Chapter IV

Profile of Life Insurance Corporation

This chapter attempts to trace the founding and the subsequent structural development of the LIC. The study has been discussed in five different sections. Initially, a historical perspective of the organization has been presented followed by an overview of the organization set-up in sections 4.1 and 4.2. Section 4.3 gives an account of the overseas operation of LIC and its diversified business activities. Section 4.4 informs about the committees and the mechanism set up and their functions. Section 4.5 describes the major achievements of the organization.

4.1 Indian Insurance Industry - A Historical Perspective

The modern concept of insurance practices came into being in India with the founding of Oriental Life Insurance Company, a British company, in 1818, in Calcutta with the sole purpose to cater to the needs of the European community in general, especially the Britishers. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But the Indian lives were discriminated and heavy extra premiums were charged from them.

Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprises with highly patriotic motives, other insurance companies came into existence to carry the message of insurance and social security through insurance to various sections of society. Likewise, Bharat Insurance Company (1896) was one such company inspired by nationalism. The Swadeshi movement of 1905-1907 gave birth to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the other companies established during the same period.
Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force of Rs. 22.44 crore, it rose to 176 companies with total business-in-force as Rs. 298 crore in 1938. With the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to bring insurance business under strict state control. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident fund societies were operating in India at the time of nationalization (www.licindia.org). It was not easy to assimilate the strength of 245 diverse insurance companies. Their style of functioning was different, their weaknesses were innumerable, and human resource practices varied widely. Each company had different kinds of policies and was to be valued in the light of varied policy conditions. Many a times it was observed that the values of assets were inflated and the liabilities were undervalued so that compensation from the government for taking over of business went up. Close relatives of the owners were shown as employees of these private insurance companies with the fanciful salaries which they never deserved (Sathe, 2009).

It was primarily with the view to spread insurance to rural areas and to achieve the objectives of socialistic pattern of society, the Government of India decided to nationalize the life insurance business. After a considerable debate both for and against nationalization, the President of India issued an ordinance in January 1956, taking over
management and control of the business of life assurance in India including foreign business of Indian insurers. Nationalization was accomplished in two stages; initially the management of the companies was taken over by an Ordinance, and later, the ownership by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation (LIC) of India came into being on 1st September 1956 by an act of Parliament (Life Insurance Act 1956) with a capital contribution of Rs. 50 million from the Government of India, with the objective of spreading life insurance widely and in particular in the rural areas, to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost (Bodla et al., 2003, pp 13-14; www.licindia.org). The business performance of life insurance industry for the period ending 31st December 1957 was Rs. 13 crores First Year Premium on 9.5 lakh policies. The number of direct agents was 12387 in the year 1958 who contributed just 7 percent to the total business (Prabhakara, 2010).

Some of the milestones in the developments of life insurance business in India are:

1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.

1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.

1912: The Indian Life Assurance Companies Act, the first statute to regulate the life insurance business.

1928: The Indian Insurance Companies Act, enabled the government to collect statistical information about both life and non-life insurance businesses.

1938: Earlier legislation consolidated and amended by the Insurance Act with the objective of protecting the interests of the insuring public.

1956: 245 Indian and foreign insurers, and provident societies taken over by the Central Government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India (www.licindia.org).
However, the very purpose of nationalizing the insurance sector got defeated due to the monopolistic power it enjoyed, coupled with the bureaucratic mindset of LIC and GIC. The process was reverted and the sector was decentralized and was opened to private players in 1999 (www.iijournals.com). An Insurance Regulatory and Development Authority (IRDA) was set up as per IRDA Act in 1999 to regulate the life insurance business in India. Minimum capital fixed by IRDA for doing life insurance business is Rs. 1 billion ($21.5 million). Since its incorporation as a statutory body in April 2000, IRDA has speedily struck to its schedule of framing regulations and registering the private sector insurance companies. IRDA has power to issue licenses to start insurance business in the country. New private life insurance players can commence business within 15-18 months of getting the license. The most challenging provisions put in by IRDA are for private players, to compulsorily reach out to the rural market in order to achieve healthy potential. IRDA has imposed 10 percent penalty for late claim settlement for the protection of the policyholders’ interest (Agarwal, 2001). IRDA with its developmental and regulatory guidelines is likely to promote competition, fairness and reliability and at the same time protect insured people against excessive, inadequate or unfairly discriminatory rates (Shrivastava and Shrivastava, 2001). In other words IRDA will play a significant role in the new scenario for customer protection, strict entry norms and high solvency criteria. The main objectives of this body for developing the emerging Indian insurance market are:

- The insurance companies should manage or expand its current business in order to achieve rapid growth.
- The insurance companies should deliver high quality products in order to build strong market position in the world.

