CHAPTER: II
ORGANIZATIONAL SETUP OF LICI BUSINESS IN NER

2.2 Organisational Set up of LIC of India
2.3 Organisational set-up of LICI in the North Eastern Region
CHAPTER: II

The life insurance corporation was established by an Act Parliament which received the assent of the President on 18th June, 1956. The Act came into force on 1st July 1956 and the Corporation began to function on 1st September 1956. Since that day the corporation has had the exclusive privilege of carrying out life insurance business in India. The corporation is an autonomous body and has necessarily to run on sound business principles. The corporation has been fully carried out the role assigned to it and justifying the confidence of the public by offering absolute security, attractive policy terms, dependable service, economic management and favorable returns to the nation at large. Life Insurance Corporation of India is the largest life insurance company in India. It is fully owned by the government of India. LIC happens to be the biggest investor in the country. Headquartered in Mumbai, which is considered the financial capital of India, the Life Insurance Corporation of India currently has 8 Zonal Offices located at Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Kanpur, Bhopal and Patna. There were 111 divisional offices located in different parts of India, at least 2048 branches located in different cities and towns of India along with 1123 Satellite Offices (SOs) and has a network of around 13,37,064 agents for soliciting life insurance business from the public.11 Divisional Offices monitor and control the operations. Branch Offices procure business and are responsible for all customer interface transactions. Satellite Offices also procure business and are responsible for immediate customer services required.

The Life Insurance Corporation of India (LICI) is performing a very encouraging business in North Eastern Region. The Guwahati Division of LICI came to be a constituent unit of the Corporation with various Branch Offices and Sub-Offices. Due to increase in the volume of business the

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bifurcation took place with the creation of its Jorhat, Silchar and Bongaigaon Divisions and opening of various new branches in the northeastern region.

2.1 ORGANISATIONAL SET UP OF LIC OF INDIA

The life insurance corporation of India has a well planned organizational set up based on a continued reforms procedure. Organizational structure of corporation envisaged by L.I.C of India Act consists of a 4 tier structure with a central office at the top, primarily concerned with the formulation of policies. Zonal offices assist the central office in the matter of development, planning and review of the business and supervision of divisional offices within their jurisdiction. Under each divisional office, there are various branch offices and sub-offices. There is also a lower category of media of procurement of business called Development Centers. The following details give us a clear picture about organizational set up of LICI.

Chart 2.1 ORGANISATIONAL STRUCTURE OF LICI

The LIC’s Central Office is situated in Mumbai. It has 8 Zonal Offices, 111 Divisional Offices, 2048 Branch Offices in India, 1123 Satellite Offices.
(SOs) & 3 Branches outside India. The existing position of LICI in terms of Number of Offices in all over the country till date can be represented in the following table as follows:-

**TABLE 2.1 NUMBER OF OFFICES OF LICI**

<table>
<thead>
<tr>
<th>As on</th>
<th>Zonal Offices</th>
<th>Divisional Offices</th>
<th>Branch Offices</th>
<th>Satellite Offices</th>
<th>Total Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec.31, 1957</td>
<td>5</td>
<td>33</td>
<td>105</td>
<td></td>
<td>278</td>
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<tr>
<td>Mar.31, 1963</td>
<td>5</td>
<td>36</td>
<td>340</td>
<td></td>
<td>735</td>
</tr>
<tr>
<td>Mar.31, 1970</td>
<td>5</td>
<td>36</td>
<td>424</td>
<td></td>
<td>703</td>
</tr>
<tr>
<td>Mar.31, 1980</td>
<td>5</td>
<td>41</td>
<td>738</td>
<td></td>
<td>888</td>
</tr>
<tr>
<td>Mar.31, 1990</td>
<td>5</td>
<td>69</td>
<td>1528</td>
<td></td>
<td>1603</td>
</tr>
<tr>
<td>Mar.31, 1996</td>
<td>7</td>
<td>100</td>
<td>2021</td>
<td></td>
<td>2128</td>
</tr>
<tr>
<td>Mar.31, 1997</td>
<td>7</td>
<td>100</td>
<td>2023</td>
<td></td>
<td>2130</td>
</tr>
<tr>
<td>Mar.31, 1998</td>
<td>7</td>
<td>100</td>
<td>2046</td>
<td></td>
<td>2153</td>
</tr>
<tr>
<td>Mar.31, 1999</td>
<td>7</td>
<td>100</td>
<td>2048</td>
<td></td>
<td>2155</td>
</tr>
<tr>
<td>Mar.31, 2000</td>
<td>7</td>
<td>100</td>
<td>2048</td>
<td></td>
<td>2155</td>
</tr>
<tr>
<td>Mar.31, 2001</td>
<td>7</td>
<td>100</td>
<td>2048</td>
<td></td>
<td>2155</td>
</tr>
<tr>
<td>Mar.31, 2002</td>
<td>7</td>
<td>100</td>
<td>2048</td>
<td></td>
<td>2155</td>
</tr>
<tr>
<td>Mar.31, 2003</td>
<td>7</td>
<td>100</td>
<td>2048</td>
<td></td>
<td>2156</td>
</tr>
<tr>
<td>Mar.31, 2004</td>
<td>7</td>
<td>101</td>
<td>2048</td>
<td></td>
<td>2156</td>
</tr>
<tr>
<td>Mar.31, 2005</td>
<td>7</td>
<td>101</td>
<td>2048</td>
<td></td>
<td>2156</td>
</tr>
<tr>
<td>Mar.31, 2006</td>
<td>7</td>
<td>101</td>
<td>2048</td>
<td>24</td>
<td>2180</td>
</tr>
<tr>
<td>Mar.31, 2007</td>
<td>7</td>
<td>101</td>
<td>2048</td>
<td>109</td>
<td>2265</td>
</tr>
<tr>
<td>Mar.31, 2008</td>
<td>8</td>
<td>106</td>
<td>2048</td>
<td>323</td>
<td>2485</td>
</tr>
<tr>
<td>Mar.31, 2009</td>
<td>8</td>
<td>109</td>
<td>2048</td>
<td>800</td>
<td>2965</td>
</tr>
<tr>
<td>Mar.31, 2010</td>
<td>8</td>
<td>109</td>
<td>2048</td>
<td>1004</td>
<td>3169</td>
</tr>
<tr>
<td>Mar.31, 2011</td>
<td>8</td>
<td>111</td>
<td>2048</td>
<td>1123</td>
<td>3290</td>
</tr>
</tbody>
</table>

