CONCLUSIONS

All these findings on the performance appraisal of LICI establish the continuous expansion of its business in every nook and corner of the country after few years since its nationalisation. Its business outside India declined during the first two decades of the study period. But from 1980s onwards, positive and significant growth of its business outside India has been observed. Throughout the whole study period, it is found that individual life insurance business dominated the business of LICI. Different components of group and superannuation business depicted a clear picture of very high growth rates during 1970s and a similar situation was observed in case of pension and annuity business of individuals during 1980s because these two types of LICI's business actually became popular respectively from 1970s and late 1980s. The estimated statistical results of individual pension and annuity business also imply that there remains an ample scope of further enhancement of this type of business. LICI turned to be brightfully successful in flourishing its business in the rural areas but a state of mild form of regional differences has been noticed in spreading its business.

Lion's share of investible fund of LICI has been acquired by the Government sector since the early period and no remarkable change of this investment policy of LICI has been observed (although income from investment before tax increases with the passage of time). However, recently an emphasis is being given on the investment in high income earning private sector and specially in stock exchanges. LICI management has showed its efficiency in reducing renewal expense ratio and overall expense ratio. But it failed to reduce its high new business expense ratio which should be reduced by restructuring and rationalizing the commission system. Gradual enhancement of life fund (as a consequence of higher growth of LICI's income than its outgo) made the solvency and stability position (i.e., the capital base) of LICI sound. LICI has been able
to consolidate its position by rendering gradually better customer services and quick settlement of claims.

Undoubtedly, it may be said that the performance of LICI has been enriched by implementing the valuable recommendations of a number of committees set up from time to time. Within them, recommendations of the Era Sezhiyan Committee have made a major improvement in the functioning of LICI. As a result of it, significantly high growth rates are observed in various performance indicators of LICI since 1980·81. Moreover, during reforms regime (i.e. 1993·94 to 1999·2000), efficiency of LICI improves significantly in comparison to the pre-reforms period. From the study it is established that even a threat of competition leads to a significant improvement in the performance of LICI. So a competitive environment in insurance sector in the coming days will not be harmful, rather with all probability will facilitate to consolidate the strength and base of LICI which is not only now an organisation but also a brand name for life insurance products in India.

POLICY PRESCRIPTIONS

Overall good performance of LICI in the past, as established by the study, should not be the cause of its complacency in future. To avoid its weaknesses and for betterment of its performance, the following few recommendations can be made on the basis of the findings of the study:

i) From the very beginning of nationalisation to 1999·2000, it is observed that the business of LICI mainly depends on individual policies. Parallely it is also noticed that the amount of expenses on issuing new individual life insurance policies is very high. As a matter of fact, recently, LICI has also enhanced its minimum sum assured per policy of individual life insurance (consequently, relatively poor persons are not able to take individual life insurance policies). Group term insurance is the only means to ensure the spread of insurance
coverage among the socially and economically backward classes at a lower cost. Therefore, LIC should introduce such innovative polices which would be successful to accelerate its group insurance business in the country.

(ii) Under the liberalised regime of the world economic system and prevalence of nuclear family structure of the society, most of the working groups feel insecure for their aged future and there is an ample scope of extending pension policies. These pension policies are to be made more attractive and innovative so that LIC can utilise this potential market in extending its business in the competitive framework.

(iii) It is noticed from the product-wise distribution of individual life insurance that LIC launched new policies from time to time considering the social needs and remarkable responses emerged on those new policies. Hence, LIC must launch such type of new policies by which middle class or low middle class families of the society are attracted and also able to acquire more life insurance related products.

(iv) It is evident from the estimated statistical results that tax incentives have a sound effect on the enhancement of new life insurance business. Naturally, to get similar response from the non tax-payers, LIC should either reduce premium rates in offering new policies to the non tax-payers or should provide higher rate of bonus on the policies of non taxable income group.

(v) Now a days, it is impossible to earn higher income by investing fund in secured fixed interest bearing securities. Presently, a major portion of LIC's fund is invested in secured government sector. To maintain its present commendable position in the competitive insurance market under the liberalised setting, LIC should search for its proper investment policy so that it
can provide attractive rate of return to the policy-holders. In order to fulfil this particular objective, LICI management must take proper portfolio management in distributing its fund among various investment instruments so that it can be able to earn higher rate of return from its investment keeping an eye to the security aspect.

**vi)** Enormous growth of life insurance business in the rural areas in India is observed with the passage of time since nationalisation. But considering the number of inhabitants in rural areas, it may be said that life insurance is as yet largely an urban phenomenon. To cover full potentialities in the rural areas, LICI should arrange to sale of life insurance policies and collect premiums in rural areas through post offices or rural branches of nationalized or other banks.

**vii)** It is observed from the analysis of ratios related to the contribution of life insurance personnel that despite overall improvement of the average productivity of direct employees of life insurance, life insurance business per active agent of LICI is significantly declining. One important reason behind this reduction of productivity is the acute unemployment problem in the country, which invites several unemployed youths to act as agents. With the exchange of views with many persons during the course of study, it is also identified that due to lack of customers' service provided by most of the agents, people are not much interested specially in rural areas to take life insurance policies second time and this may cause low productivity per agent. So LICI management must take care of providing some provisions to panelise those agents who wilfully neglect in rendering due service to the policy-holders.

**viii)** For the overall development as well as expansion of business all over the country, LICI must look ahead in avoiding regional
discrimination in future policy making. That is, in order to progress its business inside India, no state or union territory should be neglected.

ix) LICI should take necessary steps in improving its business outside India whose share in the total business is very negligible. To achieve this specific objective, LICI must take care in betterment of its existing foreign business through increasing its efficiency and introducing new life insurance products at the competitive rates. LICI should also make efforts to extend its business in the underdeveloped or developing neighbouring countries and other countries having good diplomatic relation with India. In this way, during the era of open market economy, LICI will be able to cover up the share of loss in the Indian life insurance market as well as to make its position very sound in future.

x) From the estimated statistical results as well as graphical expositions of renewal expense ratio and overall expense ratio it is clear that over time, LICI has managed to cut off its management expenses in order to raise its business surplus. But there remains some lacuna on the part of LICI management to control the high level of new business expenses ratio significantly. So the management of LICI should control this ratio and that would be possible if commissions for new business are paid directly to the agents instead of presently paying chain-based commission from development officers at the top to the agents at the bottom.