or a broker.

6.1 Life Insurance Business- A Professional Approach:

On 19th January 1956, the management of entire life insurance business of 229 Indian insurers and provident insurance societies and Indian life insurance business of 16 non-Indian life insurance companies operating in India, was taken over by the central government and then nationalized on 1st September, 1956 as a result the Life Insurance Corporation (LIC) came into existence. The LIC for life assurance business is the main providers of insurance in India. As for life insurance the Postal Life Insurance Scheme provides life insurance coverage to Govt. & public sector employees as also for the general public in rural areas. The various state Governments have life and or general insurance funds established to provide life insurance cover to their own employees as also general insurance cover for their Departments / Corporations.

In order to achieve professionalism in insurance business, there is a need for not only qualifying examinations like the Insurance Institute or the Actuarial Society in India but also what is presently described as continuous professional development (CPD) like the one adopted in the United Kingdom. This requires a professional to update him or her with development in techniques with the help of certain programmes such as attending relevant seminars etc. Such CPD programme can be expected to be introduced in India.
Professional bodies

One, who completes qualifying examinations of the Insurance Institute of India (III), becomes an associate / fellow member of the institute. The main tasks performed by an actuary are computation of premium / contribution rates, surrender values, investment of funds and valuation of liability.

Insurance Institute of India (III), established in India-originally as the Federation of Insurance Institutes in 1955 is “An association of persons to provide and maintain a central organization for the promotion of efficiency, progress & general development among persons engaged or employed in insurance and those wishing to make insurance a career, with the a view to rendering the conduct of such business more effective, safe & scientific.”

The Institute provides courses and conducts examinations lending to Associate ship and Fellowship diplomas. The Actuarial Society of India, which was established in 1944, did not commence its qualifying examination until 1989. Now it is possible for an Indian to become an Actuary without going overseas or taking overseas examinations. Previously, it was necessary to take examinations of the Institute of Actuaries, London, the Faculty of Actuaries in Scotland & the society of Actuaring USA, who has been conducting examinations in India.

All personnel working with the members of the insurance industry, namely the insurers, intermediaries and surveyors require both theoretical & practical training and experience to carry out their responsibilities efficiently. The training schools/ departments in the various insurance companies cater to this requirement by providing necessary training programmes. The college of Insurance Institute of India in Mumbai & the National Insurance Academy in Pune also conduct such useful programmes not only for insurance personnel in India but also those from other countries.
6.2 Various plans

6.2.1. Plans for individuals

LIC offers a variety of products under individual insurance policies catering to all categories of people & segments designed as per their diverse needs. As individuals it is inherent to differ. Each individual’s insurance needs and requirements are different from that of the others. LIC’s Insurance Plans are policies that gives the most suitable options acc. to the requirement.

1) CHILDREN PLANS

a) Jeevan Anurag
b) Komal Jeevan
c) Children’s Deferred Assurance Endowment Vesting At 21
d) Marriage Endowment Or
e) Children’s Deferred Assurance Endowment Vesting At 18
f) Educational Annuity Plan
g) Jeevan Kishore Jeevan Chhaya

2) PLANS FOR HADICAPPED DEPENDENTS

a) Jeevan Aadhar
b) Jeevan Vishwas

3) SPECIAL MONEY BACK PLAN FOR WOMEN

a) Jeevan Bharati

4) ENDOWMENT ASSURANCE PLANS

a) The Endowment Assurance Policy
b) The Endowment Assurance Policy-Limited Payment
c) Jeevan Mitra( Double Cover Endowment Plan)
d) Jeevan Mitra (Triple Cover Endowment Plan)
e) Jeevan Anand
f) New Janaraksha Plan
4) **MONEY BACK POLICIES**

- a) The Money Back Policy - 20 Years
- b) The Money Back Policy - 25 Years
- c) Jeevan Surabhi - 15 Years
- d) Jeevan Surabhi - 20 Years
- e) Jeevan Surabhi - 25 Years
- f) Jeevan Rekha
- g) Bima Bachat

5) **WHOLE LIFE PLANS**

- a) The Whole Life Policy
- b) The Whole Life Policy - Limited Payment
- c) The Whole Life Policy - Single Premium
- d) Jeevan Rekha
- e) Jeevan Anand

6) **JOINT LIFE PLAN**

- a) Jeevan Saathi

7) **TERM ASSURANCE PLANS**

- a) Two Year Temporary Assurance Policy
- b) The Convertible Term Assurance Policy
- c) Anmol Jeevan-I

8) **UNIT- LINKED PLANS**

- a) Bima plus
- b) Future plus

6.2.2. **Pension Plans**

Pension Plans are Individual Plans that gaze into your future and foresee financial stability during your old age. These policies are most suited for senior citizens and those planning a secure future. The pension payments are made till the death of the annuitant (unless the policy has provision of guaranteed period).
Both the deferred annuity & immediate annuity plans are available with return of GIVE amount on death after vesting under Jeevan Dhara Plan & return of purchase price on death under Jeevan Akshay Plan.

