CHAPTER III

Policyholders Service Department in North Arcot District.

Life insurance by its very nature creates an idea in the mind of the policyholder by providing the financial protection for the family members in the event of his premature death. It also provides for the old age in the event of Policyholder being alive sufficiently long period.

Therefore, it is very necessary that the need for protection in the form of life insurance, which is kindled in the minds of the policyholders, is continuously kept alive by rendering prompt and efficient service to the policyholders. It is only then the insurance office will be in a position to effectively canvass and procure the business in future both from the existing policyholders and from the new prospects. 1

Moreover, the Life Insurance Corporation of India is a public sector undertaking. Hence it has a vital role to play in discharging its obligation to the insuring public, by rendering prompt and efficient service to them.

The objectives of Nationalisation in the LIC Bill 1956, had also emphasised the importance of service to

policyholders as under: 2

1. Prompt and Efficient service at the doorsteps of the policy holders by effecting decentralisation of function and opening of branches in all parts of the country;

2. Complete security to the policyholders, money invested in the Life Insurance Corporation;

3. Conducting business with utmost economy and with the full realisation that the money belongs to the policyholders.

LIC perhaps realising these objectives and the importance behind them, have been trying to implement various programmes to fulfil the promises stated in the objectives. The insurance office letters carrying the promise 'We pledge to serve you better' adds more colour and dimension to this prospective exercise.

It is also highly imperative to mention that 1986-87 is being observed as the year of the policyholder by the Life Insurance Corporation of India. The Chairman of the Life Insurance Corporation in his review on the eve of the 30th year of the nationalised insurance observed. 3

3. Reported in The Hindu, 2nd September, p.10
To render better service to policyholders, the LIC has taken up

1. Decentralisation of all functions and services to the Branches since they are most accessible to the policy holders;

2. Setting up of grievance cells for the policyholders' complaints;

3. Observing 1986-87 as the year of the Policyholder and assuring of same day service for certain services like revivals, nomination, assignment etc.

(i) History of the Policyholders Service Department in North Arcot District.

The history of the policyholders service department dates back to the period of pre-nationalisation. The individual insurance companies oriental insurance and United India Insurance, operating in the district, in those days, had given much importance to this structure. After the nationalisation of insurance and when the Life Insurance Corporation of India came into existence in 1956, the department had assumed greater importance and prominence.
In the initial years, all the services to the policyholders were centralised and the Central Office, at Bombay was entrusted with the enormous task of servicing the policyholders. But with the increase in business, some of the services were decentralised to the branches, by the Central Office.

(ii) **Services offered by the Policyholders Service Department:**

By virtue of the provisions of the Life Insurance Corporation Act, 1928 which governs the services of policy holders, the branches of the Corporation in North Arcot District are normally expected to provide the following services to the policyholders.

1. Age admission on Policies;
2. Assignment on Policies;
3. Nomination;
4. Policy Lapses and Revivals;
5. Policy Loans;
6. Surrender of policies;
7. Settlement of Claims; on policies;
8. Alteration in Policies;
9. Sending Renewal premium notices and Lapse intimation notices;
10. Miscellaneous services like Transfer of Policies, noting the change in address of the policyholders, Issuing a Duplicate policy for a lost policy and discounting the policies before maturity.

Age Admission on Policies:

Age is the main factor for calculating the premium on life insurance policies. The rates of premium on most of the policies depend on the age of the person to be insured at the time of taking out an insurance policy.

It is the duty of the Department to call for a sufficient age proof while entertaining any application called proposal, for the issue of an insurance policy. Normally the certified extract from the Municipal records or any authentiated extract from the School or College records or the certified extract from the service registers in the case of certain categories of employees, would be considered as the sufficient proof of one's age. These are called as Standard Age Proof, by the Life Insurance Corporation.

In the absence of the standard age proof, the Life Insurance Corporation also accepts some non-standard age proof.

Horoscopes, Passports or a self declaration on a stamped paper by the person to be insured himself or a certificate from Village Panchayats are few coming under the category of non-standard age proof. However, the Life Insurance Corporation accepts this proof, subject to certain restrictions on insuring certain plans of insurance, maturity-age of the policy and the sum insured.

Nomination:

Nomination is governed by Section 39 of the Insurance Act, 1938. The Policyholder while taking out an insurance policy, has the right to effect a nomination in favour of person or persons to receive the policy moneys in the event of death, during the currency of the policy.\(^5\)

Nomination is effected usually while submitting the proposal or application forms for the issue of a policy. But it can also be made after the issue of a policy, by way of endorsements on the back of the policy.

