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CHAPTER: I

1.1 INTRODUCTION

Wherever there is uncertainty there is risk. The risk can’t be averted. It involves multiple losses. And so, the risk is uncertainty of financial losses. We do not have any command on uncertainties. The insurance is a co-operative device to spread the loss. Further, it is also a social device to accumulate funds to meet uncertain losses. The main function of insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses at destruction of property and death. It also provides capital to the society as the accumulated funds are invested in the productive heads. The product of insurance benefits the industry, the business, an individual and a group of persons. Hence, the insurance is the outcome of man’s constant search for security and finding out ways and means of ameliorating the hardships arising out of calamities. Here, the persons exposed to similar risk contribute some amount periodically and those who actually face the loss are indemnified out of these funds.

Life Insurance is a contract for payment of a sum of money to the person assured (or failing him/her, to the person entitled to receive the same) on the happening of the event insured against. Usually the insurance contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at the unfortunate death if it occurs earlier. So, there is a price to be paid for this benefit. Among other things, the contract also provides for the payment of premiums by the assured. Life Insurance is universally acknowledged as a tool to eliminate risk, substitute
certainty for uncertainty and ensure timely aid of the family in the unfortunate event of the death of the breadwinner. In other words, it is the civilized world's partial solution to the problems caused by death. In a nutshell, life insurance helps in two ways: premature death, which leaves dependent families to fend for itself and old age without visible means of support.

Life Insurance Corporation of India (LIC) was formed in September, 1956 by an Act of Parliament, viz., Life Insurance Corporation Act, 1956, with a capital contribution from the Government of India. The then Finance Minister, Shri C.D. Deshmukh, while piloting the bill, outlined the objectives of LIC thus: to conduct the business with the utmost economy, in a spirit of trusteeship; to charge premium no higher than warranted by strict actuarial considerations; to invest the funds in obtaining maximum yield for the policy holders consistent with the safety of the capital; to render prompt and efficient service to policyholders, thereby making insurance widely popular. Since nationalization, LIC has built up a vast network of 2,048 branches, 111 divisions and 8 Zonal offices spread over the country. The Life Insurance Corporation of India also transacts business abroad and has offices in Fiji, Mauritius and United Kingdom. LIC is associated with joint ventures abroad in the field of insurance, namely, Ken-India Assurance Company Limited, Nairobi; United Oriental Assurance Company Limited, Kuala Lumpur and Life Insurance Corporation (International) E.C. Bahrain. The Corporation has registered a joint venture company in 26th December, 2000 in Kathmandu, Nepal by the name of Life Insurance Corporation (Nepal) Limited in collaboration with Vishal Group Limited, a local industrial Group. An offshore company L.I.C. (Mauritius) Offshore Limited has also been set up in 2001 to tap the African insurance market, the latest joint venture subsidiary of the Corporation was established in Sri Lanka on
1 March 2003 in partnership with local company M/s Bartleet & Company Ltd.

In the context of North East India, the region comprising of eight states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura is endowed with vast natural resources and has enormous potential of development. The economic structure of northeast India is similar to the general economic structure of India as a whole. But because of its topography as well as social and political conditions it has a relatively backward economy. The strategic importance of the region along with its sensitive geopolitical location extremely diverse nature of its population with different cultural, linguistic, religious and historical background makes this region characteristically different from the rest of the country. In fact region is still backward as compared to other parts of the country and could not develop much industrially despite of having vast natural resources. The NER of India covers an area of 2.62 lakh sq.km. It accounts for 7.9% of total geographical area of the country. With a total population of 45.5 million (2011), it accounts for 3.75% of the total population of India. The two offices one Zonal office in Calcutta and the other Central office at Mumbai coordinate the life insurance business of the region. There are only four divisional offices in the region – (i) Guwahati (ii) Silchar (iii) Jorhat and (iv) Bongaigaon. There are only 55 branches in the region. This provides a backdrop as to the organizational set up of the life insurance in the region. There has been always scathing attach on LIC that it is highly centralized and its unitary structure has hampered its efficiency resulting in poor performance. This warrants a careful study of the corporation and its impact in the NER.

Among the several objectives of LIC to spread life insurance widely and in particularly in the rural areas and to the socially and economically
backward classes and maximize mobilization of people’s saving by making insurance linked saving adequately attractive are considered to be important ones. It is an endeavor to study whether these important objectives were achieved in the NER and if so to what extent.

1.2 HISTORY OF INSURANCE WORLDWIDE

In some sense we can say that insurance appears simultaneously with the appearance of human society. We know of two types of economies in human societies: natural or non-monetary economies (without money, markets, financial instruments and so on) and more modern monetary economies (with markets, currency, financial instruments and so on). The former is more primitive and the insurance in such economies entails agreements of mutual aid. If one family's house is destroyed the neighbors are committed to help rebuild. Granaries housed another primitive form of insurance to indemnify against famines. Often informal or formally intrinsic to local religious customs, this type of insurance has survived to the present day in some countries where a modern money economy with its financial instruments is not widespread.

Turning to insurance in the modern sense (i.e., insurance in a modern money economy, in which insurance is part of the financial sphere), early methods of transferring or distributing risk were practiced by Chinese and Babylonian traders as long ago as the 3rd and 2nd millennia BC, respectively.¹ Chinese merchants travelling treacherous river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel's capsizing. The Babylonians developed a system which was recorded in the famous Code of Hammurabi c. 1750 BC, and practiced by early Mediterranean sailing merchants. If a merchant received a loan to fund

his shipment, he would pay the lender an additional sum in exchange for the lender's guarantee to cancel the loan should the shipment be stolen or lost at sea.

**Achaemenian** monarchs of Ancient Persia were the first to insure their people and made it official by registering the insuring process in governmental notary offices. The insurance tradition was performed each year in Norouz (beginning of the Iranian New Year); the heads of different ethnic groups as well as others willing to take part, presented gifts to the monarch. The most important gift was presented during a special ceremony. When a gift was worth more than 10,000 Derrik (Achaemenian gold coin) the issue was registered in a special office. This was advantageous to those who presented such special gifts. For others, the presents were fairly assessed by the confidants of the court. Then the assessment was registered in special offices.

