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Chapter -IV
Noteworthy Facts Pertains To Marketing of Life Insurance Products

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Introduction

The economic activities can be divided into three main categories - Primary, Secondary and Tertiary. The primary activities include agriculture, fishing, forests and mining. The secondary activities cover manufacturing, construction, and industry. The tertiary activities include services like insurance, banking, finance, transport, communication etc. The list of services includes utilities, civil, insurance banking, defense services, transport etc.

In LIC, life insurance service is rendered with a view to protect the people against the risk of loss due to accident, fire, death, sickness, unemployment and so on.

Some people might argue that there is service marketing, but only marketing in which the service element is greater than the product element. We do agree that, in the sale of majority of the goods, there is both a product part as well as a service part. However, there are so many service organizations like insurance companies, banks, transport companies who do not think of themselves as marketers of goods. They see themselves as providers of services.

Definition of Services

The term service has been differently defined by different authors. According to Avionic, "Service is the work of dealing with customers, or payment for the work, services is benefit which is sold to customers or clients such as insurance, transport and education".

According to Philip Kotler, "A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".
Characteristics of Life Insurance Services

Life insurance services, as described above, have number unique characteristics that place them in separate category compared to physical goods. These characteristics create special marketing challenges. They are given below:

(1) Intangibility
(2) Heterogeneity
(3) Inseparability
(4) Changing Demand

(1) **Intangibility:** Life insurance services are intangible in nature. It is quite different from other commercial products. The consumer has to have faith in the services of life insurance provider. Services are intangible and therefore, cannot be seen, felt or tasted. The customer has to be encouraged, enthused and helped to visualize the unforeseen tomorrow and usefulness of a life insurance products. Unlike tangible products, there are no factories and production lines for life insurance.

(2) **Heterogeneity:** Life insurance services are heterogeneous in their nature. That is, they are highly variable. Each life insurance product of the service is some what different from other products of the same services. Different kinds of insurance products are developed from time to time to cater to the specific needs of customers.

(3) **Inseparability:** Very often services cannot be separated from their provider. It is very important to understand the heart and soul relationship between product and service, cost and quality. Life insurance products continues to exist over a long period of time, and for making its service available, the insured person has to go on paying the purchase price (premium) through out the term of
the policy. This ensures that the benefits already accrued under sale are not lost. Hence due to inseparability, direct sale of services, is the only channel of distribution. In L1C, insurance agents represent and help in promoting inseparable services.

(4) Changing Demand: The success of life insurance service marketing in turn depends on the ability of the firm to find a customer and to satisfy his wants. For this purpose instead of trying to sell what can be produced the business firm should produce what is really needed by the customer and what would satisfy his wants. It is a buyer's market, by and large, the seller i.e. the LIC has to take decision whether to sell a particular policy to particular person or not on the basis of information disclosed by the buyer himself in the proposed form.

Objectives of Life Insurance Marketing

- The first and foremost objective of all marketing activities is the satisfying of human wants. Besides life insurance have other objectives too. Some of the objectives are:
  - Spread of life insurance message
  - Mobilization of savings in the form of pension
  - Profit maximization
  - Successful distribution of life insurance products
  - Improving customer services
  - Increasing customer base and its spread
  - Developing corporate image
  - Developing guiding policies and their implementation for a good result
  - Suggest solution by studying the problems relating to life insurance business.
Life Insurance Marketing Mix

Marketing mix is the policy adopted by any concern to get success in the field of marketing. The life insurance marketing emphasizes the importance of the consumers' preference. Therefore, a life insurer first analyses the nature of the consumer's needs. All the life insurance marketing efforts focus attention around the consumers needs. Then the management plan his product in such a way that he can give satisfaction to the consumers and face the competitors. All these programmes involve a number of functions which are to be planned carefully. Planning needs analysis of the insurance market to take a decision, prediction and forecasting as to the future needs of the consumers. Thus, identification of demand and supply involves various functions of life insurance marketing to attain success in the insurance market and the combination of this function is known as Life Insurance Marketing Mix.

According to Prof. Neil H. Borden, "The marketing mix refers to the apportionment of efforts, the combination, the designing and the integration of the elements of marketing into programme or mix which, in the basis of an appraisal of the market forces will best achieve the objectives of an enterprise at a given time. Thus, the marketing mix is an integration of marketing elements.

Elements of Life Insurance Marketing Mix

The definition cited above clearly indicates the four components of marketing mix. In the case of life insurance marketing of services requires an expanded marketing mix comprising (1)-the product, (2) price (premium), (3) physical distribution / place, (4) promotion, and (5) policy servicing. These elements should be taken as instruments by the life insurance management when formulating life insurance marketing plans.

The marketing mix is a dynamic concept; it keeps on changing with
changing marketing conditions and environmental factors. The following chart depicts the life insurance marketing mix of a business enterprise. The four ingredients of the marketing mix are discussed briefly as under:

(1) **Product (Scheme):** It is the first element, product is the sum total of physical, social and psychological benefits. Managing the product component involves product planning and development. The life insurance marketers must define their market in terms of product function. What the customer expects from the product. It may offer a single product or several products. Life insurance as product has also to be designed, keeping in view these basic requisites, in case of life insurance the needs are in the form of two broad economic contingencies viz., death of the breadwinner and the subsequent financial insecurity of his dependents, and secondly, longer life insurance is sold as plan of LIC of India developed term assurance and whole life policies and for the second category various pension plans and annuities. Apart from whole life insurance, endowment
insurance and money back plans, LIC has several products specially suited for children, exclusively for women, the handicapped, senior citizens, to cover occurrence of terminal diseases, term assurance and pension plans. There are also group insurance schemes that can be taken by employer for their employees. The LIC also administers schemes for people who are below or just above the poverty line.

(2) *Price (Premium)*: The price is another powerful element in the life insurance marketing mix and vitally affects the volume of sales. Price is the valuation placed upon the product by the offered. In the case of life insurance, premium is the price which the person seeking insurance pays to LIC for purchase in the life insurance policy. The management must take decisions regarding pricing (premium), investment return, level of premium, mode of premium, commission, insured sum, life to be covered, interest on loan, price strategy, underwriting and price related situations. It deals with price competition.

(3) *Physical Distribution /Place*: Marketing channel policy is another integral part of the life insurance marketing mix. Physical distribution is the delivery of insurance products at the right time and at the right place. In the case of life insurance, it is the combination of decisions regarding channels of distribution, Agents, Development Officers, Brokers, Branch Office, Retail financial service distributors, alliances with banks, tie-ups with non-governmental organization, corporate agencies, Bank assurance, e-trade, proper infrastructure and training facilities, technical and material know-how on pail of instructor etc. At present the strength of LIC's distribution channel comprising over
6,10 lakhs active agents and over 19,000 Development officers appears to be phenomenal. This is indeed a great advantage to cover the vast Indian population, diverse in nature and spread, for which a strong marketing network is imperative. The net work duly supported by 2100 servicing branches.

(4) **Promotion:** The business enterprise should inform the customers about its products and persuade them to buy. It covers methods of communicating with consumers through personal selling, advertising, publicity, sales promotion, social contracts, public relations, exhibition and demonstration used in promotion. For promoting life insurance business sales promotion activities are carried out by the agent, development officers and branch offices. Calendars, diaries, bags etc are also given to policy holders as a token of gifts. All these activities increase the volume of sales by expanding as well as retaining the market share for the insurance products.

(5) **Policy Servicing:** Customer satisfaction predominates the success of an enterprise. In the service industry where intangibles are marketed, the importance of customer satisfaction is all the more significant. Service is said to be the sharpest edge of any marketing strategy. Sales and services are the two powerful wings of life insurance industry. Prompt and effective service boosts the morale of the sales force to present a bold form and hold their prospects. Service encompasses the service rendered to clients before the insurance contract, during the policy term and after sales (policy becoming a claim).

**Importance of Life Insurance Marketing**

Life insurance marketing is the design, implementation and control
of programmes seeking to increase the acceptability of a social idea or practice in a target group. It utilizes concepts of market segmentation, consumer research idea configuration, and communication, facilitation, incentives and exchange theory to maximize target group response. Absence of insurance market acts as a deterrent factor to capital formation and economic growth. The insurance market serves as an important source for the productive use of the economy's savings.

The importance of life insurance market can be briefly summarized as follows:

- It mobilizes the savings of the people for further investment in unproductive uses and thus avoids their wastage.
- It provides incentives to saving and facilities capital formation by offering stable rate of interest and bonus as the price of their investment.
- It facilitates increase in production and productivity in the economy and thus enhances the economic welfare of the society.
- Insurance market consisting of expert intermediaries promotes stability in value of different insurance schemes.
- Insurance marketing generates employment
- It makes available new variety of useful and quality life insurance products to consumers.
- Insurance marketing is the sole sources of business income.
- Insurance marketing converts latent demand in to effective demand and thus enables people to raise their standard of living.
- It is a connecting link between the consumer and producer.

**Scope of Life Insurance Marketing**

In the present day insurance marketing scenario, the LIC and GIC play the role of an encouraging and supporting force to the entrepreneurs, corporate sector, investors, Government, Co-operatives, individuals and
general public. There is vast scope for LIC to enlarge its operations both in domestic and international market.

The following areas are identified for the scope of insurance marketing:

- Changing policy of LIC
- Evolving consumer needs
- Distribution gains importance
- Innovations in insurance marketing
- Development of rural markets
- Entry of public sector banks
- Pension plans.

(1) **Changing Policy of LIC:** With the opening up of the insurance sector at the dawn of the 21st century, LIC has revised its objectives and has focused its vision, mission, values and culture. By constantly analyzing the challenges and opportunities, and also considering its strength and weakness. LIC is designed to plan, price, promote and distribute want satisfying products and services to present and potential consumers.

(2) **Evolving Consumer Needs:** Insurance today has emerged as an attractive and stable investment alternative that offers total protection in life, health and wealth. In terms of returns, insurance products today offer competitive returns ranging between 7% and 9%. Besides returns, what really increases the appeal of insurance is the benefit of life protection from insurance products along with health cover benefits. Consumers today also seek a variety of insurance products that offer flexible options, prefer insurance schemes with benefits unbundled and customizable to suit their diverse needs. This offers good opportunity to insurance marketers to extend the area of operations.
Distribution Gains Importance: The intermediaries in the insurance business and the distribution channels used by carriers will perhaps be the strongest drivers of growth in the sector. Multi-channel distribution and marketing of insurance products will be the smart strategy for the Indian market. While tied agents will continue to play an important role in distribution of insurance products, alternative channels like Development Officers, Inspectors, Executives will assume a greater role in distribution of insurance schemes. The trend is expected to continue in future.

Innovations in Insurance Marketing: The Indian insurance market has witnessed innovations in the constantly explored avenues to increase the number of distribution channels through a variety of distribution patterns, given the rapidly changing customer profile. Internet and telemarketing also expected to play an increasingly critical role in customer relationship. Rational intermediaries have played an important role as a distribution outlet for insurance services and products. This is likely to provide good business to insurance marketers in future.

Development of Rural Markets: India is a predominantly rural country of more than one million people, mass marketing is always a profitable and cost effective option for gaining market share. The rural sector is a perfect case for mass marketing. The predominant insurance market leader, the LIC of India, feels that the lion's share of its new business comes from the rural and semi-rural markets. The development of rural insurance market offers tremendous opportunity to insurance market.
(6) Entry of Public Sector Banks: The Insurance Regulatory and Development Authority Act 1999 seek to open up the insurance sector for private companies with a foreign equity of 26 percent. It is also aimed at ending the monopoly of the Life Insurance Corporation (LIC) and General Insurance Corporation (GIO) in the insurance sector of the country. LIC entered into strategic alliance with corporative banks at the corporate level to improve its reach and also take advantages of mutually beneficial competencies. It also tied up nationwide several other banks and organizations for marketing its insurance products and rendering services like collection of premium.