“In the year 1956, 245 Indian and foreign companies were nationalized and today, the three letters ‘LIC’, stand as a synonym for insurance, for services, for excellence in strengthening the economic fiber of this country. No other three letters taken together are more recognised in the length and breadth of India than LIC” (Chidambaram, 2005b).
In the year 2001-02, in LIC, the activity commenced with the granting of agencies to a few corporate bodies and banks, which was further extended to brokers in the financial year 2002-03. Business development managers were posted in all zonal offices and selected divisional offices to recruit new agents under this channel, drive sales and provide necessary support. As at March 31, 2004, licenses had been granted to 27 banks, 580 corporate agents and 73 brokers who together secured a total business of 42,699 policies for a premium of Rs. 41.89 crore during the financial year 2003-04 (Mathur, 2003).

4.2 Organization set up of LIC

LIC is a four-tier organization classed as:
(i) Central Office
(ii) Zonal Offices
(iii) Divisional Offices
(iv) Branch Offices

The insurance company, as such, has an organization which comprises of a branch at the consumer contact level, division to supervise a given number of branches, a zone to cater to specified function of supervision and control over a vast region and a central office that controls the whole organization and handles policy making functions (Subramanian and Martis, 2000, pp 30-31). LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office, in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services, need was felt in the later years to expand the operations and place a branch office at each district headquarter. The re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organization, servicing functions were transferred from divisional office to the branches, and branches were made the accounting units. It worked wonders with the performance of the Corporation. Noticeably, from about 200 crores of New Business in 1957, the Corporation crossed 1000 crores only in the year 1969-70, and took another ten years to cross 2000 crore mark of New Business (www.licindia.in).
Since nationalization, LIC has built up a vast network of 8 Zonal Offices, 109 Divisional Offices, 2,048 Branch Offices (fully computerized) and 1004 satellite offices spread all over the country (LIC, 53rd Annual Report 2009-10). Its satellite offices, which are attached to the respective parent branches, are basically an extension of the large parent branches for rendering quick services to policy holders. Processing of new proposals and collection of renewal premium are the main functions of these offices, at present (http://licbidani.com). These satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate servicing and many other conveniences in the future (www.licindia.in).

**4.2.1 Central Office**

The central office of the Corporation is situated in Mumbai, the financial capital of India. It is the highest controlling point of the Corporation (LIC, 53rd Annual Report 2009-10). The Chairman, who is the chief executive officer of the Corporation, is assisted by managing directors, who are whole time officers of the Corporation. The managing directors in turn, are in the overall control of certain specified departments, which are headed by officers of the rank of executive directors or chiefs. The central office functions under the care of the board of directors and the different committees of the Corporation (Muralidhar, 2001). For the purpose of discharging these functions effectively, departments (namely, investment, finance & accounts, actuarial, internal audit & inspection, legal & housing property, pension & superannuation, human resource, vigilance, public relations & publicity, marketing, engineering, planning, and estate & office service departments, health insurance, micro-insurance portfolio, underwriting and reinsurance) have been set up under the charge of an executive director in the central office. Functions of each department have been shown in Figure 4.1.

However, the marketing department at the central office has to primarily finalize the plans of development of new business. It has to guide and co-ordinate the preparation of performance budget of the units and to study the need for opening new offices for greater spread and penetration by analysing the potential of the various areas. Opening of new offices, recruitment of marketing officials who develop the sales force, training,
personnel, preparation of training material etc., are also to be handled by the marketing department. This department has to organize research work connected with marketing, to put up the data relating to customers’ preference and help the actuarial department in developing need based products. When a new product is designed, marketing department organizes product launch and takes up measures to train the field force to effectively market the new product (Subramanian and Martis, 2000, pp 32-34).

The field personnel in India are generally of two tiers. One layer is the development officers and the other are agents. The marketing department has to handle all matters relating to the norms of performance and the compensation packages for the development officers. Agents are the front end of the selling organization. This department has to devise innovative methods of selection, training motivation of the agents. Publicity and public relations are the other important aspects of its activities. It has also to handle the publicity for the products through press and electronic media and is being considered as a sound one.

