Chapter III

Profile of life insurance Corporation of India

This chapter covers profile of Life Insurance Corporation and the organizational structure of life Insurance Corporation of India and other details.

3.1 Profile of LIC of India:

The insurance industry of India consists of 53 insurance companies which have been actively participated in the development of Indian economy. Out of these insurance companies 24 are in life insurance companies and 29 non-life insurance companies. Among the 24 life insurers, only Life Insurance Corporation is the sole/individual public sector insurance company which was established in 1956 by nationalization of insurance sector and headquarter of LIC at located in Mumbai, Maharashtra. The view of establishment of LIC, to provide huge insurance protection to individual and their family after the death of individual against the various unascertained future risk in the whole life of individual. Life Insurance Corporation is one of the largest insurance company in India which has been working in the insurance market with estimated value of assets Rs. 25,29,390 crore.

After opening up of insurance to private sector, new players have entered in the field of insurance sector. List of life insurers are depicted in the following table which have been working promptly and enthusiastically in Indian insurance market.

Table No. 3.1

Players in Life Insurance Business in India

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Company</th>
<th>Date of Registration</th>
<th>Foreign Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Life Insurance Corporation of India</td>
<td>01.03.1956</td>
<td>--</td>
</tr>
<tr>
<td>2</td>
<td>HDFC Standard</td>
<td>23.10.2000</td>
<td>Standard Life Assurance, UK</td>
</tr>
<tr>
<td>3</td>
<td>Max New York</td>
<td>15.11.2000</td>
<td>New York Life, USA</td>
</tr>
<tr>
<td>No.</td>
<td>Company Name</td>
<td>Date</td>
<td>Parent Company/Partnership</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------</td>
<td>---------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>4</td>
<td>ICICI-Prudential</td>
<td>24.11.2000</td>
<td>Prudential Plc, UK</td>
</tr>
<tr>
<td>5</td>
<td>Kotak Mahindra Old Mutual</td>
<td>10.01.2001</td>
<td>Old Mutual, South Africa</td>
</tr>
<tr>
<td>6</td>
<td>Birla Sun Life</td>
<td>31.01.2001</td>
<td>Sun Life, Canada</td>
</tr>
<tr>
<td>7</td>
<td>TATA-AIG</td>
<td>12.02.2001</td>
<td>American International Assurance Co., USA</td>
</tr>
<tr>
<td>8</td>
<td>SBI Life</td>
<td>29.03.2001</td>
<td>BPN Paribas Assurance SA, France</td>
</tr>
<tr>
<td>9</td>
<td>ING Vysya</td>
<td>02.08.2001</td>
<td>ING Insurance International B. V., Netherlands</td>
</tr>
<tr>
<td>10</td>
<td>Bajaj Allianz Life</td>
<td>03.08.2001</td>
<td>Allianz, Germany</td>
</tr>
<tr>
<td>11</td>
<td>Metlife India</td>
<td>06.08.2001</td>
<td>Metlife International Holdings Ltd., USA</td>
</tr>
<tr>
<td>12</td>
<td>Reliance</td>
<td>03.01.2002</td>
<td>--</td>
</tr>
<tr>
<td>13</td>
<td>AVIVA</td>
<td>14.05.2002</td>
<td>Aviva International Holdings Ltd., UK</td>
</tr>
<tr>
<td>14</td>
<td>Sahara</td>
<td>06.02.2004</td>
<td>--</td>
</tr>
<tr>
<td>15</td>
<td>Shriram</td>
<td>17.11.2005</td>
<td>Sanlam, South Africa</td>
</tr>
<tr>
<td>16</td>
<td>Bharti AXA</td>
<td>14.07.2006</td>
<td>AXA Holdings, France</td>
</tr>
<tr>
<td>17</td>
<td>Future Generali India</td>
<td>04.09.2007</td>
<td>Generali, Italy</td>
</tr>
<tr>
<td>18</td>
<td>IDBI Federal</td>
<td>19.12.2007</td>
<td>Ageas, Europe</td>
</tr>
<tr>
<td>19</td>
<td>Canara HSBC OBC</td>
<td>08.05.2008</td>
<td>HSBC, UK</td>
</tr>
<tr>
<td>20</td>
<td>Aegon Religare</td>
<td>27.06.2008</td>
<td>Aegon Netherlands</td>
</tr>
<tr>
<td>21</td>
<td>DLF Pramerica</td>
<td>27.06.2008</td>
<td>Prudential of America, USA</td>
</tr>
<tr>
<td>23</td>
<td>India First</td>
<td>05.11.2009</td>
<td>Legal &amp; General Middle East Limited, UK</td>
</tr>
<tr>
<td>24</td>
<td>Edelweiss Tokio life Insurance Co.Ltd.</td>
<td>10.05.2011</td>
<td>Edelweiss Tokio</td>
</tr>
</tbody>
</table>

**Source:** Annual Report of IRDA, Various Issues.

The Life Insurance Corporation has been covering about 51 crore population spreading over 3.86 million square kilometers area from corner to
corner of the country. Organization has unique organization structure. Life Insurance corporation of India for its administrative convenience and smooth working divided the 3.86 million square kilometers of area into eight zonal offices located at Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Kanpur, Bhopal and Patna, further divided this zonal offices into 113 divisional offices and 2048 branches with 1401 satellite offices and 1240 mini offices spread all over the country. In a country of such enormity, business is done directly with public at their doorsteps. This is made possible because of a wide network backed up by devoted group of human force and well-made organization structure of the corporation.

Table No. 3.2
Profile of Life Insurance Corporation at glance

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Total Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate office</td>
<td>01</td>
</tr>
<tr>
<td>2</td>
<td>Zonal Offices</td>
<td>08</td>
</tr>
<tr>
<td>3</td>
<td>Divisional offices</td>
<td>113</td>
</tr>
<tr>
<td>4</td>
<td>Branch offices</td>
<td>2048</td>
</tr>
<tr>
<td>5</td>
<td>Life Offices</td>
<td>4877</td>
</tr>
<tr>
<td>6</td>
<td>Satellite offices</td>
<td>1401</td>
</tr>
<tr>
<td>7</td>
<td>Mini Offices</td>
<td>1245</td>
</tr>
<tr>
<td>8</td>
<td>Agents</td>
<td>10,61,560</td>
</tr>
<tr>
<td></td>
<td>Total Customers</td>
<td>50,80,14,082</td>
</tr>
</tbody>
</table>

Source: LIC Annual Report 2015-16.

The Table No. 3.1 shows the detail of the zones, division branch offices, Life offices, satellite offices, mini offices, agents and customers.

The life insurance Corporation of India is a massive organization structure with its head office located in Mumbai. For the purpose of administrative convenience, four –tire structure was set-up. The Corporation divided its area into eight zones for marketing purpose and these zones are subdivided into various divisions, which are further divided into various branches. The whole organization structure of LIC is depicted in chart 3.1.
Chart 3.1

Organization structure of LIC

Central office/ Head office

8 zonal offices

113 divisional offices

2048 Branch offices

Life Insurance Corporation is a body of persons at the highest level appointed by Government of India. This body of corporation contains eminent persons from the field of trade, industry, trade unions and financial institution besides the representatives of Governments of India (officials) Constitution the members of the corporation subject to a maximum of 6 members, which may be amended of the prudence of the Government. A person appointed as a member of the Corporation should have no financial or other interest, which are likely to affect prejudicially the exercise of his functions as a member. The body is empowered to exercise the problem to secure the development of life insurance business in the country under the Life Insurance Corporation of Indian Act 1956. The function of the body includes various steps required to carry on life insurance business, investment decisions to obtain and dispose of properties, lending and borrowing decisions and to carry on any other business beneficially in connection with its business. However, in case of policy decisions, Government of India the corporation is managed by a managing committee comprising the chairmen, managing director and eleven executive directors. The managing committee being an apex body makes policy decisions and ensures proper implantation of the same.

The government of India appoints one of the six members of the corporation as chairman. The corporation delegates its powers to the chairman under the act who is accountable to implement the policy for taking the decisions at the central office level. He has the power to refusal the decisions of the corporation in its best interests. The chairman is the chief executive, who is responsible to steer the organization to achieve the best probable results.
The corporation appoints a managing director to assist the chairman. Managing director is a whole time officer of the corporation who is accountable to the chairman while discharging his duties. The managing director takes the assistance of executive directors to fulfill his duties effectively and efficiently.