(7) Pension Plans: As a result of liberalization and globalization the competition in the insurance sectors is becoming intense. To survive in the competition, the Insurance Regulatory Authority* is permitting insurance companies into the pension business without forming separate companies for the purpose. As the Hindu/Indian joint family concept intended to disintegrate the social security cover it had thus far provided was no longer available to a population increasingly adding numbers to the old generation. This is likely to provide good business to Insurance companies in future.

The above discussion highlights, that the scope of insurance business is vast and there lie immense opportunities ahead of insurance companies.

LIC Marketing for Finance Products in the new Millennium: ³

Finance procurements by LIC through Marketing is a social and managerial process by which individual and groups obtain what they
need and want through creating and exchanging products and values with others. Peter Drucker writes in his book ‘People and performance’, “Because its purpose is to create a customer, a business enterprise has two and only these two- basic factors: Marketing and Innovation. Marketing and innovation produce results: all the rest are costs.”

A broad – based and comprehensive definition of marketing has to put in place individual and group needs. However, in simple terms, marketing by LIC for finances is positioning their officials (sellers) in the selling mood and the buyer (Policy Purchasers) in the buying mood.

LIC finance Procurement dynamics being customer-centric, when market penetration is planned, one needs to understand and appreciate potential policy buyers’ (customers) preferences and proclivity. The behaviour of the discerning customers or potential Policy Purchasers may be conveniently analyzed as follows.

**The Changing behaviour pattern of Customers for LIC Products:**

There is a manifestation of constant up-gradation of preferences by the LIC customers. It is sometimes seen that instead of a single Investment Plan brand he would like to go in for multiple Plans (brands). At the same time different members of a family reach for different offerings. This is reflected in the purchase of LIC Products (consumer goods) or financial products. In the life insurance industry, the change is reflected when the customers prefer New Jeevan Dhara, new Jeevan Akshay, New Jeevan Suraksha which are pension plans to Endowment type and Money back offerings.

**The Changing Attitudes:**

The study of LIC customers’ behaviour certainly reveals an attitudinal change. These are brought out in:
Breaking away from old traditions.

Reaching for new destinations

Use and acceptance of unknown solutions

The suspensions of traditional insurance policies and going for new range of insurance policies amply justify the changing attitudes which show a desire to find quick and innovative solutions.

**The Changing Society Demands:**

The social impact on individuals and their choices is clearly visible when we see that newly married couple plans investment for their purpose only while old couple in joint family used to invest as per need of total members in their family. The insurance business flourishes on the requirements created by the break-up of the joint family system with either a newly married couple going in for a new destination or an elderly couple moving out on retirement. In olden days only higher caste people used to plan for future and motivated for insurance policies but today, irrespective of castes the people are found anxious for their future and are motivated for insurance policies.

**The Changing Competitive Environment:**

The market remains more dynamic than it used to be in the past. There is little respect for old loyalties and generally one prefers better service, quality, and more saving of time. There is a preference in expecting value and style in every offering and there is unwillingness on the part of a customer to accept anything less than perfect. These tendencies make competition tougher and organizations and industries have to continuously research on the product line. A trend is emerging where customers are able to express dissatisfaction in not too familiar or totally unknown areas.
Marketing Process:

In this background we may try to analyze the market and the chain of relationships it has with the society, the government, profile of the competitors and regulators. Every marketer is to direct his marketing efforts with the help of the 4 ‘P’s – place, product, price, promotion and try to leverage as much advantage as possible by a ‘matching process’ which can be understood as follows:
The market share of LIC depends not only on its marketing efforts but also on how it impacts the market consisting of other market forces and on how the matching process takes place.

**Why Withdrawal of Plans Introduced Earlier?**

Usually a plan of assurance is continued as long as there is a market for that plan. Technically more sound plans are introduced which lead to withdrawal of old plans of assurances. The new plans naturally have better appeal to the insurable segments or because the sells under those plan are declining.

The following are withdrawn by the Life Insurance Corporation of India up to 1989.

<table>
<thead>
<tr>
<th>Name of The Plan Withdrawn</th>
<th>Date of Withdrawal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Children’s Deferred Limited Payment Whole Life Policy (With Profits)</td>
<td>1962</td>
</tr>
<tr>
<td>2. Centenary policy (With Profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>3. Grihlakshmi Policy (Without Profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>4. Cash and Cover Policy (20 Years, and 25 years) (With Profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>5. Multipurpose Policy (With and Without Profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>6. Anticipated Endowment Assurance (15 years, 20 years and 25 years) (With Profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>7. Convertible Whole Life Assurance (With Profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>8. Retirement Annuity Policy (Without Profits)</td>
<td>15.01.1985</td>
</tr>
<tr>
<td>9. 25 years Money Back Policy (With Profits)</td>
<td>01.09.1986</td>
</tr>
<tr>
<td>10. Fixed Term (Marriage) Endowment Policy (With Profits)</td>
<td>01.01.1987</td>
</tr>
<tr>
<td>11. Educational Annuity Policy (Without Profits)</td>
<td>01.01.1987</td>
</tr>
<tr>
<td>12. Joint Life Endowment Assurance (Without Profits)</td>
<td>01.01.1987</td>
</tr>
<tr>
<td>13. Guaranteed Triple Benefit Policy 15 years, 20 years and 25 years (Without Profits)</td>
<td>01.01.1987</td>
</tr>
<tr>
<td>14. Multipurpose Policy With Enhanced Benefit (Without Profits)</td>
<td>01.01.1987</td>
</tr>
<tr>
<td>15. Pure Endowment (Without Profits)</td>
<td>01.11.1989</td>
</tr>
<tr>
<td>16. Multipurpose Policy with Enhanced Benefits</td>
<td>01.11.1989</td>
</tr>
</tbody>
</table>
4. 19

(With Profits)
17. Progressive Protection Policy (With Profit) 01.11.1989
18. Anticipated Whole Life Policy (20 Years and 25 years) (With Profits) 01.11.1989
19. Jana Raksha Policy (Old) (With Profits) 01.11.1989
20. 12 Years Money Back Policy (With Profits) 01.09.1994
23. 15 Years Money Back Plan 01.02.1998

Source: - Office Record, Mumbai

Life Insurance Corporation of India has withdrawn most of its unpopular plans in the during 1962 to 1998. The following table shows the position of a trend of withdrawal of plans.

<table>
<thead>
<tr>
<th>Year</th>
<th>Numbers of Plans Withdrawn</th>
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</thead>
<tbody>
<tr>
<td>1962</td>
<td>1</td>
</tr>
<tr>
<td>1980</td>
<td>6</td>
</tr>
<tr>
<td>1985</td>
<td>1</td>
</tr>
<tr>
<td>1986</td>
<td>1</td>
</tr>
<tr>
<td>1987</td>
<td>5</td>
</tr>
<tr>
<td>1998</td>
<td>7</td>
</tr>
<tr>
<td>2001</td>
<td>7</td>
</tr>
<tr>
<td>2008</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: - Office Record, Mumbai

Present Day Requirements:

Considering the marketing forces and marketing efforts, our LIC Branches, which are the operational centres, have to reposition themselves in their contribution to the 4 Ps of marketing. With reference to place and price perhaps there is very little role for the operational people to enjoy. However, with reference to products, a small role could be played by them in suggesting the variations in product and new expectation of
customers based on their field and marketing intelligence by way of
feedback. In the same manner, in product promotion, certain publicity
activities could be initiated of the branch level that can supplement the
corporate public relations and publicity activities.

A number of finance products have been launched by LIC keeping
the specific and changing needs of the individuals. Customer friendly
plans like Jeevan Surabhi, Jeevan Shree, Bima Nivesh an Bima Plus are a
result of this outlook.

Present day marketing by LIC for finance portrays a paradigm shift
in customer proclivity and customer expectations, creating several niche
markets in the global outfit. In understanding this process, an area where
societal and demographical changes have major impact is that of the
individual pension plan market. Of late, pension products have assumed
great importance because of the following:

- The aging population – today there are more individual sin the
  above 60 age group than ever before and their proportion in
  relation to the total population also is rising.

- Families have become nuclear and elders have to provide for their
twilight years.

- There does not exist a widespread social security system. Pension
today is available to a very limited segment.

- Interest rates are plummeting and result in the need to provide for
  non-working years through pension plans in addition to the lump
  sum accumulated over the years.

- People with high income levels for a short period e.g. popular
  artistes, sports-persons and those opting for the voluntary
  retirement scheme would like to utilize their present income to
  provide for long term financial security and stability and they make
  like to purchase annuities.
The Four Rs

Applying market dynamics to insurance and pension plans, what the marketer and the marketing apparatus can possibly do are enumerated below.

Adding new customers and penetrating new markets is a sine *quo non* for any marketing organization. However, retention of customers is as important to the organization as procuring new business because customers who are not retained given an impression of dissatisfaction with the organization, resulting in post-purchase dissonance. A clever marketer tries to enter the market with any type of product the customer demands, penetrate further by spreading other products, retain the customer and build relationships.

From the marketing point of view, it is easier to make a repeat sale ‘as the heart of the customer has already been won at the commencement of the presentation or sales talk.

The world of a satisfied customer is a very strong statement to a prospect. To generate such referrals it is necessary that the selling should be need-based and servicing is to the level of the customers’ expectations. A satisfied customer is the ultimate goal for LIC. However, customer satisfaction and organizational preference being dynamic in nature, an effort should be made to be in touch with the customer more often than strictly necessary. This type of customer contact reveals itself in the referrals the marketer gets, which is an indirect indication of customer satisfaction at a particular point of time.
The LIC has been working on Customer Relationship Management (CRM) techniques using data to draw intelligent conclusions, which helps it to effect better sales to customers, provide better service and to relate to them in a closer manner.

The era of LIC marketing for finance products is of providing ‘solutions’ to the customers, making his life simpler – ‘delighting’ and ‘surprising’ him with the high quality of service – not complicating it with fresh question related to servicing.

The role of the Branch in marketing at the grass root level has to be re-interpreted so that it plays a more positive and proactive role – rather than playing only a passive role of recipient of marketing policies from higher offices. A careful examination of the market situation would help us in getting a better understanding of the process. What is called for is activities and processes initiated to strengthen any marketing outfit or marketing apparatus. The need of the hour is to promote the interest of the entire marketing organization by :-

- **Retention** of customers
- Getting **Repeat** business from customers
- More **Referrals** from existing customers, and
- Creating **Relationship** with the customers
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- LIC Policy, Only For Women:-
- Significant Issues Relating To LIC Policies
Features of LIC Policies/Products for expedient Marketing

The following are the essential features of life insurance policies. The features facilitate the sale of the financial products of LIC.

- Elements of a valid contract
- Insurable interest
- Utmost good faith
- Warranties
- Assignment and nomination
- Cause is certain
- Premium
- Terms of policy
- Return of premium.

Now we shall consider the above features briefly as ahead.

1) *Elements of a Valid Contract*: Contract of life insurance has the essential elements of a general contract, since the life insurance contract is a contract, as defined in the Indian Contract Act. A valid contract of life insurance comes into existence where the essential elements of agreement (offer and acceptance, competency of the parties, free consent of the parties, legal consideration and legal objectives) are present.