*Source: Annual Report of LIC various issues.*

The integral organization & management of the LIC comprises of:

i. Board of Directors

ii. Committees of Corporation
iii. The Chairman &
iv. Managing Director

Chart 2.2 THE STRUCTURAL FRAMEWORK OF LICI

BOARD OF DIRECTORS

Board of Directors is the highest authority of the Corporation. They are appointed by the Central Government. The maximum number of Directors can be 15, but at present (in 1993) there are only 11 Directors. No specific qualifications have been prescribed for a director, but one should not have a personal interest in the functioning of the Corporation. The functions of the Board are as under:

1. To determine the long-term policies of the Corporation.
2. To take decision for doing any work prescribed under the Act.
3. Decentralization & delegation of authority at different levels.
4. Tasks to be assigned to the top level, which are not delegated to lower levels.
5. Constitution of committees according to requirements.
6. To take decision in regard to promotions & conditions of services of important officers.

COMMITTEES OF THE CORPORATION

The Board of Directors has the power to appoint different committees for the effectively discharging, directing & control as well as advising the Board on such matters. Some of the important committees are as below:

1. Executive Committee
2. Investment Committee
3. Personal Advisory Committee
4. Building Advisory Committee
5. Development Advisory Committee
6. Budget Advisory Committee
7. Legal Advisory Committee
8. Policy holders Service Advisory Committee

THE CHAIRMAN

The chairman of the LIC is the Chief Executive Officer of the Corporation. He heads all the committee of the Corporation. But he has no authority to exercise the power of the investment committee. In the matters of investment of funds, the Chairman has to follow the advice of the Investment Committee. But he can ask the Board of Directors to reconsider any decision or advice given by the committee. There are restrictions on the exercise of the powers of the Chairman, but in emergencies he has all the powers of the Corporation.

THE MANAGING DIRECTOR

The Managing Director is the whole time officer of the Corporation. He discharges all the functions entrusted to him by the executive committee
of the Corporation. The Corporation can appoint one or more persons as Managing Director. The Managing Director needs are not a member of the Board. He delegates some of his powers to the officers working at different levels, but before such delegation taken place, prior approval of the Board of Directors / Chairman is necessary.

DEPARTMENTS AND THEIR FUNCTIONING AT VARIOUS LEVELS OF ORGANIZATION

(i) ORGANIZATION OF CENTRAL OFFICE

The central office of the corporation is located in Bombay. The main functions of this office are as follows-

1. The central office confines itself mainly to give broad policy directions and decisions and co-ordination of the activities of the various zonal offices.

2. To make the investment policy and to invest the funds in accordance with that policy are the sole responsibilities of the central office.

3. The underwriting of large proposals which are beyond the limits of the operating zonal offices particularly policies for large sums assured and policies on the lives of sub-standard nature are also attended by the Central Office.

4. The inspection of various offices and control on an internal audit of the same are also done by the central office.

5. The submission of statutory returns to the government, standardization of procedure, forms, drawing up of the prospectus, formulation of underwriting standards, premium rates, policy conditions and making arrangement with regard to reinsurance are the responsibilities looked after by the Central Office.
To fulfil its responsibilities with a systematic manner, the Central Office is assisted by various departments mentioned below:

1. Marketing Department
Marketing department basically deals with the planning and review of marketing policies of the corporation. Sales promotion, publicity, policy servicing etc. is the prime activities of this department. Matters related to foreign operations are also handled by this office.

2. Policy and Group Scheme Department

This department has a responsibility to look after different group schemes announced by the corporation such as Group Insurance, Group Superannuation, Group Gratuity, Social Security Fund, Government Sponsored Schemes etc.

3. Personnel and Industrial Relations Department

Human Resource plays as vital role in any institution. Therefore, personnel and industrial relations departments control the heartbeats of the corporation. It looks after the human resource development programs and tries to maintain good industrial relations in the corporation.

