CHAPTER XI
FINDINGS, RECOMMENDATIONS AND CONCLUSION

INTRODUCTION

Life insurance business was first introduced in the North Eastern Region in 1951. However, lack of social infrastructure and organisational efforts hampered the development of insurance business. As a result life insurance business in the Region in the pre-nationalisation period was mostly confined to a few towns. Significantly the only indigenous insurance company the Bhaskar Insurance Company Limited had to face stiff competition from the few big companies operating in the Region and soon it became an uneconomic unit.

The development of insurance business was mostly a post-nationalisation phenomena. The business gradually picked up from 1955 onward and the number of branch offices in the Region increased from 13 in 1957 to 31 in 1984.

Life insurance business in this Region is supervised by the Zonal Office at Calcutta and the Central Office at Bombay. Development of insurance business in this Region is looked after by the two divisional offices, one at Guwahati and the other at Silchar. Considering the area and population of the Region there has been a popular demand of opening more divisional offices. The volume of new business reached Rs. 99.13 crores mark at the end of March, 1984; from a low Rs. 6.31 crores in 1957. Business in force as on 31 March, 1984; stood at Rs. 615.94 crores. This is a significant improvement from Rs. 22.48 crores during 1957. The book value of investment in LIC's Fund in the Region recorded an increase Rs. 132.55 crores during the period between 1957 and 1984.
FINDINGS

LIC's performance and progress in the Region as revealed during the course of investigation have been summarised as follows:

Organisational Set-Up Of Life Insurance Corporation of India

The organisational set-up of LIC in the Region do not present a very happy picture. The growth in the number of LIC branch offices in the Region can not be said to be satisfactory compared to other parts of the country. In terms of district-wise distribution of LIC offices, the Region (0.67) is far behind the all-India position (2.0). Further there are at least eleven districts in the North Eastern Region still without a branch office of LIC. This again fell short of the Corporation's avowed policy following the Report of the Administrative Reforms Commission (Working Group) that each district will have one office.

The area-wise and population-wise distribution of LIC offices in the Region works out to 8227 square kilometres and 8.6 lakhs of population per office as against, for instance, Gujarat's 3015 square kilometres covering 5.2 lakhs of population per office and Maharashtra's 2263 square kilometres covering 4.6 lakhs of population. People in the North Eastern, indeed, face trouble in payment of premiums, which result in discontinuation of their policies. The branch office also finds it extremely difficult to cover the entire area under its jurisdiction. As per the recommendation of the Estimate Committee, whenever a branch office procure minimum business of Rs. 1.25 crores, then another new branch office may be opened to cope with the volume of the business. Going by this recommendation, the Region may have at least a few more branches.
With the growth of new business from Rs. 274.51 crores in 1958 to Rs. 4386.98 crores in 1963-84, the Corporation has become unwieldy. So also many divisional offices at the States. This reflects in the slowing down of business and deterioration of the efficiency of the divisional operation. The Guwahati divisional office has grown considerably over the years and its business turnover had reached Rs. 85 crore mark in 1983-84, which far exceeds the limit of Rs. 25 crores fixed for a division by the Estimates Committee of Parliament. This justifies the demand for more divisional offices in the Region.

The annual new business turnover of the Corporation has reached Rs. 11,861.35 crores (including group insurance business) as on 31 March, 1984. This shows that the Corporation has grown in size and possibly this is the reason for gradual deterioration in the performance of LIC at all-India level and also at the divisional offices including the North Eastern Region.

**Progress Of Life Insurance Business In The Region**

The progress of new business in the Region is satisfactory in terms of sum assured, but not in terms of policies underwritten. There has been such deterioration on the rate of growth of new policies issued. Such deterioration is mainly due to the fact that LIC is primarily interested in the realisation of new business target in terms of sum assured, but not in terms of giving life security to maximum number of policyholders. As a matter of fact, LIC should have shown a far better progress in the context of vast potential existing for its business in the Region. This is clear from the fact that the insured population here as on 31 March, 1984 was only 1.85 per cent of the
total population and all-India being 3.35 per cent. Besides, the average sum assured per policy has increased to Rs. 18,961 in 1983-84 from Rs. 2076 in 1956 without proportionate increase in the number of new policies issued. This indicates that LIC is procuring a substantial portion of business from the higher income group of people. This contradicts the basic objectives of LIC "spreading the message of life insurance as far as possible to every eligible person of the country and mobilise small savings from the bulk of the population."