For any life insurance policy, the premium determination and benefit specification are to be often analyzed. The premium depends on different variables such as mortality, interest, expenses and all these are constantly studied by this department. The actuarial and statistical analysis of the experience of the insurer relating to these variables is done by actuarial department. It has to get data from the various operating offices regarding mortality experience on standard and sub standard lives, analysis of lapsation and details of product preferences of policyholders. Moreover, this department formulates the policy conditions and updates as also the premium rates. It comes out with new plans of insurance based on the needs of the insuring public. For this purpose it has to work closely with the marketing department and also keep in touch with the field force.
Figure 4.1: Organization of Central Office

Source: www.licindia.in
4.2.2 Zonal Offices

In the case of LIC, the regional level offices are called zonal offices. The Corporation has 8 zonal offices located at Mumbai, Kolkata, Delhi, Kanpur, Hyderabad, Chennai, Madras, and Bhopal (LIC, 53rd Annual Report 2009-10). The zonal manager is the head of the zonal office and is assisted by regional managers and secretaries who are put in charge of individual portfolios. He manages and controls the functioning of the zonal office and executes the orders and directions received from the control office. He is responsible for the following functions:

- making arrangements for managerial development and training activities
- expansion of branches and development of insurance agents
- undertaking market studies, increasing the cost effectiveness and public relations (Mathew, 2005).

The zonal office also functions as an appellate office to which appeals are made over the decisions of the divisional managers by aggrieved persons. Each zonal office is in charge of a number of divisions and has authority to execute decisions of the Corporation and to coordinate the working of those divisions. It is the primary responsibility of the zonal office to ensure that uniformity of working is maintained and the efficiency of these offices is kept at the highest level. The role of advisory board and zonal manager is very important for the organization and management of zonal offices. Typically, a zone caters to the supervision, support and control of offices over a couple of states’ jurisdiction and handles around 10 to 15 divisions (Subramanian and Martis, 2000, p 38). Zonal advisory board (ZAB) is constituted for each zone, which is competent to discuss and review all policy matters affecting the proper development of the life insurance business within the territorial limits of the zone and to make recommendations thereon. This board is constituted of 8 to 12 members. Many departments of a zonal office correspond to similar departments in the central office, but there is more operational element than policymaking in the zonal offices (for detail about the functioning of departments see figure 4.2).
Figure 4.2: Organization of Zonal Office

Source: www.licindia.in
However, *marketing department* plans the business performance for the zone as a whole by discussing with the operational units and agreeing on various indices of performance. It also constantly watches the socio-economic profile of the zonal territory and identifies opportunities for development. Recruitment of department offices and organizing promotion to the cadre of marketing officials is its another important function. Publicity and public relations activities in the territorial jurisdiction of the zone are also handled by this department.

Moreover, *actuarial department* attends to the underwriting of proposals and revival of policies that are referred to it by the divisional offices. Zonal medical referees are appointed by this office to give their opinion on the matters placed before them. It also maintains liaison with the actuarial department of central office and monitors the flow of information from divisional offices to central office (Subramanian and Martis, 2000, p 38, 39).

### 4.2.3 Divisional Offices

Divisional office is an important functional area point of LIC. It provides various types of services to policyholders, agents, development officers, employees and even to the branch offices. Divisional offices monitor and control the operations within the divisions (LIC, 53rd Annual Report 2009-10). It has a specified number of branches under its control, each of the branch is functioning effectively and successfully in its own limited area of operation. The divisional manager is responsible for all the functions of divisional office. He evaluates the plans and budgets of branch offices and sends the report to the zonal manager. He discharges his functions under the direct control of zonal manager (Mathew, 2005, pp 286-87).

It is the business of the divisional office to provide guidance and necessary resources to the branch offices and to have effective control and supervision which would help them to deliver the goods. Until recently, many of the functions which are now being done by the branch offices, were done by the divisional offices where decisions were taken
on almost all matters. However, with the re-organization scheme having been implemented, the role of the divisional offices has changed from an operating one to a supervising one. The heads of the different departments of divisional office visit the branch offices periodically to supervise and provide the necessary confidence and expertise to the personnel manning the branch offices. In this way more of controlling work rather than operational job is done in the divisional offices (Subramanian and Martis, 2000, p 40). They work as liaison between agents and branch office. Agents are working under the supervision and guidance of development officers. The agents and development officers have been working in tandem to pierce the life insurance market (Mishra, 2006). Every divisional office handles around 15 to 20 branches.

