**A Comparative Study Of LIC (भारतीय जीवन बीमा निगम) Branches Performance in Indore Division**  
*(Thesis of Research Work)*

Someone has greatly said that practical knowledge is far better than classroom teaching. During this research work I fully realized this and come to know about the present real world of Insurance sector. It includes all the activities involved in providing insurance products to the final customers. I am pleased to know about the consumers’ wants and competitors activities in the real world of Insurance.

Present research defines the topic very clearly and forms a specific question about that topic. The work of other people is also examined to see if the question has ever been researched, or if the work of others can contribute to the new question. The methodology, or way the work will be done, is set out in steps. The data are collected, and analyzed (or looked at in detail), and conclusions are reached. The data used for research is both from primary sources as well as from secondary sources.

The following steps are taken during the research of the present study:

1) Defining the goals of the project, according to a needed change or improvement, examining the work of others, to see what approaches to the problem have already been tested,
2) Defining a specific question to be asked, the methods to be used to address the research question, and the methods for determining progress or change as the data are analyzed,
3) Conducting an inventory of existing human and material resources at the community or local, and regional levels,
4) Determining the way the community or program will provide input as to the direction of the project and whether changes are needed in the original plan,
5) Collecting the data,
6) Examining the data,
7) Reporting the results, including a description of the data and changes in the methods
8) Implementing a plan to apply the results for community use.

Descriptive research is undertaken to provide an accurate picture of some aspects of market environment. Descriptive research is used when the objective is to provide a systematic description that is as factual and accurate as possible. It provides the number of times something occurs, or frequency, lends itself to satisfied calculations such as determining average number of occurrences. The purpose of descriptive research is to describe accurately situations or events, such as the characteristics of a population, a social condition, or a particular topic. The following steps are followed during descriptive research in the present study:

1) Defining the topic or the goals of the project
2) Locating work that has been already done on the topic, to decide if the particular topic has been researched or if existing material can contribute to the present study.
3) Defining the objectives of the project, or steps to the project in a clear, straightforward way
4) Deciding upon the methods that will be used to accomplish the objectives, such as how the data will be collected, how the participants will be chosen, training of the personnel needed to collect the data, and how the data will be examined.
5) Collecting the data according to the plan,
6) Examining the data according to the plan,
7) Reporting the results.
On the community level, descriptive research techniques such as surveys and needs assessments are used for describing current socioeconomic conditions, to identify conditions in need of improvement, and to document the opinions of community members as to how these changes can be put into effect.

Casual research is undertaken to determine the objective which might be causing a certain behavior that is whether there is a cause and effect relationship between variable. In order to determine causality, it is important to hold the variable that is assumed to cause the change in the other variable constant and than measure the changes in the variable.

Present research is about understanding the market stand of LIC and also finds the strength & weakness of the products of LIC by making comparison & analysis of the products of the companies, for this mainly descriptive research methodology are adopted. Descriptive research was adopted since it provides accurate picture about some aspect of market environment such as which products of LIC are performing well and what the company can do to improve its market share. Present research work takes into account not only the various policies introduced by LIC from time to time but also the working results of their operation.

For present research work “A Comparative Study Of LIC Branches Performance in Indore Division” area of Indore is chosen. Indore is one of the major cities in India, the largest city and commercial center of the state of Madhya Pradesh in central India. Indore is located 190 km west of the state capital Bhopal. According to the 2011 Indian census, Indore city has a population of 1,960,631. It is the largest city of Madhya Pradesh, the 15th largest city in India and the 147th largest city in the world. It is also the financial centre of the state and serves as the headquarters of both Indore District and Indore Division.
The main purpose of present research work is:

a) To appraise the main objective of nationalization of LIC.

b) To analyze the sources, uses & investment of funds.

c) To analyze the schemes of LIC for the welfare & security of weaker & rural sections of society.

d) To examine the different policies introduced by LIC & the working results of their operations.

e) To analyze the success of LIC in terms of satisfaction of policyholders.

f) To analyze the success of LIC in terms of timely settlement of claims.

g) To study how LIC is promoting a sense of participation among all his agents & employees.

h) To identify the changing trends in marketing insurance products in the era of privatization of insurance sector in India.

i) To analyze the performance of LIC in various areas by making a comparative study of the performance of Indore Division for five years.