The progress of group insurance, in spite of vast potentiality available for LIC's business, is slow. The group of different categories of people in the North Eastern Region prefers Group Gratuity Schemes to Group Term Insurance Schemes. But as already explained in Chapter II, only 84 Group Insurance policies were renewed during the period ending March, 1984 out of a total of 151, partly because of LIC's disservice and disinterest shown by the shareholders.

The rise in per capita insurance in this Region is not at all satisfactory. The Finance Minister's confident forecast that the per capita life insurance would be Rs. 200 by 1986 did not turn out to be true. At the all-India level the per capita life insurance reached Rs. 220 only in 1974-75 whereas in case of North Eastern Region the per capita insurance reached Rs. 210 only in 1983-84. The low per capita insurance, indeed, is an indicator of poor life insurance security given to our people.
Besides, the quality of new business and the progress of it is seriously affected by the lapse of policies. The lapse ratio of the Guwahati Division representing this Region was 25.7 per cent in 1971-72 at mean duration which is to be viewed with concern. These infructuous policies act as a disincentive to savings and the Corporation loses its public image. The contributory factors for such lapse are the spurious business canvassed by the field personnel, deterioration in the quality of post-sales service of the Corporation and the unfavourable policy conditions realised by the policyholders post facto. Further, a section of the policyholders particularly those of the villages and suburban areas find it troublesome to deposit their premiums as they have to travel a pretty long distance to the nearest office, which entail them both time and costs. This reflects ultimately in the discontinuation of their policies.

Settlement of Claims

Efficient and quick disposal of claims is sine qua non of good post-sales service. The importance of prompt settlement of claims by LIC can hardly be exaggerated.

Though the number of policies in force increases, there has been no significant increase in the number of claims settled over the years in the North Eastern Region. The daily average number of claims settled by Guwahati Division here works out to 24 policies in 1972. The average productivity per day of an employee engaged in claim settlement operation is less than one claim to be attended. Yet, there has been a greater number of claims outstanding at the end of each year. Proportion of death claims outstanding at the end of each year is always greater than that of maturity claims.
Settlement of claims according to duration reveals that there has been considerable delay in the operation of claim settlement, causing frustration and hardships to the policyholders or their heirs. Only 28 per cent of the total death claims were settled within three months in 1982 and 15 per cent of the total maturity claims on or before the date of maturity. As such LIC's operation of settlement of claims does not present a happy picture and it fails to achieve its operational objectives in this aspect.

There is no doubt that LIC is trying to reduce the time lag in claim settlement operation. The responsibility for delay goes to the LIC itself and in some cases to the policyholders or their heirs. The complex mechanism of claim settlement process, the lack of coordination among supporting sections, delay in submission of queries by the policyholders or their heirs are all contributing to the cause of delay in claim settlement.

Bonus To Policyholders

There has always been a public voice that savings in life insurance policy does not give a fair return. The echo appears to be well grounded when a comparison is made between the yield on a life policy and other media of financial savings such as recurring deposit with a commercial bank. The example given in Table V.I shows how the yield on a life insurance policy at maturity compares unfavourably with the yields on alternative financial savings outlets. This is mainly due to the fact of the high risk premium and the rate of bonus paid by LIC on participating policies is comparatively low. The demand for enhancement of attractive bonus rate is, therefore, justifiable.
Further, from analysis made in Chapter III and V, it seems that LIC business is running on tax-incentive. If tax-incentive is withdrawn by the Government of India, there is a possibility that LIC's business turnover would shrink abruptly. Considering that tax-incentive reduces the government revenues, LIC should invest in government schemes and projects at a rate lower than the market rate of interest.

**Investment of Life Insurance Fund in The Region**

The regulations of Life Insurance Fund investment is so rigid that most of them are unfavourable for the underdeveloped states like in the North Eastern Region. Though the LIC's total investment in India has grown to Rs. 9566.63 crores as at the end of March, 1994 the total share of the North Eastern Region amounted to only Rs. 133.64 crores (1.40 per cent of the Corporation's total) as on the same date, which is quite disheartening. At the same time many other states, such as Maharashtra and Gujarat, for examples, accounted for as great as Rs. 1190.81 crores (14.90 per cent of the Corporation's total) and Rs. 473.92 crores (5.90 per cent of the LIC's total) respectively at the end of same reference period. The investment in many other states is, individually, far greater than that of the entire North Eastern Region. The LIC has not taken so far any step to remove the regional imbalance in its investment policy. As such the Corporation has failed to bring about a geographical diversification of its investment in the context of this Region. Investigation in course of this study has further, shown that LIC has tried to correct the balanced development in respect of certain states such as Punjab, Bihar, Orissa, Uttar Pradesh, Rajasthan and Madhya Pradesh in
particular, but not in respect of the North Eastern Region. Therefore, LIC has deliberately neglected this industrially and economically backward Region.