Each function at the central office is directly managed by the executive directors. Some of the executive directors directly report to the chairman while other report to the managing director. The corporation seriously views financial irregularities and mismanagement of funds. Executive director (vigilance) in the central office monitors all such matters at various levels in the organization. Publicity and public relations is another important function headed by one of the executive director who takes come of publicity to create insurance awareness through films, televisions, radio, print and hoardings. He also arranges the public relations programs to create good image of the corporation in the society through the communication with public. Although, the function of these two executive directors headed by vigilance and publicity and public relations department are placed immediately after the managing directors in the hierarchy of corporation, they are independent and directly report to the chairman. The remaining functions of the corporation are classified into different groups such as – Marketing, Personal and Industrial Relation Management services, Actuarial Secretarial Activities, Investments Corporate Planning, Engineering Services, Finance and Accounts, Legal and Housing and Property Finance, Estate and Office Services, Internal Audit and Inspection. These activities are also supervised by the Executive Directors. Policy decisions are taken with the help of appropriate guidelines and controls. Each functional group is headed by an Executive Director whoformulates guidelines and policy decisions relating to that functional group and communicates the same for implementation. The executive Directors of the respective functional groups are held responsible for the performance of their respective functional groups.

3.2 Organization Structure of the Zonal offices:

The corporation has divided into 8 zones in all over country for smooth running of the insurance business such as Central Zone, Eastern Zone, East
central Zone, Northern Zone, North Central Zone, South Zone, South Central Zone and Western Zone. The central zone includes states like Chhattisgarh and Madhya Pradesh only. Eastern Zone includes states like Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and West Bengal and Andaman Nicobar. East Central Zone includes the states like Bihar, Jharkhand and Orissa. Northern zone includes the states like Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Chandigarh, Punjab and Rajasthan while North central zones include Uttar Pradesh and Uttarakhand only. The Southern Zones includes states like Kerala, Tamil Nadu, Pondicherry and Lakshadweep (Pondicherry and Lakshadweep is a union territory) while South Central Zone includes Telangana, Andhra Pradesh and Karnataka states only. The Western Zone includes state like – Goa, Gujarat, Maharashtra, Dadra & Nagarhaweli (Union territory) and Daman & Diu (Union territory).

Chart 3.2 demonstrates the details about the zonal structure of Life Insurance Corporation. Zonal Manager is the head of the zonal office and directs the divisional officers under the jurisdiction on matters relation to business performance. Zonal Manager reports to the managing director on the performance of his zone. The secretariat of zonal office acts as a bridge between the zonal manager and divisional officers. The secretariat helps to the Zonal Manager by way of providing the essential data to evaluate the business performance of divisional officers.

**Chart 3.2**  
**Zonal Structure of LIC**

- Zonal Manager
  - Management Committee
    - Z. Ms. Secretariat
      - Zonal Vigilance Office
        - Marketing
        - Personal & Industrial Relation
        - Finance & Accounts
        - Inspection Department
        - Actuarial
        - Legal
        - Estate & Office Services
        - Engineering Department
        - Management Services
In every zone, a managing committee is constituted by appointing zonal manager as head and all other regional managers as its members. Critical issues are discussed in the managing committee meeting to decide collectively. The functional activities of the zonal manager are classified broadly into nine groups for well-organized coordination with the divisional offices, and each group is entrusted to a regional manager to manage and monitor the activities. The groups are Marketing, Personal and Industrial Relations, Finance and Accounts Inceptions, Actuarial Legal, Estates, and Office Services. The activities of these different groups are further subdivided and entrusted to managers for special care. Marketing group in subdivided into activities like planning and reviews, sales, promotion, publicity, policy servicing and training. Personal and Industrial Relation Department is subdivided into management development, manpower development, industrial relations and training for officers, supervisors and senior assistant. Finance and accounts department is subdivided into activities like Zonal Office Accounts and Provident Fund Accounts. Estates and Offices Services are subdivided into system Development, Research and Record Maintenance. Here, the activities of engineering department are not further subdivided. The actuarial department is subdivided into various activities like Underwriting, Actuarial studies and valuation while the Legal Department is subdivided into legal and mortgage activities.

3.3 Organization Structure of the Divisional offices:

The corporation has incorporated 113 divisional offices in the whole country to provide proper and effective services to its current and potential customers with the utmost coordination between branch offices, which falls under eight zones. Amongst the eight zones, Western zones has the highest number of divisional offices (22 offices) while central zone has the lowest number of divisional offices (08 offices). In the remaining zones, Eastern zone has 12 divisional offices followed by south central zone (17), Northern zone (18), southern zone (13), North central zone (12) and East central zone (11) respectively. Chart 3.3 shows the organizational structure of Life Insurance Corporation at divisional level.
Table No 3.3

Zone wise number of divisional offices of LIC in India

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Zones</th>
<th>No. of divisional offices</th>
<th>% of divisional offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central</td>
<td>08</td>
<td>7.08</td>
</tr>
<tr>
<td>2</td>
<td>Eastern</td>
<td>12</td>
<td>10.62</td>
</tr>
<tr>
<td>3</td>
<td>East Central</td>
<td>11</td>
<td>9.73</td>
</tr>
<tr>
<td>4</td>
<td>Northern</td>
<td>17</td>
<td>15.04</td>
</tr>
<tr>
<td>5</td>
<td>North central</td>
<td>12</td>
<td>10.62</td>
</tr>
<tr>
<td>6</td>
<td>Southern</td>
<td>13</td>
<td>11.50</td>
</tr>
<tr>
<td>7</td>
<td>South central</td>
<td>17</td>
<td>15.04</td>
</tr>
<tr>
<td>8</td>
<td>Western</td>
<td>23</td>
<td>20.35</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>113</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Compiled from LIC Handbook 2015-16.

Graph No. 3.1

% of divisional offices
Each divisional office is managed by a Managing Committee, which consists of the divisional manager as head and functional managers as its members. All important matters are discussed to decide collectively or referred to zonal office for taking further more important actions and making appropriate directions for effective and efficient co-ordination with the branch offices. The functional activities of divisional manager are classified mainly into 10 groups and each group is entrusted to one functional manager to manage and monitor the functional activities of the respective functional group. The groups are namely Branch support units, Marketing, Finance and Accounts, Actuarial, Personnel and Industrial Relations, Legal and Housing property Finance, Office Services, Planning and Review, Pension and Group Schemes and Data Processing etc.

The activities of these groups are also separated and entrusted to managers concerned whereby the simplicity in the activities should be maintained. Marketing groups is divided into various subgroups like- sales, policy servicing, training for agents and development officers. Finance and Accounts Department is divided into various subgroups like Branch Accounts, General Accounts, and Consolidation etc. Actuarial Department is divided into various subgroups like underwriting and valuation. In case of Personnel and Industrial Relation, Human Resource Development and training for Supervisory cadre and staff with regard to legal and housing property finance, its activities divided into different- different small groups to follow up of legal matters plus handling property related issues. The office services department
is divided into various subgroups like - office furniture, stationary, printed form, office equipment etc. The planning and review department is divided into various subgroups like - Planning, data collection etc. However, the activities of Branch Support Unit and Data Processing Department are not further subdivided.

3.4 Organization Structure of the Branch offices:

The organizational structure of the branch offices is very simple as compared to the structure of Divisional Offices and Zonal Offices. At Branch Level, a managing committee is constituted with branch manager as head and functional manager of the branch office as its members. The managing committee discusses all important matters critically and finally takes decisions on its. If arises the needs, the committee takes the assistance and help of divisional office for the successful operation of the branch. The functional activities of the Branch Manager are categorized into six groups and each group is entrusted with coursework to perform effectively and efficiently. There are various functional groups at branch level such as Sales, New Business, Policy servicing, Operations and Maintenance, Data Processing and Accounts. The activities of each group is further divided into various subunits and entrusted to the Junior Level Officer Concerned. The Sales groups are classifieds into various sub tasks like Managements of Agents and Development Officers, Commission Settlement, Mortgage Enquiries and Training for agents. The New Business group divided into various activities like- underwriting, issues of policies other related activities. The operating activities of the policy servicing department are subdivided into sanctioning of loans, settlement of claim, surrender and revival of policies etc. The Operation and Maintenance Department operates the various activities like- furniture and stationary, leave records, salary etc. The activities of the data processing department is further subdivided into computer operation and support while the activities of the accounts department is further subdivided into cash receipts and payments, banking, general accounts and preparation of trial balance. A critical review of the functions at different levels reveals that except the magnitude of operations, the functions more or less remain the
same. Table number 3.3 present the zone wise number of branch offices and chart 3.4 present the organizational structure of branch level.