The following pension plans are available:

- Jeevan Nidhi
- Future Plus
- Jeevan Akshay III
- New Jeevan Dhara –I / New Jeevan Suraksha-I

### 6.2.3. Group schemes

LIC offers life insurance protection under group policies to various groups such as employer-employee, professionals, cooperatives, weaker sections of society etc. It also provides insurance coverage to people under certain approved occupations at subsidized rates under social security group schemes. Besides providing insurance coverage, the corporation also offers group schemes to employers which provide funding of gratuity and pension liabilities of the employers.

The main features of the schemes are low premium, simple insurability conditions. Premiums are based upon age combination of members, occupations and working conditions of the group. However, there are certain conditions as to minimum group size and the minimum participation to make the scheme viable.

The standard schemes offered by LIC are as follows:

a) Group Term Insurance Schemes
b) Group Insurance Scheme in Lieu Of EDLI
c) Group Gratuity Scheme
d) Group Super Annuation Scheme
e) Group Savings Linked Insurance Scheme
f) Group Leave Encashment Scheme
g) Group Mortgage Redemption Assurance Scheme
6.2.4. Social Security Scheme

LIC offers life insurance protection under group policies to various groups such as Employer - employee, co-operatives, weaker sections of society etc. and insurance coverage to people below poverty line at subsidized rates under social security group schemes like ‘Janashree Bima Yojana’ & ‘Aam Aadmi Bima Yojana’. The scheme ‘Shiksha Sahayog Yojana’ is a free add-on scholarship benefit that is available for the children of the members who are covered under Janashree Bima Yojana.

(a) Janashree Bima Yojana (JBY) -- This scheme was launched on 10.8.2000. The object of this scheme is to provide life insurance protection to the rural and urban poor persons living below poverty line and marginally above poverty line. Persons, normally the head of the family or one earning member of the family, between age 18 and 59 years who follow any of the specified vocations / occupations can be covered under Janashree Bima Yojana. As on 31.03.2012 45 vocations/occupations have been identified for coverage under Janashree Bima Yojana.

The benefits under the scheme include natural death cover of ` 30,000/- accidental death cover / permanent disability benefit (due to accident) of ` 75,000/- and partial permanent disability (due to accident) of ` 37,500/-

(b) Shiksha Sahayog Yojana-- This scheme was launched on 31.12.2001 for the benefit of children of members of Janashree Bima Yojana. A free add-on scholarship benefit is available for the children of the members who are covered under Janashree Bima Yojana. Scholarship of ` 600/- per half-year (payable on 1st January and 1st July every year) is given to students studying in Classes IX to XII (including ITI courses). Scholarship is restricted to two children per family.
(c) Aam Aadmi Bima Yojana--This is a new Social Security Scheme for rural landless household and was launched on 2nd October, 2007 at the hands of the then Hon’ble Finance Minister at Shimla. The head of the family or one earning member in the family of rural landless household is covered under the scheme. The premium of ` 200/- per person per annum would be shared equally by the Central Government and the State Government. The benefits under the scheme include natural death cover of ` 30,000/-, accidental death cover / permanent disability benefit (due to accident) of ` 75,000/- and partial permanent disability (due to accident) of ` 37,500/-. Under this Scheme, a free add-on scholarship benefit is available for the children of the members who are covered under Aam Aadmi Bima Yojana. Scholarship of ` 600/- per half-year (payable on 1st January and 1st July every year) is given to students studying in Classes IX to XII (including ITI courses). Scholarship is restricted to two children per family.

6.3 INFORMATION TECHNOLOGY & LIC
LIC has been one of the pioneering organizations in India who introduced the leverage of Information Technology in servicing and in their business. Data pertaining to almost 10 crore policies is being held on computers in LIC. LIC have gone in for relevant and appropriate technology over the years.

1964 saw the introduction of computers in LIC. Unit Record Machines introduced in late 1950’s were phased out in 1980’s and replaced by Microprocessors based computers in Branch and Divisional Offices for Back Office Computerization. Standardization of Hardware and Software commenced in 1990’s in LIC. Standard Computer Packages were developed and implemented for Ordinary and Salary Savings Scheme (SSS) Policies.
(i) **Front End Operations:** With a view to enhancing customer responsiveness and services, in July 1995, LIC started a drive of On Line Service to Policyholders and Agents through Computer. This on line service enabled policyholders to receive immediate policy status report, prompt acceptance of their premium and get Revival Quotation, Loan Quotation on demand. Incorporating change of address can be done on line. Quicker completion of proposals and dispatch of policy documents have become a reality. All LIC 2048 branches across the country have been covered under front-end operations. Thus all 100 divisional offices have achieved the distinction of 100% branch computerisation. New payment related Modules pertaining to both ordinary & SSS policies have been added to the Front End Package catering to Loan, Claims and Development Officers’ Appraisal. All these modules help to reduce time-lag and ensure accuracy

(ii) **Metro Area Network:** A Metropolitan Area Network, connecting 74 branches in Mumbai was commissioned in November, 1997, enabling policyholders in Mumbai to pay their Premium or get their Status Report, Surrender Value Quotation, Loan Quotation etc. from ANY Branch in the city. The System has been working successfully. More than 10,000 transactions are carried out over this Network on any given working day. Such Networks have been implemented in other cities also.