LIC's investment in infrastructure in this Region includes electricity, water supply, housing finance and of late, road transport. However LIC's investment in this Region as percentage to all-India total is far from satisfactory. Investment in the Assam and Meghalaya State Electricity Boards for generation and distribution of power worked out to 3.1 and 1.1 per cent respectively during 1984. Out of ₹ 434.94 crores of LIC's total investment in water supply schemes as on 31 March 1984, the North Eastern Region received only ₹ 2.28 crores. Its investment in these socially oriented projects have always been negligible, though people in the Region are suffering from acute problems of drinking water.

LIC is a potential investor in shares and debentures issued by the joint stock companies. The Corporation's investment in this sector in the North Eastern Region increased from ₹ 7.23 lakhs in 1957 to ₹ 2.14 crores at the end of March, 1984. LIC's total investment in industries in the Region is surprisingly low. Out of LIC's total industrial investment of ₹ 1883.23 crores in the country, the North Eastern Region's share was only ₹ 6.66 crores, which works out to 0.4 per cent of all-India total. The Corporation's choice of investment outlets in the large and monopoly group of industries results in the concentration of its investment in few industries and in few states.
States with poor industrial investments have received bigger share of LIC investment in agriculture sector. However, due to limited activities of the Assam Co-operative Central Land Mortgage Bank (ACILMB), it could not availed of much loan from LIC. The total borrowing of ACILMB from LIC amounted to Rs. 33 lakhs only as on 31 March 1985. It is surprising that the LIC did not try for diversification of its agricultural investment in this Region, as it has done in some other states.

LIC's investment in the State Government securities in the Region was Rs. 34.96 crores of the all-India total of Rs. 371.81 crores as on 31 March 1984. Region-wise this is the second highest investment by LIC. Still in the portfolio of LIC, investment in State Government securities has shown a declining tendency, while it is increasing in case of the Central Government securities.

In sum total, the per capita investment in the North Eastern Region being Rs. 51 is far behind the all-India average of Rs. 140. The net acquisition of investments of the Corporation in the North Eastern Region, too, is unfavourably as low as 2.9 per cent during whole period covered understudy. The savings investment ratio can not be termed satisfactory.

LIC's Contribution To Employment In The Region

Investigation in course of the study revealed that representation of persons employed in the LIC from the North Eastern Region can not be said to be encouraging. In the executive cadre 17 per cent of the officers are from the Region, whereas in the administrative cadre only 39 per cent of
the officers are from within the Region. This is primarily due to the fact that selection to the executive and administrative posts were made through all-India competition. However, it is reliably learnt that at present selection of the administrative cadre is made on the basis of the selection of candidates for the Region, so that local candidates may get preference.

RECOMMENDATION

In the light of the above findings, the following recommendations are advanced, which it is expected, will go a long way in helping the Life Insurance Corporation to provide the benefits expected of it to the people of the North Eastern Region.

To Tone-Up The Organisational Set-up

1. The Zonal Office, being superfluous, should be abolished. The Central Office should delegate complete decision-making power with respect to policyholders' servicing, development and underwriting of new business, actuarials, accounts, legal, mortgages and investments to the Divisional Offices. Similarly all matters relating to personnel below the rank of Assistant Divisional Managers may be transferred to the Divisional Officers; thus making the Central Office a purely policy-making and co-ordinating body and subordinate offices more autonomous in the real sense.

2. LIC should without further delay open branch offices in all remaining districts of the Region. Further, to spread life insurance to the remote places of the Region and for giving more facilities to the policyholders in respect of payment of premiums etc. and for better development of its
business, LIC should start small branch offices for the time being with five to seven staff members in the thrust areas of the Region.

3. Inspite of the best efforts put in by LIC, the efficiency of it has deteriorated. To develop healthy competition in performance and results, LIC should be split up into six Corporations.

4. Considering the volume of business, Guwahati Division should be bifurcated and at least one more division may be set up. Jorhat will be the most convenient site for this new divisional office considering the potentiality and strategic importance.

To Boost Up The New Business

1. LIC should adopt an action plan of increasing new business through increasing number of policies. In selected villages and blocks, the LIC may launch package scheme to give insurance coverage to the people phase by phase.