j) Deep analysis of:

- Need of policyholders in respect of risk of life & investment in future.
- To determine the importance of life insurance in a life of a person.

k) Is conducting business with utmost economy & full realization of money.

l) Do agents & employees of the corporation have a sense of participation, pride & job satisfaction through discharge of their duties with dedication towards achievement of corporate objective.

m) Is reaching widely to all insurable persons in the country particularly to the rural areas & to the socially & economically backward classes.

n) Is meeting the various life insurance needs of the community that would arise in the changing social & economic environment.

o) Is LIC able to meet its objectives fully & the criteria determined by the government for the insurance companies.
p) Whether LIC is able to increase the standard of living of the people & the source of their income.

q) Investing the funds in the interest of the community & investors & keeping in view the national priorities & obligations of attractive return.

Present research work is based on analyses of both primary & secondary data. Primary Data is collected through sample, survey method involving the questionnaire to be filled in by the investigator. This method is chosen because most of the facts and data were of the nature of primary data. However, for cross sectional analysis, both the insurance department and customers were interviewed to find out real state of the affairs of the problem understudy.

Over all study is based on the findings through survey of 100 persons belonging to varied age groups, as follows:

<table>
<thead>
<tr>
<th>Age groups</th>
<th>No. of customers</th>
</tr>
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<tbody>
<tr>
<td>18-26</td>
<td>21</td>
</tr>
<tr>
<td>26-35</td>
<td>33</td>
</tr>
<tr>
<td>35-45</td>
<td>34</td>
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<tr>
<td>45-55</td>
<td>06</td>
</tr>
<tr>
<td>Above 55</td>
<td>06</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
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</tbody>
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The different methods that used for collecting primary data for the present research work are as follows:

A) **Contact Method**: The 'contact method ' considering the short coming of secondary data was selected to personal interview. This method being versatile was arranged interviewing as it made concerned approach to the respondent.

B) **Observation Method**: The present investigation was done on the basis of making note of behavior and gestures of the target customers.
C) **Questionnaire Method:** The method of data collection is quite popular and is being adopted by researchers, private individuals and organization. In the present research work also Primary Data is also collected largely through Questionnaire, Open ended interview & Discussions with officials of Indore Division of LIC & various branch offices of LIC comes under Indore Division. Information is also collected about the working of LIC from the agents working under both divisions. Data collected through questionnaire is analyzed using percentage as well as trend analyses have been used to interpret the data.

D) **Schedule Method:** The method of data collection is very much like the collection of data through questionnaire, with little difference which lies in the fact that schedules are being filled in by me by going to the respondents along with the schedule and put up the question. Inferences are drawn on the answers given by them.

Secondary Data is collected from the published sources. In the present research work the secondary data is collected is from the Annual Reports, Reviews, Newspaper & Magazines, like Economic Times, Insurance Times, and Insurance Post, Internet Office Circulars, Reports published by Government, Universities & Research Institutions, Chairman’s review, Manual Report of LIC etc.

In addition, printed & electronic media including the information available on the internet website of LIC i.e. www.licindia.com & other websites related to it will be used extensively for the study. Also it is proposed that discussions with different segments of customers i.e. policyholders about their grievances & problems with LIC. The collected information is analyzed and explicated with the help of ratios, percentage, diagrams, tables and charts in the Project Report.

Much research work had been done on LIC & their results have also been demarcated by different methods, but field of LIC is so wide & different, day to
day going through many changes & is facing with many problems that it needs continuous research on it. my topic is new & untouched as a comparative study will be done on the overall performance of Indore Division of LIC for past five years taking use of Tables, Charts, Diagrams, Ratio, Percentage etc which I think has not been yet researched. In the research work a deep study & analyses will be done on the different perspective of LIC.

**From this point of view the present research work is very important not only to me but also to the public & to the government.**

- Public will also get benefit from the proposed research work. By Personal Interview & filling up Questionnaire they came to know about the different policies offered by LIC & the performance & working of the various departments of Indore Division. They will also came to know about the need of life insurance in their life, in terms of family protection, aid to thrift, additional way of earning, liquidity, tax relief & money when they need it.

- As LIC is owned & controlled by the government, through the proposed research work government will came to know the overall performance i.e. working of Indore Division & the branches working under it.