**Table No. 3.4**

**Zone wise Number of Branch offices of LIC in India.**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Zones</th>
<th>No. of Branch Offices</th>
<th>% of Branch offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central</td>
<td>140</td>
<td>6.83</td>
</tr>
<tr>
<td>2</td>
<td>East Central</td>
<td>213</td>
<td>10.40</td>
</tr>
<tr>
<td>3</td>
<td>Eastern</td>
<td>214</td>
<td>10.45</td>
</tr>
<tr>
<td>4</td>
<td>North Central</td>
<td>121</td>
<td>5.91</td>
</tr>
<tr>
<td>5</td>
<td>Northern</td>
<td>336</td>
<td>16.41</td>
</tr>
<tr>
<td>6</td>
<td>South Central</td>
<td>328</td>
<td>16.02</td>
</tr>
<tr>
<td>7</td>
<td>Southern</td>
<td>273</td>
<td>13.33</td>
</tr>
<tr>
<td>8</td>
<td>Western</td>
<td>423</td>
<td>20.65</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>2048</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: Compiled from LIC Annual Report Various Issues.
Today, the Corporation is working with the active 2048 branch offices in all over country for providing quick and instant services to its customer, which falls under 113 divisional offices. Out of the total 2048 branches in the country, Western zone comprises 423 branches (20.65%) and North central zone comprises 121 branches (5.91%) occupied the highest and the lowest positions respectively. Eastern Central zone comprises 213 branches (10.40%), Eastern Zone comprises 214 branches (10.45%), Northern zone comprises 336 branches (16.41%), South central zone comprises 328 branches (16.02%), Southern zone comprises 273 branches (13.33%), and central zone comprises 140 branches (6.83%) occupy the position in the order in between the highest and the lowest.

3.5 Operational policies of LIC:-

The Life Insurance Corporation of India follows the clear and effective operational policies because these policies aids in increasing the satisfaction level of customers thereby the performance of the Corporation will be improved. In this regard, the operational policies of LIC have been out lined here under.

3.5.1 Customer Services:

The corporation renders all the needful services to the policy holders through its vast network of 2048 branches in the rural as well as urban centre’s throughout the country. The corporation laid down new records in its chase to serve customers superior and quicker. There are complaint cells at the branch
and divisional offices and complaint section at zonal offices and central office for attending to complaints from policyholders. Complaints are generally disposed off within a month. As a part of its efforts to improve the services and enhance customer satisfaction, the corporation formulated the citizen’s charter; steps were taking during 2007-2008 to ensure better service to customer. The silent aspect of the citizen’s charter has been presented here under.

- To provide rapid and efficient service to the customers.
- To act as trustees of their funds and invest their funds to their best advantage.
- To conduct business with almost economy and on should business principles.
- To build and maintain relationship.
- To keep people informed about products and services.

3.5.2 Settlement of claims

In real life, insurance is an arrangement by which the losses suffered by a small number of insured are spread over many, exposed to similar risks. Insurance is a security against financial loss arising on the occurrence of an unexpected event. Insurance Companies collect premium to provide security for this purpose. As loss is paid out of the premium collected from the insuring public and the insurance companies act as trustees to the amount so collected. Insurance companies have standard proposal forms, which are to be filed up giving the details of insurance required and put forwarded to insurance company. Depending upon the answers given in proposal from insurance companies assesses the risk and decides the amount of premium. On payment of premium and acceptance thereof by insurance company the insurance is affected. However, unless premium is paid there is no insurance cover. In case of unexpected incident the insurance companies give the claim. The life insurance claim can arise either:

- On the death of the policyholder (death claim) or
- On the maturity of the policy(maturity claim) or
- Survival up to a specified period during the term (survival benefit).
During the insured period from the date of taking the Life Insurance Policy to date of setting the claim the policy earns bonus, if the premium is paid in time and unless the premium is paid, the policy may be lapsed. However, under non-forfeiture option the insurance company does not forfeit the amount and the policy is converted into paid-up value or surrender value along with the bonus so accrued on such policy.

The Life Insurance Corporation of India is a customer centric organization that’s why LIC of India made the constant effort to raise the benchmark in claim settlement performance. The percentage of claims outstanding maturity and death at the end of the year march, 2016 is 0.25% and 0.23%. Hence, it can be noted that the performance of LIC has best regarding the settlement of claims. The figures in respect of settlement of claims for the last four years are shown in the following table;

**Table No. 3.5**  
**Claim Settlement Performance of LIC of India.**

(Policies in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Maturity Claims Settled</th>
<th></th>
<th></th>
<th>Death Claims Settled</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Polices Claimed</td>
<td>Polices Settled</td>
<td>%</td>
<td>Polices Claimed</td>
<td>Polices Settled</td>
<td>%</td>
</tr>
<tr>
<td>2013-14</td>
<td>248.87</td>
<td>248.05</td>
<td>99.67</td>
<td>10.13</td>
<td>10.08</td>
<td>99.52</td>
</tr>
<tr>
<td>2014-15</td>
<td>222.17</td>
<td>221.66</td>
<td>99.77</td>
<td>10.15</td>
<td>10.1</td>
<td>99.54</td>
</tr>
<tr>
<td>2015-16</td>
<td>205.75</td>
<td>205.24</td>
<td>99.75</td>
<td>9.96</td>
<td>9.96</td>
<td>99.95</td>
</tr>
</tbody>
</table>


During the current financial year 2015-16, the corporation has settled total 215.71 lakhs policies.

3.5.3 **Customers Grievance Redressal:-**

The Life Insurance Corporation has established Grievance Redressal Mechanism at Branch/Divisional/Zonal/Central Office levels to Redressed the grievances of policyholders or customers efficiently and effectively. The names of designated Grievance Redressal Officers and residual time are published from time to time in the newspaper with wide circulation and also published on the website for the information of the policyholders who can contact them for redressing the grievances. The concept of Customer
Relationship Management (CRM) has been integrated in the Grievance Redressal Mechanism by developing a customer centric and proactive approach to the complaints of policyholders. Agents are the first and nearest point of contact to policyholders for settlement of their complaint in respect of policies taken by them. These agents are well trained and assist to customers in most of the areas of policy servicing. However, grievance redressal officers have been appointed at the branch, divisional, zonal and central offices. At the Branch level, branch manager-in-charge is in the position of Grievance Redressal Officers. The Marketing Manager (Marketing) in the zonal office and the chief (marketing) in the Central offices are the on the position of grievance redressal officers. Every Monday in the week keep aside two hours by these officers for hearing the grievances of the policyholders, without any prior appointment. The names and position of these officers are published from time to time in the press and displayed significantly in the offices of the corporation of policyholders. At the entrance gate of each branch, divisional and zonal offices notice board gives the detailed information about the available grievance redressal machinery in the office. Apart from this the corporation has also provided free helpline number to its policyholders for calling the designated officers at divisional, zonal and central offices in respect of the redressal of their grievances.

3.5.4 Information Technology:

Day by day rapidly changes in the Information technology. Hence, information technology is the simple and easiest way to achieve the business goals of lower operating costs, speeds and quality in customer services, improved products and efficient support to sales and field organization in the fast growing world-wide economy. In many ways, Life insurance Corporation has been taken an initiative in introducing technology support for data processing and customer servicing in the country as well as abroad. With the acceptance of the citizen charter; LIC has dedicated itself to improve the technology support and provide time bound improvements in service standards to the insured public. Life Insurance Corporation of has made computerization in all its branch offices and progressive installation of Metro Area Network (MAN) and Inter-Active Voice Response System (IVRS) in major cities.
Corporation launched the LIC portal for premium collection, and also the e-service system was introduced on February, 2016 for uploading the request e-service at the portal of LIC. LIC largely focused on enabling the use of e-KYC and SMS and Email services preferably for serve to its customers better and promptly in the age information technology.

3.5.5 Internet:-

Internet site is a private internal network built on the same technology that the internet uses. An internet is used to make files available to staff, host online discussion or publish information that should be kept within the organization. Employees use web browser to gain access to internet resources. The internet site features rich dynamic content whose value and popularity has been increasing day by day. The internet provides latest information about products, circulars and employees. Management Information System (MIS), a leading international magazine on computers and information technology has rated life insurance corporation is the second largest user of computers and information technology in India.