The purpose of registering was that whenever the person who presented the gift registered by the court was in trouble, the monarch and the court would help him. Jahez, a historian and writer, writes in one of his books on **ancient Iran** "Whenever the owner of the present is in trouble or wants to construct a building, set up a feast, have his children married, etc. the one in charge of this in the court would check the registration. If the registered amount exceeded 10,000 Derrik, he or she would receive an amount of twice as much." ²

A thousand years later, the inhabitants of **Rhodes** invented the concept of the **general average**. Merchants whose goods were being shipped together would pay a proportionally divided premium which would be used

² http://www.iran-law.com/article.php3?id_article=61
to reimburse any merchant whose goods were deliberately jettisoned in order to lighten the ship and save it from total loss.

The ancient Athenian "maritime loan" advanced money for voyages with repayment being cancelled if the ship was lost. In the 4th century BC, rates for the loans differed according to safe or dangerous times of the year, implying an intuitive pricing of risk with an effect similar to insurance. The Greeks and Romans introduced the origins of health and life insurance c. 600 BCE when they created guilds called "benevolent societies" which cared for the families of deceased members, as well as paying funeral expenses of members. Guilds in the Middle Ages served a similar purpose. The Talmud deals with several aspects of insuring goods. Before insurance was established in the late 17th century, "friendly societies" existed in England, in which people donated amounts of money to a general sum that could be used for emergencies.

Separate insurance contracts (i.e., insurance policies not bundled with loans or other kinds of contracts) were invented in Genoa in the 14th century, as were insurance pools backed by pledges of landed estates. These new insurance contracts allowed insurance to be separated from investment, a separation of roles that first proved useful in marine insurance. Insurance became far more sophisticated in post-Renaissance Europe and specialized varieties developed.

Some forms of insurance had developed in London by the early decades of the 17th century. For example, the will of the English colonist Robert Hayman mentions two "policies of insurance" taken out with the

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diocesan Chancellor of London, Arthur Duck. To the value of £100 each, one relates to the safe arrival of Hayman's ship in Guyana and the other is in regard to "one hundred pounds assured by the said Doctor Arthur Duck on my life". Hayman's will was signed and sealed on 17 November 1628 but not proved until 1633. Toward the end of the seventeenth century, London's growing importance as a center for trade increased demand for marine insurance. In the late 1680s, Edward Lloyd opened a coffee house that became a popular haunt of ship owners, merchants, and ships' captains, and thereby a reliable source of the latest shipping news. It became the meeting place for parties wishing to insure cargoes and ships, and those willing to underwrite such ventures. Today, Lloyd's of London remains the leading market (note that it is an insurance market rather than a company) for marine and other specialist types of insurance, but it operates rather differently than the more familiar kinds of insurance. Insurance as we know it today can be traced to the Great Fire of London, which in 1666 devoured more than 13,000 houses. The devastating effects of the fire converted the development of insurance "from a matter of convenience into one of urgency, a change of opinion reflected in Sir Christopher Wren's inclusion of a site for 'the Insurance Office' in his new plan for London in 1667." A number of attempted fire insurance schemes came to nothing, but in 1681 Nicholas Barbon and eleven associates, established England's first fire insurance company, the 'Insurance Office for Houses', at the back of the Royal Exchange. Initially, 5,000 homes were insured by Barbon's Insurance Office.

The first insurance company in the United States underwrote fire insurance and was formed in Charles Town (modern-day Charleston, South Carolina) in 1732. Benjamin Franklin helped to popularize and make
standard the practice of insurance, particularly against fire in the form of perpetual insurance. In 1752, he founded the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire. Franklin's company was the first to make contributions toward fire prevention. Not only did his company warn against certain fire hazards, it refused to insure certain buildings where the risk of fire was too great, such as all wooden houses.

In the United States, regulation of the insurance industry's primary resides with individual state insurance departments. The current state insurance regulatory framework has its roots in the 19th century, when New Hampshire appointed the first insurance commissioner in 1851. The congress adopted the McCarran-Ferguson Act in 1945, which declared that states should regulate the business of insurance and to affirm that the continued regulation of the insurance industry by the states is in the public's best interest. The Financial Modernization Act of 1999, commonly referred to as 'Gramm-Leach-Bliley', established a comprehensive framework to authorize affiliations between banks, securities firms, and insurers, and once again acknowledged that states should regulate insurance. 4

Whereas insurance markets have become centralized nationally and internationally, state insurance commissioners operate individually, though at times in concert through the National Association of Insurance Commissioners. In recent years, some have called for a dual state and federal regulatory system (commonly referred to as the Optional federal charter (OFC)) for insurance similar to the banking industry.

In 2010, the federal Dodd-Frank Wall Street Reform and Consumer Protection Act established the Federal Insurance Office ("FIO"). FIO is part

of the U.S. [Department of the Treasury](http://www.treasury.gov/about/organizational-structure/offices/Pages/Federal-Insurance.aspx) and it monitors all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that may contribute to a systemic crisis in the insurance industry or in the U.S. financial system. FIO coordinates and develops federal policy on prudential aspects of international insurance matters, including representing the U.S. in the [International Association of Insurance Supervisors](http://www.treasury.gov/about/organizational-structure/offices/Pages/Federal-Insurance.aspx). FIO also assists the U.S. [Secretary of Treasury](http://www.treasury.gov/about/organizational-structure/offices/Pages/Federal-Insurance.aspx) with negotiating (with the U.S. Trade Representative) certain international agreements.

Moreover, FIO monitors access to affordable insurance by traditionally underserved communities and consumers, minorities, and low- and moderate-income persons. The Office also assists the U.S. Secretary of the Treasury with administering the Terrorism Risk Insurance Program. However, FIO is not a regulator or supervisor. The regulation of insurance continues to reside with the states.  

### 1.3 HISTORICAL BACKGROUND OF LIFE INSURANCE BUSINESS IN INDIA AND IN THE CONTEXT OF NER

The life insurance business in India started in the 19\textsuperscript{th} century when the first Indian company, the Bombay Mutual life assurance society ltd., was formed at Bombay on December 3, 1870.\textsuperscript{6} In the beginning, the number of life insurance companies was small and the scales of operations were also very limited. In real terms the life insurance business in India began when British Companies started life insurance transactions in India mainly for the benefit of European civilians and soldiers. Occasionally, they also issued policies on Indian lives, but it cannot be termed as Indian insurance in the

\textsuperscript{5} http://www.treasury.gov/about/organizational-structure/offices/Pages/Federal-Insurance.aspx  
\textsuperscript{6} Bajpai, O.P., Elements of life insurance, Kitab Mahal, Allahabad, 1959, p.168
true sense of the term. The very first policy on Indian lives was issued in 1945 by the “Royal” in favour of ‘Cursetjee Furdoonjee’.  