2) *Insurable Interest*: A person cannot insure the life of another unless he has an insurable interest in it. The risk against this policy is the death of the insured. A person has unlimited insurable interest in his own life. A husband is presumed to have insurable interest in his wife's life and *vice versa*. A surety has insurable interest in the
life of the principal debtor to the extent of his claim. In life insurance the insurable interest must exist at the time of the contract of insurance.

3) **Utmost Good faith:** Insurance contracts, however, are contracts the contract of utmost good faith. The insured is bound to disclose all the material facts and figures known to him but unknown to the insurer. Every fact which is likely to influence the mind of the insurer in deciding whether to accept the proposal or in fixing the rate of premium is material for this purpose. Similarly, the insurer is bound to exercise the same good faith in disclosing (he scope of insurance which he is prepared to grant. In life insurance, age, income, education, occupation, health, family size etc. are some examples of material facts that should be disclosed at the time of entering into the contract.

4) **Warranties:** Warranties are an important feature of life insurance contract. Warranties are the basis of the contract between the proposer and insurer. If any statement, whether of material or non-material facts and figures are untrue the contract shall be null and void and the premium paid by him may be forfeited by the insurer. The policy insured will contain that proposal and the personal statement shall form part of the policy and be the basis of the contract.

5) **Assignment and Nomination:** Both assignment and nomination are essential features of life insurance policy. Assignment of a life policy means transferring the rights of the assured in respect of the policy holder to the assignee. In the case of the nomination, a person is merely named to collect the amount to be paid by the
insurer on the death of the assured.

6) *Cause is certain:* In life assurance policy, the insurer has to pay the insured amount one day or other because the death of the assured or his reaching a particular age is certain to happen.

7) *Premium:* The premium is the price for the risk of loss undertaken by the insurer. In the case of the insurance, premium is usually required to be paid in cash and advance payment of the premium is a condition precedent to the creation of a binding contract of insurance. The amount of premium for payment of insured is paid monthly or on annual installments for a certain period. In life insurance, the premium is calculated on the average rate of mortality and the fixed periodical premium may continue either until death or for a specified number of years. Premium is payable till the maturity of the policy.

8) *Terms of Policy:* An insurance policy specifies the terms and conditions or period of time, it covers often the nature of risk against which insurance is sought, determines the period or life of the policy. A life insurance policy may cover a specified number of years or the balance of the insured life.

9) *Return of Premium:* Premium is the consideration for the risk run by the insurers, and if the risk insured against is not run, then the consideration fails, the policy does not attach, and as a consequence the premium paid can be recovered from the insurer. The general principle applicable to the claim for their return of the premium is that if the insurers have never been on the risk, they cannot be said to have earned the premium. But where the insurance is avoided by the insurers on the ground of breach of warranty the premium can
only be recovered if it is shown there was breach *ab initio*.

**Diversification for comfortable Marketing:**

LIC has entered in three new activities. It is having a multidimensional approach. Presently they are having LIC mutual fund, LIC (international) E.C. and LIC housing finance limited. These diversifications are accomplished to broaden the base of marketing of various financial products. The beneficiaries under the schemes of above sister companies are motivated or forced to purchase the required LIC policies.

LIC mutual fund was set up in June – 89 as a separate trust by LIC of India with a view to providing accessibility of various investment media including stock markets to all sections of investors, particularly the small investors in rural and semi urban areas. So far they had floated 28 schemes, Jeevan Bima Sahayog Asset Management Company Limited (JBSAMC) incorporated on 20 April 1994 which acts as investment manager.

LIC (international) E.C. was established in July 1989 at Bahrain, to cater the needs of expatriate Indian in the Gulf by issuing policies in U.S. dollars, Indian rupees and other local currencies. The company now operates directly in the state of Bahrain and the kingdom of Saudi Arabia and in the state of Kuwait through chief agents. Total business upto 2000 was 31828 policies and around 22 crore US dollars sum assured.

LIC housing finance Ltd. was launched in July 1989 to support the growing housing needs of the people. It provides loans to individuals and housing bodies. The present share holding percentages of promoter organizations and other major shareholders as on 31.3.2009 are given below.
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<table>
<thead>
<tr>
<th>Particulars</th>
<th>Post Public issue (%) after September 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIC of India</td>
<td>38.43%</td>
</tr>
<tr>
<td>ICICI</td>
<td>12.09%</td>
</tr>
<tr>
<td>IFCI</td>
<td>12.09%</td>
</tr>
<tr>
<td>UTI</td>
<td>12.09%</td>
</tr>
<tr>
<td>GIC through subscription</td>
<td>00.01%</td>
</tr>
<tr>
<td>Public</td>
<td>25.29%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Marketing Segmentation:**

LIC has separate marketing department. As the product is intangible and being LIC as service oriented industry, it is very hard in procuring new business. Development officers are appointed by corporation. Their duty is to appoint new agents and to procure new business.

The market was earlier divided in two segments by LIC viz. Rural and urban. According to varied needs for insurance, savings and special benefits the market of LIC is identified into seven segments.

Market segment 1→ Professional and managerial group  
Market segment 2→ Regular Income Group  
Market segment 3→ Self employed group  
Market segment 4→ Agricultural Labour Group  
Market segment 5→ Salary saving scheme  
Market segment 6→ Group and saving insurance  
Market segment 7→ Pension annuity
Marketing Mix:

LIC has developed a proper blend of marketing mix i.e. combination of product, pricing, placement and promotion. The detailed study of this aspect is covered in the chapter of “Study of Select Plans”. In this chapter a selected LIC plans are featured pricing is concerned with premium rates, which depends on mortality rates.

Rural Marketing:

The first and important objective of LIC is to spread Life Insurance much more widely and in particular to the rural areas. Before nationalization of LIC there was only 3% of total business from rural area and the companies prior to nationalization were interested in urban sector only. Now LIC has procured almost 50% of total business from rural area. It is no doubt a great achievement. There is a scheme of appointment of rural career agents to encourage rural youth.7

Production Mix on the Eve of Nationalization

One of the basic aims given to Life Insurance Corporation of India at the time of nationalization of life insurance in 1956 was to reach out to the people, including those staying in the remotest corners of the country, inject in them insurance consciousness and respond to their insurance needs. The other connected objective was to mobilize the savings of the people through life insurance and make available funds to the country’s development programmes.

The corporation had to face many problems, in the initial years due to the fusion of the 245 independent insurers into a single unified institution. Manuals had to be prepared on New Business, Policy Servicing, Claims, Development, etc., so that they not only served as a guide but also brought out uniformity in the treatment in all the offices of the Corporation.
When the life insurance was nationalized the Corporation decided to market all the products or plans offered by oriental Government Security Life Assurance Ltd. The premiums charged for these plans were equal to the premium charged by the above insurer reduced by Rs.1 or 5 per cent of the premium whichever was less.

During the last 60 years of the existence the Corporation has been continuously examining whether the insuring needs of the public been met by the existing plans of assurance and have introduced many new plans of insurance from time to time. New plans of insurance are introduced particularly, when there is a shift in the consumer preference and changes in the economic conditions of the insurable section.

If we look at the national scene since 1947, the urban population has been constantly increasing. As regards rural population, the rural population is also getting educated. The rate of literacy is increasing. The urban population is to a large extending educated and needs different insurance plans to be catered or put before. The urban population has been the focal point so far while introducing the new plans. The rural population is not that choosy regarding the purchase of a particular plan due to unawareness. Therefore, though some plans are developed over the years to suit the needs of rural insurable persons, most of the LIC plans introduced are developed taking into consideration the needs of urban insurable persons or public.

The plans of insurance offered by the Corporation in 1956, practically answered all the insuring needs of the public, and can be considered to cover all the segments of the population. The Insurance plans introduced at the time of 1956The same were as listed ahead :

- Whole life policy (with and without profits)
4. 31

- Limited Payment Whole Life Policy (with and without profits)
- Endowment Assurance Policy (with and without profits)
- Joint Life Endowment Assurance on two lives (with and without profits)
- Double Endowment Policy (without profits)
- Fixed Terms (Marriage) Endowment Policy (without profits)
- Educational Annuity Policy (without profits)
- Pure Endowment (without profits)
- Guaranteed Triple Benefit – 15 years, 20 years, and 25 years (without profits)
- Anticipated Endowment Policy – 15 years, 20 years, 25 years (without profits)
- Convertible whole Life Policy (with and without profits)
- Multi-purpose Policy (with and without profits)
- Children’s Deferred Endowment Assurance (without profits)
- Children’s Deferred Limited Payment Whole Life Assurance (without profits)
- Two Year Temporary Assurance (without profits)
- Immediate Annuity Polity (without profits)
- Deferred Annuity Policy (without profits)

New Plans Introduced (From 1957 to 1991):

To cope with the marketing policy set at the time of nationalization,
LIC has been introducing new plans of assurance time and again. In this topic we shall see the plans introduced till 1991 from the year 1957 after the first 17 plans were introduced in 1956 at the time of nationalization.

It is important to note that up to 1981 the product development and launching of new product process was not consistently practiced. There was gap of some times two-three years and sometimes 5 to 6 years in introduction of new plan in the market.

<table>
<thead>
<tr>
<th>Name of the Plan</th>
<th>Date of Introduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mortgage Redemption Assurance Plan (without profits)</td>
<td>01.09.1958</td>
</tr>
<tr>
<td>2. Convertible Term Assurance Plan (without profits)</td>
<td>01.01.1960</td>
</tr>
<tr>
<td>3. Retirement Annuity Plan (without profits)</td>
<td>19.03.1966</td>
</tr>
<tr>
<td>4. Centenary Policy (with profits)</td>
<td>01.05.1971</td>
</tr>
<tr>
<td>5. Grihalakshmi Policy (without profits)</td>
<td>24.01.1976</td>
</tr>
<tr>
<td>6. Money Back Policy (with profits) 12 years, 15 years and 20 years</td>
<td>01.09.1976</td>
</tr>
<tr>
<td>7. Cash and Cover Policy (with profits) 20 years, and 25 years</td>
<td>01.09.0976</td>
</tr>
<tr>
<td>8. Progressive Protection Policy (with profits)</td>
<td>01.09.1976</td>
</tr>
<tr>
<td>9. Money Back Policy (with profits) 25 years</td>
<td>01.09.0978</td>
</tr>
<tr>
<td>10. Children’s Anticipated Policy (with profits)</td>
<td>01.01.1979</td>
</tr>
<tr>
<td>11. Multi-purpose policy with enhanced benefit (with profits)</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>12. Anticipated Whole Life Policy (with profits) 20 years, and 25 years</td>
<td>01.04.1980</td>
</tr>
<tr>
<td>13. Jana Raksha Policy (with profits)</td>
<td>30.05.1981</td>
</tr>
<tr>
<td>14. Jeevan Mitra Policy (with profits)</td>
<td>01.07.1985</td>
</tr>
</tbody>
</table>
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15. Jeevan Sathi Policy (with profits) 01.07.1985
16. Fixed Term (Marriage)/Education Annuity Policy (with profits) 01.07.1985
17. New Jana Raksha Policy (with profits) 01.07.1985
18. New Children’s Deferred Assurance Policy (with profits) 01.09.1986
19. New 25 years Money Back Policy (with profits) 01.09.1986
22. Jeevan Dhara (New Deferred Annuity policy return of cash option) (with profits) 10.10.1987
23. Jeevan Akshay (New Immediate Annuity with return of Purchase price) (with profits) 05.02.1988
24. Jeevan Balya (Children’s Deferred Assurance with income benefits) (without profits) 19.01.1980
25. Deferred and Immediate with ROC Benefits (with profits) 01.10.1989
26. Jeevan Kishor (Children’s Deferred Assurance with risk commencement) (with profits) 01.10.1989
27. Jeevan Sarita (Joint Life Last survivor with return of corpus) 15.12.1990
28. Jeevan Chhaya (Combination of Jeevan Mitra and Money Back) 01.03.1991
29. Jeevan Griha (Double Cover and Triple Cover Endowment (with profits) 01.09.1991

Changes In Environment And Need To Change:

If we look at the past, we can easily see that due to the constant development of human society, the human needs and life styles have changed considerably. After Governments new economic programme in
the year 1991, a lot of changes took place in the financial sector. Many private companies were allowed to enter in Indian market. Which was resulted in fierce competition amongst various companies? This progress has brought about newer and newer distinct groups in the society. It has also created groups like factory workers, office workers entrepreneur, professionals, self-employed persons etc.