2. LIC should formulate accommodative types of life insurance plans which will best suit the subtle economy of the poor, particularly the cultivators.

3. To increase the coverage of the Group Insurance Schemes different groups of people be approached and convince them about the benefits of such schemes. For this LIC should also modify the terms and conditions of the existing schemes. For instance, there should be larger sharing of profits in the Group Term Insurance Schemes for the next year, that means the surplus amount left after the previous year should be adjusted
against the next year renewal premium instead of adding to the purse of LIC.

4. The LIC should approach the concerned scheme-holders and appraise them of all the formalities regarding renewal of group insurance scheme. The costs of renewal should also be reduced to make it more attractive.

5. Considering the high lapse rate of policies and its consequences, the Corporation may be advised that it should undertake a detailed investigation into causes of lapse of its business, preferably with the help of outside agency, so that effective action can be taken up for tackling this important problem.

To Enhance Bonus To Policyholders

1. The bonus rate paid by LIC to its policyholders is not at all lucrative. To enhance the bonus rate, the cost of procuration of new business and the management expenses should be curtailed. One way of curtailling the former costs is to reduce the commission rate payable to agents to fifteen (15) per cent of the first year premium income and three (3) per cent in case of renewal premium income. The other way is to reduce the management expenses to the level of seven (7) per cent.

To Streamline Claims Settlement

1. The maturity claims should be settled on the date of maturity itself and the death claims within one month from the date of receipt of intimation of death. To expedite settlement of claims, the functions relating to it should be decentralised to the branches.
2. LIC should prepare a schedule well in advance for all the policies maturing in a financial year branch-wise. Currently, it may prepare another schedule for those policies centralised at the divisional office, until they are decentralised. The discharge voucher which the LIC requires to be completed by the party should be sent at least six months before the date of maturity asking the party to submit it immediately with the policy documents. Post-dated cheques may be issued to avoid delay. The process of maturity claim settlement should be like that of fixed deposit in a commercial bank.

3. The procedure for obtaining a duplicate policy or drawing up of indemnity bond should be simplified like that of loss of fixed deposit certificates of a bank; otherwise it will eat up much time delaying the claim settlement procedure. The co-ordination between the claims department and the other supporting departments should be strengthened. The employee performance should also be recorded, so that the policyholders are not put at trouble in receiving back their own savings.

4. The policyholders may be supplied with a premium deposit sheet like that of a policy ledger sheet so that each time the policyholder pays premiums, the office may enter records therein with official seal and signature. This will serve the dual purpose of reminding the policyholder to pay his premiums due and a document of receipts. If done so, LIC may replace the present practices of sending premium notices and premium receipts.

5. To clear the maturity claims outstanding for three months and above, the LIC should make a thorough review of its present scheme of servicing outstanding claims by its field staff through issue of claims particulars sheets (CPS) and take all possible steps to make the scheme more
effective. At the same time LIC should have to keep the records of changes of address intimated by the policyholders and the latter, too, comply with the requirements immediately.

The services of the agents may also be utilised to help the policyholders in filling up the forms of claims settlement, as many of the policyholders are not conversant with the formalities.

6. In case of death claims, to reduce delay and settle them within one month, the present machinery for claims investigation will have to be strengthened and the decision-making process expedited. Field officials and wherever necessary the members of the staff (as the field officials can not be expected to devote sincerely in this work for they are pre-occupied with procurement of business and other obvious reasons) should be specially trained in claim settlement process. The burden of death claim requirements should be reduced to the minimum. LIC should rather deploy its officials to investigate the cases than resorting to paper requirements. The staff should assist the claimants who are illiterate. Besides these proper feedback mechanism to evaluate the claim settlement operation is required to be practised by LIC.

To Increase Investment in The Region

1. The Investment Committee of LIC, should have fair representation from the North Eastern Region.

2. The investment regulations of LIC should be modified in favour of the backward regions.
3. Considering the huge investible funds with the LIC, it should increase its investment for the development of electricity generation and distribution in the North Eastern Region to at least fifteen (15) per cent of its total investment. Further, LIC should take a liberal view in investing in water supply schemes of the Region. For housing development, the agencies connected with it, such as State Housing Board, State Co-operative Housing Finance Societies etc. should expand its activities extensively so that further loans may be negotiated with LIC. The Corporation in turn should have to take a missionary zeal and liberal attitude to invest their funds in this backward area.

4. The Central Government may advise the Corporation to create a fund for backward area development and for that, if necessary, the LIC Act, 1956 and the Insurance Act, 1938 may suitably be modified.