4. Management Services Department

The management services department is attached with the following activities-

(i) To arrange cost and other specific studies.
(ii) To check the managerial and organizational activities regularly.
(iii) To control and manage a data processing section of the central office.

5. Actuarial Department

The actuarial department is the in charge of various actuarial aspects of insurance. Actuarial aspects include the premium rates, terms and conditions of Life insurance policies including group insurance, a constant review of underwriting methods and standards at various offices as well as
administrative procedure in the matter of underwriting and policy holders servicing, actuarial research relating to mortality investigations, medico actuarial investigates, expenses analysis, lapse policy investigations, actuarial valuation, reinsurance etc. It has also the responsibility of submitting the various relevant statutory returns in terms of LIC Act.

6. Secretarial and Personnel Department

The secretarial and personnel department deals with all staff matters as well as establishments needs of the various offices.

7. Investment Department

The investment department is one of the most important departments of the corporation. Due to the nature of the life insurance business, large funds get accumulated. These funds have to be invested properly and effectively to insure their security and at the same time to yield maximum possible profit thereon. All investment activities are carried out on the advice of the investment committee of the corporation. This department has also to maintain individual ledger accounts of the various investments.

8. Development or Long ranges planning department

The development department at the central office is primarily responsible for long range planning for development of new business. As a part of the process of this planning the department has to conduct research into the development potential of the various areas and identify centres where opening of new offices would be in the interest of development of business. It is also the function of the development department to organize training programme for branch officials, development officers and agents.

9. Engineering Services department
The engineering services department has the responsibility of planning and executing the buildings construction programme and the development of corporation’s properties including its general maintenance.

10. Finance and Accounts Department

The finance and accounts department is to coordinate and consolidate the accounts of various units of the corporation. The accounts department also reviews the various accounting procedures of the corporation. It is also concerned with the preparation of the budgets of various operating offices and affecting budgetary control.

11. Legal and Housing & Property Finance Schemes Department

The legal department has the responsibility to advice other departments on legal issues and to look after the conduct of the litigations in the court. Implementation on a house and property finance schemes are also made by this department.

12. Inspection and Audit Department

This department is responsible for the periodic inspection of various offices. This department ensures that the practice in the various offices of the corporation is in tune with established principles and manuals. In the same manner, this department has to make do current audit of the transaction of the corporation in the light of the administrative policy standards and procedures laid down.

13. Estate and office services department

The estate and office services department controls the estate management of the corporation. Besides, this department also has a responsibility of servicing and security arrangement of other departments of control office and properties of the corporation.

(II) ORGANISATION OF ZONAL OFFICE
The corporation has seven zonal offices situated in Delhi, Calcutta, Madras, Bombay, Bhopal, Hyderabad and Kanpur. In the beginning of the corporation, zonal offices were fully responsible for all the organization and development functions in the area allotted to them but as a result of the reorganization of the administrative set up, which is being implemented in a phased manner, most of the advisory and control functions have been transferred to the central office while a good part of the original function of Zonal Offices have been decentralized to Divisional Offices. New Zonal Offices have limited functions which are as follows:

1. These are responsible for the planning and implementation of the development programmes for the whole Zone.
2. The Zonal Offices have the responsibility to execute the decisions of the Corporation and to co-ordinate the working of the various Divisional Offices under their respective control.
3. These Offices also have a responsibility to ensure that uniformity of working is maintained by the Divisional Offices under their respective control and that efficiency of operations of these offices is kept at the highest level.

To fulfill its responsibilities in an effective manner, Zonal Offices are assisted by various departments mentioned below:

1. Marketing Department

   Marketing department is the most important department in a zonal office. It is linked with the following functions:
   (i) To plan and review of sales activities of divisions.
   (ii) To motivate sales promotion activities such as market research, product development etc.
(iii) To issue guidelines and monitor the performance in the field of policy servicing in divisions.

(iv) To design group and superannuation schemes etc. and monitoring them.

CHART 2.4 ORGANISATION OF ZONAL OFFICE IN LIC OF INDIA

2. Personnel and industrial Relation Department
Personnel and industrial relation department is related with human being working in the concerned Zonal Office. The main functions of this department are as under:

(i) To plan for the development of manpower as well as management at all levels.
(ii) To control the personnel administration.
(iii) To arrange training programmes for all levels of officials.
(iv) To improve industrial relations for maintaining the industrial harmony.
(v) To attend the disciplinary cases of the zone.

3. Finance and Accounts Department

Finance and accounts department deals with the following activities:
(i) To maintain Zonal Office accounts.
(ii) Consolidation of divisional offices accounts and to prepare the final statements for central office.
(iii) To prepare and control provident funds accounts of all employees working in the zone,
(iv) To check and control cash flow and short-term investment.
(v) To watch the activities of audit cell.

4. Actuarial Department

Actuarial department is associated with different actuarial studies and research. To prepare valuation schedules and to underwrite the cases beyond divisional office authority are the main functions of this department. It also has the control on the issue of polices to policyholders.

5. Legal Department
The legal department has the responsibility to advise other departments and divisional offices on legal issues and to look after the conduct of litigations in the court.