Nomination merely gives the right to the nominee to receive the policy moneys in the event of the death of the policyholder. The nomination can be cancelled and new nomination effected by the latter at any time during his life time, but before the date of maturity of the policy.

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5. ibid. P.13
Revival of Lapsed Policies:

When the premium is not paid within the days of grace allowed the policy lapses and the protection by way of risk coverage is not offered to the Policyholder. But the lapsed policies can be revived within the period of five years from the due date of the first unpaid premium and before the date of maturity. 6

Revival of lapsed policies is the service which has some significance in judging the efficiency of the department.

Revival of lapse policy is considered as a new contract, since the policy holder, has broken the old contract which he has established with the Corporation. The policyholder has to prove now his continued insurability, to the satisfaction of the Corporation. On the revival of the policy, the policy holder is required to pay all the arrears of premiums with interest, and he may be subjected to medical examination, if necessary.

Policy Loans:

Another important facility offered by the policyholder service department is the granting of policy loans on the security of certain policies, whose provisions allow such a facility to him. The loan is granted only on the surrender of the policy. 6. ibid, P.19
value of the policy, which is calculated by taking into account the premiums paid by the policyholder for a minimum period of three years. Hence loans are available to a policyholder only after three years from the date of commencement of the policy. Normally an interest of 9% per annum is charged on policy loans which is compounded every half-yearly and there is a facility to repay the amount in instalments.

However loans are not granted by the life insurance corporation if the amount of loan calculated is less than Rupees one hundred and fifty in the case of the policies eligible for such loan.

The title of the person asking for a loan should be complete and clear in respect of the policy moneys and such persons should be competent to contract as per the contract Act.

Surrender of Policy:

Whenever the policyholder desires to terminate the policy contract during his life time, but before the date of maturity, of the policy, the Service Department offers to pay him a cash value available on the policy, in cancellation of the above Contract. 7 This is said to be the surrender value

7. ibid. P.42
and the policy is said to have been surrendered. The payment of surrender value is restricted to certain types of policies only.

This is because the life insurance is essentially a co-operative enterprise. The premiums paid by the individual policyholders are pooled together and the balance of the amount, after paying the claims on the policy, and after paying for the management expenses, are kept in a separate fund. Any policyholder who desires to come out of this co-operative effort, is not entitled to the refund of the entire amount paid by him, but only to a share of the amount left over.

For obtaining a surrender value on a policy, it is essential that the policyholder should have paid premiums on the policy for a minimum of three years from the date of commencement of the policy.

Assignment:

Section 38 of the Insurance Act, 1938 permits assignment on insurance policies by the policyholders.

When the policy is assigned the beneficial interest, title and right under a policy is transferred either absolutely or conditionally to another person. 8

8. ibid. P.7
Assignment on a policy can be made by way of an endorsement on the policy and such assignment should be notified to the Life Insurance Corporation. All the rights and liabilities under the policy will be transferred to the assignee once the assignment is made. It is most imperative that the policyholders who assigns the policy must have the absolute right or interest vesting in him in respect of the policy. The Assignment can be made in favour of more than one person, by the policyholder.

Settlement of claims:

The barometer for judging the efficiency of the policyholder service department is the settlement of claims. As the object of insurance is to protect one's family in the event of the death of the bread winner, the settlement of such claims is to be done on war footing. It is where the insurance comes to the rescue of the bereaved family.

The contract of insurance lays down the two contingencies, on the happening of either of which the sum insured is payable i.e. death during the selected period or survival at the end of the selected period.

A policy may become a death claim if the policyholder dies before the date of maturity provided the policy is kept alive by regular Premium Payments on the date of death by the deceased policyholder. It becomes a maturity claim when the policyholder survives till the date of maturity of the policy.

In the event of the death of the policyholder, the notice of death or intimation to the Life Insurance Corporation is to be made by the person, who is entitled to receive the money on the policy. Normally the nominee or assignee under the policy or the nearest legal heir of the deceased policyholder either widow or son, can intimate about the death of the policyholder. After complying with certain formalities like return of the original policy document and discharge forms, the Service Department undertakes to pay the amount to the claimant.

Not quite often the Service Department is faced with the problem of early death claims. Any death arises within the period of two years from the date of commencement of the policy or its last revival is considered as early death claim.