In 1874, a company, namely, the Oriental Government Security Life Assurance Company Ltd., was formed followed by the Indian life of Karachi (1892), The Bharat of Lahore (1896) and the Empire of India, Bombay (1897). To start with the progress of Indian insurance companies was slow mainly due to competition from the foreign companies having longer standing, bigger resources and Governmental patronage. However, a larger number of companies were formed after the Swadeshi Movement of 1905. According to an investigation of life insurance in foreign countries made by the Consular Officers of the United states in the year 1905, 26 foreign life insurance companies, including one American life office, operated in Indian in that year. Between 1903 and 1912 alone, 38 life insurance companies were formed all over the country. These included the National (1906), the Asian (1911) etc. of these, as many as 26 were closed down within a short period of time. During the same period about 500 provident societies were floated and many of them also closed down their business shortly after inception. To exercise a measure of control, therefore, the Government passed the first Insurance Act in 1912.

The passage of the Act was a landmark in the history of life insurance in India. During the First World War, the life insurance in the country suffered a setback. The investments of the life insurance companies depreciated in value and so they had to suffer considerable losses. The Swadeshi Movement led to a resentment for the control of this vital sector.

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9 Ahmad, M.M & Khan, M.A., Theory and Practice of Insurance in India, op.cit., p.407.
of India’s economic life by foreigners and a number of life insurance companies were set up many of which were financially and actuarially unsound and came to grief in the wake of 1912 legislation. The 1912 Act, as the first legal step taken to regulate life insurance business in India, which put it on a sound footing, proved instrumental in creating a healthier atmosphere but the number of Indian life offices working during this period was not large.

In the year 1919, the Indian companies had to face severe competition from foreign companies which were better managed and better run. The management expenses of Indian companies were also mounting up. A significant trend in the development of life insurance business was visible from 1930 onwards when Indian companies started doing business outside India also. They started insuring lives in British East Africa and in Near East. They also offered attractive terms and bonuses to policyholders. During 1929-1939 alone, as many as 172 insurance companies were floated all over the country. But the end of 1938, the competition among the Indian insurers themselves had begun. In the reckless competition they completely ignored the principles of constant vigilance, strict economy, careful management, skilled underwriting and, above all, the principles and criteria of investment. In order to create confidence among the policy-holders and to exercise a closer control over the numerous matters of management, investment of funds and expenditure of insurance offices, the government enacted the insurance act 1938 \(^{10}\) which was an improvement over the 1912 Act. The Act provided for the establishment of the Department of Insurance under authority of the Superintendent of Insurance (Later designated as Controller of Insurance). The main feature of the Act was that for the first time in the history, the whole business was unified and controlled by

\(^{10}\) Ahmad, M.M & Khan, M.A., Theory and Practice of Insurance in India, op.cit., p.409.
statutory rules and regulations at Government level.

In 1947, with the attainment of independence the growth of insurance business became the responsibility of the State. A committee headed by Sir Cowasjee Jahangir was appointed by the then Government to enquire into the acquisition of control of insurance companies, the manipulation of their funds on acquisition, and the possible repercussion of the interlocking of funds between banks and insurance companies. The act sought, among other things, to place restrictions on investment of funds, to prohibit interlocking of funds of insurance and banking companies and to limit their expenses. The Act succeeded in checking the expansion of insurance business to unhealthy directions.

In 1951, when India embarked upon a planned economic development of the country and launched the first five year plan, the country required substantial funds which only and organized life insurance business could have provided. Unfortunately, a large number of cases involving misuse of funds of the new offices by the directors were noticed. One of the most important lacunas was that no effort was at all made by the insurers to penetrate into the rural areas.

By the year 1955, approximately 170 insurance companies and about 80 provident societies has been registered for transacting life insurance business in India. A few of these were foreign companies with their head office outside India. In addition to these insurers a large number of other insurers who had registered themselves for transaction of life assurance business had either gone into liquidation or had been taken over by the existing insurers.
From a study conducted at about that time it was found that the concept of trusteeship which should have been the cornerstone of life insurance was entirely lacking and most management had no appreciation of the clear and vital distinction that existed between trust money and those belonging to stock companies owned by shareholders. Therefore, it become necessary to nationalize Insurance business with a view to –

- Provide 100 per cent security to policy holders
- Ensure use of the fund for national building activities
- Avoid wasteful effort in competition
- Save the dividend paid to the shareholders of insurance companies
- Avoiding of certain undesirable practices adopted by some insurance companies
- Speeding up of insurance business in rural areas

The first step in this direction was taken on January 19, 1956 by promulgation of an ordinance vesting the management and control of life insurance business in India in the Central Government. On this occasion, the then finance minister Sir C. D. Deshmukh in his broadcast to the nation said. “The nationalization of life insurance will be another milestone on the road the country has chosen in order to reach its goal of a socialistic pattern of society. In the implementation of second five year plan it is bound to give material assistance to the lives of millions in the rural areas. It will introduce a new sense of awareness building, for the future in the spirit of clam confidence which insurance alone can give. It is a measure conceived in a genuine spirit of service to the people. It will be for the people to respond, confound the doubter's and make it a resounding success.”
Thus, the life insurance industry was nationalized in the year 1956 and the “LIFE INSURANCE CORPORATION OF INDIA” came into existence on the 1st day of September 1956. To remember this historic event insurance week is celebrated from 1st to 7th September every year thereafter. The objectives of nationalization were defined as conducting the business with utmost economy in true sense trusteeship, to charge premium no higher than narrated by strict actuarial consideration, and to invest the fund for obtaining maximum yield consistent with safely of capital and render prompt and efficient services to the policy holders, etc. The mission given to LIC at that time can be summarized as-

- Providing protection of insurance to people in every nook and corner of the country
- Mobilizing savings for the development of country
- Responding to customer sensitivity

Consequent to that, tracing the development of life insurance industry is nothing but wading through the progress of LIC itself.

Since nationalization, Life insurance business in India has been run by the State owned LIC i.e. Life Insurance Corporation of India which has a dominant position in the country’s economy. In 1999, the insurance sector opened up for private companies in life as well as Non-life insurance companies. It was followed by the establishment of IRDA (insurance Regulatory and Development Authority) in April 2000. The foreign companies looked upon the untapped profit potentials in Indian, insurance industry and rushed over here. Thus, the Life Insurance public sector giant, i.e. LIC, which never faced competition earlier, now has to compete with the private players who boast of the rich and long experience of their partners from the developed countries of the world.
In the context of North East India (NER), the Life Insurance began very late in comparison with other parts of the country. This is because no local entrepreneur came up with the idea of starting insurance business in this region. The established insurance companies of Calcutta (Kolkata) and Bombay (Mumbai) never came forward to open their business office in Assam, because of the inaccessibility of the region from the main stream of the country. In the circumstances the region had to wait till 1921 when a Calcutta (Kolkata) based company started functioning in this area. As shown in Table1.1, it was the Hindustan Co-operative Society Ltd. which began transacting business in the region in 1921, followed by the oriental government security life insurance Co. Ltd. in 1925. But this outside insurance companies never took a care for the economic and social development of the region, as they did not invest their fund here which is evident from insurance year books.