As per Governments new economic programme there was ‘LPG’ (Liberalization, Privatization and Globalization). According it was also decided to reform insurance sector. Malhotra Committee was formed to submit its report on the working on insurance sector. They submitted their report to finance minister on 07.01.1994. As per recommendations of this committee, Insurance Regulatory Authority (IRA) was formed on 1st Aug 1997. It was decided to open insurance sector for private companies and IRA is there to control it. Now the bill is submitted in Parliament and it will get passed in the near future. It has been decided to allow 26% of total for foreign equity and 14% of Indian domestic Companies. On this background there is need for change in the product.

Every product passes through its life cycle. LIC product also passes through it. The above mentioned environmental conditions are forced LIC to change its product line. A more innovative product needs to be introduced. As this will be essential to survive in the forthcoming competition. In addition to this there are also various aspects which are essential for development of new products. An insurance plan or an insurance product has a meaning to the policy holder. People buy a plan to solve his/her problem and it is seen by him or her as a bundle of satisfaction because of its benefits and the time they are paid. A stage comes in the life of a product when its sell starts declining or whose benefits can be improved or modified. When such a stage comes the need
for new product development occurs. Every individual has its own insurance needs. It depends on their pattern of saving. Even though insurance serves as the basic needs of cover against death, the element of investment also determined the demand for particular insurance products.

The death ratio has also reduced considerably, as a result of medical revolution. But uncertainty of death is not reduced. As a result the middle class and higher class started looking at insurance as an investment rather than savings. These things have resulted in new product development.

Test Marketing:

In the changing economic scenario LIC is now adopting modern principles of marketing. It has forced LIC to change its traditional approach. Many products which were launched earlier could not survive in the market as it was not accepted by customers. Hence LIC has tested for two new products to check its acceptability. In the year 1993 LIC has tested for a new plan ASHA DEEP for the period 07.09.1993 to 30.11.1993. It was new plan and was different from existing product line. It got a good response hence it is now opened regularly by giving name ASHA DEEP-II. The same case was repeated for new product JEEVAN ASHA. It was tested in the market for the period of 09.10.1997 to 15.01.1998. Now this scheme is coming regularly w.e.f. 15.02.1999.

It is interesting to note that these are health insurance plans in which a risk is covered against certain major diseases. Hence it was tested in the market.

New Plans Introduced (From 1991 to 1999):

LIC has introduced following plans from 1991 to March 1999. All these plans are prepared keeping in view the changing economic scenario
and forthcoming competition. It is also important to note that in the recent plans mortality table is used which is prepared in 1994. This has resulted in low premium with attractive returns. The new plans are termed a without profit as bonus is not payable but a new term guaranteed addition at certain rate is payable.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name &amp; Table Number</th>
<th>Date of Introduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jeevan Sukyana (Table No. 109)</td>
<td>19.10.1992</td>
</tr>
<tr>
<td>2</td>
<td>Jeevan Surabhi (Table No. 106, 107, 108)</td>
<td>19.10.1992</td>
</tr>
<tr>
<td>3</td>
<td>Asha Deep (Table No. 11) Closed ended scheme</td>
<td>07.09.1993 to 30.11.1993</td>
</tr>
<tr>
<td>4</td>
<td>Bima Kiran (Table no. 111)</td>
<td>15.07.1994</td>
</tr>
<tr>
<td>5</td>
<td>Jeevan Shree (Table No. 112)</td>
<td>16.01.1995</td>
</tr>
<tr>
<td>6</td>
<td>Children’s Money Back (Table No. 113)</td>
<td>16.01.1995</td>
</tr>
<tr>
<td>7</td>
<td>Jeevan Aadhar (Table No. 114)</td>
<td>17.01.1996</td>
</tr>
<tr>
<td>8</td>
<td>Asha Deep-II (Table No.121)</td>
<td>21.11.1995</td>
</tr>
<tr>
<td>9</td>
<td>Jeevan Suraksha (Table No. 122)</td>
<td>15.08.1996</td>
</tr>
<tr>
<td>10</td>
<td>Jeevan Sanchay (Table No. 123, 125, 126)</td>
<td>16.01.1997</td>
</tr>
<tr>
<td>11</td>
<td>Jeevan Sneha (Table No. 128)</td>
<td>16.01.1997</td>
</tr>
<tr>
<td>12</td>
<td>Jeevan Asha (Table No. 129)</td>
<td>09.10.1997 to 15.01.1998</td>
</tr>
<tr>
<td>13</td>
<td>Bima Nivesh (Table No. 132)</td>
<td>14.01.1999</td>
</tr>
<tr>
<td>14</td>
<td>Jeevan Asha (Table No. 133)</td>
<td>15.02.1999</td>
</tr>
</tbody>
</table>
Study of Select Plans:

Life Insurance is greatly influenced by changes in the social structure, social thinking and social values, which in turn influence needs of the individuals. In tune with changing insurance needs LIC of India has been devising innovative new products and today it boosts of a basket of plans. LIC of India has so far launched a number of products to cater to every need level of an individual. These need levels are as follows.

Need Level – 1


Need Level – 2


Need Level – 3


Need Level – 4

For special needs:

- Bhavishya Jeevan (For professionals with limited span of high income)
- Jeevan Griha (For obtaining Housing loan)
- Asha Deep-II (For covering risk of four major diseases)
Jeevan Shree (Key-man insurance)

New Jana Raksha (For irregular and low income group)

Jeevan Aadhar (For handicapped dependent)

Jeevan Aasha (To promote health check up and provide relief in medical expenses)

Bima Nivesh (To give yield with greater liquidity and insurance cover)

We have classified insurance products as per various need levels. Now we will discuss the major products with reference to its features, target group, promotional aspects etc.

**Classification of Policies**

Life Insurance is a contract providing for payment of a sum of money to the person assured or failing him, to the person entitled to receive the same, on the happening of certain events. The Life Insurance Corporation came into existence with the objectives of assurance of

(i) family protection
(ii) provision for old age
(iii) **tax** concession
(iv) housing loans
(v) loans advanced for educational purposes and
(vi) Donations to charitable institutions. To meet the above said objectives, various types of life insurance policies are being issued by the Life Insurance Corporation of India.

*The Life Insurance Policies can be divided on the basis of:*

(i) Duration of Policy
(ii) Methods of Premium Payments
(iii) Participation in Profit
(iv) Number of Lives Covered
(v) Method of Payment of Sum Assured.

From the above said basis the following are Life Insurance Policies classified further into:

I. **Policies According to Duration:**

1) **On the basis of Duration of Policies:**
   (a) Whole Life Policies
   (b) Limited Payment Whole Life Policies.
   (c) Convertible Whole Life Policy.

2) **On the basis of Terms Insurance Policies:**
   (a) Temporary Assurance Policy
   (b) Renewable Term Policies
   (c) Convertible Term Policies.

3) **On the basis of Endowment Policies:**
   (a) Pure Endowment Policy
   (b) Ordinary Endowment Policy
   (c) Joint Endowment Policy
   (d) Double Endowment Policy
   (e) Fixed Term (Marriage) Endowment Policy
   (f) Educational Annuity Policy
   (g) Triple Benefit Policy
   (h) Anticipated Endowment Policy
   (i) Multi-Purpose Policy
   (j) Children’s Deferred Endowment Assurance.

I. **On the basis of Premium Payment:**
   (a) Single Premium Policy
   (b) Level Premium Policy.
II. On the basis of Participation in Profit:
   (a) Without Profit Policies (or) Non-Participating Policies
   (b) With Profit Policies (or) Participating Policies.

III. On the basis of the Number of Persons Assured:
   (a) Single Life Policies
   (b) Multiple Life Policies
   (c) Joint Life Policies
   (d) Last Survivorship Policy.

IV. On the basis of Method of Payment of Policy Amount:
   (a) Lump sum Policies
   (b) Installment or Annuity Policies.
   (c) Joint Life policies
   (d) Last Survivorship Policy

V. On the basis of Duration of Policies
   (a) Lump sum Policies
   (b) Installments (or) Annuity Policies.
Life Insurance policies can be classified as shown in the following chart:

**CLASSIFICATION OF LIFE INSURANCE POLICIES**

- **On the basis of Duration of Policy**
  - Single Premium Policy
  - Level Premium Policy

- **On the basis of Methods of Premium Payment**
  - With Profit Policy
  - Without Profit Policy

- **On the basis of Participation in Profits**
  - Single Life Policies
  - Multiple life Policies

- **On the basis of Number of lives Covered**
  - Instalments or Annuity Policies
  - Lump-Sum Policies

- **Methods of Duration**
  - Whole Life Policy
  - Limited Payment Whole Life Policy

- **Methods of Term Insurance**
  - Convertible Whole Life Policy
  - Temporary Assurance Policies
  - Renewable Term Policies

- **Methods of Endowment**
  - Convertible Term Policies
  - Educational Benefit Policy
  - Triple Benefit Policy
  - Anticipated Endowment Policy
  - Multi-Purpose Policy
  - Children's Deferred Endowment Policy
The above types of life insurance policies are issued to meet the differing requirements of the society as discussed briefly.

1. **On the basis of Duration of Policies**

   (a) *Whole Life Policies*: Under this policy the premium is payable for 35 years or till age going whichever is more. The policies where the premium is payable throughout the Life of the assured is called the Whole Life Whole Term Policy. This is the cheapest policy because the premium rate is lower. It is useful to the dependant of the assured against his/her death and to provide for payment of Estate Duty.

   (b) *Unified Payment Whole Life Policies*: The policy where the premium is payable is limited to a certain period is called as Limited Payment Whole Life Policy. Under this plan, the premium rate is higher. Premiums are payable for a selected period of years or on the death of the assured whichever occurs earlier. This is a suitable form of life assurance for family provisions.

   (c) *Convertible Whole Life Policy*: This policy is issued by the corporation on the basis of duration. The basic object of this policy is to convert a Term Assurance Policy into Whole Life or Endowment Assurance Policy without having further medical examinations of the assured. The rate of premium and terms and conditions are the same as applicable to the new policy. If the policy is converted into an Endowment Assurance with profits, policy participates in profits from the date of conversion, and the bonuses will be at the rate applicable to Endowment Assurance. If the policy is converted into an Endowment Assurance with out profits, the policy is not entitled to any bonus.
2. **On the basis of Term Insurance Policies**

This policy provides the protection of death risk cover. Term Insurance Policies issued usually for a shorter period are treated as temporary contracts. Term assurance provides for payment only in the event of life dropping before a certain date or age. This type is frequently adopted as collateral security for a loan.