(iii) **Wide Area Network:** All 7 Zonal Offices and all the MAN centers are connected through a Wide Area Network (WAN). This enables a customer to view his policy data and pay premium from any branch of any MAN city. As at November 2005, LIC had 91 centers in India with more than 2035 branches networked under WAN.
(iv) **Interactive Voice Response Systems (IVRS):** IVRS has been made functional in 59 centers all over the country. This would enable customers to ring up LIC and receive information (e.g. next premium due, Status, Loan Amount, Maturity payment due, Accumulated Bonus etc.) about their policies on the telephone. This information also be faxed on demand to the customer.

(v) **LIC On The Internet:** LIC Internet site is an information bank. It displays information about LIC & its offices. Efforts are always made by LIC to upgrade our web site to make it dynamic and interactive. The addresses/e-mail Ids of Zonal Offices, Zonal Training Centers, Management Development Center, Overseas Branches, Divisional Offices and also all Branch Offices with a view to speed up the communication process.

(vi) **Payment Of Premium And Policy Status On Internet:** LIC has given its policyholders a unique facility to pay premiums through Internet absolutely free and also view their policy details on Internet premium payments. There are 11 service providers with whom L I C has signed the agreement to provide this service.

   Online Payment Gateway is LIC’s initiative to provide on demand service within a few clicks! Policy Holder can now have many of the functionalities that were available only at a branch office, online at their fingertips. The payment gateway (PG) initiative is an important component of the offer. It provides for real-time payment of renewal premium-dues through the portal. This functionality is available only to registered customers who have enrolled their policies. The Policy Holder can pay LIC premiums using Net Banking accounts & the payments can also be made using VISA/Master Credit Card (Domestic Only) with some
convenience charges of authorised Banks by LIC. This facility is available for all non-ULIP policies.

Simple step-by-step guidelines on how you to use internet facility:
1. Once the policy holder had enrolled their policy(s), they can click on the link ‘Pay Premium Online’ to see a list of policies whose premium is due.
2. The policy holder have a choice to select the policies for which they want to pay premium.
3. The policy holder will then be directed to a page where he/she can choose from multiple banks for payment and will be directed to the login page of the selected bank. It is essential that the policy holder have a net banking account with at least one of the banks authorised by LIC.
4. At the bank site the policy holder will need to login with their net banking username/password. On successful login, the total amount to be paid by policy holder towards LIC will be displayed.
5. The policy holder need to verify their balance (displayed) and confirm the transaction to the bank. Simultaneously successful/unsuccesful transaction message will be flashed.
6. On successful transaction, a digitally signed e-receipt will be generated and e-mailed to the policy holder. In case of an unsuccessful transaction they will be informed with the reason thereof.

**Benefits of Online Payments made to LIC:**
- There is no further registration involved at the service provider end.
- There is no time lag from the date of payment to obtaining receipts.
- It is also a secure arrangement, as the policy data is not shared between LIC and Banks over net as only the amount to be paid is
encrypted and transported. The login id at both the sites (LIC and Bank) is known only to the policy holder.

- And above all there is no charge for to avail this service.

(vii) *Information Kiosks:* LIC had set up 150 Interactive Touch screen based Multimedia KIOSKS in prime locations in metros and some major cities for dissemination information to general public on their products and services. These KIOSKS enables to provide policy details and accept premium payments.

(viii) *Info Centers:* LIC have also set up 8 call centers, manned by skilled employees to provide the policy holder with information about their Products, Policy Services, Branch addresses and other organizational information.

Thus, in short LIC has been a pioneer in using information technology for enhancing the quality of its service to customers. Being the largest insurer in India, LIC has always explored all the avenues that technology offers to provide the best of services to its valued customers and other stakeholders. Today, LIC customers can pay their premium not only in any one of its offices, but also through LIC’s Premium Payment Gateway on their website through partner Banks like Corporation Bank, Axis Bank or through associate agencies like APOnline, MPOnline, etc. Customers can also use their Net Banking accounts, Debit Cards and Credit Cards to pay premiums online. LIC reaches out to its customers through IVRS, Call Centers, Customer Zones, SMS, e-mail, website and now even the Social Networking sites. LIC has also undertaken many other customer-centric initiatives like Enterprise Document Management System, Portal for Customers, Agents, Development officers and Employees, etc. All their offices and Training Centers have been connected to a Wide Area Network for more than 10 years now. Last year, LIC connected their Central Office,
Zonal Offices, Zonal Training Centers and the 113 Divisional Offices through high definition Video-Conferencing facility and are currently in the process of extending this facility to their premier Training Centers. In order to safeguard its IT infrastructure from external threats, LIC has also installed the latest IT Security products in its setup. To keep pace with changes in the business environment and the technology platforms, they migrated their Core Insurance Application to a web based architecture. The project called e-FEAP helps LIC to delivery quality service to its Policyholders and marketing force. In 2011-12, LIC also set up the infrastructure necessary for the on-line sale of policies.

6.4 LIC IN DIVERSE FIELDS

6.4.1. Mutual Fund

The LIC mutual fund was set up in June 1989 as a separate trust by LIC of India with a view to providing accessibility of various investment media including the stock market’s to all sections of investors, particularly the small investors in rural and semi-urban areas. The basic objective of launching LIC mutual fund is of mobilizing savings from investors spread across the country, who had no easy access to the capital market, with a view to providing them a vehicle for investment of their funds thereby ensuring safety, security, easy liquidity & reasonably good returns.