6. Estates and Office Services Department

Estates and Office Services Department deals with the following activities:
(i) To operate the house keeping operations in concerned Zonal Office including Guest houses, Cars etc.
(ii) To print all the required stationery for the Zone as a whole and to keep control thereon.
(iii) Supply of office equipments and furniture’s in different offices.
(v) Purchase and Hiring of Officer and residential premises for the Corporation.

7. Management Service Department

The main functions of Management Services Department are as under:
(i) Maintenance and observation of records prepared by other departments.
(ii) Installation of Micro-processor based machines in divisional offices and branches.
(iii) To operate O and M related studies including costs, new equipments etc.
(iv) To arrange periodical conferences of Heads of divisional offices under the zonal jurisdiction to discuss the progress of business and plans for the future.

III. ORGANISATION OF DIVISIONAL OFFICE

The Divisional Office is akin to a Head Office of an erstwhile insurer and is concerned with all the activities of the insurers from procurement of
new business to settlement of claims. Divisional Offices work under the broad framework of the policy laid down by the Central Office and under the guidance, supervision and control of the Zonal Office. These Offices are not concerned with the investment of surplus funds. These have only to ensure regular transfer of surplus funds. These have only to ensure regular transfer of surplus funds to the Central Office to enable them to make suitable investment thereof. Now the Corporation has 101 Divisional Offices all over the country as on 31st March 2007.

Chart 2.5 ORGANISATION OF DIVISIONAL OFFICE IN LIC OF INDIA

TABLE 2.2 DIVISIONAL OFFICES

<table>
<thead>
<tr>
<th>Zone</th>
<th>No. of Division</th>
<th>Place where situated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zone</td>
<td>Offices</td>
<td>Offices</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>Central Zone</td>
<td>7</td>
<td>Bhopal, Gwalior, Indore, Jabalpur, Raipur,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satna &amp; Shandole</td>
</tr>
<tr>
<td>North-Central Zone</td>
<td>11</td>
<td>Agra, Aligarh, Allahabad, Bareilly,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dehradun, Gorakhpur, Haldwani, Kanpur,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lucknow, Meerut &amp; Varanasi</td>
</tr>
<tr>
<td>Eastern Zone</td>
<td>10</td>
<td>Asansol, Bongaigaon, Kolkata-1,2,3, Gawahati,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Howarh, Jalpaiguri, Jorhat, Silchar</td>
</tr>
<tr>
<td>East Central Zone</td>
<td>8</td>
<td>Berhampur, Bhagalpur, Cuttack, Hazaribagh,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jashedpur, Muzaffarpur, Patna, Sambalpur,</td>
</tr>
<tr>
<td>Northern Zone</td>
<td>16</td>
<td>Ajmer, Amritsar, Bikaner, Chandigarh, D.O.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cell Jammu, Jaipur, Jalandhar, Jodhpur,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Karnal, Ludhiana, New Delhi-1, 2,3, Shimla,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Srinagar, Udaipur</td>
</tr>
<tr>
<td>South Central Zone</td>
<td>16</td>
<td>Bangalore-1,2, Belgaum, Cuddapah, Dharwad,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hyderabad, Karimnagar, Mochilipatnam, Mysore,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nellore, Raichur, Rajahmundry, Secundrabad,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Udupi, Vishakhapatnum, Warangal</td>
</tr>
<tr>
<td>Southern Zone</td>
<td>12</td>
<td>Chennai-1,2, Coimbatore, Ernakulam, Kottayam,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Madurai, Salem, Thanjavur,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thiruvananthapuram, Tirunelveli, Vellore</td>
</tr>
<tr>
<td>Western Zone</td>
<td>21</td>
<td>Ahmedabad, Amravati, Aurangabad, Bhavnagar,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gandhinagar, Goa, Kolhapur, Mumbai-1, 2,3,4,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSS Division, Nagpur, Nanded, Nashik, Pune,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rajkot, Satara, Surat, Thane, Vadodara</td>
</tr>
</tbody>
</table>

*Source: Annual Report IRDA 2006-07*

To fulfill their liabilities in a significant manner, Divisional Offices have the following seven important departments:

1. Marketing Department

The marketing department of divisional offices is known as a branch supporting unit of divisional office. It is directly concerned with sales department and the Policy servicing Department. The prime functions of
the marketing department can be divided in two parts – (i) Functions of Sales Department; and (ii) Functions of Policy Servicing Department.

(i) Functions of Sales Department

Sales Department relates to all activities concerned with the field force of an organization. The leading functions of this department are mentioned below-

(i) Selection, appointment and transfer of Development officers.
(ii) To maintain the records of all agents and development officers under their respective control.
(iii) To review and appraisal of the performance of the development officers and agents to determine the incentives due to them.
(iv) To check the organizational cost of branch offices and to make proper arrangement for budgetary control.
(v) To organize training programmes for agents.
(vi) To control the publicity campaign of Divisional Office.
(vii) To arrange the periodical conferences of branch officials and field force of the divisional office to review the progress of business activities and to plan for the future programme.