  **On the basis of this report, the Government can:**

  - Monitor the whole range of activities of the branches of Indore Division in order to protect policy holders interests by ensuring that all members of the division viz. the insurers, intermediaries & surveyors are abide by the regulations.

  - Promote & preserve high standard of professionalism in the conduct of insurance business & can provide a regulatory & fiscal infrastructure conducive to their growth and development.

  - Regulate reinsurance operations.
✓ Coordinate investment & other activities of the insurers with the national & conditions.
✓ Provide fair treatment to policy holders in the matter of policy terms and conditions.
✓ Organize programmes to educate the public of the value know-how of insurance.
✓ Oversee training for all cadres in the division & the regulatory office.
✓ Invoke disciplinary action into the division office & all its branches.
✓ Introduce new policies according to the need of the public.
✓ Know the disperancies about, why the public is not ale to know about the policies of LIC.
✓ Why public is giving preference to other private life insurance companies like SBI Life Insurance, Reliance Life Insurance, HDFC Life Insurance, Sahara Life Insurance (other 23 life insurance companies) etc. causes can be known & steps can be taken to improve the condition.

    Thus, through this study the Government can control regulate the working of Indore Division.

    Present research work is divided into 7 chapters which are again divided into sub chapters. The main chapters of research work are:

I. Status of Insurance: Indore Division
II. IRDA- Insurance Regulatory And Development Authority
III. Life Insurance: A General Framework
IV. Introduction Of LIC In India
V. Life Insurance: A Conceptual Analysis
VI. Classification Of Life Insurance Business
VII. Evaluation Of Performance Appraisal Of Indore Division Of LIC
VIII. Observations Conclusion & Suggestions
To regulate, promote and ensure orderly growth of the insurance business, government has formed a national agency IRDA.

The Insurance Regulatory and Development Authority (IRDA) is a national agency of the Government of India, based in Hyderabad. It was formed by an act of Indian Parliament known as IRDA Act 1999, which was amended in 2002 to incorporate some emerging requirements. In 2010, the Government of India amended the Act and ruled that the Unit Linked Insurance Plans (ULIPs) will be governed by IRDA, and not the market regulator Securities and Exchange Board of India. Mission of IRDA as stated in the act is "to protect the interests of the Policyholders, to regulate, promote and ensure orderly growth of the Insurance industry and for matters connected therewith or incidental thereto."

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders’ interests.
Expectations of Law from IRDA:

1) To protect the interest of and secure fair treatment to policyholders.

2) To bring about speedy and orderly growth of the insurance industry (including Annuity and Superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.

3) To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.

4) To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard.

5) To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.

6) To promote fairness, transparency and orderly conduct in Financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players.

7) To take action where such standards are inadequate or ineffectively enforced.

8) To bring about optimum amount of Self-regulation in day to day working of the industry consistent with the requirements of prudential regulation.

9) To protect the interest of and secure fair treatment to policyholders;

10) To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy;

11) To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;
12) To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;
13) To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players;
14) To take action where such standards are inadequate or ineffectively enforced;
15) To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.

**Composition of Authority**-- As per the section 4 of IRDA Act’ 1999, Insurance Regulatory and Development Authority (IRDA, which was constituted by an act of parliament) constitutes: IRDA consists of a Chairman and some permanent as well as part time members. The regulations, however, are enacted under the guidance of a statutory advisory committee. The advisory committee consists of following individuals and ex-officio authorities:

The Authority is a ten member team consisting of:

a) a Chairman;
b) five whole–time members;
c) four part-time members.

(All appointed by the Government of India)

**Mission statement of the authority:**

- To protect the interest of and secure fair treatment to policyholders;
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the Economy.
➢ To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;

➢ To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;

➢ To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players;

➢ To take action where such standards are inadequate or ineffectively enforced;

To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation

**Duties, Powers and Functions of IRDA**—Acc. to Sec 14 of IRDA Act, 1999 the duties, powers and functions of IRDA include the following:

1. Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

2. Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include,
   a) issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
   b) protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of Insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;
   c) specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;
d) specifying the code of conduct for surveyors and loss assessors;

e) promoting efficiency in the conduct of insurance business;

f) promoting and regulating professional organisations connected with the insurance and re-insurance business;

g) levying fees and other charges for carrying out the purposes of this Act;

h) calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;

i) control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);

j) specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;

k) regulating investment of funds by insurance companies;

l) regulating maintenance of margin of solvency;

m) adjudication of disputes between insurers and intermediaries or insurance intermediaries;

n) supervising the functioning of the Tariff Advisory Committee;

o) specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (f);

p) specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and

q) exercising such other powers as may be prescribed from time to time,
Today there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country. The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

**The Life Insurance Companies working in India are:**

2. Birla Sun Life Insurance Co. Ltd
3. HDFC Standard Life Insurance Co. Ltd
4. ICICI Prudential Life Insurance Co. Ltd
5. ING Vysya Life Insurance Company Ltd.
6. Life Insurance Corporation of India
7. Max New York Life Insurance Co. Ltd
8. Met Life India Insurance Company Ltd.
9. Kotak Mahindra Old Mutual Life Insurance Limited
10. SBI Life Insurance Co. Ltd
11. Tata AIG Life Insurance Company Limited
13. Aviva Life Insurance Company India Limited
15. Shriram Life Insurance Co, Ltd.
16. Bharti AXA Life Insurance Company Ltd
17. Future Generali India Life Insurance Company Limited
18. IDBI Federal Life Insurance Company Ltd.
20. AEGON Religare Life Insurance Company Limited.
21. DLF Pramerica Life Insurance Co. Ltd.
23. India First Life Insurance Company Limited
24. Edelweiss Tokio Life Insurance Co. Ltd.
CHAPTER - I

STATUS OF INSURANCE : INDORE DIVISION

1.1. INSURANCE : NATURE & DEFINITION

1.2. EVOLUTION OF INSURANCE

1.3. ROLE & IMPORTANCE OF INSURANCE

1.4. INTRODUCTION OF INDORE

1.5. LIC IN INDORE DIVISION

1.6. SOURCE OF DATA

1.7. LIMITS OF THE STUDY
CHAPTER – I

STATUS OF INSURANCE : INDORE DIVISION

Risks and uncertainties are part of life’s great adventure—accident, illness, theft, natural disaster—they’re all built into the working of the universe, waiting to happen. In worldly life whenever there is uncertainty, there is risk. The instinct for security against this risk is one of the basic motivating factors by which the contract of insurance must have born. A word “Yogakasheman” having the meaning of community insurance has been used in the world’s most incident Hindu sculpture “Rig Veda”, which indicates that it was prevalent even about 4000 years ago. Life insurance in India made its debut well over 100 years ago.

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era—past few centuries—yet its beginnings date back almost 6000 years. The evolution of insurance is linked with the human civilization. Life insurance made its first appearance in England in 16th century. The earliest record shows that Richard Martin granted the first life insurance policy on the life of Mr. William Gibson in the year 1536.

1.1 Insurance : Nature & Definition

Insurance is defined as a cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it & who agree to ensure themselves against that risk. It is a process in which a large no. of
persons collects their small contributions, called the premium, in a pool & out of this losses are paid to the suffering persons. Calculation of premium is based on the basis of probability of loss. There are 245 private indigenous & foreign private insurance companies- both operating in the Indian insurance market till 1956, when the life insurance industry was nationalized. Before the year 1999, there was monopoly of Government Corporation of India (LIC) in life insurance sector & general Insurance Corporation of Indian GIC with its four subsidiaries in general sector. In the wake of reform process Indian insurance was opened for private companies. As such competition is nothing new for the insurance industry in our country. The insurance sector in India has completed a full circle from being an open competitive market to nationalization and back to a liberalized market again.

Insurance is a contract between two parties whereby one party called insurer undertakes in exchange for a fixed amount of money on the happening of a certain event.” Insurance is a protection against financial loss arising on the happening of an unexpected event. The primary purpose of Life Insurance is the protection of the family. Insurance in its various forms protects against such misfortunes by having the losses of the unfortunate few paid by the contribution of the many that are exposed to the same risk. This is the essence of insurance-the sharing of losses and substitution of certainty for uncertainty. Insurance companies collect premiums to provide for this protection. A loss is paid out of the premiums collected from the insuring public and the insurance companies act as trustees of the amount collected. In is a system by which the losses suffered by a few are spread over many, exposed to similar risks. In the western world, life insurance evolved mainly from the maritime industry.