A mutual fund pools the savings from numerous small investors (who buy units) and invests them in diversified securities (shares, debentures, bonds, etc.) in the capital market in order to optimize the high return, safety, high liquidity trade-off for the maximum benefit to investors.

During the first year of operation LIC mutual fund came up with 5 schemes which provides distinct benefits to various cross sections of investors. Out of the 5 schemes, 3 are close ended schemes viz., Dhanshree 1989, Dhan 80 CC (1) & Dhanvarsha while the other two schemes viz., Dhanaraksha 1989 &
Dhanavridhi 1989 are open ended schemes. For LIC mutual fund schemes, jeevan bima sahayog asset Management Company limited (JBS AMC) incorporated on 20th April 1994, acts as investment manager.

**Schemes of LIC Mutual fund**

LIC Mutual fund has launched 26 schemes taking into account the various needs of investors. Out of the 26 schemes, 22 were close ended schemes. The remaining 4 are open-ended schemes. These schemes can be generally classified as:

a) Income schemes (3 schemes)
b) Income and growth schemes (11 schemes)
c) Growth schemes (2 schemes)
d) Tax savings schemes (7 schemes)
e) Insurance linked unit schemes (2 schemes)
f) Special scheme (1 scheme)

**Open ended schemes**--The following are on-going schemes and investors can buy units anytime, throughout the year:

a) **Dhanaraksha**: Insurance linked recurring investment scheme with a 10/15 years term with the option of yearly or half yearly payment of subscription. The minimum half yearly subscription is `0.500 and the maximum `3,000 whereas under yearly mode the same are `1,000 and `6,000 respectively. The maximum target amount of savings under this scheme is `60,000 with accident cover up to `30,000. The scheme provides income tax benefits under section 88, 80L, 48 and 112.

b) **Dhanavriddhi**: This is a fixed investment scheme with a term of 7/10 years. The scheme provides life insurance cover equal to the investment, subject to a maximum of `40,000 and will increase every year by 10% of the investment
from second to sixth year. Accident cover is also available to the extent of the investment amount, subject to a max. of ` 20,000.

c) **Dhanasahayog:** This is an income and growth scheme. There are 3 plans under this scheme, viz.,

Plan A- The dividend will be remitted to the investors;

Plan B- Dividend will be reinvested under the scheme;

Plan C- Growth with Capital gains in this there is no lock in period for encashment of units purchased under this scheme.

d) **Dhanvidya:** This is a unique scholarship scheme designed to meet the educational expenses of children, parents, Guardians or other well-wishers who are resident citizens of India, can apply for the units under the scheme in respect of children below 18 years, subject to a maximum of 10,000 units per child. The rate of yearly scholarship varies from 25% to 60.7%. The scholarship is also payable half-yearly ranging from 12% to 29.95% of face value of units invested in this scheme.

LIC Mutual Fund had 90 Chief Agents and 35 Marketing Associates at about 100 centers across India. As a part of its plan to expand through alternative channels of distribution LIC Mutual Fund has entered into strategic tie-ups with Bank of Rajasthan. As a part of expanding business activities LIC mutual fund are opened 7 business centers at Jaipur, Lucknow, Ahmedabad, Raipur, Hyderabad, Chandigarh, and Patna. The LIC Mutual Fund has valued the trust of its investors & adopted a conservative approach to investment to ensure a consistent performance.

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 Pvt. 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.

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LIC has launched various investment schemes under the various categories.

- Equity
- Debt
- Balanced
- Liquid
- Floating Rate

**Equity Schemes:** These schemes invest a majority of their investments in equity and equity related instruments. The risk of investing in these schemes is high, but the returns are also considerably high when compared to the other schemes.

- LIC Equity Fund
- LIC Growth Fund
- LIC India Vision Fund
- LIC Index Fund
- LIC Infrastructure Fund
- LIC Opportunities Fund

**Debt Schemes:** These schemes invest a majority of their investments in equity and equity related instruments.

- LICMF Income Plus Fund
- LICMF Interval Fund – Monthly (Quarterly, Annually)
- LICMF Floater MIP

**Balanced Schemes:**

- LICMF Balanced Fund
- LICMF Children’s Fund
- LICMF Monthly Income Plan

6.4.2 **LIC Housing Finance Limited**

LIC Housing Finance Limited was incorporated under the Companies Act, 1956 on 19 June 1989. The main objects of the company are providing long term finance for purchase/construction of houses / flats, particularly to
policy holders of LIC of India. The company has 6 Regional offices, 105 operating offices & over 100 camp offices spread throughout the country. The company has a total number of 67 Areas & unit offices plus 6 Regional offices making it the housing finance institution with the widest marketing network 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 non 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.