(a) *Temporary Assurance Policy:* This policy is issued by the Corporation on the basis of Term Insurance Policy. This plan is designed to cover the risk against life assured for a period of less than two years. The sum assured will be payable only in the event of the life assuror’s death occurring within the selected period from the commencement of the policy. A single premium is required to be paid at the outset. Rates are fixed where of per thousand sum assured are given alongside.

(b) *Renewable Term Policies:* Renewable Term Policies are issued on the basis of term of assurance. This plan of assurance is renewable at the end of the selected term for an additional term period without having to undergo fresh medical examination. Premiums are usually quoted according to the age attained at the time of renewal.

(c) *Convertible Term Policies:* This plan of assurance is designed to meet the needs of those options to convert it into Whole Life or Endowment Assurance Policy. Premiums are payable for selected terms of years or until death if it occurs within this period, but they may be limited to a shorter term of years, if so desired. The sum assured shall be payable only in the event of death of the life assured or at the end of maturity period whichever is earlier. The main object of this policy is the life assured under this plan, has an
4. 44

option to convert the policy, provided it is in full force, into either a Limited Payment Life Policy or an Endowment Assurance Policy without having to undergo fresh "medical examination, at anytime during the specified term except the last two years. For example, the Convertible Term Insurance Plan can be converted in to an endowment or whole life type contract at the end of selected term of 5,6 or 7 years. During this period this is treated as a term assurance. The assured is expected to exercise his choice of conversion before two years of expiry of term, so as to obviate adverse selection. Selection against the insurer during last two years. If no option is exercised, the assurance comes to end at the end of the selected term.

3. **On the Basis of Endowment Policies**

This is a popular policy issued by the Life Insurance Corporation of India. The basic objective is that the policy for the sum assured becomes matured on the policy holder's death or on his attaining a particular age whichever is earlier. The period for which the policy is taken is called as Endowment Period. The premium under this policy is a little higher as compared with term assurance. This policy is a useful to the family in case of a sudden death of the policy holder.

Endowment policies are of many types. The important endowment policies are discussed below:

(a) **Pure Endowment Policy:** Under Pure Endowment Policy the sum assured is payable on the policy holder surviving to the maturity date. The sum assured is payable in the event of death within the term of policy. In the event of death in the first and the second year of policy the benefit will be limited to 80% and 90% of the premiums paid respectively. This is the best form of life assurance
for adult and child. The basic aim of this policy is not only providing protection against risk of death but also encouraging investments.

(b) *Ordinary Endowment Policy:* This policy provides a fund for family provision and investment. The sum assured is payable to the policy holder for a specific term of years either on the assured's death or on his survival to the stipulated term i.e., until the maturity date. Premiums are payable throughout the life time of the assured or for a selected period of years or until prior death of the life assured.

(c) *Joint Endowment Policy:* This policy is designed to cover the risk on the two or more lives under a single policy. The sum assured shall becomes payable on the maturity of the policy or on death of either of the two lives assured whichever is earlier. This policy is useful to partners of a firm and for husband and wife in a family. Partnership firms usually go in for such policies to provide for the return of the capital of the deceased partner.

(d) *Double Endowment Policy:* Under this policy, premium is payable throughout the life term of the assured or for a selected period of years or until prior death of the life assured. This is the best form of life assurance; the insurer agrees to pay the assured double the amount of the insured sum on the expiry of the term or on the death of the life assured whichever is earlier.

(e) *Fixed Term (Marriage) Endowment Policy:* This plan is designed to meet the needs of the provision relating to marriage of any one of the family members of the policy holder. Under this plan the sum assured together with profits shall be payable at the end of the maturity or on the death of the life assured whichever is earlier.
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Premiums are payable for the selected terms of the policy or till
depth of the life assured if it occurs during the selected term.

(f) **Educational Annuity Policy:** This plan provides for a sum assured to
be kept aside to meet the educational expenses of children. Under
this plan, the sum assured together with profits is payable to the
insured at the end of the selected term either in a lump sum or in
ten half yearly installments at the option of the life
assured/nominee/beneficiary. Premiums are payable for the
selected term of the policy or till death of the life assured if it occurs
during the selected term. This policy will be issued to persons aged
not less than 18 years and not more than 60 years at entry. The
policies will be issued for minimum term of 5 years and maximum
term of 25 years subject to maturity age of 70 years. The minimum
sum assured under this plan will be Rs. 10,000.

(g) **Triple Benefit Policy:** This plan is most suitable for housing loan
purpose. Under this plan the benefits availing the policy holders
on death of the life assured during the term of the policy is thrice
the basic sum payable or on survival to the date of maturity, only
the basic sum assured is payable. Premiums are payable for the
selected term of the policy or till prior death of the life assured. As
per the method of calculation, paid up value will be the same as a
Whole Life limited payment and a Pure Endowment Policy.

(h) **Anticipated Endowment Policy:** Under this policy the sum assured
will be payable on the basis of half of the sum assured paid before
the death of the policy holders and the balance of the sum assured
is payable at the end of the maturity date. In the event of death of
the assured before the attainment of the term period, full lump sum
assured amount is payable to the policy holder. Premiums are payable during the selected term or till death if earlier.

(i) *Multi Purpose Policy:* This form of life insurance not only makes provision for the family of life assured in the event of his death but also to meet the needs of a person in old age. It is also useful to meet the expenses relating to family and provision for education and marriage of his children. Premiums are payable during selected period of years or until prior death of the life assured. Several purposes are fulfilled under one single policy which is called Multi Purpose Policy.

(j) *Children's Deferred Endowment Assurance:* This policy is designed to meet the expenses relating to children’s education and marriage. Policies under this plan are issued on lives of both male and female children who have not completed 18 years. This is an Endowment Assurance Policy, it provides the protection of risk from the date of commencement of policy or from the deferred date to the date on which the policy emerges as claimed by the death of child or its survival to a stipulated date. This is the cheapest form of life insurance because of low rate of premium. The main object of this policy is to cover the risk against the life of children on behalf of their parents and guardian.

4. **On the Basis Of Premium Payment.**

The following important policies are issued by the Corporation on the basis of premium payment.

(a) *Single Premium Policy:* Single Premium Policy is useful to those who desire to provide the whole premium in one installment at the time of taking the policy. Single Premium Policy becomes matured
on the assured’s death or on his attainment of selected term whichever occurs earlier.

(b) **Level Premium Policy:** Unlike single premium policy, under this policy premiums are payable on a regular basis for a selected term or till prior death. It is useful to those persons having regular earnings. Premium is lesser as compared to a single premium policy. The sum assured becomes payable if the assured reaches a particular age or on the assured's death whichever is earlier.

5. **On the Basis of Participation in Profits**

Policies issued on the basis of participation in profits are discussed below:

(a) **With Profit Policies (or) Participating Policies:** With Profit Policies are also termed as Participating Policies. Unlike Non-participating Policies, Participating policy holders are entitled to get the share of profits or bonus or benefits or paid up facilities as per the terms and conditions of the Corporation. The sum assured with profits shall become payable to the insured at the end of the maturity or in the event of death if earlier.

(b) **Without Profit Policies (or) Non-Participating Policies:** Under this policy, sum assured will become payable without any paid up facilities to the insured at the end of the selected term or on the death of life assured if earlier.

6. **On the basis of the Number of Persons Assured**

Important policies on the basis Of Number of Persons assured are discussed below:

(a) **Single Life Policies:** This policy is designed on the basis of number persons assured. Single Life Policy covers the risk on one
individual, it may be issued on one's own life or on an other's life. The policy amount is payable to the insured on attaining a selected term or on the death of the life assured whichever is earlier.

(b) **Multiple Life Policies:** Multiple Life Policies is a policy issued on the basis of the number of persons assured. The Multiple Life Policies may be Joint Life Policies and Last Survivorship Policies. Unlike Single Life Policy, Joint Life Policy covers the risks of more than two individuals. The sum assured is payable at the time of maturity or on the event of the death of the first assured whichever is earlier. This policy is useful to partners of a firm or on the lives of husband and wife of a family. Under Last Survivorship Policy, the sum assured shall be payable at the last death of assured or on the attaining a selected term if earlier.

7. **On the basis of Methods of Payment of Policy Amount**

(a) **Lump sum Policies:** Lump sum Policies are designed by the corporation on the basis of methods of payment of policy amount. Under this policy the sum assured shall be payable in a lump sum to the policyholders at the end of the maturity date or on the assured’s death whichever is earlier.

(b) **Installments (or) Annuity Policies:** This is a plan of assurance designed to provide a large amount of risk cover on payment of a premium which is comparatively a small amount. Under this policy the full amount is not payable in lump sum but the insured amount is payable to the assured by periodical installments for a selected period of terms or till the death of the assured.

8. **Other Policies**

(a) **Money Back Policy:** This type of policy provides money back
at regular intervals before the policy expires. For example, on a 15 years policy, one gets 20 per cent of the sum assured after five years, another 20 per cent on the expiry of another five years and the balance - at the end of 15 years. In case death of the assured occurs during the 2 years, the full sum assured is paid irrespective of installments already paid. Thus, the policy gives money in hand plus insurance cover. Premiums are payable for the selected term of years or till death if it occurs within that period. The bonus additions to the policy will be reckoned on the full sum assured and are payable at the end of the selected term of years or at the life assured’s death, if earlier. No loan will be granted under this policy.

(b) **Sinking Fund Policy**: Such a policy is taken with a view of providing for the payment of liability or replacement of an asset.

**Special Plans**

1) **Jeevan Shree**: This plan also refers to "an exclusive policy for exclusive people". Under this plan, the minimum sum assured is 5 lakhs. Hence, it is specifically suited to high - income groups. Basically an endowment plan with flexibility in premium paying term including single premium. The investment will be so managed as to ensure of guaranteed and loyalty additions - higher liquidity (relaxed conditions for availing loan)

2) **Capital Redemption Assurance**: This plan provides for payment of a sum of money (sum assured) on a specified date in exchange for periodical premiums. There is no life assurance element and they ace independent of the duration of human life, the main factor being accumulation of interest. In other words, to secure a capital sum to replace a wasting asset such as machinery or leasehold
3) **Jeevan Aadhar:** Specially designed for the benefit of specific type of handicapped dependents. This is limited payment whole life policy with guaranteed additions at the rate of Rs. 100/- per 1000 sum assured per annum, where the claimant is paid party in lump sum and party in the form of an annuity. Full Income Tax benefit under section 80 DD up to a premium of Rs.40, 000 per annum. Minimum age entry is 22 years and maximum per annum. Minimum age entry at 60 years. Minimum sum assured is Rs.50, 000 premium payment term is 10, 15, 20, 25, 30 & 35.

4) **Jeevan Vishwa's:** Specially designed for the benefit of board categories of handicapped dependents. This is an endowment type with guaranteed additions where the claimant is paid in lump sum and in the form of annuity.

5) **New Jeevan Akshay:** A policy that provides for the maximum possible income on the invested capital, consistent with absolute safety. The income is assured through out life but ceases on death of the annuitant. Options to have definite annuity payments for 5, 10, 15, 20 years and thereafter for life are available. Minimum age at entry 40 years and maximum age at entry 79 years." Minimum purchase price Rs.25, 000. All modes annuity payments i.e. monthly quarterly, half yearly and yearly

6) **Jeevan Suraksha:** Jeevan suraksha plan was introduced on IS"1 August 1996. This is a pension plan with life cover and various options. The policy holder taking policy with life cover provides minimum of 50% of the target pension to spouse on death during the
deferment period.