Started by private financiers who used to gamble on the lives of seafarers by offering five times the money deposited with them in case of certain
contingencies? In its present form, life insurance has its origin in England and made its debit in India in the year 1818. Initially, Indians were not considered on par with Europeans as far as their insurability was concerned. There were also many other failures. It was in the early part of the 20th century that some kind of legislation was made to regulate the industry. From then on life insurance made great strides in the country. At the time of independence and thereafter, there were more than 200 companies operating in India and not all of them on sound ethical principles. Many factors combined together to prompt the then government to nationalize the life insurance industry in 1956 to form the Life Insurance Corporation of India. The years from 1956 to 1999 saw the life insurance corporation of India emerge as a giant financial institution and the lone organization purveying life insurance, if we ignore the minimal presence of postal life insurance. The institution succeeded in penetrating in many areas and segments of the population and in garnering public money for public welfare. It was in the 1990’s that the winds of change started sweeping over India and brought in their wake many changes in the economy. Liberalization ensured competition in many fields and there was a clamor that the insurance industry too is opened up to Private Indian and foreign players to provide the customer with a choice.

The Malhotra committee, appointed in 1993 was given the mandate to study the industry and to suggest the changes that were necessary to make it modern and in tune with people’s aspirations. The report submitted by the committee was the precursor of the IRDA Bill. By the passing of the IRDA Bill, the Insurance sector has been opened up for the private companies to carry on insurance business. Now the life insurance industry in India is rapidly evolving and growing. It has witnessed a big growth as many Indian and foreign were entered in to the Indian insurance sector. The life insurance industry in India has become fiercely competitive with the entry of several new players including
major multinational insurers after the deregulation of the sector. It has opened up a range of untapped opportunities for new entrants into the industry, as the potential market for buyers is high since the emerging market in India has a low insurance penetration and high growth rates. Insurance is an upcoming sector, in India the year 2000 was a landmark year for life insurance industry, in this year the life insurance industry was liberalized after more than fifty years Insurance sector was once a monopoly, with LIC as the only company, a public sector enterprise. But nowadays the market opened up and there are many private players competing in the market. There are fifteen private life insurance companies has entered the industry. After the entry of these private players, the market share of LIC has been considerably reduced. In the last five years the private players is able to expand the market (growing at 30% per annum) and also has improved their market share to 18%. For the past five years private players have launched many innovations in the industry in terms of products, market channels and advertisement of products, agent training and customer services etc.

**What is insurance?**

Insurance is promise of compensation for specific potential future losses in exchange for monetary compensation. It is a form of risk management in which the insured transfers the cost of potential loss to another entity (insurance company) and in exchange the insured pays reasonably affordable rates periodically to cover for the risk. These periodic payments are called premiums. With such premium payments, individuals, businesses and other entities stand protected against any eventuality (significant unexpected loss) that may occur and for which the insured has no control over. The loss is referred to as being significant because if the potential loss is small, then it doesn't make sense to pay a premium to protect against the loss. Insurance is appropriate when you
want to protect against a significant monetary loss and thus, through insurance, a person buys security and protection.

Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss. Examples include car insurance, health insurance, disability insurance, life insurance, and business insurance. Take life insurance as an example. If you are the primary breadwinner in your household, the loss of income that your family would experience as a result of your premature death is considered a significant loss and hardship that you should protect them against. It would be very difficult for your family to replace your income, so the monthly premiums which are normally ensure that if you die, your income will be replaced by the insured amount. The same principle applies to many other forms of insurance. If the potential loss will have a detrimental effect on the person or entity, insurance makes sense.

1.2 Evolution of Insurance

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmriti), Yagnavalkya (Dharmastra) and Kautilya (Arthasastra). The fundamental basis of the historical reference to insurance in these ancient Indian texts is the same i.e. the writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers’ contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however
failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. 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 high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

An Ordinance was issued on 19th January, 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.
The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd, was set up. This was the first company to transact all classes of general insurance business.

1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then. In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1st 1973.

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of re-opening of the sector had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that
the private sector be permitted to enter the insurance industry. They stated that foreign companies are allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders’ interests.

In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002. Today there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country.