Table No.6.1

**Growth for the CAGR-5 yrs year 2010-11**

<table>
<thead>
<tr>
<th></th>
<th>Growth for the year 2010-11</th>
<th>CAGR-5 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding Loan as on 31.3.2011</td>
<td>51090cr +34%</td>
<td>31%</td>
</tr>
<tr>
<td>Loan Amount Sanctioned during the year 2010-11</td>
<td>22603cr +25%</td>
<td>39%</td>
</tr>
<tr>
<td>Loan Amount Disbursed during the year 2010-11</td>
<td>19912cr +34%</td>
<td>40%</td>
</tr>
<tr>
<td>Net Profit for the year 2010-11</td>
<td>974.49cr +47%</td>
<td>37%</td>
</tr>
<tr>
<td>Dividend Declared</td>
<td></td>
<td>175%</td>
</tr>
</tbody>
</table>

(Source : Chairman Review)

Since inception, the corporation has been providing finance for housing to individuals, cooperative housing societies and private undertakings under its various mortgage housing schemes. With a view to solving the housing shortage in the country, the corporation joined in a big way in the massive effort by providing financial assistance to state governments for social housing schemes
for economically weaker sections, low income groups, middle income groups, state government employees & the rural population. The corporation has also been extending financial assistance to state level apex cooperative housing finance societies, the benefits of which are passed on to individual through primary societies. Besides the corporation is providing finance by way of subscribing to bonds of housing finance institutions like housing development.

**Housing Loan Schemes**--At present the company offers housing loan schemes for individuals and corporate Bodies/Public Housing Agencies/Developers. The individual loan schemes are as follows:-

a) **Giri Prakash** and **Griha Tara** where maximum loan of Rs 25 Lakh is available. Life insurance policy is required as collateral security for loan.

b) **Giri Lakshmi** where loan upto Rs 25 Lakh can be granted those who go for second house /flat. Life insurance policy is not compulsory though it is strongly recommended.

c) **Griha Jyoti** which is ideal for low budget homes with a maximum loan limit of `1 Lakh & Group Insurance coverage.

d) **Griha Shoba** is meant for NRIs with a maximum loan limit of `25 Lakh. It should not exceed 75% of the property value. The repayment of loan etc. is subject to RBI guidelines.

e) **Griha Sudhar** where loans are available for repairs/renovations to houses/flats. The maximum loan available under this scheme is `2 Lakh. This scheme is open only at specified centers.

The company offers the following non-individual loans:

(i) Direct loans to corporate bodies (Public Limited Companies/ Public Sector Undertaking) for construction/purchase of staff quarters.

(ii) Line of credit ‘TO’ for financing House Building Advance scheme of the Company for its employees.
(iii) Line of credit ‘THROUGH’ for loans to individual employees of the Company as recommended by the employer.

(iv) Project/Construction Finance or Loans to Builders & Developers for construction of housing projects for sale.

(v) Loans to Cooperative Societies - Loans to individual members of Cooperative Housing Society formed by employees of Public Sector Undertakings or Public Limited Co.

(vi) Construction of housing projects for sale by public agencies like housing boards etc.

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 centers for the elder lies, 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.

The present shareholding percentage of promoter Organizations and other major shareholders is given as under:-

<table>
<thead>
<tr>
<th>S.No</th>
<th>Organisation</th>
<th>Post Public Issue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LIC of India</td>
<td>39%</td>
</tr>
<tr>
<td>2</td>
<td>Mutual funds</td>
<td>7%</td>
</tr>
<tr>
<td>3</td>
<td>Foreign financial institutions &amp; GDR</td>
<td>36%</td>
</tr>
<tr>
<td>4</td>
<td>Public &amp; others</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table No. 6.2 (Source: Chairman Review)
6.4.3. 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 `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 `1044.60 crore under 3 schemes. The total Assets under Management (AUM) was `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 11.2603% for Central Government Scheme, 9.8720% for State Government Scheme and 8.8028% for NPS Lite (Government pattern) as at 31st Mar, 2011.
6.4.4. 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.

6.5 PERFORMANCE OF LIC

6.5.1 New Business Performance

Performance of LIC in new business has increased rapidly after decentralization of its functions in 1985-86. The impact has been clearly observed in 2010-11 when the total no. of policies has reached near about `3.70 Crore of policies assuring more than `4739.89 crores. Life Insurance funds grew to ` 2,52,919 crore in 2010-11 compared to ` 2,24,487 crore. As percentage of Gross Financial Savings, the share grew from 22.6% in 2009-10 to 24.2% in 2010-11. The share of life funds of LIC and Private insurers rose to 23.8% of Gross Financial Savings in 2010-11 as against 22% in 2009-10. At current prices, the amounts were ` 2,47,993 crore in 2010-11 compared to `2,17,973 crore in 2009-10. Life insurance funds were 3.7% of GDP at factor cost in 2009-10. This was an improvement over 2008-09 when the percentage was 3.3%. Total First Year Premium of life insurers including Group Business grew by 15.1% in 2010-11 to `1, 25,826 crore from `1, 09,290 crore in 2009-10. From 59.3% in the first half of the year, the growth moderated sharply in the second half of the year. There was negative variation of 9.5% in the number of
new insurance policies sold by life insurers in 2010-11 as compared to 2009-10. The number of new life insurance policies sold by life insurers in 2010-11 came down to `4,81,51,884 from `5,32,24,435 in 2009-10. The market share of Life Insurance Corporation of India improved to 68.7% in 2010-11 from 64.9% in 2009-10 in First Year Premium. On the basis of policies too, the market share improved to 76.9% in 2010-11 from 73% in 2009-10.