3.5.6 LIC’s e-service:

LIC’s e-services portal was started on February, 2016 wherein LIC of India provides basic as well as premier services as specified in the revised guidelines of IRDA issued on 29th may, 2015 in this regard. Basic services such as policy status, bonus status, loan status, claims status etc will be available to customers registered on LIC’s e-services portal. And premier services such as premium due calendar, online premium payment facilitation, premium history, claim history etc. will also be available to the registered customers on this portal.¹

3.5.7 Insurance Ombudsman

The institution of Insurance Ombudsman was created in the year 1998 for adjudication between customers and insurers in the country. The basic and fundamental task of insurance ombudsman is to remove the complaints of policyholders relating to repudiation of claims, delay in settlement of claims, any disputes regarding legal construction of the policies, disputes regarding premium paid or payable in terms of the policy etc. of any type of insurance.
Any insured person or his legal agent can make a complaint. These offices of Insurance Ombudsman situated at Ahmadabad, Bhopal, Bhuwneshwar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkata, Lucknow and Mumbai.²

3.6 Product Development LIC of India: -

Life Insurance Corporation of India provides a variety of products, which fulfill the need of the different segmentation of customers in the society. In accordance with, Insurance Amendment Act, 2015 w.e.f. 26.12.2014, LIC of India introduced new products to its customers instead of old products. These products are as follows:

3.6.1 Endowment Assurance Plan:

   a. LIC’s Single Premium Endowment Plan (Plan No.817):
      
This is a single premium with-profits plan where the sum assured is payable along with the accrued bonuses on maturity or on earlier death of life assured.

   b. LIC’s New Endowment Plan (Plan No.814):
      
A regular premium with-profits plan which provides for applicable sum assured along with accrued bonuses on maturity or on earlier death of the assured.

   c. LIC’s New Jeevan Anand (Plan No.815):
      
This is a unique with-profits plan which combines the features of endowment and whole life plan. On death during the policy term or on survival to the end of the policy term, the applicable sum assured is payable along with the accrued bonuses. On death after the expiry of the policy term, sum assured is payable.

   d. LIC’s Jeevan Raksha (Plan No.872):
      
This is a regular premium with-profits plan which provides for applicable sum assured along with loyalty addition, if any, on maturity or on earlier death of the life insured. The sum assured per life varies from Rs. 75000/- to Rs. 2, 00,000/-.
e. LIC’s Limited Premium Endowment Plan (Plan No.830):

This is a limited premium with-profits plan which provides for applicable sum assured along with accrued bonuses on maturity or on earlier death of life assured.

f. LIC’s Jeevan Lakshya (Plan No.833):

LIC’s Jeevan Lakshya is also known as a limited premium with-profits plan. On death during the policy term, the future premiums will be waived and an annual income benefit of 10% of sum assured will be payable till the end of the policy term. On expiry of the policy term, applicable sum assured along with the accrued bonuses for full term shall be payable irrespective of survival of the life assured.

3.6.2 Term Assurance Plans:

a. LIC’s Anmol Jeevan-II (Plan No.822):

LIC’s Anmol Jeevan-II is a pure term assurance plan where one can prefer sum assured from Rs. 6 lakhs to Rs. 24 lakhs.

b. LIC’s Amulya Jeevan-II (Plan No.823):

This is a pure term assurance plan with a minimum sum assured of Rs. 25 lakhs.

c. LIC’s e-Term Plan (Plan No.825):

This is also pure term assurance plan which is available for online sale only. Under this plan, there are two categories of premium rates viz. Aggregate Category and Non-Smoker Category. Premium sum assured for Aggregate category is Rs. 25 lakhs and for Non-smokers Category is Rs. 50 lakhs.

3.6.3 Children Plans:

a. LIC’s New Children’s Money Back Plan (Plan No.832):

This is a regular premium with-profits money back plan. In addition to providing life cover during the policy term, survival benefits as a percentage of the sum assured shall be payable after every two years starting from age 18 up to age 22 years the balance sum assured along with the accrued bonuses shall be payable.

b. LIC’s Jeevan Tarun (Plan No.834):

This is a limited with-profits money back plan which provides life cover during the term of policy. Under this plan, the policyholder can choose
one of the four available options to decide the proportion of survival benefits to be availed for the life insured.

3.6.4 Pension Plan:

a. LIC's Jeevan Akshay-VI (Plan No.189):

   This is an immediate annuity plan with a number of annuity options including annuity certain and life thereafter, annuity with return of purchase price and joint life annuity.

b. LIC’s New Jeevan Nidhi (Plan No.818):

   This is the best with-profit deferred pension plan which provides death cover during the deferment period. On vesting applicable sum assured along with the accrued shall be utilized to purchases annuity or a deferred pension plan.

3.6.5 Micro Insurance Plans:

a. LIC’s New Jeevan Mangal (Plan No.819):

   LIC’s New Jeevan Mangal is a without-profits regular premium micro insurance cum term insurance plan. The available sum assured ranges from Rs. 20000/- to Rs. 50000/-. The total premium paid by the policyholders is the maturity.

b. LIC’s Bhagya Lakshmi (Plan No.829):

   This is a without-profit limited payment protection oriented micro insurance plan. The available sum assured ranges from Rs. 20000/- to Rs. 50000/-. 110% of total premiums paid by the policyholders are the maturity value.

3.6.6 Health Insurance Plan:

LIC’s Jeevan Arogya (plan No.904):

A health insurance plan which provides for fixed benefits for hospitalization and various surgical procedures irrespective of actual cost incurred.

3.6.7 Unit Linked Plan:

LIC’s New Endowment plus (Plan No.835):

A unit linked endowment plan which offers investment cum insurance during the term of the policy.
3.6.8 Other plans

a. LIC’s New Money Back plans (Plan No.820 & 821):

Besides providing life cover during the term of the policy, survival benefits as specified durations linked to the sum assured during the term of the policy will be available. On maturity the balance sum assured along with the accrued bonuses shall be payable.

b. LIC’s New Bima Bachat (Plan No. 816):

This is a single premium with-profits money back plan with policy term of 9, 12 and 15 years. Besides providing life cover during the term of the policy, survival benefits at specified durations linked to the sum assured during the term of the policy will be available. On maturity the single premium paid along with the loyalty addition, if any, shall be payable.

3.6.9 LIC’s Group Insurance Schemes:

Life Insurance Corporation provides life insurance protection to various groups of people under various group insurance schemes such as employer-employees, professionals, cooperatives, weaker section of society etc. It provides also insurance protection to people at subsidized rate under the social security group schemes. In addition to this, corporation also proposes group schemes which provide gratuity funding, pension and Leave Encashment of the employers.

A. LIC’s New Group Superannuation Cash Accumulation Plan (UIN: 512N274V01):

This is a non-linked non-par fund based variable insurance product. In this plan employers offered Defined Contribution/Defined Benefit Superannuation Scheme for their employees. The contribution can be paid at any time during the year.

B. LIC’s New Group Gratuity Cash Accumulation Plan (UIN: 512N281V01):

This is one of the non-linked non-par fund based variable insurance product. This plan assists to meet the employer’s liability for statutory gratuity benefit to their employees. The plan also provides the life cover benefit in case of death of any group member an amount equal to sum assured.
C. LIC’s New Group Leave Encashment Plan (UIN: 512N282V01):

This is also one of the non-linked non-par fund based variable insurance product. This plan assists to meet the employer’s for providing leave encashment facility to their employees. The plan also provides the life cover benefit in case of death of any group member an amount equal to sum assured.

D. LIC’s New One Year Renewable Group Term Assurance Plan-I (UIN: 512N275V07):

This is a non-linked non-par yearly renewable group term insurance Plan. Under this plan provides invaluable lives cover to the member of the group at attractive and reasonable premium rates. The amount of life cover of each member is determined by the rules of group.

E. LIC’s Single Premium Group Insurance Plan (UON: 512N298V01):

LIC’s Single Premium Group Insurance Plan is a non-linked non-par single premium group term assurance plan. The special feature of this plan is to cover the risk up to 7 years by collecting a single premium at the time of beginning of risk. It provides valuable life protection to the group member during the policy term on the death of member. Maximum sum assured under this plan is Rs. 10 lakhs.