The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country.
1.3 Role & Importance of Insurance

The key role of insurance is to give protection to an individual or a community against monetary losses suffered and arising out of unforeseen circumstances. The world we live in is characterized by risk and uncertainty. People have always searched for security and protection from losses or contingencies. Insurance has evolved as one of the most important ways that provide this security. Insurance provides financial protection, vital for economic development and improves the standard of living of the community.

What are the benefits of Insurance?

Insurance provides several benefits to individuals, governments, and society at large.

1) **Peace of Mind**

When individuals know that insurance exists to meet financial consequences of their insurable risks, they will invest larger amounts of money than those they could have invested if it were not for insurance.

2) **Savings**

Unlike life policies, general policies are usually for one year. General insurance premiums are therefore usually put into short-term investments only. Premiums paid for life assurance however, constitute income saved now for future consumption. A person who saves one’s current income for the future well being of one’s family generally ensures their future prosperity. The modest savings by many policyholders are paid in form of premiums to life companies.

3) **Protection**

Life assurance policies offer financial protection to the dependants of the insured person. A person who has a life policy is assured that in the event of
one’s death, one’s dependants will be assured of a lump sum or an income to alleviate the financial consequences of the death

4) **Investment of Funds**
Insurers have at their disposal large sums of money which they can lend to individuals, the government, commerce and industry. The funds arise from a time lag between when premiums are collected and when claims are paid. When borrowed, these funds are used for economic development. Insurance companies are major purchasers of treasury bills and other government securities.

5) **Job Creation and Retention**
Investors have the confidence to put money in commerce and industry because insurers give assurance of compensation in the event of a loss. The investments create job opportunities in the society. At the same time, in the event of an unfavorable event, such as a .re, a company does not have to close down and render workers jobless because insurers compensate for the loss and, therefore, ensure that jobs are thereby retained.

**Why take Insurance?**
Insurance is undertaken to protect oneself, family or someone else against financial hardship. Situations anticipated or otherwise that may cause one to take insurance include although not limited to:

i. Protecting family after one's death from loss of income.
ii. Ensuring debt repayment after death.
iii. Covering contingent issues.
iv. Protecting against the death of a key employee or person in the business.
v. Buying out a partner or co-shareholder after his or her death.
vi. Protecting the business from business interruption and loss of income.
vii. Protecting oneself against unforeseeable health expenses.
viii. Protecting our home against theft, fire, flood and other hazards.
ix. Protecting oneself against lawsuits.
x. Protecting oneself in the event of disability.
xi. Protecting our vehicle against theft or losses incurred because of accidents.

1.4 Introduction of Indore

Indore is the largest city and the headquarters of Indore District are in the state of Madhya Pradesh. It is located 190 km west of the state capital of Bhopal & is often referred as the commercial capital of Madhya Pradesh with a bulk of its trade coming from Small, Mid and Large scale manufacturing & service industries. The city is administered by the Indore Municipal Corporation.

According to the 2011 Indian census, Indore city has a population of 1,960,631 and is fourteenth most populous city in India, with a total metropolitan area population of approximately 2.3 million. It is the 147th largest city in the world. It is one of the richest cities in central India and also known as "Mini Mumbai" due to its lifestyle similarities with Mumbai. It also reflects Mumbai's cultures, with significant Marathi, Gujarati, Marwari and Sindhi populations.

Indore's total population as per the provisional population data for census 2011 is reported to be 1,960,631.Males constitute 52% of the population and females 48%. As per 2011 census, the city of Indore has an average literacy rate of 87.38%, higher than the national average of 74%. Male literacy was 91.84%, and Female literacy was 82.55% In Indore, 12.72% of the population is under 6 years of age (as per census 2011). The average annual growth rate of population is around 2.85% as per the statistics of census 2001. Hindi is the main language spoken here with Malwi and Marathi spoken as well. Ethnically, Marathis and Hindi linguistics form major sub groups in the city followed by Sindhis,
Bengalis, Punjabis, Gujaratis and South Indian and others. Located in the Narmada River valley in the western part of the state of Madhya Pradesh, Indore is an important industrial city of India. It is also the centre of trade and textile industry and home to many historical monuments and temples.