7) **Komal Jeevan**: Komal Jeevan plan was introduced as a children's Money Back Policy on 14th November 2002. The Plan is available to children from 0 to 10 years of age. The premiums are payable up to age 18 of life assured. The policy vests in life assured on attaining age 18 years. The very purpose of this plan is to provide for expenses for higher education-cum-start in life. The minimum sum assured under this plan is fixed at Rs. 1 lakh and the maximum sum assured is Rs.25 lakhs. Guaranteed additions @ Rs.75 per thousand sum assured per annum is payable at the end of 26 years as a maturity benefit and the policy contract comes to an end.

8) **BIMA Nivesh**: A single premium savings / investment oriented plan of assurance with compounding guaranteed addition to the sum assured at the rate of 6 per cent available in 5 years and 10 years term. The scheme accepts premium for minimum sum assured of Rs.25,000 and the upper limit, touches the sum of Rs.50 lakhs.

9) **BIMA Plus**: Bima plus is a unique insurance plan with investment facility besides getting tax benefits. It offers unmatched package of benefits. They are (a) Life Insurance Cover, (b) Accident Benefit Cover (c) Maturity Bonus (d) Returns and (e) Tax rebate @ 20% u/s 88. The sum assured is 10 times the annual premiums (i.e. if annual premium is Rs. 5,000 then the sum assured will be Rs.50,000) or 20 times the half yearly premiums or equal to the single premium.

10) **Jeevan Anand**: Jeevan Anand plan is a combination of whole life and Endowment Assurance Plan. The premium can be paid yearly or half yearly. Even after the premium paying term is over, risk cover
continues till the death of the policyholder. Under this policy, accident benefit is available during the premium paying term and thereafter up to age 70. The sum assured along with vested bonus and final additional bonus, if any, will be payable on maturity or on death if earlier, provided the death occurs on or after the date of commencement of risk

11) **Key-Man Insurance**: It is an insurance taken by a company on the life of important employee - key - man of the company - against financial loss that may occur from the employee's premature death. Under this plan key-man (KM) can be an expert, a Technocrat, a Director, a Shareholder and an Executive. The key-man may be defined as an employee whose death would result in a financial loss to the company (including replacement). There can be any number of key men in a company.

*Eligibility*: Key-man insurance is allowed it

(i) The key-man is holding less than 5.1% shares in the company

(ii) Key-man and his family is holding less than 70 per cent shares in the company.

(iii) Key-man is a matriculate

(iv) Age at entry is less than 50 years.

*Salient Features*:

(i) Company will be the propose for key-man insurance

(ii) Term allowed is 10 to 15 years subject to retirement age or service contract

(iii) Key-Man Insurance is restricted to 10 times of key-Man's Annual compensation package. Annual package include: Salary + perquisites. National value of perquisites will be taken at 30% of Gross Annual Salary.

(iv) Maximum Sum Assured: For Public Ltd. Companies; 5 times
of average 3 years net benefit or 3 times of average 3 years gross profit whichever is lower. Private Ltd or closely held Public Ltd Companies:
(a) No. of share holders or employees 10 or more
(b) No. of share holders or employees - less than 10;
maximum allowable cover will be 3 times of average net profits of at least 3 years. I

(v) Double Accident benefit, extended permanent disability benefit
& Term rider’s benefits are not allowed under key-man insurance policy.

Advantages of Taking Key-man Insurance\textsuperscript{10}

(i) The company is protected against the financial loss in the event of key man’s death
(ii) It gives substantial income tax savings to the company (while paying the premiums and while receiving the proceeds)
(iii) The company is able to create an asset for itself in the form of premiums paid and added bonus
(iv) It protects the interests of other employees, salesmen, shareholders, and customers, and keep the company’s position stabilized in the market.
(v) It generates confidence, sense of security and loyalty in the minds of key-men
(vi) It can be given as security to bankers, it is a guarantee to the creditors.

12) Jeevan Mitra Policy: This plan is designed to meet needs of the people who are insurance oriented and also want to provide a big sum insurance protection to their family, in the case of their unfortunate death. This plan is most preferred by traveling persons like, sales representatives, marketing executives, medical representatives etc. This plan is not allowed to non-earning majors including students, pilots and crew members. Under this policy maturity benefit and death benefit, will be calculated on the basis of double risk cover endowment policy and triple risk cover endowment policy. Under double risk cover endowment policy,
the maturity benefit will be basic sum assured plus accrued bonus is given. On death, 2 times of sum assured plus bonus is given. Incase of accident death, 3 times of sum assured plus bonus is given provided policy was covered for accident benefit. On the other hand, under triple risk cover endowment policy, the maturity benefit will be basic sum assured plus accrued bonus is given. On death, 3 times of sum assured plus bonus is given. In the case of accidental death, the benefit will be 4 time of sum assured plus bonus is given, provided policy was covered for accident benefit. However, accidental benefit is subject to a maximum of Rs.25 lakhs basic sum assured including existing policies.

13) New Janaraksha Policy: This plan is best suited for people with irregular income and whose job is not secured. For example, farmers, milk vendors, petty businessmen etc. Under this plan the maximum entry age at entry is restricted to 40 years in case of non-medical subject to the maximum sum assured of Rs.50,000. Under this plan, the sum assured with accrued bonus is payable on the maturity date or in the event of the unfortunate premature death of the life assured. The maximum accident benefit increased from 5 lakhs to 7.5 lakhs effect from 23.11.2002.

14) Jeevan Sukanya: A generation to generation policy for girl child. It is a plan exclusively designed for female children aged between 1 and 12 years. This a limited premium payment plan, which provides risk cover (after a certain deferment period) on the life of the female child and, when she gets married extends the risk cover to the life of her husband also. Premiums will cease on the policy anniversary falling after completion of age 20 years by the life assured on which data on sum assured is payable. Similarly, the policy matures at the
age 50 of the life assured when the bonus additions are paid to the life assured.

15) **Bhavishya Jeevan with Profit:** This plan is designed to meet the needs of persons having a very short span of high earnings, where after the income decreases or stops. The premium paying capacity for such persons (Film Artists, Professionals on foreign assignment etc) is quite high during the period of high income. The plan accordingly envisages a high premium during the first 5 years. Thereafter the premium comes down significantly.

16) **Jeevan Kishore:** This plan is designed for both boys and girls. The risk cover after waiting period i.e. 2 years from the commencement of the policy or from the policy anniversary falling immediately after the attainment of 7 years of age which ever is later. The policy will vest in the life assured - child on attaining maturity. The maximum sum assured allowed is Rs.15 lakhs, if the age at entry is less than 10 years and Rs.40 lakhs, if age at entry is 10 years or more. Under this policy the maximum term allowed is 15years. This policy is useful for child's marriage or start in life. Bonus for the policy including the waiting period will vest on the policy anniversary from which the risk is covered or 5 years from the commencement whichever is lather.

17) **Jeevan Saathi:** This policy suitable for husband and wife who wants to take joint life risk cover under a single policy.

**Salient features:**

(a) Issued only to working couple, the wife should be an income tax assesses. For sum assured Rs. 1, 00,000 and less, wife need not be a earning person.

(b) Plan is not allowed for female lives who have undergone 3 or more caesarean operations. For female with one / two
caesarean is allowed to take plan with 3% extra premium.

(c) Maximum sum assured allowed under the plan to house wife & self-employed female dives category 111 is Rs.1 lakhs with standard age proof.

(d) Maturity benefit - if both husband and wife are alive up to maturity, sum assured plus bonus is given. On death of either husband / wife, survivor gets sum assured immediately & further premiums are waived.

18) **Jeevan Surabi**: This plan is designed for businessmen & professionals as money is available periodically. Under this policy, for a policy of 15 years, one has to pay premium only for 12 years. Similarly, for a policy of 20 years, one has to pay premium only for 15 years and for a policy of 25 years, one is required to. Premium only for 18 years. The Jeevan Surabhi plan is an improved vision of Money Back Plan with an added element of increasing Term Insurance Cover. The premium paying terms are lesser than the policy term to cater to the needs of people who want to pay for shorter period, but want to enjoy benefits for a longer period. The proposal under the plan would be entertained under non-medical special scheme up to Rs. 1,00,000 sum assured if eligible is to come under scheme. The policy will participate in profits till the end of policy term provided it is in force for full sum assured on the date of valuation. The bonus will be calculated on the basic sum assured. The vested bonus will be payable on the date of maturity or on death, if earlier. In case of death during the term of the policy, the basic sum assured along with the additional cover and vested bonuses will become payable.

**Group Insurance Schemes**

LIC offers life insurance protection under group policies to various groups such as employer - employees, professionals co-operatives, weaker sections of society etc. It also provides insurance coverage to people under
certain approved occupation at subsidized rates under social security groups schemes. Besides providing insurance coverage which provide funding of gratuity and pension liabilities of the employers.

The main features of the schemes are low premium, simple insurability conditions such as employee not being absent from duty on grounds of ill health on the date of entry, and easy administration by way of issue of a single master policy covering all the employee / members, premiums are based upon age, combination of members, occupations and working conditions of the group. However, there are certain conditions as to minimum group size and the maximum participation to make the scheme viable. The standard schemes offered by LIC are as follows:

1. **Group Term Insurance Schemes:** Employer - employee groups may be offered group insurance schemes providing uniform or graded cover. These groups may also be offered schemes covering outstanding housing loans and outstanding vehicle advances granted by an employer to its employees. Group insurance schemes providing uniform cover can be granted to associations of professionals (such as doctors, lawyers, chartered accountants etc), members of co-operative banks, welfare funds, credit societies and weaker sections of society.

2. **Group Insurance Scheme in lieu of EDLI:** The employees Deposit Linked Insurance scheme is applicable to all establishments and undertakings contributing employees provident fund under EPF and MP Act 1952, with effect from 1.8.1976; The scheme provides for an insurance cover to an employee, which is linked to his balance in the PF Account, subject to a maximum of Rs.35,000.

3. **Group Gratuity Scheme:** Gratuity is a statutory liability of most of the employers which accrues to an employee for every year, of service put in by him. As the liability accrues every year, from the point of view of sound accounting practice year, it is desirable to provide for this liability before the profits are determined. The Group Gratuity Scheme provides a scientific method for funding gratuity as the
4. 59

premiums are based on actuarial principles. The attractive features of the scheme is the life insurance cover to every employee due to which, in the event of the premature death of an employee, his dependents become entitled to substantially higher benefits.

(4) Group Superannuation Scheme: This plan is designed to provide pension to employees on their retirement from service. The scheme may be financed by the employer alone or jointly with the employees. A decreasing group insurance cover in conjunction with superannuation benefits may also be provided under the scheme. The scheme is of two types:

(a) Money purchase scheme: The contribution is fixed generally as a percentage of the salary. The accumulated value of such contributions is utilized to purchase the pension.

(b) Benefit purchase scheme: The amount of pension is fixed by the employer in advance generally in relation to the salary drawn by the employee at the time of exit. LIC determines the contributions payable for funding of pension benefits.11

Group Savings Linked Insurance Scheme: This plan offers insurance cover together with a savings element. The contribution under this scheme is deducted from the monthly salary of the member. The scheme is allowed to selected employer-employee groups such as Quasi-Govt. bodies, public sector corporations and reputable companies in public and private sectors who keep accurate records of their employees. Under this scheme, out of the contribution received in respect of each employee, a portion is utilized for the insurance cover and the balance, known as contribution for savings, is accumulated till exit at an attractive rate of interest, which at present is 10% p.a. The savings contribution is returned with interest at the time of retirement, or exit by any other mode.

