CHAPTER II
ORGANISATIONAL SET-UP OF THE LIFE INSURANCE CORPORATION OF INDIA

INTRODUCTION

The organisation of LIC as envisaged by the Life Insurance Corporation Act, 1956 (Act III of 1956) consists of a four-tier structure as shown in Table II.1 with Central Office at the top and branches at the bottom, of the structure. The central office is located at Bombay with five zonal offices at each of five places, Bombay, Calcutta, Delhi, Kanpur and Madras. The Act also provides for establishment of as many divisional offices and branches in each zone, as is considered necessary. Each division has in its area a number of branch offices.

Management

The management of the affairs of LIC is vested in a board of members not exceeding fifteen in numbers appointed by the Union Government. One of these members is appointed as Chairman. It is observed that no qualification whatsoever, is specified in the LIC Act, 1956 for eligibility to appointment as a member of the board. Of vital importance to an undertaking is the constitution and composition of its higher level of management, where the main responsibility is vested for its efficient and successful working. Hence membership on the board should be on the basis of ability, experience and administrative competence; and should be open not only to the employees of the L.I.C. but also to outside persons having ability ... and non-official directors have tended to make a full, honest and valuable contributions.

1. Life Insurance Corporation Act, 1956 (Act III of 1956), Government of India, Sec. 13(3)
2. Ibid. Sec. 19(4)
The responsibility for the enterprise as a whole lies in a direct line from
the Government and the Government should, therefore, consider the aspect of
regional representation in the board for an all-India organisation like LIC.

As an autonomous body, the board has been empowered with the duty to
develop the life insurance business in the country to the best advantage
of the community and in a manner of sound business principles. Section 3 of
the LIC Act further empowers the Board to make regulations regarding delegation
of powers to the Chairman, Zonal Managers and to frame committees. But the
Government can give directions to the management (i.e. Board) in all matters
which affect public policy. The autonomy of the management is restricted in
case of appointment of auditors, investment of funds and regulations relating
to methods of recruitment. Further the management can not frame regulations
ultra vires of the Act. Many of these regulations relate to the matters that
may, legitimately be regarded as matters of day-to-day procedures and administration. Government control is justified on the principles of attaining maximum
social objectives, but delays in conveying decisions and interference with
day-to-day administration brings losses and inefficiency to the industry.
Hence the Corporation should be charged with more commercial functions and
be left to the corporate strategies itself to achieve the goals.

In reality the Board has entrusted the general superintendence and
direction of its affairs and business to an Executive Committee consisting
of not more than five of its members and the Executive Committee exercises

4. Life Insurance Corporation Act, 1956, Government of India, Sec. 6(1),
   (2) and (3); Sec. 4.
5. Ibid., Sec. 49(2); Sec. 18 & 43
6. Ramadham V.V., The Structure of Public Enterprise in India, Asia
   Publishing House, New Delhi, 1963, p. 121
all powers and performs all the functions delegated to it by the Board. The Board has delegated a reasonable degree of its functions to the Executive Committee as is evident from Regulations 17 and 18 of the L.I.C. Regulations, 1959 framed by it and in effect day-to-day functioning of the LIC is vested in it. The Board has vested similar other functions in Investment Committee and Budget Committee. But all these Committees as well as the Board itself meet only once in a month. The duration of such meeting is barely two-three hours long. The Chairman, therefore, has to exercise all the powers. So at the time of appointing members the Central Government should see that they can devote time and attention and are firm believers in social objectives also (as at present most of the members belong to big business houses, who may twist the operational policy of LIC that further their interest and they, one time, opposed to the nationalisation of life insurance).

The Chairman

The Chairman is the Chief Executive of LIC. The Chairman has to exercise such powers as may be delegated to him by the Board and the Committee. It may be mentioned here that the Chairman is ordinarily the member of all Committees whether standing or appointed from time to time. It was a general

7. Section 17(1) of the LIC Act, provides: The Corporation may entrust the general superintendence and direction of its affairs and business to an Executive Committee consisting of not more than five of its members and the Executive Committee may exercise all powers and do all such acts and things as may be delegated to it by the Corporation.