It may be true that policyholder may die, a natural

death or due to an accident during this period. But suspi-
cion should not arise that an attempt to defraud the Corpora-
tion was made by the policyholder. Because, if the Corpora-
tion pays this claim money, it represents the contribution
of innumerable individual policyholders, and hence such
payments should not be done at the cost of others. So in
the interest of those, the Life Insurance Corporation will
try to satisfy itself the following:

1. That the death has really occurred;
2. There is no suicide if the claim has arisen during
the period of application of suicide clause in
the policy;
3. That there is no fraudulent misrepresentation or
concealment of material facts, has been made by
the life assured at the time of entering into
contract. 11

If there is any such thing, the Corporation has the
right to repudiate such claims.

Alterations:

Life insurance is a long term contract between the
proposer and the insurer. The contract is completed on the
basis of mutually agreed terms between the two parties. The

policy document issued by the insurer contains the terms and conditions on which contract been entered into. It is quite possible that policyholder may be willing to make certain suitable alterations in the policy terms like the mode of payment, plans etc., with the consent of the insurer. It is so on the part of insurer also. The alteration of policy terms and conditions is permitted by the Insurance Act, 1938. Some alterations are made at the option of the policyholders, some are effected automatically due to the nature of the contract and compulsory alterations if the circumstances, warrant such alteration.

Alterations in the policy may result in policyholder gaining or in some cases losing, certain rights and privileges, which he has been enjoying under the policy before alteration. But once the alteration is made in the terms and conditions of the contract, the services to the policyholders would be governed by the newly altered provisions.

Miscellaneous Services:

The department undertake to service the policyholder in certain cases, when the policyholder opts for the transfer of the records to another branch by virtue of his change of place or employment. In the event of policy
being lost, after making thorough enquiry the department
issues a duplicate policy to the policyholder. Any change
in address notified by the policyholder would be entered in
the policy register to ensure prompt sending of demand
notices for premium. When the policyholder opts to discount
his claim on the policy, the Corporation pays such amount,
which usually takes place during the period nearer to the
maturity of the policy.

(iii) Policyholders Service Department at Vellore and
Ranipet Branches:

The biggest and the most sprawling of all departments
in a branch office is the policyholder service department.
If the policy takes birth in the New business department,
it blossoms, flowers and fructifies in the policyholders
service department. ¹ It is because in any organisation
the sales and service have a complimentary role to play
and hence a good after sales service is an essential pre-
requisite to the sales promotion.

(A) Administration:

It is the general practice to organise the policy
holders service department either functionwise or blockwise.²
The latter one promotes speed and specialisation and the former the variety. In the first instance the policyholder has to approach different sections for the variety of services required by him. Whereas in the second case, the policyholder will be serviced of his various requirement by a person or a group of persons. The policyholders service department at Vellore and Ranipet branches are organised only on the functionwise and a detailed classification is shown in Chart 3.1.

The department consists of several sections like Loans and surrenders, policy lapses and revivals etc., headed by the supervisory staff called section head or higher grade assistant.

(B) Staff:

The Vellore and Ranipet branches are equipped with a strong team of officers and assistants to carry out the various functions in the various department. This is shown in Table 3.1. Nearly 60% of total staff are engaged in the policyholders service department and the rest in the other departments like development department, personnel department, new business department and accounts department.
Table 3.1

Staff Position At Vellore and Ranipet. (31.3.86)

<table>
<thead>
<tr>
<th>BRANCHES</th>
<th>Vellore</th>
<th>Ranipet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Manager</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Asst. Branch Manager</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Administrative Officer</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Higher Grade Assistants</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Section heads</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Assistants</td>
<td>29</td>
<td>22</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Development Officers</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

61 45
(C) Policyholders Service:

Since both Vellore and Ranipet branches were formed in the initial years after nationalisation of insurance, they have been showing larger responsibility in servicing the policyholders in the district.

1. Area of Service:

At present these two branches do service to the policyholders by the bifurcation of area normally no. of taluks, whereas Vellore Taluk is covered by the Vellore branch, the Ranipet, Walaja, Cheyyar and Arcot taluks are coming under the purview of Ranipet branch.

2. No. of policies Serviced:

The number of policies serviced by each branch is shown in Chart 3.2. In addition to the policies serviced regularly on which premium is being paid by the policyholders, they also undertake to service those policies on which premiums have been paid for a period of three years or more, called as paid up policies. Because in the case of paid up policies, even if the payment of premium is discontinued, the policyholder can approach the office for his policy services.
POLICIES SERVICED 1985-86
(Premium being paid - Mode Wise)

Y AXIS
1 CM = 1000 POLICIES

<table>
<thead>
<tr>
<th>MONTHLY</th>
<th>NO. OF POLICIES</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>16,000</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>14,000</td>
</tr>
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<td></td>
<td>2,000</td>
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</tr>
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VELORE BRANCH

QUARTERLY

HALLF-YEARLY

YEARLY

MAYPET BRANCH

QUARTERLY

HALLF-YEARLY

YEARLY
3. Variety of Services:

The branches offer a variety of services to the policyholders in their region, which are shown in Tables 3.2 and 3.3. It could be observed that the policyholders service department have been doing tremendous job in the field of service. There is a substantial reduction in the number of policyholders being serviced in the latter years due to bifurcation of branches and starting new branches at Gudiyattam and Arakonam in the district. A copy of the premium demand notices and premium receipts are given in the Appendix.