The details of the new business performance of LIC are given below:

Fig No. 6.1  NEW BUSINESS Performance of LIC
**Fig No. 6.2 BUSINESS IN FORCE of LIC at the end of the year**

**Table No. 6.3 Analysis of Income**

<table>
<thead>
<tr>
<th>Income</th>
<th>2010-11 (\ in crore)</th>
<th>2009-10 (\ in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Individual Assurance</td>
<td>122278</td>
<td>106820</td>
</tr>
<tr>
<td>Percentage Increase over Previous Year</td>
<td>14.91%</td>
<td>37.28%</td>
</tr>
<tr>
<td>2 Individual Pension Schemes</td>
<td>2599</td>
<td>2162</td>
</tr>
<tr>
<td>3 Group Schemes</td>
<td>39301</td>
<td>29751</td>
</tr>
<tr>
<td>4 Linked Business Premium</td>
<td>39180</td>
<td>47253</td>
</tr>
<tr>
<td>Total Premium Income</td>
<td>203358</td>
<td>185986</td>
</tr>
<tr>
<td>Percentage Increase over Previous Year</td>
<td>9.34%</td>
<td>18.32%</td>
</tr>
<tr>
<td>5 Income from Investment</td>
<td>77667</td>
<td>67198</td>
</tr>
<tr>
<td>6 Miscellaneous</td>
<td>16156</td>
<td>8589</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>297181</td>
<td>261773</td>
</tr>
<tr>
<td>7 Variation due to change in Fair Value of Linked Business (unit fund)</td>
<td>2092</td>
<td>36949</td>
</tr>
<tr>
<td>NET TOTAL INCOME</td>
<td>299273</td>
<td>298722</td>
</tr>
</tbody>
</table>
The Detail Analysis of Income is as follows:

Fig No. 6.3 Analysis of Income

The NEW BUSINESS FIGURES for 2008-09 to 2010-11 are as follows:

Fig No. 6.4 (A) No. of policies issued during 2008-09 to 2010-11:
Fig No. 6.5 (B) Annual premium received during 2008-09 to 2010-11

![Annual Premium Receivable (Rs. In crore)]

Fig No. 6.6 (C) Sum Assured for the year 2008-09 to 2010-11

![Sum Assured/NCO (Rs. In Crore)]
The details of policy Payment made to Policy Holders during the year is:

<table>
<thead>
<tr>
<th>Payment to Policy Holders</th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTGO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Numbers (in lakh)</td>
<td>180.02</td>
<td>206.88</td>
</tr>
<tr>
<td>Amount</td>
<td>49548</td>
<td>46921</td>
</tr>
<tr>
<td>2 Claims by Death</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Numbers (in lakh)</td>
<td>9.54</td>
<td>8.79</td>
</tr>
<tr>
<td>Amount</td>
<td>8010</td>
<td>7034</td>
</tr>
<tr>
<td>3 Annuities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4996</td>
<td>3771</td>
</tr>
<tr>
<td>4 Surrenders</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>49793</td>
<td>22409</td>
</tr>
<tr>
<td>TOTAL</td>
<td>112347</td>
<td>80135</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outstanding Claims at the end of the year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Maturity</td>
<td>411.43</td>
<td>275.34</td>
</tr>
<tr>
<td>2 Claims by Death</td>
<td>277.97</td>
<td>237.91</td>
</tr>
<tr>
<td>TOTAL</td>
<td>689.4</td>
<td>513.25</td>
</tr>
</tbody>
</table>

Table No. 6.4

Fig No. 6.7 (A) Details of Payments made to policy holders during 2009-10 & 2010-11
6.5.2 SETTLEMENT OF CLAIMS

Settlement of claims is the key factor that decides customer satisfaction and a company's profitability. While genuine claims are usually settled by both private insurers and LIC, private players see more disputes. Stricter due diligence means more fake claims are detected at private companies, while LIC is relatively lax in rejecting fake claims, reducing its profitability.

Life Insurance Corporation remained well ahead of private rivals in living up to the purpose of insurance by settling 97.03% of claims in 2010-11, helping the state-run giant retain its market dominance even a decade after its monopoly ended. The Insurance Regulatory and Development Authority said in its annual report that settlement of claims of LIC rose from 96.54% in 2009-10, For the private sector, where the premium on policies are lower than for LIC, the claims-to-settlement ratio was 86.04%, up from 84.87% in 2009-10. Higher the ratio of settlement to claims, the more customer-friendly a company is.
regulator does not provide statistics for individual private firms. LIC, which controls nearly three-fourths of the market, scored on another front: its repudiation of claims declined to just 1% in FY11, from 1.21% a year earlier. The remaining claims are under dispute. For private life insurers, repudiation rose to 8.90% of claims from 7.61% in FY10.