8. Sec. 19 of LIC Act, 1956: The Chairman is the Chief Executive Officer and he is subjected to such general or special directions as the Corporation or any of its Committees may from time to time give, exercise all such powers as may be exercised and do such acts and things as may be done by any of the Committees of the Corporation appointed under sub-section 1 & 3 of Section 19 of the Act.
practise to appoint only ICS and IAS officers as the Chairman of LIC. However from 1970 onwards persons who were in the employment of LIC were appointed as Chairman. But the Government should rethink that a person from Civil Services is not a disqualification for being appointed Chairman provided he has administrative background. An outside official or non-official who has grown to the requisite stature and competence in the field of insurance or organisation is quiet suitable for the Chairmanship of LIC.

IN SIGHT INTO THE ORGANISATIONAL FUNCTIONS OF CENTRAL OFFICE, ZONAL OFFICE ETC.

Centralised Functionings at Central Office

The Central office at the helm of LIC is primarily a policy-making and co-ordinating body. Originally it coordinates the activities of the various zones and give policy directions and decisions on inter-zonal matters. Sri C.D. Deshmukh, the then Finance Minister of India, observed "It is a fact that our intention is to avoid overcentralisation and it is only matters like investments and other big policy matters which would be dealt with at the Central Office. Most of the other matters would be delegated


10. Khara S.S., op. cit., pp. 92-93: The author states that a Chairman needs not, necessarily, be a technical expert and it has a special advantage in that he brings to the Board a quality of responsibility, guidance, association and representation of the interests of the proprietor. From Government's decision to appoint non-official of ability, skill and competence as Chairman of public sectors undertaking should be implemented in letters and spirit.
to the zones. In fact there would be a further delegation to the Divisional offices and it is our intention that it should be more or less function as head offices of insurance companies with a wide measure of autonomy. 11

Despite the general guideline of the Central Government, the Central office assumes the functioning of general nature through the different departments installed here as is evident from Table II. Important financial powers and administrative powers which can, reasonably, be delegated to the Divisional offices are, in fact, exercised by the officers of the Central office. The actuarial functions, research and development functions, investments, revival of policies, recruitment, promotions of even the lowest ranking officers etc. are, by and large, attended by the Central office which may be delegated to the Divisional offices, which are most vital for efficient and expedient conduct of business there. Too much centralisation of functions at the Central office is mainly due to inability or unwillingness to delegate. 12

**Duplication of Functions at the Zonal Office**

The superintendence and direction of the affairs and business of a zonal office is entrusted to a Zonal Manager. The Zonal Manager performs all such functions as may be delegated to him by the Board or by any other higher

---

11. Deshmukh C.D., Minister of Finance, Government of India, Speech in the Parliament on 31st May, 1954. The finance Minister further made the following speech in the Rajya Sabha on 28th May, 1956: The Central office would concern itself with prospectus, premium rates, and policy conditions actuarial principles and basis formulation of underwriting standards, standardisation of procedures, staff regulations.

12. This view was supported by Harold Koonts & Cyril O’Donnel, Management, McGraw Hill Koginusha Ltd., Johannesburg 1978, p. 388. The authors state “most failure in effective delegation occur not because of lack of understanding of the nature or principles of delegation but because of inability or unwillingness to apply them in practice.”
Table III.1: Usual Organisation Chart of TIC

Board of Members

Chairman-cum-Managing Director

Executive Committee

Assistant Secretary

Investment Committee

Chief Accountant

Chief Actuary

Chief Personnel

Finance Director

Personnel & Administration Dept.

Chief Development

Director (2)

Director (3)

Manager, Organisations

Director, Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

 develops Management

Executive Director (S) Development Dept.

Executive Director (S) Investment Department

Managing Director

Chief Actuary Actuarial Dept.

Chief Accountant Accounts Dept.

Executive Director Personnel & Inspection & Audit

Investment Committee

Executive Committee

Development Committee

Chairman current in-charge

Service & Building

Committee

Development

Committee

Chief Law

Chief Chief

Chairman

Executive Director (S) Organisation

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

Developments Management

Chief Executive Director (S) Organisation Methods

Chief Actuary Actuarial Dept.

Chief Accountant Accounts Dept.

Executive Director Personnel & Inspection & Audit

Investment Committee

Executive Committee

Development Committee

Chairman

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

Executive Director (S) Organisation

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

Executive Director (S) Organisation Methods

Chief Actuary Actuarial Dept.

Chief Accountant Accounts Dept.

Executive Director Personnel & Inspection & Audit

Investment Committee

Executive Committee

Development Committee

Chairman

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

Executive Director (S) Organisation

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

Executive Director (S) Organisation Methods

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Chief Accountant Accounts Dept.