However, during the 1930’s, the spirit of Swadeshi Movement swept the country and Assam did not lag behind. This found expression in the establishment of the first insurance company of the region named Bhaskar Insurance Company in 1936 with its registered office at Gauhati. This was the only indigenous company of the NER and it’s continued to function till 1955 i.e., till the date of nationalisation of life insurance on September 1, 1956. The pioneering zeal and entrepreneurships of a few such as Dr. HariKrishna Das, IMS, the retired civil Surgeon, Gauhati; Sri Jogendra Nath Barua, B.L,Additional Judge, Ghy; Sri Gopinath Bordoloi, M.A, B.L, Pleader, Judge’s Court, Ghy (Who later became the prime minister of Assam after the fall of Sir Saddullah ministry); Sri Bishnu Ram Medhi, M.Sc,B.L.Advocate, Ghy (who later rose to the Governor of Madras) and some other leading businessman were primarily responsible for the
establishment of the Bhaskar Insurance Company Ltd. Sri Jogendra Nath Barua was appointed the first director of the company. The authorized capital of the company was ₹ 10,00,000 divided into 1,00,000 shares of ₹ 10 each. It commenced business from 1938.

In the 1940’s several other companies-big or small started functioning in this region. It is seen from Table-1.1 that most of the insurance companies functioning in the region had their registered offices outside the region and many of them acted through either organizing office with an organizer for selling the policies or branch offices. Only Hindustan Co-operative Assurance Society Ltd. and Oriental Govt. Security Life Insurance Co. Ltd. established their Head Office at Gauhati. The rest of the enlisted companies (Table 1.1) operated through organizing offices excepting industrial and prudential co. (which had a branch office at Shillong). It is further observed from Table 1.1 that no life insurance office was located in the present territorial limit of Arunachal Pradesh, Nagaland, Mizoram and Manipur. Even no life insurance was transacted in those states. The life insurance activities were confined to the townships of Gauhati, Shillong, Tezpur, Jorhat and Dibrugarh.

**Table 1.1 INDIAN LIFE INSURANCE COMPANIES FUNCTIONING IN THE NORTH EAST REGION PRIOR TO NATIONALISATION**

<table>
<thead>
<tr>
<th>Year of Est.</th>
<th>Name of Insurer</th>
<th>Year of functioning in the NER</th>
<th>Regd. Office</th>
<th>Organisational Pattern Functioning of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>Hindustan Co-operatives Assurance Society Ltd.</td>
<td>1921</td>
<td>Calcutta</td>
<td>H.O-Gauhati Plus Branches</td>
</tr>
<tr>
<td>1874</td>
<td>The Oriental Govt. Security Life Insurance Co. Ltd.</td>
<td>1925</td>
<td>Bombay</td>
<td>H.O-Gauhati Plus Branches</td>
</tr>
<tr>
<td>Year</td>
<td>Company Name</td>
<td>H.O. Year</td>
<td>Head Office</td>
<td>Branch Office</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------</td>
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</tr>
<tr>
<td>1919</td>
<td>New India Mutual Life Insurance Society</td>
<td>1928</td>
<td>Bombay</td>
<td>Br.- Calcutta</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Org.Off.-Shillong</td>
</tr>
<tr>
<td>1871</td>
<td>Bombay Mutual Life Insurance Society</td>
<td>1929</td>
<td>Bombay</td>
<td>H.O-Calcutta</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Br.-Gauhati</td>
</tr>
<tr>
<td>1906</td>
<td>United India Life insurance co. Ltd.</td>
<td>1931</td>
<td>Madras</td>
<td>C.O.- Calcutta</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Org.Off.- Gauhati</td>
</tr>
<tr>
<td>1907</td>
<td>The National Indian Life Insurance Co. Ltd.</td>
<td>1932</td>
<td>Calcutta</td>
<td>H.O- Gauhati</td>
</tr>
<tr>
<td>1936</td>
<td>Bhaskar Insurance Co. Ltd.</td>
<td>1936</td>
<td>Gauhati</td>
<td>C.O- Gauhati</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Plus Branches</td>
</tr>
<tr>
<td>1936</td>
<td>The Sadam Insurance Co. Ltd.</td>
<td>1939</td>
<td>Calcutta</td>
<td>Org. Off.- Palasbari, Boko</td>
</tr>
<tr>
<td>1936</td>
<td>Insurance of India</td>
<td>1936</td>
<td>Comilla</td>
<td>C.O- Comilla</td>
</tr>
<tr>
<td>1936</td>
<td>Sadam Provident Insurance Co. Ltd.</td>
<td>1940</td>
<td>Calcutta</td>
<td>Br. Gauhati</td>
</tr>
<tr>
<td>1929</td>
<td>East India Insurance Co. Ltd</td>
<td>1940</td>
<td>Calcutta</td>
<td>Br. Comilla</td>
</tr>
<tr>
<td>1913</td>
<td>Industrial &amp; Prudential Assurance Co. Ltd.</td>
<td>1940</td>
<td>Bombay</td>
<td>H.O-Calcutta</td>
</tr>
<tr>
<td>1930</td>
<td>The Metropolitan Insurance Co. Ltd.</td>
<td>1940</td>
<td>Calcutta</td>
<td>Org.Off.- Gauhati</td>
</tr>
<tr>
<td>1933</td>
<td>Aryastham Insurance Co.</td>
<td>1943</td>
<td>Calcutta</td>
<td>Org.Off.- Gauhati</td>
</tr>
<tr>
<td>1943</td>
<td>Prithi Insurance Co. Ltd.</td>
<td>1948</td>
<td>Madras</td>
<td>Org.Off.- Gauhati</td>
</tr>
</tbody>
</table>

H.O – Head Office; B.O – Branch Office; C.O – Chief Office; Org.Off. – Organising Office

Source:- The Asamiya, Regd. No.C1819 May 4,1921, Feb 7, 1925, April 20, 1940, April 27, 1940, July 20, 1940, June 3, 1959 etc.