(ii) Functions of Policy Servicing Department

The Policy Servicing Department deals with all the servicing required by the policyholder during the entire duration of their policy from the date of issue to the time when the claim is settled under the policy. The main functions of this department are mentioned below-

(a) To provide different types of policy servicing to policyholders such as age admission, nomination, revival of lapse policies, and by alteration in policy etc.
(b) To enable itself to render all services to the policyholders. Various records such as policy ledgers, policy files, loan ledgers etc. are maintained by this department.
(c) The department has also to handle all the work connected with the settlement of claims.
(d) All the work related to salary saving schemes are also looked after by this department.

2. New Business and Actuarial Department

This department looks after all the work involved in the underwriting of proposals received from branch offices till their completion and issue of policies. The other main functions of this department are as under-

i. Appointment of medical examiners in respect of those branches, who have common area.

ii. To take various actions against medical examiners from the consent of the concerned branch as – suspension, reduction in limit, termination etc.

iii. Appointment of specialist examiners – radiologist, cardiologists etc.

iv. Training of administrative staff of branches in underwriting and new business administration.

v. Supervisory inspection of the functioning of the new business section of the branches.

vi. Submission of “D-Returns”, “Valuation Schedules” and other allied data, like ‘Surplus Analysis”, “Continuous mortality investigation” etc.

vii. To maintain the records related to underwriting activities as declining cases, check dishonored at proposal stage arts

3. Planning and Review Department
This department is concerned with the following activities.

(i) Review of the budgets and monthly performance reports of the branches.

(ii) To arrange training programme for Branch Personnel in planning technique and processes.

(iii) Analyzing the trends noted in the performance reports and to forward suggestions at higher levels.

(iv) Maintaining liaison with various authorities who bring out reports on environmental data.

(v) Location of data most suitable for purposes of planning and constantly exploring other secondary sources for improving the accuracy of the database.

(vi) As required by divisional management to do any special statistical studies or investigations.

4. Personnel and Industrial Relations Department

The working of this department is spread out in the following three sections:

(i) Management Development Section

The main functions of this section are as under-

(a) To forecast the manpower needs for various levels of the branches and divisional office.

(b) Recruitment, Placement, Transfer, Promotions and Disciplinary matters relating to staff.

(c) In respect of the overall corporate policies, to arrange management development programmes and career planning of the staff.

(d) To make arrangement for carrying out periodic “Personnel Audit” of the branches.
(ii) Industrial Relations Section

This section is concerned with the following functions-

(a) To establish better understanding with the trade unions and promoting better management – employees understanding.

(b) Carrying out negotiations with the trade unions on those matters relating to the Divisions as a whole.

(c) To handle grievances of the employees.

(iii) Training Section

This section of P. & I.R Department operates the organizes the training programmes for the staff of the Branches and Divisional Offices, according to the needs of the individual department.

5. Accounts Department

The accounts department of the divisional office has a control on the cash flow of the whole division. To fulfill its responsibilities in a significant manner, this department has two parts in itself-

(i) Branch Accounts Section

The prime functions of this section are as under-

(a) To check and to control branch expenses.

(b) Analysis and review of the Trial Balances sent by branches from time to time.

(c) To have an administrative control over the opening of both operating and non-operating collection bank accounts by the branches.

(ii) General Accounts Sections

The prime functions of this section are as under-
(a) To check and to control overall accounting transactions of the Divisional Office and to transfer the surplus funds to Central Office.
(b) Payment of salary and other monetary benefits to Divisional Office staff.
(c) To maintain the accounts of Divisional Office.
(d) To consolidate the trial balances received from branch offices and to prepare final accounts of Divisional Office.

6. Legal and Mortgages Department

The legal and Mortgages Department of Divisional Office deals with all the matters regarding sanction of mortgage loans on properties in the Divisional Office within the financial powers delegated to the Divisional Office. For the purpose it maintains a panel of legal advisors and property valuers.

The department maintains complete particulars and records of mortgage and loan accounts and all the relevant legal documents. This department also has a responsibility to advise the other departments on legal issues connected with staff matters and interpretation of terms and conditions of policy contracts.

7. Office Services Department

This department has a responsibility to take care of corporate property and to fulfill day to day requirements of Divisional Office. For this purpose the department is related with the following functions –

(i) Printing and supplying of various forms needed for the use of the Branches and the Divisional Office.
(ii) Purchase and supply of other stationary required by branches and Divisional Office.
(iii) Exercising control over the inventory of forms and stationery and their utilization.

(iv) Purchase and supply of furniture items and other equipments like typewriters, water-coolers, electrical goods etc.

(v) To finalize ‘service contracts’ for the maintenance of office equipments like type-machines, electric equipments etc.

(vi) To make arrangement for the security of office premises.

(vii) Maintenance and control over staff cars and their movements.

(viii) Negotiating and finalizing space for the branches.

With the growth of the business handled by the Divisional Office, the Corporation has adopted the policy of progressive decentralization of policy-holder’s servicing functions to the branch offices as also of some items of work connected with the payment of commission and other monetary benefits to field staff and agents. The extent to which this decentralization has been done varies from division to division. So the functions of various departments of Divisional Offices given in this chapter may be decreased or increased according to the nature of the division.