Executive Director Personnel & Inspection & Audit

Investment Committee

Executive Committee

Development Committee

Chairman

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

Internal Auditor

Executive Director (S) Organisation

Executive Director (S) Development

Integration

Legal & Audit Dept.

Mortgage

Chief Engineer

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Chairman

Executive Director (S) Development

Integration
At the Zonal office, there is also a Zonal Advisory Board to advise the Zonal Manager in the matters of policy affecting the proper development of life insurance business within the zone. Such Board is consisted of five and not more than twelve members to be nominated by the Board to represent various areas of each zone. The Zonal Manager is the ex-officio member of the Board.

Each zonal office is in charge of a number of divisions and has authority to execute the decisions of the Board and coordinate the working of those divisions. It consolidates and summarises the functions already done by the various divisional offices under its jurisdiction. All policy decisions and

13. Sec. 22(1) of LIC Act, 1956: "The Corporation may entrust the general superintendence and direction of its affairs and business of a zonal office to a person, whether a member or not, who shall be known as Zonal Manager and the Zonal Manager shall perform all such functions of the Corporation as may be delegated to him with respect to the area within the jurisdiction of the Zonal office."

14. Regulation 42 of Life Insurance Corporation Regulation, 1959: "(1) The Board constituted under Sec. 22(1) of the Act shall be known as Zonal Advisory Boards, (vi) The Zonal Advisory Board shall be competent to discuss and review all the matters of policy affecting the proper development of the life insurance business within the territorial limit of the zone and make recommendation therein."

15. Life Insurance Corporation Regulation, 1959: Regulation 43(ii)
executive instructions for implementing them, flow from Central office to the Zonal office, and the Zonal Managers in turn, duplicate many of these functions and help in the concentration of some degree of power at the zonal offices as well, leaving the divisional offices largely dependent on the zonal office. It is observed that the various departments at the zonal office are doing the same work as that of Central office. Instead of attending the general superintendence and direction of its affairs, the zonal offices are discharging the functions right from the disciplinary actions of Class II and IV staff, promotion, recruitment, transfer of Class I officers to a policyholders service. It is reasonable to think that this inhibits the smooth and efficient running of the divisional offices particularly situated at the remote places like in the North Eastern Region. Hence, the zonal offices are superfluous in the present organisation set-up of LIC, and could be abolished. In the mean time, it is learnt from LIC, that actuarial department and integration department (for planning and coordinating the functions) previously attended by zonal offices have been abolished.

The Status of Divisional Office

The Divisional office discharges such policyholders' functions as are further delegated to it by the zonal office and the Central office through seven departments shown in Table II.1. The Divisional office directs the activities of the branches under its jurisdiction. Considering the fact that the Divisional office is the real servicing unit and representing a big area, there is need for decentralisation of functions to a reasonable degree. It
is needless to emphasise that had the Divisional offices been vested with all the functions except policy matters, LIC would have worked more efficiently and released satisfactory services to the policyholders, thereby the Corporation image among the public would have deepened.

**Branch Offices and Its Functions.**

The primary functions of branch offices are to procure new business, collection of premiums and grant of first loans to policyholders.

The LIC also establishes sub-offices under the Assistant Branch Manager (Development) as officer-in-charge. In early years, the sub-offices only procure new business. But at present there is no difference between a branch office and a sub-office.

**Organisational Set-up of LIC in the North Eastern Region.**

The zonal office for the N.E. Region is located at Calcutta. This office also has jurisdiction over the entire eastern region of the country, besides the seven States of the north eastern i.e., Assam, Manipur, Meghalaya, Nagaland, Tripura and the Union Territories of Arunachal Pradesh and Mizo. Other States of eastern region wherein the zonal office, Calcutta has jurisdiction are Bihar, Orissa, West Bengal, Sikkim and the Union Territories of Andaman and Nicobar Islands. 16

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16. Reports and Accounts of Life Insurance Corporation of India, Central Office, Bombay, 1961, p. 74
There are two divisional offices in this Region. Till the establishment of Silchar divisional office at Silchar in May, 1981, Gauhati divisional office alone had been supervising the life insurance business over the entire Region since nationalisation of it in 1956. There are thirty one branch offices in the North Eastern Region. Among of them 34 branches are under Gauhati Division and seven under Silchar Division as at 31st March, 1983.