5. In the interest of the policyholders as well as its own future growth in the Region, LIC should expand its direct financing for housing e.g., Own Your House Scheme (OYH). Unless the Corporation undertakes both the functions together, its role will be seriously circumscribed in providing shelter to its constituents and relieving them the burden of excessive rents. OYH may be expanded to all the urban areas and villages having more than 5000 people.

6. The State Governments in the Region should adopt a legislation in the line of Apartment Ownership Act to provide infrastructure to LIC and to induce them to sanction loans to small professionals such as doctors, engineers, technicians etc. to start small business of their own here.
7. For improving the industrial investment in the North Eastern Region, the following suggestions may be made within the present investment framework of LIC:

First, any available statistics of the North Eastern Region, particularly the Basic Statistics of the North Eastern Region as published by N.E.C., Shillong show that there are a good number of private and public joint stock companies, including government and joint sector companies engaged in the functions of different industrial and consumer goods. LIC should explore the possibilities of its investment in shares and debentures of those companies.

Second, LIC should extend intensively the activities of new issue underwriting for promoting companies in the private sector in the North Eastern Region.

Third, according to investment regulations discussed earlier, LIC can sanction loans to joint stock companies on first mortgage of the immovable property. Data presented in Table VII.19 reveals that the outstanding amount of loans to companies (i.e., direct term loans) was ₹. 54 crores each in respect of West Bengal and Tamil Nadu, ₹. 82 crores in case of Maharashtra and ₹. 26 crores of Bihar as at 31 March, 1984. But the outstanding amount of direct term loans to companies in the North Eastern Region was ₹. 5 crores only as at the time. In view of the investment regulations, the operation of the investment outlet of mortgage advances should be accelerated for the North Eastern Region than in any other regions of the country wherein shares and debentures could easily be obtained.
Fourth, the State Governments in the Region should come forward to guarantee the securities of their companies in which they are seemed to be laggards; only such initiative will be helpful in getting the loans and advances approved across the table of LIC.

8. As the volume of investment in agriculture is too small the LIC may consider to invest in State Warehousing Corporation, Agricultural Co-operative Societies, State Seed Corporation, Agro Industries Corporation, State Co-operative Marketing and Consumers' Federation Ltd., Assam Fertiliser Development Corporation Ltd., Fertishem Ltd. etc. in the Region, so that the Region has been brought up in line with the development of the other parts of the country. LIC's investment in those institutions will depend upon, inter alia, the development finance requirement of them. The ACIMB may expand its agricultural credits so that it can approach LIC for bigger amount of advances.

For directly financing the agriculturists, the Corporation can think of devising a scheme of "Own Your Farm" similar to that of "Own Your House" scheme. Under this scheme long term loans may be granted for the purpose of economically viable piece of agricultural lands to such agricultural labourers who are anxious to engage themselves in agricultural business but do not possess land of their own. Besides under that scheme, investment policies may be formulated for providing financial assistance for fisheries, industrial and plywood plantation, poultry farming, pig and fodder farming.

9. Considering the per capita investment of LIC in different states, there is a need felt to restructure the investment portfolio of the LIC to suit the conditions of the North Eastern Region.
10. The State Governments in the North Eastern Region may issue further securities for productive investments so that further funds may be obtained from LIC and the States here do not lag behind due to financial constraints for their economic development.

Miscellaneous

1. To safeguard the interest of the sons of the soil, the employment policy of the Union Government, as referred to earlier, should be followed by LIC in letters and spirit and police verification report may be insisted upon to verify the genuineness of the residential status of the recruitant. The minimum educational qualification for the applicant should be adjusted depending upon the availability and non-availability of the candidates in a particular State, for the simple reason that all States of this Region is not equally developed in education, too, with other parts of the country.

2. To provide for a stable agency force and regular income, which is essential in view of the unemployment situation in the Region the cadre strength of agents for each branch should be fixed and maintained. Tightening up of the recruitment process will reduce the number of unproductive agents and help in selecting right persons.

CONCLUSION

Development of life insurance in the Region in an organised way started only in the post-nationalisation period. However, the development was not in the desired direction as the message of insurance did not spread to all the
areas of the Region. It is high time that LIC turns its attention to those sections of the people who are yet to be benefitted by its social security schemes. Only then insurance population ratio will considerably increase. It is also necessary that the LIC's investments are made in the growth-oriented and socially desirable schemes. LIC is destined to play a prominent role in this Region provided it can extend its social security schemes to those backward areas of the Region which need it most and also combine the developmental role keeping in view the immediate need of economic development.