(5) Voluntary Retirement Scheme (LIC’s Plan): The VRS benefits to employees generally provide for payment of an annuity (depending upon the salary and length of service) which ceases at the national retirement age. The LIC has evolved plans by which the VRS requirements of employees can be taken care of.
(6) **Group Leave Encashment Scheme:** This plan is designed to provide for employers to meet the liability of leave encashment facility available to employees in annual books of accounts, under this plan, cover of a flat sum assured has also been provided to employees. The scheme shall be administered by the employer.

(7) **Social Security Schemes:** As per the direction of the Central Government, a social security fund was created in 1988-89. The object of the fund is to extend insurance benefits to economically weaker sections of society in the unorganized sector. Half of the premium will be drawn from the social security fund maintained by the LIC. The remaining 50% of the premium is collected from a designed Nodal Agency which may be contributed by the State Government and / or the beneficiaries. Insurance cover up to Rs.5,000 can be granted under these schemes.

(8) **LALGI Scheme:** All Landless Agricultural Labourers of India have been covered for a uniform sum assured of Rs.2000 (payable to the family of the deceased labourers). The entire premium is met from the social security fund maintained by LIC.

**Rural Group Life Insurance Schemes (RGLIS):** The Govt, of India has announced the introduction of Rural Group Life Insurance Schemes which are administered by designated branch offices of LIC through intermediate level panchayats. The effective date of the scheme is 15th August 1995. Two types of schemes are offered. Under the General Scheme and person within the jurisdiction of the concerned Intermediate Level Panchayats can be covered by charging full premium. Under the subsidized scheme only one person from each of the households below the stipulated poverty line will be covered. The premium will be subsidized to the extent of 50% So be shared equally by the State / Union Territories and the Central Government.

(9) **Integrated Rural Development Programme (IRDP Scheme):** To offer greater security to the families and mitigate the hardship in the event of sudden death of the head of the family, a group insurance scheme was launched for the beneficiaries under the Integrated Rural Development Programme (IDP), which provides cover of Rs.5,000/-. In case of death by accident the amount payable is Rs. 10,000/-. 
The claims are paid out of the fund set up by the Government for the purpose and no premium is charged from the beneficiaries. So far, about 2.30 crore people have availed the benefit of this scheme. During the last 10 years 74276 claims for Rs.30.66 crore have been paid to the beneficiaries.

(10) **Group Insurance Scheme for Students:** It has been decided to offer a Group Insurance Cover to the students pursuing professional courses through a recognized University. This has been allowed to fulfill the needs of insurance cover to professional students on whose studies the parents spend a substantial sum of money. If such a child dies, the loss to the parents/ family is quite significant.

**Some of the features:**

1) The institution which is a recognized body for importing education in professional courses will act as a Nodal Agency for its students.

2) The premium pays to the corporations and collected by the institutions along with the fee from students at the time of admission of the students.

3) Full time benefited students of the institution aged less than 30 years shall be covered under this scheme.

4) An insurance cover, ranging between Rs.50,000 / and Rs. 1,50,000 may be allowed

5) No Double Accident Benefit will be allowed under the scheme.

6) A Flat premium of Rs.2.30 per thousand sum assured per annum will be charge.

**Partnership Insurance**

*Introduction:* In our country, nearly 50% of the business is done by partnership forms & proprietorship concerns. Proprietorship concern is a one man show & that an individual may take a policy or two to cover his life. However it is not the same case with partnership forms.

**Need of Partnership Insurance**

The partnership firm will be in trouble when a partner dies unfortunately. The death results in dissolution of the firm and the firm has to pay lumpsum amount to the deceased partner's family. But still, many a
partnership firms have not realized the importance of partnership insurance in our country. One must utilize this opportunity & bring about a partnership insurance awareness.

1) In the event of the early death of a partner, it may not be possible to pay such a heavy sum out of the partnership fund.

2) The remaining partners may have to sell some of the assets of the firm.

3) In some cases, the remaining partners may have to close down the firm.

To fight against such a high risk, the LIC field force may advise the firm to take an insurance policy individually in the name of the partners.

Eligibility

(a) All partners should be first class male lives.

(b) Number of partners maximum is 5 and minimum is 2

(c) The sum assured should be for a minimum of Rs.25000 and should not exceed the minimum amount of capital brought in by any single partner.

(d) In the case of individual partner's Insurance the maturity age should not exceed 70 years of age of partner.

(e) The term offered should be such that the policy would mature before the eldest partner reaches the age of 70.

(f) A deed informing that in case of death of a partner the partnership will be dissolved & capital will be withdrawn.

(g) Nomination is not allowed,

(h) Assignment is not allowed

Requirements

1) Duly signed proposal Form No. 340

2) Copies of original partnership deed & supplementary deed

3) Copies of Income Tax Returns or Assessment orders of last 3 years
4) Copies of Audited Profit and Loss A/c & Balance sheet of last 3 N years

5) Endorsement letter to meet with the requirement of point No. (f) above

6) Special reports depending upon age, sum proposed etc.

Advantages

1) The insurance premium Paid under partnership insurance on the lives of partners is allowed as 100% business expenditure U/S 37 (1) of IT Act. However, the policy proceeds on the death claim will be treated as income of the firm & is subjected to tax.

2) The remaining partners can pay the amount out of the policy maturity proceeds without touching the assets of the partnership firm.
   The risk, of closing down the business is avoided.

LIC Policy, Only For Women:

Prior to nationalization (1956), many private insurance companies would offer insurance to female lives with some extra premium or on restrictive conditions. However, after nationalization of life insurance, the terms under which life insurance is granted to female lives have been reviewed from time-to-time. At present, women who work and earn an income are treated at par with men. In other cases, a restrictive clause is imposed, only if the age of the female is up to 30 years and if she does not have an income attracting Income Tax.

With the insurance sector opening up and private players making an entry into the market, the life insurance sector has become extremely competitive and Life Insurance Corporation has lost its monopoly. To maintain its leadership, the LIC has been trying to come out with innovative products. One such product is the Jeevan Bharti policy for women. We take a look at its salient features. The Jeevan Bharti is the only
women-specific policy in the country. It is a money-back policy and has a
fixed term of 15 years or 20 years. In case of the 15-year policy, 20 per cent
of the sum assured is payable at the end of the fifth and the tenth years.
The remaining 60 per cent, along with the guaranteed additions and any
accrued bonus, is payable at maturity.

Under the 20-year policy, 20 per cent of the sum assured is payable
at the end of the fifth, tenth and the fifteenth years and the remaining 40
per cent along with guaranteed additions and bonuses is payable at
maturity, that is the twentieth year. What make this policy different from
the regular money-back policies is the special benefits it offers. It comes
with two in-built riders which means one does not need to pay additional
premium for them.

The female critical illness benefit ensures that one gets a benefit
equal to the sum assured (up to a maximum of Rs 2 lakh) in case Policy
Holder develop certain critical illnesses including breast cancer, cervical
cancer and vulvae cancer.

There is a waiting period of six months and if it is detected to be
suffering from any of these critical illnesses any time after that, policy
holder will be given the sum assured immediately.

What's more, the policy will continue as a regular policy for the
remaining term and the premium will be waived. For example, suppose
Mrs A buys a 20-year policy for Rs 1 lakh. As per the terms of the policy
she will get Rs 20,000 (that is, 20 per cent of the sum assured) after the
fifth, tenth and the fifteenth years. Also, she gets the remaining Rs 40,000
(or 40 per cent) and the guaranteed additions on maturity. Now suppose
she develops a critical illness in the sixth year. She will get Rs 1 lakh
immediately, and will continue to get Rs 20,000 at the end of the tenth and the fifteenth year and Rs 40,000 on maturity, provided she is alive. In case she dies before the maturity of the policy, her nominees will only get the guaranteed additions.

Under the congenital disabilities benefit, if a child born to the policyholder suffers from any of the listed congenital disabilities including Down's Syndrome and Spina Bifida, then a benefit equal to 50 per cent of the sum assured (subject to a maximum of Rs 1 lakh) will be available. The benefit is available for two children and will not be payable if the birth of the child occurs after the proposer attains the age of 40. Again, in spite of the payment of the benefit, the policy will carry on as normal till maturity. However, under this benefit the premium will not be waived.

Now supposing a women does not suffer from any of the mentioned critical illnesses. However, she dies a year before the policy matures (that is 19 years after having bought the policy). Her nominees will receive the full sum assured (Rs 1 lakh) along with the guaranteed additions and accrued bonuses, if any. This will be despite the fact that she would have already received Rs 60,000 (at the rate of Rs 20,000 at the end of the fifth, tenth and the fifteenth years).

Jeevan Bharti is aimed at women in the age group of 18 years to 50 years and the sum assured is between Rs 50,000 and Rs 25 lakh. The policy comes with a free insurance cover of three years. Thus, if the premium has been paid for at least two years, the policy continues to be in effect for the next three years, even if premium is not paid. However, the special benefits are not covered during this period. The policy also gives Policy Holder the freedom to pay the premium in advance and enjoy a 4 per cent rebate on the premium amount.
The premium for the Jeevan Bharti is higher than a regular money-back policy. For example, if Mrs A is a 26-year-old woman then she will pay Rs 7,360 for a Rs 1 lakh policy for 20 years. If she were to buy a normal money-back policy then she would pay Rs 6,287. However, under the Jeevan Bharti, besides the special benefits, she will also get guaranteed additions of Rs 50 per Rs 1,000 of sum assured for the first five years. So, at the time of maturity she will get an additional Rs 25,000. Under a normal money-back policy, there may not be any guaranteed additions.

By paying an additional premium of Re 1 per Rs 1,000 sum assured, one can also get an accident benefit rider. In case of death due to accident, twice the amount of the sum assured, will be payable to the nominees. The Jeevan Bharti, like all other insurance policies is eligible for tax rebate under Section 88 and under Section 10 (10d).

Significant Issues Relating To LIC Policies

Payment of Premiums:
A grace period of one month but not less than 30 days is allowed where the mode of payment is yearly, half-yearly or quarterly and 15 days for monthly payments. If death occurs within this period, the life assured is covered for full sum assured.

Non-Forfeiture Regulations:
If the policy has run for at least 3 full years and subsequent premiums have not been paid the policy shall not be void but the sum assured will be reduced to a sum which will bear the same ratio as to the number of premiums paid bear to the total number of premiums payable. The concessions regarding claim in the above case is explained in the appropriate section.
Forfeiture In Certain Events:

In case of untrue or incorrect statement contained in the proposal, personal statement, declaration and connected documents or any material information with held, subject to the provision of Section 45 of the Insurance Act 1938, wherever applicable, the policy shall be declared void and all claims to any benefits in virtue thereof shall cease.

Suicide:

The policy shall be void, if the Life Assured commits suicide (whether sane or insane at the time) at any time or after the date on which the risk under the policy has commenced but before the expiry of one year from the date of commencement of the policy.

Guaranteed Surrender Value:

After payment of premiums for at least three years, the Surrender Value allowed under the policy is equal to 30% of the total premiums paid excluding premiums for the 1st year and all extra premiums.

Salary Saving Scheme:

The rate of installment premium shown in the schedule of the policy will remain constant as long as the employee continues with the employer given in the proposal. On leaving the employment of said employer the policyholder should intimate the Corporation. In case of the Salary Saving Scheme being withdrawn by the said employer, the Corporation will intimate the same to the policyholder. Thereafter the 5% rebate given under Salary Saving Scheme will be withdrawn.

Alterations:

After the policy is issued, the policyholder in a number of cases finds the terms not suitable to him and desires to change them. LIC allows certain types of alterations during the lifetime of the policy. However, no
alteration is permitted within one year of the commencement of the policy with some exceptions. The following alterations are allowed.