Table II.2 gives a decadal growth of LIC in the North Eastern Region since 1957. It is seen from the table that number of branches increased to 31 at the end of March, 1983 from 18 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 twenty-seven year, but the achievement was rather slow. For the branch office at Aizal in Mizoram was opened in late 1981 and in Arunachal Pradesh, too, in 1983. Further as against this Northern, Central, Eastern, Southern and Western Regions which had 36, 58, 67, 91 and 59 branch offices as at 31st December, 1957, rose to 147, 172, 145, 268 and 201 respectively. Viewing from this angle the expansion of LIC office in the North Eastern Region is not at all satisfactory. The branches of LIC as a whole increased from 326 to 958 during the period covered under study.

17. Ibid., pp. 74 & 75
### Table II.a: Decadal Growth of LIC offices in the North Eastern Region

<table>
<thead>
<tr>
<th>State/Region</th>
<th>December 31</th>
<th>March 31</th>
<th>March 31</th>
<th>March 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>11</td>
<td>13</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>Manipur</td>
<td>NIL</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mizoram</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>1</td>
</tr>
<tr>
<td>Nagaland</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>2</td>
</tr>
<tr>
<td>Tripura</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total: N.E. Region</td>
<td>12(1)</td>
<td>16(1)</td>
<td>16(1)</td>
<td>31(1)</td>
</tr>
<tr>
<td>Northern Region</td>
<td>36(4)</td>
<td>90(4)</td>
<td>100(4)</td>
<td>147(5)</td>
</tr>
<tr>
<td>Central Region</td>
<td>86(5)</td>
<td>86(7)</td>
<td>121(8)</td>
<td>172(8)</td>
</tr>
<tr>
<td>Eastern Region</td>
<td>87(7)</td>
<td>89(7)</td>
<td>114(8)</td>
<td>145(7)</td>
</tr>
<tr>
<td>Western Region</td>
<td>59(8)</td>
<td>105(8)</td>
<td>151(8)</td>
<td>201(8)</td>
</tr>
<tr>
<td>Southern Region</td>
<td>91(8)</td>
<td>143(8)</td>
<td>186(13)</td>
<td>263(13)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All India</td>
<td>324(33)</td>
<td>549(36)</td>
<td>688(41)</td>
<td>958(43)</td>
</tr>
</tbody>
</table>

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

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 II.3. It is evident from the table that there are 31 offices only as against 46 districts. Though the number of office in Assam is 22, yet it will be wrong to presume that the offices are distributed evenly in all the districts. As many as five branches are located at Guwahati itself. Whereas Karbi Anglong and North Cachar Hills districts have no office. Similarly Jaintia, East and West Garo Hills districts of Meghalaya; Mon, Mokokchung, Zuneboto districts of Nagaland and Kameng, Siang, Tirap, Lokit districts of Arunachal Pradesh are not represented by LIC. Whereas the average number of branch offices in Eastern Region is 2.3, Northern Region 2.6 and Southern Region 3.1, but in the North Eastern Region it is not better than less than one. It is, thus, evident that the LIC has not succeeded in spreading the message of life insurance to the backward and rural areas of this Region. The recommendation of the Working Group made as far back in 1968 "to spread life insurance in the rural areas, LIC should take step to open at least one branch office in each district" seems to have no impact in this Region. The LIC has reported in 1971 that the Corporation has either a branch office or a sub-office in 255 out of 336 districts in the various States and in six out of nine Union Territories in India. It also has Development Centres in 20 of the remaining districts.

Table II.3 : District-wise Distribution of LIC Offices

<table>
<thead>
<tr>
<th>Name of States</th>
<th>No. of Districts</th>
<th>No. of Offices</th>
<th>Office per district</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>17</td>
<td>22</td>
<td>1.3</td>
</tr>
<tr>
<td>Arunachal</td>
<td>5</td>
<td>1</td>
<td>0.2</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>5</td>
<td>1</td>
<td>0.2</td>
</tr>
<tr>
<td>Manipur</td>
<td>6</td>
<td>1</td>
<td>0.2</td>
</tr>
<tr>
<td>Mizoram</td>
<td>3</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Nagaland</td>
<td>7</td>
<td>2</td>
<td>0.3</td>
</tr>
<tr>
<td>Tripura</td>
<td>3</td>
<td>3</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total: N.E. Region</strong></td>
<td>46</td>
<td>31</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>Total: Eastern Region</strong></td>
<td>62</td>
<td>145</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total: Northern Region</strong></td>
<td>56</td>
<td>147</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total: Central Region</strong></td>
<td>96</td>
<td>172</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total: Southern Region</strong></td>
<td>88</td>
<td>242</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Total: Western Region</strong></td>
<td>72</td>
<td>201</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total: All India</strong></td>
<td>420</td>
<td>958</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**SOURCE :** Compiled from: (i) 26th Report & Accounts for the year ended 31st March, 1983; (ii) Statistical Handbook of Assam, Directorate of Economics & Statistics, Govt. of Assam, Arunachal Pradesh, Meghalaya, Nagaland & Tripura; (iii) Our Division At a Glance, LICI, Divisional Office, Guwahati.
### Table II.4: State-wise Distribution of LIC Offices