4. Types of policies:

At present the departments in the branches service all regular policies issued under various plans of the Life Insurance Corporation, irrespective of its mode of payment of premium i.e. monthly, quarterly, halfyearly and yearly.

It also undertakes to service those policies, where premium payment is made through the employer, by the policyholder who is employed in an organisation, called Salary Savings Schemes policies. The decentralisation of various functions at the Divisional Office, Madras, has a high impact on these two branches and as such they undertake to service the Salary Savings schemes policies also. Hitherto they were serviced by the Divisional Office, At Madras.
### Table 3.2

**Policyholders servicing by Vellore Branch:**

<table>
<thead>
<tr>
<th></th>
<th>1985-86</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Sum assured</td>
</tr>
<tr>
<td><strong>Assignment</strong></td>
<td>90</td>
<td>Rs. ---</td>
</tr>
<tr>
<td><strong>Nomination</strong></td>
<td>67</td>
<td>Rs. ---</td>
</tr>
<tr>
<td><strong>Alterations</strong></td>
<td>160</td>
<td>Rs. ---</td>
</tr>
<tr>
<td><strong>Revivals</strong></td>
<td>659</td>
<td>Rs. 1,07,70,000</td>
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**Claims:**

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<tr>
<th></th>
<th>1985-86</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maturity</strong></td>
<td>739</td>
<td>Rs. 31,43,754</td>
</tr>
<tr>
<td><strong>Death</strong></td>
<td>122</td>
<td>Rs. 12,59,228</td>
</tr>
<tr>
<td><strong>Loans</strong></td>
<td>1029</td>
<td>---</td>
</tr>
<tr>
<td><strong>Surrenders</strong></td>
<td>528</td>
<td>---</td>
</tr>
</tbody>
</table>

2394 3554
Table 3.3

Policyholders Servicing by Ranipet Branch:

<table>
<thead>
<tr>
<th>Services</th>
<th>1984-85</th>
<th>1985-86</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Sum assured</td>
</tr>
<tr>
<td>Assignment</td>
<td>165</td>
<td>55</td>
</tr>
<tr>
<td>Nomination</td>
<td>66</td>
<td>38</td>
</tr>
<tr>
<td>Alterations</td>
<td>45</td>
<td>47</td>
</tr>
<tr>
<td>Revivals</td>
<td>570</td>
<td>52,70,000</td>
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Claims:

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<tr>
<th></th>
<th>1984-85</th>
<th>1985-86</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Death</td>
<td>382</td>
<td>22,10,500</td>
</tr>
<tr>
<td>Loans</td>
<td>810</td>
<td>716</td>
</tr>
<tr>
<td>Surrenders</td>
<td>534</td>
<td>485</td>
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</table>

<p>| | | |</p>
<table>
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2,572</td>
<td>2,189</td>
</tr>
</tbody>
</table>
The employees of the Pattukottai Azhagiri Transport Corporation, Tamil Nadu Electricity Board employees in North Arcot District, Christian Medical College Hospital at Vellore, members of SIPCOT industries at Ranipet, Teachers in aided schools and colleges in the district, panchayats, are covered under the category of Salary Savings Schemes.

5. Plans of Policies:

The Life Insurance Corporation has nearly 95 plans of insurance, thrown open to the policyholder to choose out of them, considering his financial position and the need for a particular type of insurance. Except a few plans, which are governed by the Divisional Office at Madras, the policyholders service department at the branches service all those plans of insurance for all its requirements, which is quite a big matter, needs appreciation of all the concerned.

(D) Growth:

The increase in the number of policies serviced in both the branches of Vellore and Ranipet, had necessitated the bifurcation of branches in order to reduce the work pressure and also to service the policyholders at places nearer to them. The branches at Vaniyambadi and Gudiyattam were bifurcated in the late 1980 from Vellore branch whereas the Tiruvannamalai
branch and Arakonam branch got bifurcated from Ranipet branch, in 1965 and 1983 respectively.

Besides, to service the policyholders more quickly, the Vellore branch is equipped with an In-house Micro processor.