- Alteration in class or term.
- Reduction in the Sum Assured
- Alteration in the mode of payment of premiums
- Removal of an extra premium
- Alteration from without profit plan to with profit plan
- Alteration in name
- Correction in policies
- Settlement option of payment of sum assured by installments
- Grant of accident benefit
- Grant of premium waiver benefit under CDA policies
- Alteration in currency and place of payment of policy monies

A fee for the change or alteration in the policy is charged by the Corporation called quotation fee and no additional fee is charged for giving effect to the alteration.

**Duplicate Policy:**

A duplicate policy confers on its owner the same rights and privileges as the original policy. The following are the requirements for issuing a duplicate policy:

1. Insertion of an advertisement at the policyholder’s cost in one English daily newspaper having wide circulation in the State where the loss is reported to have occurred. A copy of the Newspaper in which the advertisement appeared should be sent to the servicing office one month after its appearance. If no objection has been lodged with LIC regarding the policy in question, a duplicate policy will be issued after complying further requirements, i.e., Indemnity Bond and payment of charges for preparing duplicate policy and stamp fee.

2. However, the requirement of advertisement and Indemnity Bond may be dispensed with or modified in certain circumstances as given below:
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- loss of policy by theft
- destruction of policy by fire
- loss of policy while in custody of an office of government
- mutilated or damaged policy
- policy in torn and a part of it is missing
- policy partially destroyed by white ants

**Age Proof Accepted by LIC:**
The Proofs of age, which are generally acceptable to the Corporation, are as under:

- Certified extract from Municipal or other records made at the time of birth.
- Certificate of Baptism or certified extract from family Bible if it contains age or date of birth.
- Certified extract from School or College if age or date of birth is stated therein.
- Certified extract from Service Register in case of Govt. employees and employees of Quasi-Govt. institutions including Public Limited Companies and Passport issued by the Passport Authorities in India.

**Alternative Age Proofs Which Are Accepted:**

- Marriage certificate in the case of Roman Catholics issued by Roman Catholic Church.
- Certified extracts from the Service Registers of Commercial Institutions or Industrial Undertakings provided it is specifically mentioned in such extracts that conclusive evidence of age was produced at the time of recruitment of the employee.
• Certificate of Birth granted by Syedna v. Molana Badruddin Sahib of Baroda
• Identity Cards issued by Defense Department.
• A true copy of the University Certificate or of Matriculation/Higher Secondary Education, S.S.L. Certificate issued by a Board set up by a State/Central Government.
• Non-standard age proof like Horoscope, Service Record where age is not verified at the time of entry, E.S.I.S. Card, Marriage Certificate in case of Muslim Proposer, Elder’s Declaration, Self-declaration and Certificate by Village Panchayats are accepted subject to certain rules.

Nomination:

The nominee is statutorily recognized as a payee who can give a valid discharge to the Corporation for the payment of policy monies. Nomination will be incorporated in the text of the policy at the time of its issue. After the policy is prepared and issued and if no Nomination has been incorporated the assured can ordinarily affect the nomination only by an endorsement on the policy itself. A nomination made in this manner is required to be notified to the Corporation and registered by it in its records. A nomination is not required to be stamped. Any change or cancellation of nomination should be given in writing only by the Life Assured.

Nomination under Joint Life Policy can only be a joint nomination. Nomination in favour of a stranger cannot be made as there is no insurable interest and moral hazard may be involved. Nomination in favour of wife and children as a class is not valid. Specific names of the existing wife and children should be mentioned. Where nomination is made in favour of successive nominees, i.e., nominee “A” failing him to
nominee “B” failing whom nominee “C”, the nomination in favour of one individual in the order mentioned will be considered. Where the nominee is a minor, an appointee has to be appointed to receive the monies in the event of the assured’s death during the minority of the nominee. No nomination can be made under a policy financed from HUF funds. In the case of first endorsement of nomination the date of registration of nomination will be the date of receipt of the policy by the servicing office and in case of any other nomination or cancellation or change thereof, the date of receipt of the policy and/or of notice whichever is later, will be the date of registration.

**Assignment:**

An assignment has an effect of directly transferring the rights of the transferor in respect of the property transferred. Immediately on execution of an assignment of the Policy of life assurance the assignor forgoes all his rights, title and interest in the Policy to the assignee. The premium/loan interest notices etc. in such cases will be sent to the assignee. In case the assignment is made in favor of public bodies, institutions, trust etc., premium notices/receipts will be addressed to the official who has been designated by the institutions as a person to receive such notice.

An assignment of a life insurance policy once validly executed, cannot be cancelled or rendered in effectual by the assignor. Scoring of such assignments or super scribing words like 'cancelled' on such assignment does not annul the assignment. And the only way to cancel such assignment would be to get it re-assigned by the assignee in favor of the assignor.

There are two types of assignments:
1. Conditional Assignment whereby the assignor and the assignee may agree that on the happening of a specified event which does not depend on the will of the assignor, the assignment will be suspended or revoked wholly or in part.

2. Absolute Assignment whereby all the rights, title and interest which the assignor has in the policy passes on to the assignee without reversion to the assignor or his estate in any event.

Re-assignment:

Status of the policy indicates if the policy is in force or has lapsed due to non-payment of premium. It also provides other important information with respect to your policy, for your reference.

Concessions for claims during the lapsed period:
1. If the policyholder has paid premiums for at least 3 full years and subsequently discontinued paying premiums, and in the event of death of the life assured within six months from the due date of the first unpaid premium, the policy money will be paid in full after deduction of the unpaid premiums, with interest up to date of the death.
2. If the policyholder has paid premiums for at least 5 full years and subsequently discontinued paying premiums and in the event of death of the life assured within 12 months from the due date of first unpaid premium, the policy money will be paid in full after deducting the unpaid premiums, with interest up to date of the death.

Revivals:

If the premium under a policy is not paid within the days of grace the policy lapses. Revival is a fresh contract wherein the insurer can impose fresh terms and conditions. A policy can be revived under the following types of revival:
1. Ordinary Revival
If a revival of the policy is effected within 6 months from the due of first unpaid premium no personal statement regarding health is required and the policy is revived on collection of delayed premium plus interest. The rate of interest to be charged for such delayed premium will depend on the date of commencement of the policy.

2. Revival on non-medical basis
For revival of the policy on non-medical basis the amount to be revived should not exceed the prescribed limit for non-medical assurance taken by the life assured.

3. Revival on medical basis
If a policy cannot be revived under ordinary revival or revival on non-medical basis it can be revived with medical requirements. The medical requirements will depend upon the amount to be revived.

4. The other schemes for revival are
A. Special Revival Scheme
B. Revival by installment
C. Loan- cum- revival
D. Survival Benefit- cum- revival

Claims Settlement Procedure:
The settlement of claims is a very important aspect of service to the policyholders. Hence, the Corporation has laid great emphasis on expeditious settlement of Maturity as well as Death Claims. The procedure for settlement of maturity and death claims is detailed below:

Maturity Claims:
1) In case of Endowment type of Policies, amount is payable at the end of the policy period. The Branch Office which services the policy sends out a letter informing the date on which the policy monies are
payable to the policyholder at least two months before the due date of payment. The policyholder is requested to return the Discharge Form duly completed along with the Policy Document. On receipt of these two documents post dated cheque is sent by post so as to reach the policyholder before the due date.

2) Some Plans like Money Back Policies provide for periodical payments to the policyholders provided premium due under the policies are paid up to the anniversary due for Survival Benefit. In these cases where amount payable is less than up to Rs.60,000/-, cheques are released without calling for the Discharge Receipt or Policy Document. However, in case of higher amounts these two requirements are insisted upon.

**Death Claims:**

The death claim amount is payable in case of policies where premiums are paid up-to-date or where the death occurs within the days of grace. On receipt of intimation of death of the Life Assured the Branch Office calls for the following requirements:

a) Claim form A – Claimant’s Statement giving details of the deceased and the claimant.

b) Certified extract from Death Register

c) Documentary proof of age, if age is not admitted

d) Evidence of title to the deceased’s estate if the policy is not nominated, assigned or issued under M.W.P. Act.

e) Original Policy Document

The following additional forms are called for if death occurs within three years from the date of risk or from date of revival/reinstatement.
a) Claim Form B – Medical Attendant’s Certificate to be completed by the Medical Attendant of the deceased during his/her last illness
b) Claim Form B1 – if the life assured received treatment in a hospital
c) Claim form B2 – to be completed by the Medical Attendant who treated the deceased life assured prior to his last illness.

d) Claim Form C – Certificate of Identity and burial or cremation to be completed and signed by a person of known character and responsibility
e) Claim form E – Certificate by Employer if the assured was employed person.
f) Certified copies of the First Information Report, the Post-mortem report and Police Investigation Report if death was due to accident or unnatural cause. These additional forms are required to satisfy ourselves on the genuineness of the claim, i.e., no material information that would have affected our acceptance of proposal has been withheld by the deceased at the time of proposal. Further, these forms also help us at the time of investigation by the officials of the Corporation.

**Double Accident Benefit Claims:**
Double Accident Benefit is provided as an inject to the life insurance cover. For this purpose an extra premium of Rs.1/- per Rs.1000/- S.A is charged. For claiming the benefits under the Accident Benefit the claimant has to produce the proof to the satisfaction of the Corporation that the accident is defined as per the policy conditions. Normally for claiming this benefit documents like FIR, Post-mortem Report are insisted upon.

**Disability Benefit Claims:**
Disability benefit claims consist of waiver of future premiums under the policy and extended disability benefit consisting in addition of a monthly benefit payment as per policy conditions. The essential condition for
claiming this benefit is that the disability is total and permanent so as to preclude him from earning any wage/compensation or profit as a result of the accident

**Claims Review Committees:**
The Corporation settles a large number of Death Claims every year. Only in case of fraudulent suppression of material information is the liability repudiated. This is to ensure that claims are not paid to fraudulent persons at the cost of honest policyholders. The number of Death Claims repudiated is, however, very small. Even in these cases, an opportunity is given to the claimant to make a representation for consideration by the Review Committees of the Zonal office and the Central Office. As a result of such review, depending on the merits of each case, appropriate decisions are taken. The Claims Review Committees of the Central and Zonal Offices have among their Members, a retired High Court/District Court Judge. This has helped providing transparency and confidence in our operations and has resulted in greater satisfaction among claimants, policyholders and public.

**Medical and Non-Medical Schemes**
Life insurance is normally offered after a medical examination of the life to be assured. However, to facilitate greater spread of insurance and also to avoid inconvenience, LIC has been extending insurance cover without any medical examination, subject to certain conditions.

**With Profit and Without Profit Plans**
An insurance policy can be 'with' or 'without' profit. In the former, bonuses disclosed, if any, after periodical valuations are allotted to the policy and are payable along with the contracted amount. In 'without' profit plan the contracted amount is paid without any addition. The premium rate charged for a 'with' profit policy is therefore higher than for
a 'without' profit policy

**Admission of Age:**

Age is the main basis of calculation of premium under life insurance policies. The following are accepted as evidence of age:

- Certified extract from Municipal or Local Body’s records made at the time of birth.
- Certificate of Baptism or Certified Extract from Family Bible, if it contains age or date of birth.
- Certified Extract from School or College records, if age or date of birth is stated therein.
- Certified Extract from Service Register in the case of Govt. employees and employees of Quasi-Govt. Institutions or
- Passport issued by the Passport Authorities in India.
References

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