<table>
<thead>
<tr>
<th>Name of States</th>
<th>1957</th>
<th>1967</th>
<th>1971</th>
<th>1983</th>
<th>P.C. of State holding to total offices in 1983</th>
<th>P.C. of a State holdings to total offices in 1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Maharashtra</td>
<td>35</td>
<td>70</td>
<td>76</td>
<td>133</td>
<td>15.2</td>
<td>140</td>
</tr>
<tr>
<td>2. Uttar Pradesh</td>
<td>44</td>
<td>59</td>
<td>39</td>
<td>107</td>
<td>11.2</td>
<td>119</td>
</tr>
<tr>
<td>3. Tamil Nadu (Madras)</td>
<td>31</td>
<td>42</td>
<td>41</td>
<td>77</td>
<td>8.0</td>
<td>84</td>
</tr>
<tr>
<td>4. Karnataka (Mysore)</td>
<td>25</td>
<td>35</td>
<td>26</td>
<td>72</td>
<td>7.5</td>
<td>75</td>
</tr>
<tr>
<td>5. Andhra Pradesh</td>
<td>17</td>
<td>45</td>
<td>42</td>
<td>71</td>
<td>7.4</td>
<td>70</td>
</tr>
<tr>
<td>6. West Bengal</td>
<td>23</td>
<td>46</td>
<td>46</td>
<td>67</td>
<td>6.7</td>
<td>71</td>
</tr>
<tr>
<td>7. Madhya Pradesh</td>
<td>14</td>
<td>27</td>
<td>26</td>
<td>65</td>
<td>6.7</td>
<td>68</td>
</tr>
<tr>
<td>8. Gujrat</td>
<td>26</td>
<td>35</td>
<td>35</td>
<td>65</td>
<td>6.6</td>
<td>70</td>
</tr>
<tr>
<td>9. Bihar</td>
<td>27</td>
<td>25</td>
<td>25</td>
<td>47</td>
<td>4.8</td>
<td>51</td>
</tr>
<tr>
<td>10. Rajasthan (Ajmer)</td>
<td>8</td>
<td>25</td>
<td>25</td>
<td>47</td>
<td>4.8</td>
<td>51</td>
</tr>
<tr>
<td>11. Kerala</td>
<td>10</td>
<td>47</td>
<td>39</td>
<td>40</td>
<td>4.1</td>
<td>42</td>
</tr>
<tr>
<td>12. Punjab</td>
<td>7</td>
<td>27</td>
<td>20</td>
<td>35</td>
<td>3.7</td>
<td>38</td>
</tr>
<tr>
<td>13. Assam</td>
<td>11</td>
<td>13</td>
<td>13</td>
<td>22</td>
<td>2.3</td>
<td>22</td>
</tr>
<tr>
<td>14. Manipur</td>
<td>NIL</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>15. Meghalaya</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>16. Mizoram</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>1</td>
<td>1.0</td>
<td>1</td>
</tr>
<tr>
<td>17. Nagaland</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>18. Tripura</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>19. Arunachal</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total: N.E. Region** 12 16 16 31 3.3 31 3.0

Contd....
### Table II.4 (Contd.)

<table>
<thead>
<tr>
<th>Name of States</th>
<th>1957</th>
<th>1967</th>
<th>1971</th>
<th>1988</th>
<th>State holding to total offices in 1988</th>
<th>P.C. of a State holding to total offices in 1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi (U.T)</td>
<td>9</td>
<td>17</td>
<td>17</td>
<td>27</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Odissa</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>22</td>
<td>2.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Punjab</td>
<td>9</td>
<td>14</td>
<td>10</td>
<td>17</td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>8</td>
<td>0.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>8</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Chandigarh (U.T)</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>0.5</td>
<td>0.4</td>
</tr>
</tbody>
</table>

**Total:** 324 849 539 958 100 1023 100

State-wise Distribution of LIC Branch Offices and N.E. Region's position

It is noticed from Table II.4, that Maharashtra is leading in having the highest number of life offices. The total life offices which was 35 in 1957 rose to 140 in 1984 which accounts for 13.7 per cent of the total. The table reveals the position of other States.