On nationalization of life insurance business in the year 1956, Bhaskar insurance company Ltd., the 1 (one) insurance company of the Region was brought under the life insurance corporation of India. Since then the administration of life insurance business in the North Eastern Region has been controlled by the Zonal office in Calcutta (Kolkata). The Zonal office coordinates the activities of the divisional office in the region.

Till the establishment of the newly inaugurated Silchar Division in 1961, the entire North Eastern region comprising seven states- Assam, Meghalaya, Manipur, Mizoram, Nagaland, Tripura and Arunachal Pradesh was served by the Gauhati Divisional Office. Thus the two divisional offices with 31 branches supervise over the region which covers an area of 2.55 thousand square kilometers and a population of about 299 less. The Silchar Division covers an area of 75 thousand kilometers comprising undivided
Cachar district and North Cachar district of Assam, Manipur, Mizoram and Tripura with a population of 48 lakhs, while Gauhati division has been heavily burdened with the rest of the region. Hence, a divisional office at Jorhat was created in the early eighties, with a view it will be able to supervise and control the business effectively over the undivided districts of North Lakhimpur, Dibrugarh and Sibsagar of Assam; Arunachal Pradesh and Nagaland covering an area of 1224 thousand Square Kilometers and 50 losses of population, leaving the rest for the jurisdiction of Gauhati division. In this respect a division of Jorhat would be richer and more economical than Silchar division itself. The business potentiality of the proposed Jorhat division and its future prospect of growth are also brighter than Silchar division. Further, there is the possibility of opening new life offices at places such as Moran, Bokakhat, Mokokchung, Kohima, Sonari, Tezu and Direct Career Agents Branches at the prosperous towns, while under Silchar division opening new life offices are not so bright. The areas under Jorhat divisional jurisdiction is marked by coal, mining and oil industries, paper and pulp industries, plywood industries and plantation industries which contributed added advantage to the proposition. Till 1997 the life insurance business in NER was carried and controlled by three divisional offices i.e. Guwahati, Silchar and Jorhat. Due to increase in the business in the region and three divisional offices was heavily burden it was decided to open another divisional office at Bongaigaon in 1998. Now the two offices one Zonal office at Kolkata and the other Central office at Mumbai coordinate the life insurance business of the region. There are only four divisional offices in the region – (i) Guwahati (ii) Silchar (iii) Jorhat and (iv) Bongaigaon. There are only 55 branches in the region.

1.4 NEED AND SIGNIFICANCE OF THE STUDY

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The corporation which came into existence and started functioning from September 1, 1956 has completed 52 years of service to its policyholder and to the nation. The LIC has been carrying on life insurance business for a fairly long period of time as to warrant a critical look at its operation with a view to delineating the major achievement and failure particularly in north eastern region and all India in general.

A critical examination of the working of LIC would involve a no. of important issues such as:

- Whether organizational set up in the region for carrying on life insurance business is sufficient;
- Whether the present monopolistic structure of the organization of the corporation (which has emerged itself into a gigantic financial institution) is a hindrance for furthering the noble cause of life insurance to the masses;
- How far the LIC is successful in tapping the life insurance potentialities in the region;
- To find out the strategies to be adopted for spreading life insurance cover to every eligible person in the region, and
- How far the degree of efficiency with which the corporation provides post sales service to its policy holder in the region in respect of claims settlement.

LICI has emerged itself into as the biggest investor in the country. It has at its disposal a huge growing fund seeking investment outlets. The way these funds are invested will have significant impact on social and economic development of the various states and the region and finally the country as a whole. Hence a study of the various facets of the investment portfolios of the LIC in the region and its underlying principles and policies appearing to
be well warranted. Therefore, there is an urgent need to examine the growth and performance of LICI in NER towards socioeconomic development of the region and enough research, establishes the truth and suggest measures thereof to know the reality of the performance of the organization. It is with this background that the present piece of research is conceptualized and taken up. The present study will be highly significant to the northeastern states. This study will be helpful to the LICI for taking the necessary steps and measures for successful performance of the organization towards the development of the NER. It is our endeavor to study the “GROWTH AND PERFORMANCE OF LICI IN NORTH EASTERN REGION”, so it is hoped that this study will be of immense importance for all the concerns.

1.5 OBJECTIVES OF THE STUDY

The main objectives of the study are-

1. To study the organizational set up of life insurance corporation of India.
2. To study the globalization & its impact on LICI business in NER.
3. To examine the settlement of claims to policyholders of LICI.
4. To evaluate the investment of life insurance funds of LICI in NER.
5. To analysis the growth & performance of LICI in NER
6. To recommend the suggestions to accelerate the growth and performance of LICI in North East Region.

1.6 HYPOTHESIS OF THE STUDY

The following are the hypothesis for the study:-

1. The performance of LICI in NER is not satisfactory.
2. There is no significant effect on the performance of LIC in spite of being opened up for private players.
3. The LICI have failed to mobilize the investment in potential area of NER.

1.7 RESEARCH METHODOLOGY

The method of the study is an empirical one. The analysis is to be done both in qualitative and quantitative approach. The study is based on both primary as well as secondary data.

TOOLS OF DATA COLLECTION:-

The relevant secondary data will be collected mainly from the relevant Annual Reports of the Life Insurance Corporation of India, Statistical year books of Life Insurance Corporation of India, Yogakshama and various news bulletins of the LIC. The Annual Reports of Insurance Regulatory and Development Authority (IRDA) and other related literature available both as hard copy and on the net have been consulted for collection of data. Apart from these two major sources various magazines devoted to the issues related to insurance, like Life Insurance Plus, Insurance Times, Business Today, Business World, etc. have also been used to supplement data and information required for the study. The study is based upon the published material realized senior people working in the corporation or those who had been connected with the institution in some capacities have been interviewed to discuss the practical aspects of the problem. Earlier working in life insurance business has duly been considered.

The primary data is collected through a comprehensive interview, schedules and discussions with the customers of LIC and customers of private companies. The research is divided into two parts. The first part helps us to understand the level of awareness, service quality, problems faced and the
investor’s motive of investment, the second part deals with extracting important findings from this information and analyzing the measures required to correct problems if any. A sample of 300 respondents, 151 from LIC and 149 from the private sector were identified randomly for detailed study and analysis. The researcher used stratified random sampling technique for collecting the primary data. The population of North East region is divided into eight areas and an equal number of samples are drawn from each stratum. Statistical tools like weighted averages, percentages, Chi-square test, mean and standard deviation etc. are used for the analysis of data. For the purpose of analyzing the awareness level a two point rating scale is used. A two point and a three point scale are used to test the various aspects covering the awareness level, service quality and problems faced by the consumers.