IV. ORGANISATION OF BRANCH OFFICE

Branch Offices have been set up under the direct control of Divisional Offices. Branch Offices are the primary centers of LIC through which the insurance business is obtained. A major part of the LIC employees & officers are working in Branch Offices. The problems of policy holders are mostly solved by the Branch Offices. Nearly 2/3rd of the total income of the LIC is earned through the Branch Offices. Nearly 75% of the managerial expenses are spent by the Branch Offices. Branches have first contacted place for the proposer's. The Branch Manager is the head of the Branch & he is responsible for the effective functioning of the Branch Office. There is provision for setting up a management committee at every branch office. At
The present 2048 Branch Offices are functioning in the country as on 31st March 2007. The branch offices of the Corporation are the primary business procuring centres. A network of Branch Offices 2048 in number is spread all over India so that an office of the Corporation is available to every policy holder within his reach.

**Chart 2.6 ORGANISATION OF BRANCH OFFICE IN LIC OF INDIA**

The prime functions of Branch Offices are the increase the insurance business and to provide the satisfactory servicing to policyholders in the
area allotted to them. To fulfill their responsibilities in a satisfactory manner, branch offices have the following departments:

1. **Sales Department**

   The primary function of sales department of a Branch Office is to maintain business records for all Agents and Development Officers attached to it. The records are kept up to date everyday to facilitate review of progress of the branch as also to enable preparation and submission of periodical business statements to the Divisional Office. The registrations of new proposal are also done by this department.

   The sales department of the branch has to supervise and control the work of the Development Officers and to appoint agents. The functions covered under this include review of tours undertaken by the Development Officers appraisal of their business performance, issue of licenses to agents and their periodical renewal on behalf of the Controller of Insurance and settlement of agents’ commission in its jurisdiction.

2. **New business department**

   After registration of new business proposals, Sales Department transfer those to the New Business Department for further processing. The department scrutinizes the proposals to ensure that these are complete in all respects including the payment of the first installment of the premium. Such complete proposals are underwritten by the department. This department’s also takes follow up actions on incomplete proposals and try to get them completed by acquiring required information and data.

   This department has also to maintain complete records of medical examiners in its area of operation in order to be able to facilitate settlement of their bills and to ensure reasonable uniformity in the distribution of cases among the medical examiners. The responsibility of issuing the policy bonds and first premium receipts also lies in this department.
3. Policyholders Servicing Department

The policyholder servicing department at the branch office maintains the policy ledgers and index for policies serviced by the branch. The primary functions of the department, that are carried by all branches, are revivals of lapse policies, granting of loan, settlement of claims, calculation of the surrender value of policies and rendering assistance to policyholders in all matters. Each and every branch office of the Corporation has a pre-sanctioned financial limit in case of settlements of claims and the revival of lapse policies. For the matters beyond their sanctioning power, it is necessary to obtain approval from Divisional Office.

4. Accounts Department

The accounts department at the branch office performs the function of maintenance of daily cash income and cash paid book, transfer of surplus to divisional office, reconciliation of imprest cash accounts and maintenance and reconciliation of collecting bank accounts.

This department also handles the work of settlement of the agent’s commission. For this purpose, the Branch Account Department has to maintain agent’s earning records.

5. Office Services Department

The main function of the Office Servicing Department at Branch Office is the maintenance of service records for all the administrative staff at the branch office. It also deals with the granting of leaves and maintenance of leave records of the staff.

The department has the responsibility of providing the inward and outward mail services to all the departments of the branch as also to meet the stationery and literature requirements of the departments. It has also to maintain the inventory of furniture and office equipment. Branch is also responsible for their repairs and maintenance.
The department has also to look after the upkeep of the branch office premises are owned by the corporation. Under some specific circumstances also Sub-Offices and Development Centers are attached to Branch Offices for the purpose of searching for and developing of new areas for insurance business. Sub-Offices have mainly the function of procurement of new business and usually serve as a meeting place of local field organization for planning of business activities. Some of sub-offices, though continued to be called as such because of smallness of business handled by them, do all the functions that a full fledged Branch office does. At present, opening of new sub-offices are not being encouraged by the corporation.

Development centers are opened in places which are not presently fully developed for business procuration, yet have the potentiality of developing into full fledged Branch Offices. A development official is posted at such a development centre. His function is to organize intensive field activities in the area by keeping in constant touch with the agents and development officers operating in that area.

2.2 ORGANISATIONAL SET-UP OF LIC IN THE NORTH EASTERN REGION

The zonal office for the North East region is located at Kolkatta. This office also has jurisdiction over the entire eastern region of the country, besides the eight states of the northeastern i.e., Assam, Manipur, Meghalaya, Nagaland, Tripura, Arunachal Pradesh, Mizoram and Sikkim. Other states of eastern region wherein the zonal office, Kolkatta has jurisdiction are Bihar, Orissa, West Bengal, and the Union Territories of Andaman and Nicobar Islands. There was only one divisional office in this region till 1961. 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. At present One Central Office at Mumbai and One Zonal Office at Kolkata coordinate the life insurance business of the region. Further Four Divisional offices supervise 55 Branches in the region. The growth of LICI offices in the region given below.