There has been largest concentration of LIC offices in Assam of the N.E. Region. Other states of the Region such as Mizoram, Meghalaya, Manipur and Arunachal Pradesh have only one office each. The N.E. Region's position altogether appears to be thirteenth.

Area-wise and Population-wise Distribution of Life Offices

Table II.5 shows that the area served by a life insurance office in the N.E. Region is very wide which is 8,227 square kilometre in 1983. It is nearly three times greater than the all-India average of 3,432 square kilometre. The highest ever is seen in case of Arunachal Pradesh, which comes to 83,575 square kilometre per life insurance office. The lowest area served by an insurance office appears to be 29 square kilometre witnessed in the Union Territory of Chandigarh.

In respect of number of population per life insurance office, too, is very high in the Region. There has been a life insurance office over 8.6 lakhs of population in the N.E. Region, as compared to all-India average of 7.2 lakhs. The biggest ever population per office happens in Manipur (14 lacs per office) of this Region as compared to 1.1 lakhs in Chandigarh.
It is quite possible, a branch office finds it extremely difficult to cover the entire area under its jurisdiction. Also it is evident how unwieldy, it becomes for an office to cover a big areas in Arunachal Pradesh, Meghalaya and Mizoram. People, indeed, face trouble in depositing their premiums to travel through a long distance.

Case For New Divisional Office

It was pointed out by the Committee on public undertakings that the Life Insurance Corporation has become a huge organization, and the tardy growth of business (because though the volume of business increases, but not according to the size and increase of population) and the deterioration of services to policyholders are attributable to the unmanageable size of the Corporation.

It is true that size of the Corporation has grown as compared to its size in 1958. Growth in the size of the Divisional offices since 1958 has been shown in Appendix III. The Corporation which handled business work of Rs. 274.51 crores in 1958 transacted business of Rs. 4565.19 crores during 1984 rendering services to 2,43,78,000 policyholders and earning yearly premium income of Rs. 1108.34 crores. Division-wise Bombay recorded highest business transactions of Rs. 425.49 crores, followed by Delhi and Calcutta Divisions during 1984. Gauhati Division's business during this period increased from Rs. 3.56 crores to Rs. 62.57 crores.

<table>
<thead>
<tr>
<th>Name of States</th>
<th>Area in Sq. Km</th>
<th>Population in lakhs</th>
<th>Sq. Km. per Office</th>
<th>Population per Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chandigarh (U.T)</td>
<td>114</td>
<td>4</td>
<td>29</td>
<td>1.1 (1)</td>
</tr>
<tr>
<td>2. Delhi (U.T)</td>
<td>1,485</td>
<td>62</td>
<td>55</td>
<td>2.3 (2)</td>
</tr>
<tr>
<td>4. West Bengal</td>
<td>87,853</td>
<td>544</td>
<td>1,326</td>
<td>8.1 (14)</td>
</tr>
<tr>
<td>5. Punjab</td>
<td>50,362</td>
<td>166</td>
<td>1,439</td>
<td>5.0 (4)</td>
</tr>
<tr>
<td>6. Tamil Nadu</td>
<td>1,30,069</td>
<td>482</td>
<td>1,689</td>
<td>6.3 (8)</td>
</tr>
<tr>
<td>7. Maharashtra</td>
<td>3,07,762</td>
<td>626</td>
<td>2,263</td>
<td>4.6 (3)</td>
</tr>
<tr>
<td>8. Haryana</td>
<td>44,322</td>
<td>128</td>
<td>2,601</td>
<td>7.5 (12)</td>
</tr>
<tr>
<td>9. Karnataka</td>
<td>1,91,773</td>
<td>370</td>
<td>2,664</td>
<td>5.1 (5)</td>
</tr>
<tr>
<td>10. Uttar Pradesh</td>
<td>2,94,462</td>
<td>1,108</td>
<td>2,752</td>
<td>10.4 (16)</td>
</tr>
<tr>
<td>11. Gujrat</td>
<td>1,95,994</td>
<td>339</td>
<td>2,015</td>
<td>5.2 (6)</td>
</tr>
<tr>
<td>12. Bihar</td>
<td>1,73,876</td>
<td>698</td>
<td>2,219</td>
<td>12.9 (18)</td>
</tr>
<tr>
<td>13. Andhra Pradesh</td>
<td>2,76,814</td>
<td>534</td>
<td>3,899</td>
<td>7.5 (12)</td>
</tr>
<tr>
<td>14. Madhya Pradesh</td>
<td>4,43,841</td>
<td>521</td>
<td>6,813</td>
<td>8.0 (13)</td>
</tr>
<tr>
<td>15. Himachal Pr</td>
<td>55,673</td>
<td>42</td>
<td>6,959</td>
<td>5.2 (6)</td>
</tr>
<tr>
<td>16. Orissa</td>
<td>1,55,782</td>
<td>262</td>
<td>7,081</td>
<td>11.9 (17)</td>
</tr>
<tr>
<td>17. Rajasthan</td>
<td>3,42,214</td>
<td>341</td>
<td>7,281</td>
<td>7.3 (10)</td>
</tr>
</tbody>
</table>