The raw data were first subjected to simple tabulation and then these have been further processed to get the required form so as to represent various variables required for the study. These variables have been identified as per the objectives of the study. Broadly the chapters have been formed to devote one chapter to each of the objectives so as to arrive at analytically correct conclusions. Line graphs, bar charts have also been drawn wherever necessary to provide a visual pattern of growth and comparison.

**Analytical Tools**

The accounting tools used for the study are as under,

1. Ratio Analysis
2. Trend Analysis.
3. Compound Annual Growth Rates (CAGR)

The statistical tools used for the study are as under,

1. Average
2. Index
3. Time series analysis
1.8 PLAN OF STUDY AND CHAPTERISATION

The study covers a period from 1996-97 to 2010-11. The study has been organized into seven chapters as follows.

Chapter 1: Introduction: This chapter is introductory in nature and explains overview of the insurance sector.

Chapter 2: Organizational setup of LIC business in NER: This Chapter contains the study of organizational set up Life Insurance Corporation of India business in north eastern region.

Chapter 3: Globalisation and its impact on LIC business in India vis-à-vis NER: This chapter contains the study of business performance of life insurance corporation (LIC) vis-à-vi's North Eastern Region after the liberalization policy regime and as also the changes that might have occurred or any restructuring that might have been done by the LIC in the wake of entry of private players in the Life insurance sector.

Chapter 4: Settlement of Claims of LICI: This Chapter contains the performance of LIC is evaluated on the basis of claims settlement operations. For this data relating to claims intimated, claims settled and claims outstanding at the end of the year of the period of study were collected and analyzed.

Chapter 5: Investment Pattern of LICI and its impact in NER: This chapter contains the analysis and study of the portfolio management i.e.
investment pattern of the Life insurance Corporation of India and its impact in North Eastern Region.

Chapter 6: Growth and Performance of LIC in North Eastern Region (A comparative study with all India level): In this Chapter, the analysis of the overall business performance of Life Insurance Corporation of India for the period of 15 years has been done in new business as well as business in force. Other aspects of the performance have also been considered for evaluation. It also includes the business performance of LIC in North Eastern Region on the basis of new business (individual) and Group business

Chapter 7: Summary of Findings, Recommendations and Conclusions.

1.9 PERIODICITY OF THE STUDY

The study, in general, encompasses the period commencing from 1 April 1996 and ending with 31 Marches, 2011. Where, however, data and information for the period subsequent to 1996 are available, they will be provided at appropriate places. Although the study is primarily concerned with the period after 1996 of life insurance business in the country, however an objective assessment is done so as to provide a backdrop for evaluating the growth and performance of the LIC in the North Eastern Region. Area of the study is primarily concerned with the growth and performance of the life insurance Corporation of India in general and northeastern region in particular; however, there will be a comparative analysis of northeastern region in the nation.
1.10 REVIEW OF LITERATURE

Existing literature on the subject matter of the research is a boon for the researcher, since it provides him with background material on the subject. Such literature also provides the scholar with an opportunity to draw up his research plan i.e., what areas of the subject matter have already been probed into and what new areas may be emphasized or covered in the present study. Such is the importance of literature review.

Unfortunately the present researcher is handicapped in this respect since not many published literature is available on the subject matter of insurance. However, in the course of his visit to different libraries, institutes and insurance offices, the researcher could lay his hand on some publications, books, pamphlets, journals etc. where the subject matter of insurance has been dealt with from a different point of view. The researcher attempts to concentrate on those publications in the following pages:

The publication of “Insurance Institute of India” entitled “General Insurance” while highlighting the role of insurance in economic development has emphasized that the insurance companies while pooling and investing its resources, should keep in mind that its decisions should benefit the community.

Existence of risk and uncertainty always dissuades people from undertaking business or economic activities. Insurance encourages commercial and development activities, by undertaking to shoulder such uncertainty or risk. System of insurance not only provides benefits to individuals but protects and ensures the industry and commerce from the consequences which may be caused by natural or unnatural events or accidents.
“Practice of General Insurance” another publication by the insurance institute of India, has made elaborate discussion of insurance legislations, like insurance act, 1938, General Insurance Business (Nationalization) Act, 1972. Statutes like Marine Insurance Act, Motor Vehicles Act, which directly or indirectly affect general insurance, are also discussed in this publication.

Establishment of General Insurance Corporation of India, reorganization of general insurance business, function of the general Insurance Corporation and its companies are also covered in this book. Risk management and risk evaluation, investment guidelines for the GIC, etc. have also been discussed in this book.

Mishra in his book – “Insurance: Principle and Practices”, while discussing the evolution of insurance has referred to the term “YOGAKSHEMA’, the oldest term of insurance as used in the Rig Veda. Mishra has classified insurance into three categories from the business point of view, of which general insurance is prominent categorical. General insurance covers property insurance, liability insurance and other forms of insurance.

The author while analyzing the role and importance of insurance examines the importance of insurance to business and industry. Enhancement of business efficiency, minimizing the uncertainty of business losses, enhancement of credit, continuity of business in the event of death of a partner etc., are some of the areas emphasized by Mr. Mishra.

In a recent publication “Fundamentals of insurance : Principle and Practice” the authors –Dr. Sikidar, Dr. P.Nath & Dr. G. Nath, have discussed contribution of insurance to economic development. The numerous direct and indirect benefits to trade and commerce through
insurance, implementing loss prevention measures and minimizing risk and uncertainty, channeling of savings to productive investments, pooling of resources for the purpose of investment are some of the areas highlighted by the authors.

The author has also referred to the observation of Dr. C. Rangarajan the former Governor of Reserve Bank of India, the mutually beneficial interaction of insurance and economic developments.

The authors have also thrown light on the organizational profile of the GIC before and after commencement of the Insurance Regulatory and development Authority Act, 1999.

In another publication “Law and Economics of Insurance”, Insurance Institute of India has dealt with the law and the regulatory framework with particular reference to insurance business. The publication also devotes considerable space on the role of insurance in economic activities. The interrelationship of insurance and economic system has been discussed under the sub-heading market demand for insurance, Price elasticity of demand for insurance etc.

Dr. H.k. Saharoy and Dr. N. K. Saha have given a very brief definition of General Insurance as per the Insurance Act, 1938. This definition is incorporated in their book entitled “Commercial and Industrial Law”. The authors have also elaborated the characteristics of contract of insurance.