**TABLE 2.3 GROWTH OF LIC OFFICES IN THE NORTH EASTERN REGION**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>11</td>
<td>13</td>
<td>13</td>
<td>22</td>
<td>56</td>
<td>80</td>
</tr>
<tr>
<td>Manipur</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mizoram</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Nagaland</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Tripura</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Sikkim</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total : N. E. R</strong></td>
<td><strong>13(1)</strong></td>
<td><strong>16(1)</strong></td>
<td><strong>16(1)</strong></td>
<td><strong>31(1)</strong></td>
<td><strong>73(4)</strong></td>
<td><strong>111(4)</strong></td>
</tr>
<tr>
<td>All India</td>
<td>324(33)</td>
<td>549(36)</td>
<td>688(41)</td>
<td>985(43)</td>
<td>2301(101)</td>
<td>3371(111)</td>
</tr>
</tbody>
</table>

*Note: Figures within brackets indicate number of Divisional offices*


Table 2.3 gives a decadal growth of LIC in the north eastern region since 1957. It is seen from the table that the number of branches increased to 111 at the end of 31st March 2011 from 73 at the end of March, 2007 and 31 at the end of March, 1983 and 13 branches as on 31st December, 1957. The expansion of branches indicates that LIC has taken interest to spread life insurance in the region during the last fifty five years, but the achievement was rather slow. Further as against this Northern, Central, Eastern, Southern and Western Regions which had 311 branch offices as at 31st December,
1957, rose to 927 as of 31st March 1983, further rose to 2228 as of 31st March 2007 and further rose to 3260 as on 31st March 2011 respectively. Viewing from this angle the expansion of LIC office in the North Eastern Region is not at all satisfactory. The branch of LIC as a whole increased from 324 as of 31st Dec, 1957 to 958 as of 31st Mar, 1983 to 2301 as on 31st March 2007 and 3371 as on 31st March 2011.

**DISTRICT-WISE DISTRIBUTION OF LIC OFFICES**

The effort of LIC in the Region to spread the gospel of life insurance and bring it to the doorsteps of the people can be measured in terms of district-wise distribution of branch offices. The number of LIC branch offices district-wise under different States in the N.E Region is shown in Table 2.4. It is evident from the table that there are 111 offices only as against 86 districts. Whereas the LIC office per district in all India is 5.27 but in the North Eastern Region it only 1.29 per district. It is, thus, evident that the LIC has not able to spread life insurance widely and in particular to the rural areas and to the socially and economically backward classes of the North Eastern Region with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.

**TABLE 2.4 DISTRICT-WISE DISTRIBUTION OF LIC OFFICES**

<table>
<thead>
<tr>
<th>Name of States</th>
<th>No. of Districts</th>
<th>No. of Offices (2010-11)</th>
<th>Office per district</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>27</td>
<td>80</td>
<td>2.96</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>16</td>
<td>3</td>
<td>0.19</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>7</td>
<td>1</td>
<td>0.14</td>
</tr>
<tr>
<td>Manipur</td>
<td>9</td>
<td>4</td>
<td>0.44</td>
</tr>
<tr>
<td>Mizoram</td>
<td>8</td>
<td>1</td>
<td>0.13</td>
</tr>
<tr>
<td>Nagaland</td>
<td>11</td>
<td>4</td>
<td>0.36</td>
</tr>
<tr>
<td>STATE</td>
<td>TOTAL</td>
<td>LIFE</td>
<td>LIC</td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>Assam</td>
<td>86</td>
<td>111</td>
<td>1.29</td>
</tr>
<tr>
<td>Tripura</td>
<td>4</td>
<td>16</td>
<td>4.00</td>
</tr>
<tr>
<td>Sikkim</td>
<td>4</td>
<td>2</td>
<td>0.50</td>
</tr>
<tr>
<td>Total: N.E. Region</td>
<td>86</td>
<td>111</td>
<td>1.29</td>
</tr>
<tr>
<td>Total: All India</td>
<td>640</td>
<td>3371</td>
<td>5.27</td>
</tr>
</tbody>
</table>


**STATE-WISE DISTRIBUTION OF LIC BRANCH OFFICES AND N.E. REGION’S POSITION**

It is noticed from table 2.5 that Maharashtra is leading in having the highest number of life offices. The total life offices which were 35 in 1957 rose to 140 in 1983-84 and rose to 291 in 2006-07 and further rose to 358 in 2010-11 which accounts for 10.62% of the total offices in 2011. The table reveals the position of other states.

There has been largest concentrating of LIC offices in Assam has 80 offices, Tripura has 16 offices, Manipur and Nagaland have 4 offices each, Arunachal Pradesh has 3 offices, Sikkim has 2 offices and Meghalaya and Mizoram have only one office each. The N. E. Region’s position altogether appears to be twelfth which accounts for 3.29% of total offices in 2011. Among the entire North Eastern Region Assam accounts for 72.07%, Tripura 14.41%, Manipur & Nagaland 3.60% each, Arunachal Pradesh 2.70%, Sikkim 1.80% and Meghalaya & Mizoram 0.90% each. In the region Assam & Tripura accounts for 86% and remaining 6 states of the region have only 14% offices. On the whole the organizational set up of the life insurance in the region is not satisfactory as it is highly centralize and its unitary structure has hampered its efficiency resulting in poor performance.
Among the several objectives of LICI 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. LICI has failed to achieve these important objectives in the NER.