Table No.6.5 Comparison of Claims paid between LIC and Private Insurers

<table>
<thead>
<tr>
<th>Insurer</th>
<th>Total claims</th>
<th>Claims Paid</th>
<th>Claims pending</th>
<th>Claims repudiated and written back</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIC</td>
<td>100</td>
<td>96.54</td>
<td>1.41</td>
<td>2.05</td>
</tr>
<tr>
<td>Private Insurers</td>
<td>100</td>
<td>84.88</td>
<td>7.48</td>
<td>7.64</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>95.25</td>
<td>1.93</td>
<td>0.75</td>
</tr>
</tbody>
</table>

(Data obtained from IRDA Annual Report 2009-10)

Settlement of claims is a very important aspect of service to the policyholders. Hence, The Corporation has laid great emphasis on expeditious settlement of maturity as well as death claims. During the year 2010-11, the Corporation has settled 1.90 crore claims for `57,490.29 crore (Including Micro Insurance and Pension & Group Schemes) compared to 2.16 crore claims for `53,535.82 crore in the previous year. The percentage of claims outstanding at the end of the year to the claims payable during the year is 0.40% by number and 1.18% by amount as on 31st March, 2011 compared to 0.26% by number and 0.94% by amount as on 31st March, 2010. During 2010-11, 96.21% of Maturity claims under Individual insurance were settled on or before the date of maturity.

Comparison of LIC Claim Settlement Ratio in 2011-12 & 2010-2011

1. Total claims settled in 2011-12 is 185.70 lakhs claims amounting to `66022.82 crores as compared to 183 lakh claims, amounting over `52160
Crores in 2010-11.

2. In 2011-12, 93.19% of Total Maturity Claims settled on or before the date of maturity as compared to 96.21% of Total Maturity Claims settled in 2010-11.

3. In 2011-12 94.34% of Non-early death claims settled within 15 days of intimation as compared to 95.78% of Non-early Death claims settled within 15 days of intimation in 2010-11.

4. Outstanding Claims Ratio— (Maturity + Survival Benefit): In 2011-12 is 0.50% as compared to 0.37% in 2010-11.

5. Outstanding Claims Ratio— (Death Claims): In 2011-12 is 1.22% as compared to 1.47% in 2010-11.

6. LIC on (an) average settles 77,000 claims in a day.

**Fig No. 6.8 Details of Claims settled during last three years:**

![Graph showing claims settled during the year](image)

**Claims Review Committee:**

The Corporation settles a large number of death claims every year. Only in case of fraudulent suppression of material information is the claim repudiated. The
number of death claims repudiated is very small. Even in these cases, an opportunity is given to the claimant to make a representation for consideration by the Review Committees at the Zonal Office and the Central Office. As a result of such review, depending on the merits of each case, appropriate decisions are taken. The Claims Review Committees at the Central and Zonal Offices have among other members a retired High Court / District Court Judge.

**Grievance Redressal Machinery:**
Policyholders' Grievance Redressal Cells exist in all the Offices of the Corporation, headed by Senior Officers who can be approached by policyholders for redressal of their grievances, on any day but particularly on every Monday between 2.30 p.m. and 4.30 p.m. without prior appointment.

1) Central Office - Executive Director (CRM) – for conventional policies
   Chief (HI) -- for health insurance policies
   Chief (P&GS) -- for Group Insurance policies
   Secretary (MI) -- for Micro Insurance policies

2) All Zonal Offices - Regional Manager (CRM) – for conventional policies
   Regional Manager (P&GS)—for Group insurance policies.

3) All Divisional Offices - Manager (CRM)

4) All Branch Offices - Chief Manager / Sr./ Branch Manager

**6.5.3 Investment of Funds**
True to the spirit of nationalization, the Corporation has deployed its funds to the best advantage of LIC policyholders as well as for the community as a whole. National priorities and the obligation of reasonable returns to the policy holders are the main criteria of LIC’s investments. The investment of the Corporation's funds is governed by Section 27A of the Insurance Act, 1938,
The LIC investment strategy is very clear. It is based on their investment policy, IRDA regulations, Insurance Act and the LIC Act. According to the guidelines, 50 per cent of the total investible funds must be in government securities - 25 per cent should be in central government securities, and up to 50 per cent in both state and central government securities. It has been the constant endeavor of the Corporation to provide security to as many people as possible and to channelise the savings mobilised for the welfare of the people at large. To meet this end, the Corporation has been promoting Social Welfare through investments in Infrastructure and Social Sector which includes:

1) Projects/Schemes for generation and transmission of Power,
2) Housing Sector,
3) Water Supply and Sewerage Projects/Schemes,
4) Development of Roads, Bridges & Road Transport.

**Table No. 6.6 INVESTMENT IN GOVT. & SOCIAL SECTOR (` in crore)**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Type of Investment</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Government securities</td>
<td>360319</td>
<td>407934</td>
<td>441760</td>
</tr>
<tr>
<td>2</td>
<td>State Government &amp; Other Govt. Guaranteed Marketable Securities</td>
<td>141292</td>
<td>176213</td>
<td>213913</td>
</tr>
<tr>
<td></td>
<td>Sub-Total (A)</td>
<td>501611</td>
<td>584147</td>
<td>655673</td>
</tr>
<tr>
<td></td>
<td>Housing &amp; Infrastructure Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>Housing</td>
<td>40232</td>
<td>43297</td>
<td>41067</td>
</tr>
<tr>
<td>(b)</td>
<td>Power</td>
<td>77585</td>
<td>80165</td>
<td>86880</td>
</tr>
<tr>
<td>(c)</td>
<td>Irrigation/ Water Supply &amp; Sewerage</td>
<td>5241</td>
<td>4265</td>
<td>3774</td>
</tr>
<tr>
<td>(d)</td>
<td>Road, Port &amp; Bridges, Railways</td>
<td>8066</td>
<td>9819</td>
<td>10494</td>
</tr>
<tr>
<td>(e)</td>
<td>Others (Incl. Telecom.)</td>
<td>17073</td>
<td>27457</td>
<td>21947</td>
</tr>
<tr>
<td></td>
<td>Sub- Total (B)</td>
<td>148197</td>
<td>165003</td>
<td>164162</td>
</tr>
<tr>
<td></td>
<td>Total A+B</td>
<td>649808</td>
<td>749150</td>
<td>819835</td>
</tr>
</tbody>
</table>
Investment of LIC can further be divided into Govt. & Social Sector which can be further subdivided into:

**Table No. 6.7 INVESTMENTS OF LIC AS AT 31ST MARCH, 2011 (In crores)**

<table>
<thead>
<tr>
<th>Investment in India</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I Loan</td>
<td>85464.8</td>
</tr>
<tr>
<td>II Securities</td>
<td>1146610</td>
</tr>
<tr>
<td>III Other Investments</td>
<td>33045.4</td>
</tr>
<tr>
<td>TOTAL (In India)</td>
<td>1265120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment out of India</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I Loan</td>
<td>110.88</td>
</tr>
<tr>
<td>II Securities</td>
<td>1248.52</td>
</tr>
<tr>
<td>III House Property</td>
<td>59.44</td>
</tr>
<tr>
<td>TOTAL (Outside India)</td>
<td>1418.84</td>
</tr>
</tbody>
</table>

GRAND TOTAL (in India & Out of India) [GROSS] 1266539
The total investment in these sectors during 2010-11 was `15,235.94 crore. The investments by way of central, state and other government guaranteed marketable securities, loans, debentures & equity investments in infrastructure and social sector amounts to `7,49,150 crore.

Table No. 6.8 LIC's Investments during Five Year Plan Periods

<table>
<thead>
<tr>
<th>Plan</th>
<th>Year</th>
<th>Gross Investments (` Cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>II</td>
<td>1956-1961</td>
<td>184</td>
</tr>
<tr>
<td>III</td>
<td>1961-1966</td>
<td>285</td>
</tr>
<tr>
<td>IV</td>
<td>1969-1974</td>
<td>1530</td>
</tr>
<tr>
<td>V</td>
<td>1974-1979</td>
<td>2942</td>
</tr>
<tr>
<td>VI</td>
<td>1980-1985</td>
<td>7140</td>
</tr>
<tr>
<td>VII</td>
<td>1985-1990</td>
<td>12969</td>
</tr>
<tr>
<td>VIII</td>
<td>1992-1997</td>
<td>56097</td>
</tr>
<tr>
<td>IX</td>
<td>1997-2002</td>
<td>170929</td>
</tr>
<tr>
<td>X</td>
<td>2002-2007</td>
<td>394779</td>
</tr>
<tr>
<td>XI</td>
<td>2007-2012</td>
<td>704151</td>
</tr>
</tbody>
</table>
6.6 **AWARDS TO LIC**

LIC is winning various Awards from time to time. The performance of the Corporation has also been recognized through coveted awards it won.

LIC received following awards during 2011-12

1. Readers Digest Trusted Brand – Platinum Category
2. Business Super brands 2010-11
3. Asian Leadership Awards – Asia’s Most Preferred Brand in Insurance
4. CNBC TV 18 India’s Best Bank and Financial Institution Award – Best Insurance Company
5. Most Trusted Brand in Insurance Category by ET Brand Equity
6. CNBC AWAAZ Storyboard Consumer Awards- Consumer’s Trusted Choice Award
7. CNBC AWAAZ Storyboard Consumer Awards- Most Recommended Financial Services Brand of the Year ( Non Banking)
8. Dainik Bhaskar Group- India Pride Award
9. Bombay Chamber of Commerce & Industry – Good Corporate Citizen Award
10. ABCI Award for House Magazine in Magazine Category
11. Preferred Brand of Life Insurances by Dainik Purvoday NE Consumer Awards 2011
12. Star News Brand Excellence Award- Customer Centric Band Award
13. Outlook Money - Best Life Insurer Award
15. Bengal’s Best 2011 in Insurance Category – Anandbazar Patrika’s Brand Watch

16. Organization of the Year – Top Ranker’s Management Consultants

17. Best BFSI Life Insurance Company 2011 by Business & Economy ICMR-BFM

18. Most Successful Pioneer in Micro Insurance by Amity School of Insurance, Banking & Actuarial Science

19. Golden Peacock Innovative Product Award for Jeevan Arogya

20. Middle East Insurance Forum (MEIF) Institutional Excellence Award to LIC International (BSC Bahrain)

21. My FM Stars of the Industry Award for Business Leadership Award

22. My FM Stars of the Industry Award for Excellence in Life Insurance

23. Special Award for Consumer Service (Corporate) by Consumer Association of India

24. Indy’s Award for Best Corporate Film of the Year

25. Indy’s Award for Best in Media Category; Campaign for Change, Women’s Insurance TVC

26. Indy’s Award for Most Creative Ad (Print) in BFSI

27. Indy’s Award for Best in house magazine ‘Yogakshema’.