3.6.10 Social Security Scheme:

A. Aam Admi Bima Yojana (AABY):

Aam Admi Bima Yojana starts from 1st January, 2013. This plan provides life insurance protection to the people specially rural and urban poor persons living below the poverty line and marginally above poverty line. This plan provides the protection normally to the head person of the family or one earning member of the family between the age of 18 to 59 years. Under this plan provides the protection for naturally death of RS. 30000/-, accidental death cover/permanent disability benefit of Rs. 75000/- and partial permanent disability of Rs. 37,500/- for premium of Rs. 200/- only per year per member of the group where Rs. 100/- is borne by the Social Security Fund managed by LIC. No extra premium is charged for accidental benefit.

B. Scholarship Yojana:

The members who are covered under the Aam Admi Bima Yojana provide scholarship benefits to his /her children’s of Rs 600/- per half year.
This benefit is given to students studying in IX to XII including ITI courses. Scholarship is restricted to two children per family.

In addition to above mentioned plans, LIC of India introduced eight new products during the financial year 2015-16, which includes five individual products such as LIC’s Jeevan Tarun, LIC’s New Endowment Plus, LIC’s Jeevan Labh, LIC’s Jeevan Shikar, LIC’s Jeevan Pragati Plan and two group products such as LIC’s Single Premium Group Insurance, LIC’s Group Credit Life Insurance and in addition to these one group product was also introduced on behalf of government of India such as Pradhanmantri Jeevn Jyoti Bima Yojana.

C. Pradhanmantri Jeevn Jyoti Bima Yojana:

Pradhanmantri Jeevn Jyoti Bima Yojana was launched on 28 August, 2014 for targeting comprehensive financial solution. Under this plan bank account of policyholder were opened and benefits were given to the account of policyholder.

With the entry of new players, the insurance market is flooded with many new and innovative products. While sales of traditional life insurance products like individual, whole life and term assurance will remain popular, sales of new products, variable life and annuity products are also on the rise. Life Insurance Corporation of India a late entrant into the business of unit-linked plans as compared to many private insurers has been able to obtain gains from the new portfolio. Even HDFC one of the major players in the insurance market is aggressively marketing its unit linked endowment plan and unit linked pension plan. Though, unit linked products are more complex than their traditional counterparts, the opportunities that they offer the policyholder make them appealing to a wider range of investors. In fact, these products already have a significant share in the portfolios of companies that have introduced them.

The Indian insurance industry relies heavily on the traditional distribution channels, with a large number of varying levels of professionalism and productivity. There is the scope for developing alternative distribution channels, which are often more efficient and which can offer lower costs and
better benefits for policyholders. The better alternatives include banc assurances, brokers, and third parties, Internet etc. The concept of banc assurance has caught up. Almost all banks are marketing on or the other insurance policy. The selling of insurance products by banks gives a seal of credibility in the minds of the individuals. Banc assurance has emerged as a key distribution channel for both life and non-life insurance. The corporation has tied up with eight banks to sell its insurance products.3

3.7 Reforms in the insurance Sector:-

From the nationalization of the life insurance industry in 1956 and the general insurance industry in 1972, the insurance industry was very narrow to the operations of Life Insurance Corporation for life insurance business and General Insurance Corporation and its four subsidiaries for non-life insurance business only. Over the years, this state of monopoly resulted in lazy, self-satisfaction, use of out dated technologies, insufficient and inadequate customer services and non-coverage of the potential market. Due to this approach of insurance sector, the Indian economy was not able to take full benefit of insurance services for the nation. Due to sluggish attitude and economic failure of insurance industry, the government of India has been felt the restructuring of the insurance sector. Establishment of Malhotra Committee and subsequent enactment of IRDA was the landmark for reformation of insurance sector.

3.7.1 Reforms in the Insurance Sector- Malhotra Committee Recommendation-

The Government of India in 1993 had set up a high powered committee headed by R. N. Malhotra former Governor of Reserve Bank of India and Finance Secretary, to examine the current position of Indian insurance industry and recommended its anticipated direction. The main purpose of the insurance sector reform was concentrated towards to make it more efficient and competitive keeping in view structural changes in other parts of the financial system of the economy.
3.7.2 Major Recommendation of Malhotra Committee

Reforms or liberalization of the Indian Insurance market was recommended in a report released in 1994 by the Malhotra Committee, indicating that the market should be opened to private sector competition, and ultimately, foreign private sector, competition. It also investigated the level of satisfaction of the customers of the LIC. Curiously, the level of customer satisfaction seemed to be high. Following are the major recommendation of Malhotra Committee.

Structure:

i. Brought down government’s stake up to the 50 percent in the insurance company.

ii. Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations.

iii. All the insurance companies should be given greater freedom to operate.

Competition:

i. Allowed to enter the private insurance companies with a minimum paid up capital Rs. One billion in the insurance sector.

ii. Through a single entity, no one company should not transact in both life and general insurance sector.

iii. Allowed to foreign companies in the Indian insurance sector with the collaboration of domestic companies.

iv. Allowed to postal insurance to operate in the rural market.

v. In each state, only one state level insurance company should be allowed to operate the insurance business.

vi. Entry of private sector companies within well defined parameters of nature of business.

vii. The insurance act should be amended.

viii. Appointed an independent authority like Controller of Insurance.

ix. Set up a powerful and efficient Insurance Regulatory Authority (IRA) as a statutory autonomous board.
Investments:

i. Reduce the compulsory investments from 75% to 50% of LIC Life Fund in government securities.

ii. General Insurance Corporation and its subsidiaries hold not more than 5 Per cent shares in any company.

Customer Service:

i. LIC should pay interest on delay in payments beyond the limit of 30 days.

ii. Insurance companies must be encouraged to set up unit liked pension plans.

iii. Carried out of computerization operation system and up gradation of technology in the insurance industry.

All these aforesaid recommendations are mentioned in Malhotra committee report on valuation and restructuring of insurance sector. These recommendations are concentrated towards creating more efficient and competitive financial system for the need of economic changes of the nation by overcoming the sluggish attitude of insurance industry.4

3.8 Insurance Regulatory and Development Authority (IRDA)

On the basis of the recommendation of Malhotra Committee the Government India constituted an acting Insurance Regulatory Authority on 23rd January, 1996. IRA bill was introduced in parliament in 1996. Bill was renamed as Insurance Regulatory and Development Authority and introduced again in 1999 along with three schedules containing amendments to the Insurance Act, 1938, LIC Act, 1956 and GIC Act, 1972 and was passed. The IRDA brought out several regulations for the conduct of insurance business and opened the window for accepting applications for licensing of insurance companies with effect from August, 2000. As a result, several private life insurance companies were registered with IRDA and supported operations thereafter.
The regulations:-

The regulations formed by Insurance Regulatory and Development Authority can be divided into various parts those dealing with licensing of new companies, those pertaining to marketing planning, those relating to financial controls, those concerned to investments and those relating to fulfillment of social obligations. The first part of the regulation has transacted regarding to provide the license of new companies is just an expansion of the provisions in the insurance Act, 1938 and this procedure also followed in most of the countries in the world. The second part dealing with marketing planning such as appointment of agents, broker etc. is the major part of IRDA regulations. The basic principle of this part is to follow the proper procedure for recruitment of insurance agents and the recruited agent should be given formal training regarding insurance procedure before granting the licenses to function as agents. Hence, the recruitment and training to the agents have become a very expensive scheme mainly for insurers including LIC. The third part of the IRDA regulations relates to financial controls and deals with valuation of assets and liabilities and determination of solvency requirements. The regulations relating to valuation of liabilities are in compliance with the current practice of the state owned insurance companies. However, in the matters of valuation of assets, the new regulations have adopted a major step in connection with the matter of assets valuation. As per the current practice, an asset should be valued on the basis of book price or market price whichever less is. Any appreciation in the market value of an asset over its book value can be accepted only, if the appreciation is realized by an actual sale of assets only. This has been the accounting convention followed not only in India but also in Europe and many other countries. Section 27A of the Insurance Act, 1938 governed the life insurance corporation investments and the investment regulation is prescribed by the Insurance regulatory and Development Authority. LIC follows a very cautious and sound system of investment. The decision regarding investment is taken by a high level committee consisting Chairman, Managing Director and other members of the board and an investment is made only, if the decision is taken with harmony. In all its investment, LIC follows the exposure and prudential norms prescribed by the
investment committee and IRDA. The approved pattern of investment for the life business of LIC has been depicted in table number 3.4.