During the days of the Maratha Empire Indore was an important hub between the Deccan and Delhi. However after the death of Madhavrao Peshwa, the Maratha Empire disintegrated and Indore was declared the capital of the Holkar state, until Rani Ahilyabai Holkar moved the capital to Maheshwar. That is why it is known as the city of the Holkars. The city was planned & built by a Holkar Rani Ahilya Bai, the brave Holkar queen, Indore lies to the extreme west of Madhya Pradesh on the banks of the rivers Saraswati and Khan which unite at the centre of the city. The bustling and vibrant city, 186 km from Bhopal, derives its name from the 18th century Indreshwar temple.

The history of Indore is inseparable from the history of the Holkar State. The founder of the House of Holkars was Malhar Rao Holkar, born in 1693 AD. His soldierly qualities brought him to the forefront under the Peshwa and he was rewarded with the gift of territories comprising the Indore region. Malhar Rao was succeeded by his grandson, on whose death, without issue, his mother, Maharani Devi Ahilya Bai ascended the throne. Ahilya Bai was one of the foremost Maratha personalities and an extraordinary woman ruler of India. Her cherished desire was to promote the prosperity of the region and its people. She was the rare Indian royalty who was deified in her lifetime. Though Ahilya Bai loved Indore immensely, it was only after her death that the State capital was shifted from Maheshwar to Indore in 1811 AD. Today, her statue adorns the centre of the city, Rajwada. Indore continued to be the State capital until the formation of Madhya Bharat State in 1948.
1.5 LIC in Indore Division

The Indore division of the state-run Life Insurance Corporation of India (LIC) registered a fall of 30% in the terms of premium collection during the fiscal year ending March 31, 2012 as compared to the mark which it achieved by during the corresponding period the previous year. Similarly, the division also witnessed a marginal dip of 1% in the number of new policies sold by it during the year. It was due to the economic scenario prevailing in the country & opening of private sector for Life Insurance.

1.6 Sources of Data

The source of data for present research work is based on analyses of both primary & secondary data. Primary Data is collected through sample, survey method involving the questionnaire to be filled in by the investigator. This method is chosen because most of the facts and data were of the nature of primary data. However, for cross sectional analysis, both the insurance department and customers were interviewed to find out real state of the affairs of the problem understudy.

The different methods used for collecting primary data for the present research work are as follows:

A) Contact Method: The 'contact method ' considering the short coming of secondary data was selected to personal interview. This method being versatile was arranged interviewing as it made concerned approach to the respondent.

B) Observation Method: The present investigation was done on the basis of making note of behavior and gestures of the target customers.
C) **Questionnaire Method:** The method of data collection is quite popular and is being adopted by researchers, private individuals and organization. In the present research work also Primary Data is also collected largely through Questionnaire, Open ended interview & Discussions with officials of Indore Division of LIC & various branch offices of LIC comes under Indore Division. Information is also collected about the working of LIC from the agents working under the division. Data collected through questionnaire is analyzed using percentage as well as trend analyses have been used to interpret the data.

D) **Schedule Method:** The method of data collection is very much like the collection of data through questionnaire, with little difference which lies in the fact that schedules are being filled in by me by going to the respondents along with the schedule and put up the question. Inferences are drawn on the answers given by them.

Secondary Data is collected from the published sources. In the present research work the secondary data is collected is from the Annual Reports, Reviews, Newspaper & Magazines, like Economic Times, Insurance Times, and Insurance Post, Internet Office Circulars, Reports published by Government, Universities & Research Institutions, Chairman’s review, Manual Report of LIC etc.

In addition, printed & electronic media including the information available on the internet website of LIC i.e. www.licindia.com &other websites related to it will be used extensively for the study. Also it is proposed that discussions with different segments of customers i.e. policyholders about their grievances & problems with LIC. The collected information is analyzed and explicated with the help of ratios, percentage, diagrams, tables and charts in the Project Report.
1.7 Limits of the Study

As it is inherent in analytical works the present study suffers from certain limitations. The various tools and techniques used in this study have their own limitations. Most of the data collected for the study are secondary in nature. In such case, the study carries all the limitations which are inherent with the secondary data and financial information. As the topic of the study is too comprehensive to cover each aspect in depth and the time and resources available to the scholar are always subject to certain limitations.

And the present research work covers only LIC in Indore division and the units working under Indore Division. As LIC is spread all over the world, present research work undertakes only a small part of total population but on the basis of working of LIC in Indore Division we can estimate the working of LIC not only in India but also in Foreign Operations.