Contd...
<table>
<thead>
<tr>
<th>Name of States</th>
<th>Area in Sq. Kms</th>
<th>Population in lakhs</th>
<th>Sq. Kms per Office</th>
<th>Population per Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>18. Arunachal Pradesh</td>
<td>63,578</td>
<td>6</td>
<td>83,578</td>
<td>6.0</td>
</tr>
<tr>
<td>19. Meghalaya</td>
<td>22,489</td>
<td>13</td>
<td>22,489</td>
<td>13.0</td>
</tr>
<tr>
<td>20. Manipur</td>
<td>22,354</td>
<td>14</td>
<td>22,354</td>
<td>14.0</td>
</tr>
<tr>
<td>21. Mizoram</td>
<td>21,087</td>
<td>5</td>
<td>21,087</td>
<td>5.0</td>
</tr>
<tr>
<td>22. Nagaland</td>
<td>16,527</td>
<td>7</td>
<td>8,264</td>
<td>3.5</td>
</tr>
<tr>
<td>23. Assam</td>
<td>78,528</td>
<td>199</td>
<td>3,567</td>
<td>9.0</td>
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<tr>
<td>24. Tripura</td>
<td>10,477</td>
<td>20</td>
<td>3,493</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Total N.E. Region</strong></td>
<td><strong>2,55,037</strong></td>
<td><strong>264</strong></td>
<td><strong>3,227</strong></td>
<td><strong>8.6 (15)</strong></td>
</tr>
<tr>
<td>25. Jammu &amp; Kashmir</td>
<td>2,22,236</td>
<td>49</td>
<td>27,779</td>
<td>6.1 (7)</td>
</tr>
<tr>
<td>26. All India</td>
<td>32,87,782</td>
<td>6852</td>
<td>3,432</td>
<td>7.2 (11)</td>
</tr>
</tbody>
</table>

* Population according to 1981 Census

**SOURCE**: (i) Census of India, 1981, Government of India, New Delhi

(ii) Table II.e

Figures within brackets indicate order of rank
The Estimates Committee of Parliament observed that if the new business of the Corporation in a year exceeds Rs. 1000 crores it might become necessary to split up into one or more separate bodies. Considering this fact, the maximum yearly new business that can be handled effectively as at present by 43 divisional offices is about Rs. 24 crores. But most of the divisions as shown in Appendix IV have crossed this limit. Hence those divisions have emerged to be very big and unmanageable. The new business of Guwahati division, too, is more than two times the maximum limit of Rs. 24 crores during 1984. Hence like in other regions, a new division may be opened in the North Eastern Region. Not only that, considering the vast area served by Guwahati Division (which is operating over a huge area of 131.2 thousand square kilometres with 216.1 lakhs of population), the opening of a new division in this Region is justifiable. It may be mentioned that Nasik Division is operating over an area of 40.5 thousand square kilometres with 76.6 lakhs of population.