**Table no. 3.6**

**Investment Norms of LIC’s for Life Business**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Types of Investment</th>
<th>IRDA Norms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government Securities</td>
<td>Not less than 25%</td>
</tr>
<tr>
<td>2</td>
<td>Government Securities or other approved securities including Government Securities</td>
<td>Not less than 50%</td>
</tr>
<tr>
<td>3</td>
<td>a) Approved investment infrastructure and social sector</td>
<td>Not less than 15%</td>
</tr>
<tr>
<td></td>
<td>b) Others</td>
<td>Not less than 35%</td>
</tr>
</tbody>
</table>

Source: Compiled from Yogakshema, March (2008-2009)

The investment norms for the groups business of LIC are relatively more flexible as compared to the investment norms prescribed for life Business. For instance, the approved investment for group business is 60% of the total investment while for life business it is relatively low and the same is presented in table number 3.5

**Table no. 3.7**

**Investment Norms of Pension and Group Schemes of LIC**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Types of Investment</th>
<th>IRDA norms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government Securities</td>
<td>Not less than 25%</td>
</tr>
<tr>
<td>2</td>
<td>Government Securities or other approved securities</td>
<td>Not less than 40%</td>
</tr>
<tr>
<td></td>
<td>approved securities including Government Securities</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Balance in approved investment</td>
<td>Not less than 60%</td>
</tr>
</tbody>
</table>

Source: Compiled from Yogakshema march (2007)

3.8.1 Insurance Regulatory and Development Authority- Obligation of Insurers to Rural and Social Sector Regulation 2000:-

As per Insurance Regulatory and Development Authority Act, 2000, all insurers have an obligation to fulfill the requirements of people particularly
in the rural and social sector. ‘Rural Sector’ means any place where the population are lived not more than five thousand as per the latest census, and the density of population not more than four hundred per square kilometer; and at least 75% of the male working population is engaged in agriculture. Social sector means unorganized sector, informal sector, economically backward or defenseless classes and other categories of persons both in rural and urban areas. Obligations of every insurer, who begins to carry on insurance after the Commencement of the Insurance Regulatory and Development Authority Act, 1999 (section 41) shall for the purpose of section 32 B and 32 C of the act, ensure that he undertakes the following obligations, during the first five financial years, pertaining to the persons in rural sector, in respect of a life insurer, five percent in the first financial years, 7% in the second financial year, 10% in the third financial year, 12% percent in the fourth financial year, 15% in the fifth year. Obligation of social sector in respect of all insurers, five thousand in the first financial year, seven thousand five hundred lives in the second financial year. Ten thousand lives in the third financial years; fifteen thousand lives in the fourth financial year, twenty thousand lives in the fifth year.

These thorough requirements will help to raise the insurance penetration and provide the much needed insurance protection with the help of two segments i.e. agents and brokers that compose the largest percentage of the population. Agents and brokers will more and more important part of the Indian insurance scene. Agents are working on the behalf of insurers and broker on the behalf of the insured, they will enable to receive the best advices from the customers on the most suitable insurance products. Also, the insurer allows to them reaching that part of the country where the companies geographically and otherwise may find it impossible to spread out the corporate presence. Insurance Regulatory and Development Authority also allowed to brokers and corporate agents for taking responsibility in insurance business. It also formulated norms for undertaking brokerage in insurance products. According to the IRDA norms, a minimum capital of Rs. 10 lac is required for undertaking brokerage in life insurance products and Rs. 25 lac for taking up corporate agency in life insurance business.
3.8.2 IRDA (Protection of Policyholder’s Interests) Regulations, 2002:-

The Insurance Regulatory and Development Authority in exercise of the power conferred by section 114 A of the Insurance Act, 1938 read with sections 14 and 26 of the IRDA Act, 1999 and the authority, in consultation with the Insurance Advisory Council, has made the IRDA (Protection of Policyholder’s Interests) Regulations 2002. These regulations have been notified on 26th April, 2002 and here we reproduce these regulations in full. These regulations set up the standards in the quality of sales as well as service in life insurance and it is necessary that every employee and agent in the organization is completely aware about regulations as well as their consequences. This is the most important development in the areas of marketing and policy servicing. In accordance with the regulations, LIC has provided service to the policyholders with greater accuracy, promptitude, pleasantness and courtesy. Further, it has also integrated servicing activities with the activities of marketing. In this direction, LIC adopted the following important areas from the year 2000-2003 are:

i. Expand the customer base growth in policies.
ii. Improve the service quality of policies particularly for policies under the salary savings schemes.
iii. Data management warehousing and mining.
iv. Enhancement the competency of marketing personnel.
v. All non-early death claims are to be settled within 30 days of intimation received from nominee of insured party.
vi. All maturity claims are to be settled within 30 days before the due date.
vii. All survival benefit claims are to be settled before due date.
viii. Issue all new policies within 7 days and customer’s letters and attend the complaint on the same day.

The Corporation not only fulfilled the standards set in the regulations but also performed above these steps as well.5

3.9 Impact of reforms on life Insurance Corporation:-

The opening up of insurance sector for competition offers full opportunities to both existing as well as new players to penetrate into untapped
areas, sectors and sub-sectors and unexploited segments of population as presently both insurance density and penetration are at low level. Both indices being at very low level in the country even compared to the countries with same level of economic development and per capital income are indicative of the vast potential of the growth of this sector in future.

1) Opportunities:
   i) Untapped market-

   New comers in the insurance sector will get the advantages of untapped market. While nationalized Life Insurance Corporation of India have done a creditable work in extending their services all over the country but the available choices to the insuring public are not enough in terms of services, products and prices the untapped potential is quite large.

   ii) Mandatory insurance -

   In unorganized and disaster prone areas, Government of India is going to make insurance mandatory.

   iii) More Products Offered –

   A state monopoly has little incentive to offer a wide range of products. It can be seen by a lack of certain products from LIC’s portfolio. More competition in this business will spur firms to offer several new products and more complex and extensive risk categorization.

   iv) Growth of Economy-

   With allowing of holding of equity shares by foreign company either itself or through its subsidiary company or nominee not exceeding 26% of paid-up capital of Indian Insurance Company, various joint ventures between foreign investors and Indian partners will be operated resulting into supplementing domestic savings and economic progress for the nations.

   v) Opportunity for banks-

   Banks with their wide area network with branches in all the parts of the country will have very good opportunity to enter the insurance business. They will succeed in this sector because they have data base of customers, trained staff, and a good network of branches besides synergy benefits.
vi) Better Customer Services

It would result in better customers services and help improve the variety and price of insurance products. Competition will compel the players to bring new and innovative product wider choice of prices and quality service to consumers.

2) Challenges:

Whether the insurer is old or new, private or public, expansion of market will present multiple of challenges.

i) New insurers-

New insurers will have to invest a minimum capital of Rs. 100 crore. The normal gestation period is of 5 year. Hence the new insurers will have to lock up their capital for at least 5 years before earning any profits.

ii) Expectations of the Consumer-

Today LIC has more than 60 products in market. But most of them are outdated, as they are not suitable to the needs of the consumers, hence all the insurers will have to offer innovative products to the consumers. The consumers are particularly expecting good pension plans, health insurance and term insurance. And investment products like unit linked insurance from the life insurers.

iii) Premium on Customer Services-

The days of giving fixed insurance products are over. Now customers need insurance solutions that match their wants. The large scale of operation, public sector bureaucracies and cumbersome procedures hamper nationalized insurers.

iv) Distribution Channel –

In the liberalized insurance market there will be multiple distributions channels such as brokers, corporate intermediaries, bank branches, affinity groups and direct marketing through telesales and internet. There will be competition among the channels. Tremendous competition will grow among the old and new insurers in the market to win consumers. This will pose a great challenge to the insurers in the liberalized insurance market.
v) Consumer Education -

The existing level of awareness of the consumer’s regarding insurance products is very low, it is so because 62% of the population is literate and less than 10% well educated. Even the educated consumers are ignorant about the various products of insurance. Hence, it is necessary to develop the extensive plan for education of consumers. The consumer organization and media also can play very important role in education of the consumers.