Table: 2.5 STATEWISE DISTRIBUTIONS OF LIC OFFICES

<table>
<thead>
<tr>
<th>STATE/UNION TERRITORY</th>
<th>1957</th>
<th>1984</th>
<th>2007</th>
<th>2011</th>
<th>Percentage (%) of a state holdings to total offices in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>17</td>
<td>78</td>
<td>198</td>
<td>274</td>
<td>8.13%</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>0.09%</td>
</tr>
<tr>
<td>Assam</td>
<td>11</td>
<td>22</td>
<td>56</td>
<td>80</td>
<td>2.37%</td>
</tr>
<tr>
<td>Bihar</td>
<td>27</td>
<td>57</td>
<td>68</td>
<td>127</td>
<td>3.77%</td>
</tr>
<tr>
<td>Chattisgarh</td>
<td></td>
<td>35</td>
<td>62</td>
<td></td>
<td>1.84%</td>
</tr>
<tr>
<td>Goa</td>
<td></td>
<td>14</td>
<td>16</td>
<td></td>
<td>0.47%</td>
</tr>
<tr>
<td>Gujarat</td>
<td>24</td>
<td>70</td>
<td>157</td>
<td>185</td>
<td>5.49%</td>
</tr>
<tr>
<td>Haryana</td>
<td>9</td>
<td>21</td>
<td>44</td>
<td>69</td>
<td>2.05%</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1</td>
<td>10</td>
<td>27</td>
<td>37</td>
<td>1.10%</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>2</td>
<td>9</td>
<td>20</td>
<td>28</td>
<td>0.83%</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>-</td>
<td>-</td>
<td>41</td>
<td>63</td>
<td>1.87%</td>
</tr>
<tr>
<td>Karnataka</td>
<td>25</td>
<td>75</td>
<td>154</td>
<td>226</td>
<td>6.70%</td>
</tr>
<tr>
<td>Kerala</td>
<td>10</td>
<td>42</td>
<td>95</td>
<td>180</td>
<td>5.34%</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>14</td>
<td>68</td>
<td>130</td>
<td>203</td>
<td>6.02%</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>35</td>
<td>140</td>
<td>291</td>
<td>359</td>
<td>10.65%</td>
</tr>
<tr>
<td>Manipur</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>0.12%</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.03%</td>
</tr>
<tr>
<td>Mizoram</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.03%</td>
</tr>
<tr>
<td>Nagaland</td>
<td>-</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>0.12%</td>
</tr>
<tr>
<td>Orissa</td>
<td>9</td>
<td>23</td>
<td>62</td>
<td>106</td>
<td>3.14%</td>
</tr>
<tr>
<td>Punjab</td>
<td>7</td>
<td>38</td>
<td>69</td>
<td>101</td>
<td>3.00%</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>8</td>
<td>51</td>
<td>120</td>
<td>176</td>
<td>5.22%</td>
</tr>
<tr>
<td>State</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>----</td>
<td>----</td>
<td>------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sikkim</td>
<td>0</td>
<td>1</td>
<td>0.06%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>31</td>
<td>84</td>
<td>193</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>308</td>
<td>9.14%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tripura</td>
<td>1</td>
<td>3</td>
<td>0.47%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>44</td>
<td>119</td>
<td>240</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>358</td>
<td>10.62%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UttraKhand</td>
<td>36</td>
<td>46</td>
<td>1.36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Bengal</td>
<td>38</td>
<td>71</td>
<td>154</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>235</td>
<td>6.97%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andaman &amp; Nicobar Islands</td>
<td>1</td>
<td>2</td>
<td>0.06%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chandigarh</td>
<td>-</td>
<td>4</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>0.30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dadra &amp; Nagrahaveli</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.03%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daman &amp; Diu</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>0.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delhi</td>
<td>9</td>
<td>29</td>
<td>67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lakshadweep</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Puducherry</td>
<td>3</td>
<td>7</td>
<td>0.21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>3</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Total</td>
<td>324</td>
<td>1023</td>
<td>2301</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3371</td>
<td>100.00%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Office opened after seeking approval of the Authority

Note: 1) Data as furnished by the insurers 2) Office as defined under Section 64VC of the Insurance Act, 1938


Life Insurance Corporation of India is the largest public sector enterprise in the country, having a well developed organizational structure spread all over the country in a systematic manner. The general supervision and direction of the affairs and business of the corporation are entrusted to Executive Committee consisting of the Chairman, two managing directors and two other members of the Executive Committee are drawn from the Board of the Corporation. The main control of the Life insurance Corporation is exercised by the Central Office. It uses to delegate its authority to zonal offices and zonal offices further to divisional offices.
Each Branch operates as an independent unit under the direct supervision of Divisional Office. In the context of NER, organizational set up of the Corporation is not satisfactory as it is highly centralize and its unitary structure has hampered its efficiency resulting in poor performance except Assam.

*******************************************************************************