The Case for a Jorhat Division

The case for a Jorhat Division can very well be advanced on the basis of data presented in Appendix VI. The Silchar Division covers an area of 73 thousand kilometres comprising undivided Cachar district and North Cachar district of Assam, Manipur, Mizoram and Tripura with a population of 46 lakhs, while Guwahati division has been heavily burdened with the rest of the region. Hence, if a division at Jorhat is created, from its strategic point of view it will be able to supervise and control the life

business effectively over the undivided districts of North Lakhimpur, Dibrugarh and Sibsagar of Assam; Arunachal Pradesh and Nagaland covering an area of 1296 thousand Square Kilometres and 50 lac of population, leaving the rest for the jurisdiction of Gauhati division. In this respect a division at 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. While the annual new business secured under the jurisdiction of Gauhati division was Rs. 30.33 crores in 1980 of excluding the proposed area under Jorhat division, where business transacted was Rs. 17.37 crores and Rs. 9.93 crores under Silchar division in the same reference year. 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 of new life offices are not so bright. The area under Jorhat divisional jurisdiction is marked by coal, mining and oils industries, paper and pulp industries, plywood industries and plantation industries which contributed added advantage to the proposition.

**Split-up of LIC**

It is seen from the above discussion that LIC has grown into a huge organization and presently it can invest Rs. 3 crores daily (Appendix IV). It is, therefore, reasonable to think that it will inhibit in the expansion of its business and the service to policyholders will deteriorate. Hence the LIC should be split up to achieve the progressive order of the above. The Committee on Public Undertakings advocated splitting up of LIC into five completely
independent corporations on the above grounds. Mr. C.P. Mathan in course of discussing the LIC Bill in Parliament in 1956 proposed for seven or eight autonomous corporations for bringing the element of competition into life insurance industry. But Sri G.D. Deshmukh, the then Finance Minister, objected the suggestion, but kept open the splitting up of LIC when the unitary structure does not work. So being observed by the Krishna Menon Committee of the Congress Party in the Parliament which viewed that LIC would function more gainfully and efficiently if it were not all one unit but consisted of several which would develop their own character, create healthy competition in performance and results.

22. Committee on Public Undertaking, 1964-65: "The Committee have considered this matter carefully. They are convinced that the tardy growth of business and deterioration of service to the policyholders which have been brought out in Chapter IV and VIII are ascribable to the present size and centralised organisation of the Corporation.

The Committee feels that if the standard of efficiency in the Corporation is to be improved with better service to the policyholders, and the Corporation is to expand its business on a massive scale, its present zones must be constituted into completely independent Corporations." Para 196 and 197.

23. Mathan C.P.'s (M.P.) Minute of dissent, April 30, 1956: "Hence I propose that instead of one Corporation, we must have at least seven or eight autonomous Corporations owned by the Government, so that the element of competition may be retained. If some constructive objective thinking is made, I am sure that this aspect — I mean the importance of element of competition will be appreciated by the House. In this connection, we would like to point out that all the practical business men who had occasion to appear before the select Committee, have one and all stressed the importance of retaining the element of competition in the new set-up."

24. Deshmukh G.D.'s speech (the Finance Minister) in Parliament, 19th January, 1956: "we feel that to start with we should have one autonomous Corporation with Zonal organisations and if we find that it does not work satisfactorily, then it would be open to us to change over from it to a number of autonomous Corporations."

Once again the ills of the unitary character of LIC was proved by Era Seshan Committee in 1980, who held the view after examining it that LIC has not been able to render efficient services to policyholders and to achieve economy in management despite its efforts, so the Committee recommended splitting up of LIC into five independent Corporations. 26

The Finance Minister in his speech of 1981 has conveyed the decision to reorganise the Corporation into five independent units with a coordinating body to provide supervision and guidance on matters of common interest. 27 But now the matter is pending before a Committee of Parliament for further examination. Such reorganisation if put into practice, would strengthen the LIC to meet challenges of the future and render the LIC into more manageable units. Also such a step would help to effect economies and give more opportunities for more talents to become utilised in position of higher responsibility.

26. Era Seshan Committee (Report of the Committee to Review the Working of LIC) appointed in Loksabha/Rajya Sabha on May 16, 1979 submitted its report in September, 1980: "The working of LIC during the last two decades and over in various areas of operations has been reviewed at length ....... This review clearly brings out that in spite of large growth in its business and efforts made for improving its service to policyholders and achieving economy in management, it has not been able to fulfil most of its primary objectives. The Committee is convinced that the present unitary structure has been a major factor in inhibiting progress."

"The LIC may be split up into five independent sonal Corporations each corporation restricting its operation to its present sonal area. All the Corporations will have uniform premium rates, policy conditions, bonus rates .... "

27. Mukherjee Pranab's (Finance Minister) speech in Lok Sabha, Budget session, February 28, 1981.