vi) Consumer Grievance Redressal –

The Insurers will have to face an acute problem of the redressal of consumer’s grievances for deficiency in products and services. The IRDA has already appointed ombudsman for looking the grievances of the policyholders, its judgment will be binding on insurers. In the competitive market, awareness level of consumers will increase and it will help consumers to fight for their legal for deficiency in services. Hence the number of legal cases filed by the consumers against insurers is likely to increase substantially in future. This will be challenge to the insurers.

vii) New product innovations-

One researcher shows that two products of LIC dominate with majority share about out of 52 products. With more competition good products will become an important differentiator among the various competition insurance products. A lot will depend on the kind of products that these outfits launch. Initially after launching simple products multinationals will shift to specialized products, Royal Sundaram Alliance for example will launch a mix of personal and commercial insurance policies. This will cover fire, marine, motor, personal accident and health insurance, HDFC standard Life will launch two core life insurance products and then another dozen of the same type.

viii) Positioning of Insurance Product -

On the ground, the biggest challenge for the insurance companies will be to change the mindset of people, especially in life insurance. In India, life insurance is seen more as a tax saving mechanism rather than safely net in case of death. ICICI prudential Life Insurance chief marketing officer Sangita Gupta also says that “working on consumer attitude will be the greatest challenge.” New type of products should be futuristic in outlook. To start with,
low premium high cover policies should be introduced and better saving product at a later stage.

ix) Rural Area Exploitations-

It is said that the life insurance business suffers from high premium and low returns. A normally competitive industry should be able to increase coverage, mobilize large savings, and provide high returns. India is ranked at 27th in the world in terms of mobilizing savings in the form of insurance.

x) Information Technology-

Information Technology (IT) has become an intrinsic part of the insurance industry worldwide from general accounting to customer service. Reinsurance, underwriting and risk management, further these have integrated application and are decision oriented. In the Indian Insurance Industry, IT is used as a reporting tool whereas overseas it is used more as a decision making instrument. Once online customers with net connectivity would be able to check policy details from their balance to nominate scheme, the type of loans available and the amount in their investment accounts similarly, insurance advisors can check their customer’s accounts as well as their own account.

3) Strategies :-

To be more competitive and responsive to the needs of the societies, the insurance players would be required to concentrate on the following major strategies.

i. Environmental Analysis -

The companies should concentrate on environmental change, its direction, magnitude and its short term and long term impact, formulating strategies to meet the challenges of high competition, preparing contingency plans and designing action plans for effective implementations of formulated strategies.

ii. Restructuring organizations-

The traditional hierarchy system is very slow in making decisions due to several level of management, due to its procedural inflexibility and slow communication. A manager in the privatized scenario is required to be an organizational specialist, country specialist and a global specialist.
iii. **Speed, Cost Effectiveness and Innovations**-

The insurance companies will have to make substantial investments in customer relationship management technologies. They will be required to have wide area network (WAN) connecting branches spread across wide geographical locations and workout modalities facilitating premium payment through the internet.

iv. **Human Resource Development** -

Human capital is important for any organization especially for organizations whose activities revolve around special human interactions along with products with the right set of knowledge, skills and aptitude for insurance.

v. **Efficiency in Distribution** -

It is very important factor and prove bottleneck to the new players. Insurance Companies are making the products available through the ready distribution channels of banks, non-banking finance companies and housing companies. One has tube careful doing this, since creating distribution and distances doesn’t automatically mean controlling them. With the starting of corporate agencies, there will be more places from where customer can buy insurance besides the consultants and agents currently selling these policies.

vi. **Risk Management** -

Like all intermediaries in financial markets, insurance companies will have to bring sophistication in market research techniques future portfolio expansion.

vii. **Efficient Marketing Strategies** -

Marketing strategies for insurance products in the emerging scenario could be understood in following steps:

\[ R \circ STP \circ MM \circ I \circ C \]

Where, \( R = \) Market Research, \( STP = \) Segmentation, Training, positioning
\( MM = \) Marketing Mix, \( I = \) Implantation & \( C = \) Control.

3.10 **Contribution of LIC in Nation Building**:

The corporation has spread over the funds to the best advantage of the policyholders as well as the community as whole, true to the spirit of nationalization. National priorities and obligation of reasonable returns to the
policyholders are the main criterion of our investment. Life Insurance Corporation of India invests their substantial fund in the various government and semi government securities, social development schemes and projects. A life insurance company is a major instrument for mobilizing the saving of people, particularly from the middle and lower income groups. These investments are channelized into investments for the economic growth. Insurance Act has strict provisions to ensure that insurance funds are invested in safety resources life government bonds, high profile companies etc. The figures of investments are depicted in table number 3.7:

**Table No.3.8**

**Contribution of LIC in Nation Building**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Types of Investment</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) 01.</td>
<td>Central Government Securities</td>
<td>470254</td>
<td>543636</td>
<td>635365</td>
</tr>
<tr>
<td>02.</td>
<td>State Government and Other Govt. Guaranteed Marketable Securities</td>
<td>261852</td>
<td>327861</td>
<td>424599</td>
</tr>
<tr>
<td></td>
<td><strong>Total (A)</strong></td>
<td><strong>732106</strong></td>
<td><strong>871497</strong></td>
<td><strong>1059964</strong></td>
</tr>
<tr>
<td>B) 03.</td>
<td>Housing &amp; Infrastructure Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Housing</td>
<td>46276</td>
<td>45317</td>
<td>56825</td>
</tr>
<tr>
<td>b.</td>
<td>Power</td>
<td>93317</td>
<td>104450</td>
<td>117759</td>
</tr>
<tr>
<td>c.</td>
<td>Irrigation, water supply &amp; Sewerage</td>
<td>3388</td>
<td>3051</td>
<td>2670</td>
</tr>
<tr>
<td>d.</td>
<td>Road, port &amp; bridges, railway</td>
<td>11208</td>
<td>10187</td>
<td>10119</td>
</tr>
<tr>
<td>e.</td>
<td>Others including telecom</td>
<td>35076</td>
<td>35267</td>
<td>39433</td>
</tr>
<tr>
<td></td>
<td><strong>Total (B)</strong></td>
<td><strong>189265</strong></td>
<td><strong>198272</strong></td>
<td><strong>226806</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total A+B</strong></td>
<td><strong>921371</strong></td>
<td><strong>1069769</strong></td>
<td><strong>1286770</strong></td>
</tr>
</tbody>
</table>


Above table indicates that’s, the figures of last three years of investment by LIC’s in various government securities and Social welfare schemes like 2013, 2014 and 2015. In the year 2015 the total investment Rs.19, 46,249 crore, out of which Rs. 10, 59,964 crores were directly invested.
in government related securities and Rs.2, 6806 crores are invested in housing and infrastructural investment, of which Rs.56,825 in housing, Rs.1,17,759 in power generation units, Rs.2,670 invested in irrigation, water supply and sewerage, Rs.10, 119 invested in road, port and bridges, railway, 39,433 crores in other infrastructure investment i.e. telecom sector is larger than as compared to last two years i.e. 2013 and 2014 respectively.

3.11 Premium Income LIC of India:

Actually, Life insurance is a contract between and policyholder whereby the insurance company in consideration of a premium undertakes to pay a certain sum of money either on the death of the insured or on the expiry of fixed period. Hence, all insurance contracts carry with them various kinds of rights and responsibilities. The rights are in the form of getting assured sum and responsibilities are in the form of payment of the premium. The insurer collects the amount of premium as fund and increases this fund by investing this premium in government and semi-government schemes. Here, the premium is nothing but the periodic payment for an insurance policy is called insurance premium.7

On the basis of total premium income, the market share LIC of India increased to 72.70 in 2012-13 as against 70.67% in 2011-12. As same in 2013-14, it is increased by 75.39% as compared to 72.70% in 2012-13. And the market share of LIC decreased from 75.39% in 2013-14 to 73.05% in 2014-15 but the total premium of LIC is increased to 1.15% as against previous year. Market share of LIC of India decreased from 73.05% in 2014-15 to 72.61% in
2015-16 but the LIC of India registered significant growth of 11.77 per cent as compared to previous year whereas the market share of private life insurers has been increased year by year. Therefore, in the following table the figure indicates the premium income of Life Insurance Corporation of India during the last five years is given below:

Table No. 3.9
Premium Income of LIC of India

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Income (Rs. In Crore)</th>
<th>% of Total Life Insurance Industry premium</th>
<th>Increase/Decrease (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>202889.28</td>
<td>70.67</td>
<td>-0.29</td>
</tr>
<tr>
<td>2012-13</td>
<td>208803.58</td>
<td>72.70</td>
<td>2.92</td>
</tr>
<tr>
<td>2013-14</td>
<td>236942.30</td>
<td>75.39</td>
<td>13.48</td>
</tr>
<tr>
<td>2014-15</td>
<td>239667.65</td>
<td>73.05</td>
<td>1.15</td>
</tr>
<tr>
<td>2015-16</td>
<td>266444.21</td>
<td>72.61</td>
<td>11.77</td>
</tr>
</tbody>
</table>

Source: IRDA Annual Reports, 2011-12 to 2015-16.