Insurance Institute of India has published another book entitled “Insurance Business Environment” which primarily deals with legal, economic and commercial environment” which primarily deals with legal,
economic and commercial environment of business. The legal environment deals with various legislations affecting insurance business. The role of insurance in the industrial economy as the effect of globalization and liberalization of Indian economy and the volumes and quantity outside India have been discussed in this book.

‘Insurance Law Manual’ is an authorized publication of insurance regulatory & development authority. In its August 2002 issue, the publisher gives description of IRDA Act, 1999. It also narrates various rules and regulations framed under the IRDA Act, 1999. These regulations relate to insurance agents, investments, surveyors. The book also deals with third party administrator for health services. TPAs is authorized on settling claims under mediclaim policies. TPAs tie-up with various Hospitals and Nursing Homes and provide cashless medical treatment. Recent amendments to the insurance Act have also been included in this publication.

Office of insurance Ombudsman, Calcutta has published a booklet giving details of principles and procedures of ombudsman system. As per this publication, the object of ombudsman scheme is to resolve all complaints relating to settlement of a claim on the part of insurance companies with cost effective, efficient and impartial manner.

Prof. M.N. Mishra gives a critical appraisal of the Malhotra Committee Report which is the beginning of the reforms in insurance sector in the Indian journal of commerce a quarterly of the Indian commerce association. In the same Journal, Dr. Neetu Andhora has mentioned that liberalization is an opportunity to be exploited, not necessarily a threat.
Dr. D.C. Srivastava and Shashank Shrivaastava in their edited volume “Indian Insurance Industry” have rightly stated that the growth of insurance industry is associated with the general growth of industry, trade and commerce. The role of insurance in capital formation has also been elaborately described. Description of growth of insurance in other countries of the world has also been highlighted. Other authors have described about health insurance, agriculture insurance and the role of intermediaries.

Dr. M. Rammohan Rao, Director, Insurance Institute of Management, Bangalore has mentioned in his address (as published in “The Journal: July-December 1998 issue) bout UNCTAD announcement that ‘a sound national insurance and reinsurance market is an essential characteristic of economic growth’. The author writes about the unique features of insurance marketing. It has to identify uncertainties by selling the insurance product.

Sri J.R Joshi, former chairman of LICl highlights the economic well-being of insurance and emphasizes how insurance compensates the sufferer. (The Journal, July-December 2001 issue)

Dr. C. Rangarajan Governor of Andhra Pradesh has rightly mentioned that insurance and economic growth mutually influence each other. Dr. Rangarajan further states that a well developed insurance sector promotes economic growth by encouraging risk taking. (The Journal, July-December 2001 issue)

S. Rachappa & Prof. K.V. Achalapathi published article entitled “Impact of Privatization of Life Insurance Industry on LIC” study the profile of policyholders of LICI pre and post privatization of life insurance industry in India. It is found that there is a significant difference in age, occupation, educational qualification, marital status of policyholders of
LICI, and profession of spouse of policyholders of LICI before and after privatization of life insurance industry in India. On the other hand, there is no significant difference in household structure and income of the policyholders of LIC before and after privatization of life insurance industry in India. The impact of privatization on LICI is positive in terms of premium income, return on investments, the rate of interest realized on investments, business in force, claims, management expenses, rural business and average life insurance business per agent. There is also improvement in performance of LICI in reducing the number of complaints per thousand mean numbers of policies in force.

The impact of liberalization, privatization and globalization on life insurance corporation of India by R. Rajendran & B. Natarajan  The Indian life insurance industry has its own origin and history, since its inception. It has passed through many obstacles, hindrances attain the present status. The income earning capacity of an individual citizen of a nation and the eagerness and awareness of the general public are the two key determinants of the growth of any insurance industry. For that they should provide wider and mass-employment opportunities and sound educational system. Moreover, the general public must be inculcated with more knowledge, awareness and importance about life insurance, and these steps help to boost the growth of insurance industries. In this Indian context, the insurance habit among the general public during the independence decade was quite rare and in the following decades, it slowly got increased. There was a remarkable improvement in the Indian insurance industry soon after the acceptance and adaptation of Liberalization, Privatization, and Globalization (LPG) in the year 1991. After 1991 the Indian life insurance industry has geared up in all respects, as well as it is being forced to face a
lot of healthy competition from many national as well as international private insurance players. The fall in the savings rate and increased competition in the primary market and particularly the aggressive mobilization by the Mutual Fund posed serious challenges before LIC.

Mishra (1990), ‘Productivity Management in LICI’ found that there were enough market potentialities for the insurance people in India. He highlighted the prevailing competition among agents. He viewed that many insurance policies in the past could not continue for the tenure because of lack of services to the policy holders. He suggested opening of new branches, training of LICI agents at periodical intervals, arranging regular meetings of agents with a pace setter agent, a new class of agents as leaders, challengers, followers and nicer to put the morale of agents at a higher level.

Banerjee (1992) in the article, ‘Branch Image in the 90’s inculcating the PR Culture’ opined that the Public Relations activities should not be confined to a few persons meant exclusively for that purpose but should be exercised by all right from sub-staff to the branch manager and also by agents and development officers in a branch office. He stressed smiling, courteous and efficient service to the policyholders to meet the rising consumer aspirations. He suggested the need for free flow of information from LICI’s branches to divisional, Zonal and Central Offices.

In an interview on reorganization of LICI Prof. Ishwar Dayal (1992) expressed his satisfaction with the implementation of the reorganization scheme by LIC. However, he reorganized that present customers were demanding better and far more superior services. He opined that changes in the behavioral patterns of LIC’s customers, the attitudinal changes and the shift in customer expectations in the recent past would have to permeate the
whole organization if it wanted to become customer driven. He further suggested review of the reorganization scheme for further improvements.

Sinha (2000) in his paper titled ‘Privatization of Insurance Market in India’ concluded that one sure sign is emerging in the insurance business is the convergence of the different parts of the financial sector. The IRDA has taken a slowly-slowly approach. It has been very cautious in granting licenses. Too many regulations kill the incentive for the newcomers while two related regulations may induce failure and fraud that led to nationalization in the first place.

Ayyar (2001) in the article examines the various issues of significance to LIC and to policyholders on the entry of new players into the industry. New entrants in this area have a technical collaboration with companies having headquarters in countries like the USA, UK, Australia, etc. They will bring in new insurance products and administrative procedures. This will be like opening of all windows and allowing the wind to blow in from all directions. Thus, it is expected that the life insurance business in India will benefit and grow on sound lines. Competition will be in the form of new products from other insurers. If the LIC agents are not fully conversant with the new products of other competing insurers, they will lose out in the race and miss the bus. The way to ensure that such a situation would not develop is the train agents on what is happening around and help them to convert the emerging challenges to opportunities. Moreover, LIC is gearing itself up to attain newer heights through involvement of its entire vast workforce. LIC is marketing its products more aggressively and identifying new markets, which it plans to tap with specially trained agents. Agency training should emphasize the principle that the interests of the consumer and not what the agent earns should be
supreme. Corporate agents may eventually be allowed. Legislation is on the anvil for brokers to be appointed. New distribution channels for insurance products are being tried. Banks have been roped in and are authorized to sell insurance.

Gupta and Chuganee (2001) in their article ‘LICI learns to Tango’ emphasized on the various steps to be taken by LICI in order to compete with the new players. As the insurance sector has opened up the monopoly of the giant has been challenged with this. LIC is to face world class competition at last. Several major steps are to be taken to rise to the occasion in the areas of products, services, information technology, etc. LIC is gearing to attain new heights through involvement all its vast work force. There is an excess of manpower in the corporation but the management is not going to be any downsizing instead the surplus is going to be utilized in raising business volumes through skill up gradation.

Kumar (2002) emphasized in the investment management in the light of an asset liability match, interest rate risk, risk mitigation measures and derivative instruments by the life insurers. Life insurance is a long term business and for determining the premium the expected interest rate over the term of the policy is one of the key inputs. Bonus rates are decided on the basis of surplus determined by actuarial valuations which is done every year. Investment income, which depends also upon the return on fixed interest investments, is a significant contributor for surplus. A decline in rates of returns obtainable from time to time revision of rates of returns offered by the insurers. A life insurer puts money in government bonds and government guaranteed bonds which carry almost no default risk and consequently have lower expected returns in comparison to riskier
investments. This is done because the security of the funds is among the life insurers’ foremost concerns.

In an article titled, “LIC faces stiff challenges” published in the national newspaper ‘The Hindu’ in 2002, S. B. Mathur, Chairman of LIC, emphasized on the theory and stiff competition from new entrants in the life insurance sector. 12 new players had entered Indian Life insurance Sector and posed a challenge to the growth of the world’s biggest insurance corporation LIC of Indian. They all had sound back ground and high brand equity. According to Mathur, the new players might not be very ethical in all respects but they pose a big challenge to LIC. Competitors would concentrate on those areas which was not covered by us and development officers must work carefully to ensure that the people are not weaned away from LIC. LIC was set apart Rs. 55 crores to be utilized for giving Laptops to its 19000 DO’s countrywide.

Dhunna and Kumar (2002) in their article titled ‘Liberalization of Insurance Sector: Social Implications’ emphasized that IRDA has to create an environment where insurers, consumers and other groups can co-exist and operate from the promotion of the insurance. The success of the insurance reforms depends on the transparency in the work environment and an effective regulatory authority, so as to prevent liquidation, speculative trading and restrictive business practices.

Jayakar (2003) says that new product innovation, distribution and better use of technology are helping the new breed of private life insurers take market share away from the monopolists of yesterday. Earlier it used to be the nationalized companies, i.e. the Government owned insurance companies that had an edge over any other company. With the privatization of the insurance sector and with the entrance of many players, the world of
insurance served to have a cut throat competition with the private sector gaining an ever increasing edge over the public sector.

Kumar (2003) in his article titled, ‘Development of Insurance in India’ had emphasized on the various issues relating to the insurance business in India like liberalization, privatization, regulator’s issues and future possibilities, etc. A thriving insurance sector is of vital importance to every modern economy. It encourages the savings habit, provides safety to rural and urban enterprises and productive individuals. It generates long term investible funds for infrastructure building. This characteristic of their business makes insurance companies the biggest investors in long-gestation infrastructure development project in all developed and aspiring nations. This is the most compelling reason why private sector (and foreign) companies which will spread the insurance habit in the society and consumer interest are urgently required in this vital sector of the economy. Potential private entrants therefore expect to score in the areas of customer service, speed and flexibility. Their entry will mean better products and choice for the customer. As is witnessed in other countries where liberalization took place in recent years, nationalized players will continue to hold strong market share positions, but there will enough business for new entrants to be profitable.

Samuel (2003) traces the evolution of the insurance market in India. The paper deals with the theoretical aspects, historical perspectives of insurance in India, the business and investments of life and non life insurance and an assessment of insurance penetration in India compared with world standards. This article also discusses the role of insurance in financial savings of the households sector and regulation of insurance in India. Though the performance of the public sector insurance companies –
LIC and GIC was quite satisfactory, the Indian insurance business, both life and non-life, left much to be desired as compared to international standards. There is low penetration and general lack of efficiency. The per capita premiums are very low when compared to the standards of both industrialized countries and other emerging markets. With the entry of private players in the insurance business, it is expected that competition would increase and overall functioning of the insurance sector would improve. The liberalization process initiated in the insurance sector is expected to bring about better integration of the financial markets and promote financial development of the country.

1.11 LIMITATION OF THE STUDY

The study though based on scientific, representation and analytical approach and also an in depth field study, it may have some infirmities and also some handicaps which may arise due to errors or omission in human efforts. Besides, there are some other limitations of the study which may arise due to negligence of some branches to give a proper answer with true spirit, lack of uniformity of the contents of the annual report of LIC, hesitating and incomplete answer given by most of the illiterate people at the customer level and also some proxy answer given in case of individuals due to non-presence of the head of the family at the time of our field investigation. However, utmost care has been taken while eliciting information from the respondents. All the relevant data and information derived from both secondary and primary source have been duly scrutinized processed and finally, the results have been deducted out of it. Therefore, it is hoped that the conclusion derived from the study will be useful for the LIC and policyholders.
Thus to conclude, the LICI has been carrying on life insurance business for a fairly long period of time as to warrant a critical look at its operation with a view to delineating the major achievement and failure particularly in north eastern region and all India in general. A study of the various facets of the investment portfolios of the LIC in the region and its underlying principles and policies appearing to be well warranted. Therefore, there is an urgent need to examine the growth and performance of LICI in NER towards socioeconomic development of the region and enough research, establishes the truth and suggest measures thereof to know the reality of the performance of the organization. It is with this background that the present piece of research is conceptualized and taken up. The present study will be highly significant to the North Eastern States. This study will be helpful to the LICI for taking the necessary steps and measures for successful performance of the organization towards the development of the NER. So it is hoped that this study will be of immense importance for all concerned.