However, marketing department normally looks after both sales and servicing. The head of this department is given the responsibility of supervising the branches. Since the head of this department acts as supervisor of branches, and a small cell called branch support unit, is functioning under him. This cell receives the reports regarding the working of the branches and makes them available to all the heads of department for their review. The policy servicing department provides guidance to the branches regarding policy servicing. The branches submit all early claims to the divisional office along with all the relevant papers. The divisional office considers the admissibility of these claims.

References made by the branches are dealt with New Business and Actuarial Department and papers are returned to the branches with the decision of the competent authority. A divisional medical referee is appointed for tendering advice regarding accepting high risk cases. This department also supervises the working of the new business department of branches (Subramanian and Martis, 2000, pp 34, 38).
Figure 4.3: Organization of Divisional Office

Source: www.licindia.in
There is a provision for setting up a management committee in divisional office. This committee establishes coordination between different departmental offices. The main functions of this committee are:

- approval of the budget proposals of branch/divisional office
- evaluation of the monthly progress reports
- accepting the proposals of common supervision
- issuing of directions for inter-departmental cooperation
- giving suggestions to top officers for improvement in policies towards work methods and policies. Efforts to increase goodwill of the corporation
- considering of the matters where collective efforts are needed
- discharging of functions delegated by top authority
- deliberating of matters which improve the efficiency of every unit of the corporation (Mathew, 2005, pp 286-87).

4.2.4 Branch Offices

Branch offices procure business and are responsible for all customer interface transactions (LIC, 53rd Annual Report 2009-10). In the year 1982, LIC started adopting the marketing approach. The first step towards this end was decentralization of LIC’s operations up to branch level. As a result of decentralization, almost all aspects of policy servicing (e.g. identifying the prospective customers and motivating them to take policies, policy registration, sales force management, settlement of claims, etc.), are now entrusted to branch office (Muralidhar, 2001).

The branch office of the LIC is the main operating office where the sale of life insurance policies is done and services are given to the customers (Subramanian and Martis, 2000, p 39). In these offices, branch manager is the head of the branch and is responsible for effective functioning of the branch office (Mathew, 2005, pp 292-93). He is personally responsible for drawing up its three-year plan and annual performance budget (Subramanian and Martis, 2000, p 39). Branch offices are the primary centers of the LIC through which the insurance business is obtained. Nearly two thirds of the total income of the LIC is earned through these offices and about 75 percent of the
managerial expenses are spent by the branch offices. A major part of the employees and officers are working in the branch offices. The problems of policyholders are mostly solved by the branch offices. At present 2048 branch offices are functioning under the control of various divisional offices in the country.

There is a provision for setting up a management committee at every branch office. This committee would find solutions to day-to-day problems. The members of the committee consist of head of divisional office as a chairman and all departmental heads as nominated members (Mathew, 2005, pp 292-93). Each branch is given a specified area of operation. There are six departments (claims, finance & account, new business, office management, policy servicing, sales etc.) located under different branches (as shown in figure 4.4), but the sales department, a new business department and the policyholders servicing department play a significant role in marketing of insurance which are as follows:

*Sales department* looks after the field personnel i.e. development officers and agents. Appointment of agents and issue of their licenses are done by this department. Commission to agents is calculated and settled by this department. It also maintains earning records of the agents and appraisal of the development officers. All sales promotional activities, competitions etc. are handled here. This department attends to the registration of new proposals for insurance and subsequently forwarded to the new business department for underwriting.

The underwriting of new proposals is handled by *New Business department*. The proposals are scrutinized and then underwritten according to the set procedure. When a proposal is found acceptable, it is completed with the allotment of a policy number, adjustment of the premium and release of the commission to agents. The policy is printed and the original bond sent to the policyholder and the copy of the policy filed along with proposal papers and the docket comprising all these papers is sent to the records. Moreover, this department appoints a medical examiner whose services are required for examining proponents for insurance where the sum of the proposal is large or age of the proponents is beyond stipulated limits. The department maintains all records of the medical examiners, pays their fees and keeps a general watch on their performance.
Figure 4.4: Organization of Branch Office

- CLAIMS
  - Survival Benefit/Maturity Claims
  - Death Claims
  - F & A
    - Cash Receipts/Payments
    - Banking
    - General Accounts
    - Preparation of Trial Balance
  - IT
    - Computer Operations
    - Computer Support to other Departments
  - NB
    - Underwriting
    - Policy issue and other related functions
    - Valuation
  - OM
    - Office upkeep
    - Furniture & Stationery
    - Salary, Leave records
    - Employee records, Employee matters
  - PS/SSS
    - All policy servicing functions
    - Loans/Surrenders, Policy Revival
    - All alterations after issue of policy
    - Assignments/Nominations, Change of address
    - Transfer In/Out of policies
    - Sales related field jobs
    - Agency recruitment
    - All jobs related with Development Officers
    - Commission Payments

F & A  Finance and Accounts
IT    Information Technology
NB    New Business
OM    Office Management
PS    Policy Servicing
SSS   Salary Saving Scheme

Source: www.licindia.in
Policyholders servicing department plays an important role in LIC business. This is a big and vital department since it serves the policyholder from the start to finish. The quality of service given by the branch to its policyholders is responsible to a large extent for the conservation of business. The activities of this department cover a wide range from simple jobs like posting of premium in the ledger sheet, admission of age, registration of nomination and assignment, effecting alteration on the policies, issuing of duplicate policies, etc., to more complicated jobs of revival of lapsed polices, calculation and payment of loans and surrender value as also settlement of maturity and death claims (Subramanian and Martis, 2000, pp 39, 43 to 44).

In the present competitive environment, it has become mandatory for the field force viz., development officers, agents, and marketing officials to play their respective roles effectively. The role of development officers has to change in the changed scenario; with the specific focus put on recruitment of agents, monthly activation of agents, enhancement of the productivity of agents and arresting the termination of agents etc. The agents are also required to be professional and well equipped with marketing expertise (Socio-Economic Profile 2004-05, LIC, Amritsar division).

4.2.5 Organization set up of LIC in Punjab

There are three main divisions in Punjab which include thirteen districts. Detail of divisions, districts and branches are as follows:

4.2.5.1 Amritsar Divisional Office

Amritsar divisional office was carved out of Jalandhar divisional office on 24th April 1991. This date is regarded as a glorious day in the history of Amritsar division. The divisional office covers three border districts of Punjab viz., Amritsar, Gurdaspur and Ferozpur. There are 17 branch offices in the Amritsar division, out of which eight branch offices are in Amritsar district, five in Gurdaspur district and four in Ferozpur district (Socio-economic profile 2004-05, LIC, Amritsar Division).
<table>
<thead>
<tr>
<th>Zone</th>
<th>Number of Divisional Offices</th>
<th>Place Where Situated</th>
<th>Number of Sales Training Centers</th>
<th>Number of Branch Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Zone</td>
<td>08</td>
<td>Bhopal, bilaspur, Gwalior, Indore, Jabalpur, Raipur, Satna, Shahdol</td>
<td>02</td>
<td>140</td>
</tr>
<tr>
<td>North-Central Zone</td>
<td>12</td>
<td>Agra, Aligarh, Allahabad, Bareilly, Dehradun, Faizabad, Gorakhpur, Haldwani, Kanpur, Lucknow, Meerut, Varanasi</td>
<td>03</td>
<td>247</td>
</tr>
<tr>
<td>Eastern Zone</td>
<td>11</td>
<td>Asansol, Bongaigaon, Guwahati, Hawra, Jalpaigudi, Jorhat, Kolkata-I, II, III, kharagpur, Silchar</td>
<td>02</td>
<td>363</td>
</tr>
<tr>
<td>Northern Zone</td>
<td>17</td>
<td>Ajmer, Amritsar, Bikaner, Chandigarh, Delhi -I, II, III, Jaipur – I, II, Jalandhar, Jodhpur, Karnal, Ludhiana, Rohtak, Shimla, Srinagar, Udaipur</td>
<td>03</td>
<td>320</td>
</tr>
<tr>
<td>South-Central Zone</td>
<td>17</td>
<td>Bangalore-I,II, Belgaum, Kadappa, Dharwad, Hyderabad, Karimnagar, Muchhipatnam, Mysore, Nellore, Raipur, Rajmundri, Seconderabad, Shimoga, Uduppi, Visakhapattam, Warrangalk</td>
<td>02</td>
<td>314</td>
</tr>
<tr>
<td>Southern Zone</td>
<td>12</td>
<td>Chennai- I, II, Coimbatore, Ernakulam, Kottayam, Kozhicode, Madurai, SAlem, Tanjavour, Trivandrum- Thapuram, Tirunalveli, Vellore</td>
<td>03</td>
<td>261</td>
</tr>
<tr>
<td>Western Zone</td>
<td>22</td>
<td>Ahmedabad, Amravati, Aurangabad, Bhavnagar, Gandhinagar, Goa, Kalhapur, Mumbai-I, II, III, IV, Nadiad, Nagpur, Nander, Nasik, Pune- I, II, Rajkot, Satara, Surat, Thane, Vadodera</td>
<td>04</td>
<td>403</td>
</tr>
<tr>
<td>East central Zone</td>
<td>09</td>
<td>Begusarai, Berhampur, Bhagalpur, Bhubaneshwar, Cuttack, Hazaribagh, Jamshedpur, Muzaffarpur, Patna, Sambalpur,</td>
<td>03</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
<td></td>
<td>22</td>
<td>2048</td>
</tr>
</tbody>
</table>

4.2.5.2 Jalandhar Divisional Office
The Jalandhar divisional office consists of seven districts of Punjab viz. Jalandhar, Kapurthala, Hoshiarpur, Nawanshahr, Moga, Faridkot, and Muktsar. There are 19 branch offices in the Jalandhar division, out of which nine branch offices are in Jalandhar district, two in Kapurthala, three in Hoshiarpur, one each in Nawanshahr, Moga and Faridkot, and Muktsar district covers two branch offices (Statistical Year Book 1997-98, LIC, Jalandhar Division).

4.2.5.3 Ludhiana Divisional Office
The Ludhiana divisional office covers three districts of Punjab viz., Ludhiana, Bathinda and Mansa. There are 13 branch offices in the Ludhiana division, out of which ten branches are established in Ludhiana, two in Bathinda and one in Mansa districts (Socio-economic profile 2000-01, LIC, Ludhiana Division).

Table 4.2: Division Wise Total Number of Branches

<table>
<thead>
<tr>
<th>Divisions</th>
<th>Total Number of Branches</th>
<th>Names of the Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amritsar Division:</strong></td>
<td>17</td>
<td>Amritsar I, II, III, IV, Amritsar CAB, Abohar, Batala I, II, Chehata, Fazilka, Ferozpur, Gurdaspur, Pathankot I, II, Rayya, Tarn Tarn, Zira</td>
</tr>
<tr>
<td>Amritsar District</td>
<td></td>
<td></td>
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<tr>
<td>Gurdaspur District</td>
<td></td>
<td></td>
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<tr>
<td>Ferozpur District</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Jalandhar Division:</strong></td>
<td>20</td>
<td>Jalandhar I, II, III, IV, Jalandhar CAB, Industrial Area Branch, P&amp;GS, Dasuya, Faridkot, Garh Shankar, Hoshiarpur, Kartarpur, Kapurthala, Muktsar, Malout, Moga, Nawashahar, Nakodhar, Pillour, Phagwara</td>
</tr>
<tr>
<td>Jalandhar District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kapurthala District</td>
<td></td>
<td></td>
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<tr>
<td>Hoshiarpur District</td>
<td></td>
<td></td>
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<tr>
<td>Nawanshahr District</td>
<td></td>
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<tr>
<td>Moga District</td>
<td></td>
<td></td>
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<tr>
<td>Faridkot District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muktsar District</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ludhiana Division:</strong></td>
<td>16</td>
<td>Ludhiana I, II, III, IV, V, Ludhiana CAB, DAB, P&amp;GS, Bathinda, Jagraon, Khanna, Mansa, Rampuraphool, Samrala, SSO (Samrala), SSO (Raikot)</td>
</tr>
<tr>
<td>Ludhiana District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bathinda District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mansa District</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53</td>
<td></td>
</tr>
</tbody>
</table>

*Source: List of Class-I Officers, LIC, 2008-09, Northern Zone.*
4.3 Overseas Operation

4.3.1 Foreign Branches
LIC’s footprints are now to be found in many other countries in the world (Chidambaram, 2005a). The Corporation directly operates through its branches in Mauritius at Port Louis, Fiji at Suva and Lautoka and United Kingdom at Embley (LIC, 50th, 51st Annual Report 2006-07 and 2007-08). It is planning to enter Australia, New Zealand and South East Asia with an eye on the people of Indian origin as it aims to double its business from overseas Indians (www.topnews.in/tree/Insurance+Sector). Foreign Units collectively procured a First Premium Income (FPI) of Rs. 207.92 crore during 2009-10, thereby registering a growth of 23.81%. The Total Premium Income (Rs. 839.73 crore) showed a growth rate of 12.99% (http://licbidani.com/LIC%20Profile%202010.pdf).

4.3.2 Diversified Activities
LIC has been also involved in diversified activities, which are: LIC Housing Finance Ltd., LIC HFL Care Homes Ltd., LIC Mutual Fund AMC Ltd., LIC Pension Fund Ltd., LIC Cards Services Limited” (LIC CSL). Moreover, the Corporation entered the Health insurance market in the year 2007-08 with separate vertical for health insurance at Hyderabad to tap the vast potential in the health insurance market and to cater to the health insurance needs of insuring public. The stand alone health insurance product “Health Plus” was launched on 4th January 2008. In a short period of less than two months in the financial year 2007-08, 1.01 lakhs policies were sold covering 2.20 lakh lives with first premium income of Rs. 100.23 crores (LIC, 51st Annual Report 2007-08). The health insurance aspect in LIC is dealt by health insurance departments at central, zonal and divisional level.

4.4 Committees and Mechanisms

4.4.1 Customers’ Grievance Redressal
The Corporation has customers’ grievance redressal machinery at the branch/divisional/zonal/central offices, headed by senior officers who can be approached by policyholders for prompt redressal of their grievances on any day but particularly on every Monday...
between 2:30 p.m. and 4:30 p.m. except on holidays without prior appointment. The designated officers at the various offices of the Corporation are:

<table>
<thead>
<tr>
<th>Offices</th>
<th>Senior Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Branch Offices</td>
<td>Chief/ Sr./ Branch Manager</td>
</tr>
<tr>
<td>All Divisional Offices</td>
<td>Manager (CRM)</td>
</tr>
<tr>
<td>All Zonal Offices</td>
<td>Regional Manager (CRM)</td>
</tr>
<tr>
<td>Central Office</td>
<td>Executive Director / Chief /secretary (CRM)</td>
</tr>
</tbody>
</table>


The spirit of customer relations and customer care have been ingrained in LIC complaint redressal system with emphasis on placing customer oriented personnel at all touch points. Information technology enabled proactive support systems have been operationalised to reduce manual interventions and minimize grievances. For enhancing the customer satisfaction, LIC has launched a Citizens’ Charter with stringent benchmarks for servicing. Moreover, for ensuring quick redressal of customer grievances, Corporation has introduced a customer friendly Complaint Management System through a Customer Portal on the website http://www.licindia.in, where policy holder can directly register complaint/grievance and track its status (LIC, 53rd Annual Report 2009-10).

4.4.2 Claims Review Committee (CRC)

The Corporation settles a large number of death and maturity claims every year. Only in case of fraudulent suppression of material information is the claim repudiated. Besides, consumer affairs committee meetings are also held twice during the year and several valuable suggestions/recommendations received from the members are also taken into consideration. Claimants aggrieved by the decision of repudiation have the facility of referring their cases for review to zonal office or central office claims review committee (CRC). As a result of such review, depending on the merits of each case, appropriate decisions are taken. The claims review committees at the central and zonal offices have among other members a retired high court/district court judge (LIC, 53rd Annual Report 2009-10). This committee helps in providing transparency and confidence in LIC operations and has resulted in greater satisfaction among claimants, policyholders and public (www.licindia.in).
4.4.3 Customer Relationship Management (CRM)
All operating offices have complaint redressal cells which deal with complaints received directly from the policyholders, agents etc. Besides, they also attend to the complaints forwarded by other offices and government agencies. The positions and roles of the customer relationship managers (CRM) at the divisional level and customer relationship executives (CRE) at branch level have been created to champion the cause the customer inside the organization as customer representatives. They redress the grievances of policyholders related to policy servicing as also gives information about products and services. Policyholders can also contact CRM/CRE, if required, by dialing 1251.

4.4.4 Policyholders’ Council (PHC)
Policyholders’ councils are constituted in each division to discuss all the matters related to the servicing of the policyholders like claim settlement, outstanding claims, progress of new business, and publicity activities etc.

4.4.5 Central Management Committee
Meetings of the Central Management Committee are held every month. Review of Corporation's business, formulation and execution of strategies and various issues of concern are discussed. Zonal managers and heads of departments of central office, interact on various issues of the organization (LIC, 53rd Annual Report 2009-10).

4.4.6 Insurance Ombudsman
The grievance redressal machinery has been further expanded with the appointment of insurance ombudsman at different centres by the government of India. The office of insurance ombudsman was created in 1998 for arbitration between customers and insurance companies. At present there are 12 centers operating all over the country (Diary, LIC, Mumbai, 2009; Mishra, 2006) situated at Ahmedabad, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkata, Lucknow and Mumbai, providing low cost and speedy arbitration to customers (LIC, 53rd Annual Report 2009-10). Policyholder can approach the Insurance Ombudsman for
the redressal of their complaints free of cost. The annual report of these Insurance ombudsmen is submitted to governing body of insurance council. Insurance ombudsmen also provide low cost and speedy arbitration to customers vis-a-vis consumer courts/forums. Complaints of the following types come within the purview of the insurance ombudsman.

- Repudiation of liability under claims
- Delay in settlement of claims
- Any dispute regarding premiums paid or payable in respect of the policy
- Any dispute on the legal construction of the policies in relation to a claim, and
- Non-issue of insurance document to customer after receipt of premium (Diary, LIC, Mumbai, 2009).

4.4.7 Grievance Redressal Cell

The Consumer Affairs Department of IRDA handles policyholder grievances, apart from carrying out awareness campaigns on insurance. The Grievance Cell looks into the complaints from policyholders against life and non-life insurance companies. Prospects and policyholders are advised to first file their complaints with the respective insurance companies. The Grievance Cell facilitates redressal by taking up the complaints with the company. Where required, investigations and enquiries are carried out by IRDA. Recently, IRDA provided an alternative channel for prospects and policyholders to lodge complaints with the Grievance Cell by launching the IRDA Grievance Call Centre (IGCC). The IGCC receives and registers complaints through a Toll Free number. Complainants can also track the status of their complaints through IGCC. The Authority is also in the process of implementing the Integrated Grievance Management System (IGMS) through automation of the Grievance Cell for on-line registration of complaints. The proposed automated system would also enable on-line verification of status and redressal. Further, under the corporate governance guidelines, the Authority has also mandated that insurers shall have in place the Policyholder Protection Committee (IRDA, Annual Report 2009-10).
4.5 Major Achievements

LIC, the dominant player in the life insurance industry, has performed remarkably well and has made significant contribution towards the progress and economic development of the country. Its performance has been widely recognized and has received accolades from diverse corners – the first being recognized as the ‘Most Trusted Service Brand in India’ by the Economic Times & AC Nielsen ORG MARG for the two consecutive years and also for being a ‘Super Brand of India (2004-05)’. Dun & Bradstreet has certified LIC as number one in net worth and net profit among the top 500 Indian companies for the year 2004. LIC has received a series of ‘Golden Peacock Awards’ in the areas of corporate governance, and product innovation and also a global award for corporate social responsibility (Socio-economic profile 2004-05, Amritsar division).

LIC was also awarded with CNBC Awaaz Consumer Awards 2006 for most preferred life insurance company by the consumer and its Portal has won the Webby’s Consumers Choice Best Website Award (LIC, 50th, 51st, 53rd Annual Report 2007-08 to 2009-10). Besides, during the year 2009-10, LIC continued bagging almost all major awards in insurance category, the important being are as follows:

<table>
<thead>
<tr>
<th>Name of the Organisation</th>
<th>Name of the Award (year 2009-10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super brands</td>
<td>Super Brand India 2009-10</td>
</tr>
<tr>
<td>Readers Digest</td>
<td>Readers Digest Trusted Brand Award-2009- Platinum Category</td>
</tr>
<tr>
<td>NDTV Profit</td>
<td>Business Leadership Award, 2009</td>
</tr>
<tr>
<td>Outlook Money - NDTV Profit</td>
<td>“Best Life Insurer Award, 2009”</td>
</tr>
<tr>
<td>World Brand Congress</td>
<td>“Global Award for Brand Excellence- Brand Leadership Award (Overall)-2009”</td>
</tr>
<tr>
<td>World Brand Congress</td>
<td>Global Award for Brand Excellence- (Banking and Financial Services Category)</td>
</tr>
<tr>
<td>Asia Pacific HRM Congress</td>
<td>Innovative HR practices Award, 2009</td>
</tr>
<tr>
<td>ET Brand Equity</td>
<td>Top Brand in the Insurance Category in the survey conducted by Brand Equity with AC Nielson.</td>
</tr>
<tr>
<td>CNBC Awaz</td>
<td>“Most Preferred Life Insurance Company of the Year”</td>
</tr>
<tr>
<td>Employer Branding Awards</td>
<td>Best Employer Brand Award, 2009</td>
</tr>
<tr>
<td>SKOCH Challenger Award</td>
<td>Micro Insurance</td>
</tr>
<tr>
<td>49th ABCI Annual Award</td>
<td>Wall Calendar for the year, 2009</td>
</tr>
<tr>
<td>CFBP Jamnalal Bajaj Uchit Vyavahar Puraskar 2009</td>
<td>Service Category- Large Enterprises</td>
</tr>
</tbody>
</table>

Source: http://licbidani.com