3.12 Need to maintain high solvency margin:-

Every insurer is required to maintain Required Solvency Margin as per section 64VA of the Insurance Act, 1938. Every insurer shall maintain an excess of the value of assets over the amount of liabilities of not less than an amount prescribed by the IRDA, which is referred to as a Required Solvency Margin. The IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulation, 2000 describe in detail the method of computation of the required solvency margin. In the case of life insurers, the minimum required solvency margin is Rs. 50 crore (Rs. 100 crore in case of general insurers) and arrived at in the manner specified by the authority. The Insurance (Amendment) Act, 2015 specifies a level of solvency margin known as Control Level of Solvency. On the breach of control level of solvency the authority shall direct the insurance company to submit a financial plan indicating a plan of action to correct the deficiency within a specified period not exceeding six months.

IRDA regulations stipulate that all insurance companies are required to maintain 150% of the solvency margin. Solvency margin refer to asset-liability ratio. In other words, insurer should maintain their assets 1.5 times
more than that of their liabilities. This will trigger a hike in share-holders
capital, in tune with international practices. As LIC is financially sound, the
solvency margin requirements are met with easy. The LIC of India maintains
solvency margin 1.55 at the end of March, 2015 and 2016. 

3.13 Leading Competitors of LIC of India:

Following are the leading/chief competitors of LIC in the insurance
market;

1. Birla Sun life:

Birla Sun Life Insurance is one of the leading insurance companies in
the Indian insurance market which was formed in 31\textsuperscript{st} January, 2001 by joint
venture between Aditya Birla Group and Sun Life Financial Inc., which is one
of leading international financial services organization from Canada. Birla Sun
Life Insurance Company has contributed to the growth and development of the
Indian life insurance industry. As per the latest resolution Sun Life Financial
Inc plans to increase its stake from 26 per cent to 49 per cent in Birla Sun Life
Insurance Co Ltd through the buying of shares worth Rs 1,664 crore (US$ 244.14 million) At the end of March, 2016 the market share of this company
in respect of total premium business is Rs. 5579.71 crore in life insurance
industry.

2. HDFC Standard Life:

HDFC Standard Life Insurance Company incorporated on 23 October,
2000 between the joint venture of HDFC and The Standard Life Assurance
Company, Europe. This is the first private sector life insurance company in the
insurance market which has granted the license by IRDA and Government of
India. At the end of current financial year i.e. march, 2016, market share of
this company in respect of premium business is Rs. 16312.98 crore.

3. Max Life Insurance:

Max Life Insurance was established on 15\textsuperscript{th} November, 2000 between
the joint venture of Max India Ltd. and New York Life, USA. This is one of
the leading and fastest growing private life insurance companies in Indian life
insurance market. In the financial year 2015-16 registered market share of premium business is Rs. 9216.16 crore.

4. **ICICI Prudential Life Insurance:**

   ICICI Prudential Life Insurance Company Ltd. was established in 2000, between the joint venture of ICICI Bank and Prudential Plc, United Kingdom. Today the market share of ICICI prudential life is Rs. 19164.39 crore.

5. **Kotak Mahindra Life Insurance:**

   Kotak Mahindra Life insurance is a joint venture between Kotak Mahindra bank Ltd. and Old Mutual, South Africa. The company started business in 2001 with shares of 74:26. Now, the share of this company in Indian insurance industry is Rs.3971.68 crore.

6. **Bajaj Allianz Life Insurance Company:**

   Bajaj Allianz Life insurance Company started business since August, 2001. The company gets the shape between the joint venture of Bajaj Fin. Serve Ltd. and Allianz, Germany. Both enjoy a reputation of expertise, stability and strength. Bajaj Auto is one of biggest two and three wheeler manufacturer in the world. In the financial year 2015-16, the market share of Bajaj Allianz in terms of premium business is Rs.5897.36 crore.

7. **PNB Met Life Insurance Company:**

   PNB Met life Insurance Company Ltd. was previously known as Met Life India Insurance Company Ltd. which was established in August, 2001 between joint venture of Punjab National bank Ltd., Jammu and Kashmir Bank Ltd, and other private investors and Met life International Holdings Inc., USA. Punjab National Bank being majority of shares in this insurance company.

8. **SBI Life Insurance Company:**

   This is one of the leading and fast growing private life insurance company started in March, 2001 between joint venture of India’s biggest bank, State bank of India and BNP Paribas Assurance SA, is a leading insurance in France. As per the latest announcement of SBI, BNNP Paribas Cardiff is
increased its stake in SBI Life insurance from 26 percent to 36 per cent. Therefore, the SBI’s stake will decrease up to 64 per cent. At the end of March, 2016 market share of this insurance company is Rs. 15836.25 crore.

9. Tata AIA Life Insurance Company:

Tata AIA Life Insurance Company is a joint venture company formed by Tata Sons and AIA Group Ltd., USA in February, 2001. Tata Sons Holds a majority stake in the company i.e.74 per cent. As per latest government regulation AIA Group Ltd has decided to increase its stake from 26 per cent to 49 per cent in Tata AIA Life Insurance Co Ltd. Therefore, the stake of Tata Sons has remains 51 per cent in the company. At the end of March, 2016 market share of premium business of Tata AIA is Rs.2478.96 crore.

10. Aviva Life Insurance India:

Aviva Life Insurance Company of India is a joint venture between Dabur Invest Corporation and Aviva Plc, UK. Aviva Plc is the largest insurance company of UK. As per the latest government regulation, Aviva Plc has acquired an additional share capital of 23 per cent in Aviva Life Insurance Company of India from the joint venture partner Dabur Invest Corporation, that’s why the stake of Aviva Plc increased to 49 per cent in the company.9

3.14 Best practices of governance-

With larger competition in the market place, enhanced standards of corporate governance, investment management and market performance are essential to protect policyholder’s interests. IRDA set the regulations to make stronger corporate governance of insurance companies in regulate with international best practices. Guidelines have stipulated in the regulations that clearly state that the role and functions of directors and appointed actuaries of life insurance companies so that they can provide great professional stewardship to protect and enhance the interests of policyholders. For instance, insurers required to provide information about their products, prices and financial strengths so as to help the customers. Insurance products are often complex. So, it is complicated for policyholders to compare the costs and features of competing products. Hence insurers enhanced the standards of disclosure of information to policyholders’ especially in personal line of
insurance so as to enable them to make meaningful comparison and evaluations before choosing products offered by different insurers.

3.15 Achievements of Life Insurance Corporation of India:

LIC of India achieves the various awards for its energetic and more effective functioning in the insurance sector. During the year 2015-16, Life Insurance Corporation of India achieves the following awards;

- Greentech-HR-Award-2015.
- The-Indian-Insurance-Award-2015.
- The-Indian-Insurance-Award-2015.
- The-Indian-Insurance-Award-2015.
- National-Award-for-Excellence-CSR-and-Sustainability.
- 5th -ACEF-AWARD-(1).
- 5th -ACEF-AWARD.
- 24th -AASHIRWAD-RAJBHASHA-PURASKAR.
- Asian-Training-and-Development-Award.
- Golden-Peacock-Award-2015.
- India-s-Most- Trusted-Award-2015.
- World-s-Greatest-Brand.
- Readers-Digest-Award.
- Lokmat-Corporate-Excellence-Award.
- FACE-India-Rashtra-Vibhushan-Award.
- ABCI-Award-2016.
- Website-of-the-Year-2015.
- My-FM-Stars-of-Industry-Award.
- ABP-News-BFSI-Award.
- Dainik-Bhaskar-India-Pride-Award.
- Golden-Peacock-Award-National-Training-2016.

The aforesaid awards have achieved by the Life Insurance Corporation of India during the year 2015-16 from various national and international bodies in respect of best and smooth functioning in the insurance market.
References: