CHAPTER:-VII
LIC AT CUSTOMER SERVICE FOR SATISFYING THEIR NEEDS:

- Introduction

I
- What Is Customer Satisfaction?
- Why is it Important?
- Conceptualities of LIC Services
- Measurement of the Customers ‘Satisfaction
- Mutually Exclusive, Collectively Exhaustive
- Service Delivery
- Customer Satisfaction in Seven Steps

II
- Talk about Significant services Rendered by LIC

III
- Information Technology in LIC

IV
- Advances against Life Insurance Policies:-
7.2

Chapter:-VII
LIC at Customer Service for Satisfying Their Needs

Introduction

The satisfaction of the Insurance policy holders refers to how satisfied they are with the products or services received by them from the LIC. The level of satisfaction is determined not only by the quality and type of policy holders’ experiences but also by the expectations. In order to deal this issues the chapter covers the topics like What is Customer Satisfaction?, Why is it Important?, Conceptualities of LIC Services, Measurement of the Customers Satisfaction by using Liker Attitude Scale, “Mutually Exclusive, Collectively Exhaustive (MEC)” Service Delivery, Customer Satisfaction in Seven Steps, satisfaction over some services Rendered by LIC, Use of Information Technology for efficient services, and Advances against Life Insurance Policies. The special purpose of this chapter to highlight the LIC services only on select service segment.

What Is Customer Satisfaction?

Customer satisfaction refers to how satisfied customers are with the products or services they receive from a particular agency. The level of satisfaction is determined not only by the quality and type of customer experience but also by the customer’s expectations. A customer may be defined as someone who:

• has a direct relationship with, or is directly affected by your agency and receives or relies on one or more of your agency’s services or products. Customers in human services are commonly referred to as service users, consumers or clients.

An organisation with a strong customer service culture places the customer at the centre of service design, planning and service delivery. Customer centric organisations will:
• determine the customers’ expectations when they plan
• listen to the customer as they design
• focus on the delivery of customer service activities
• Value customer feedback when they measure performance.

Why is it Important?
There are a number of reasons why customer satisfaction is important in Insurance Sector:

• Meeting the needs of the customer is the underlying rationale for the existence of community service organizations. Customers have a right to quality services that deliver outcomes.

• Organizations that strive beyond minimum standards and exceed the Expectations of their customers are likely to be leaders in their sector.

• Customers are recognized as key partners in shaping service development and assessing quality of service delivery.

Conceptualities of LIC Services

1. Intangibility

Services are intangible and insubstantial: they cannot be touched, gripped, handled, looked at, smelled, tasted or heard. Thus, there is neither potential nor need for transport, storage or stocking of services. Furthermore, a service cannot be (re)sold or owned by somebody, neither can it be turned over from the service provider to the Policy Holder nor returned from the Policy Holder to the service provider. Solely, the service delivery can be commissioned to a service provider who must generate and render the service at the distinct request of an authorized Policy Holder.

2. Perishability

Services are perishable in two regards
7.4

- The service relevant resources, processes and systems are assigned for service delivery during a definite period in time. If the designated or scheduled Policy Holder does not request and consume the service during this period, the service cannot be performed for him. From the perspective of the service provider, this is a lost business opportunity as he cannot charge any service delivery; potentially, he can assign the resources, processes and systems to another Policy Holder who requests a service.

- When the service has been completely rendered to the requesting Policy Holder, this particular service irreversibly vanishes as it has been consumed by the Policy Holder. Example: the Policy holder has been benefited after his accident cannot be benefited again to given location at this point in time.

3. Inseparability

The service provider is indispensable for service delivery as he must promptly generate and render the service to the requesting Policy Holder. In many cases the service delivery is executed automatically but the service provider must preparatory assign resources and systems and actively keeps up appropriate service delivery readiness and capabilities. Additionally, the Policy Holder is inseparable from service delivery because he is involved in it from requesting it up to consuming the rendered benefits.

4. Simultaneity

Services are rendered and consumed during the same period of time. As soon as the Policy Holder has requested the service (delivery),
the particular service must be generated from scratch without any delay and friction and the Policy Holder instantaneously consumes the rendered benefits for executing his upcoming activity or task.

5. Variability

Each service is unique. It is one-time generated, rendered and consumed and can never be exactly repeated as the point in time, location, circumstances, conditions, current configurations and/or assigned resources are different for the next delivery, even if the same Policy Holder requests the same service. Many services are regarded as heterogeneous or lacking homogeneity and are typically modified for each Policy Holder or each new situation (consumerised). Each of these characteristics is retractable per se and their inevitable coincidence complicates the consistent service conception and makes service delivery a challenge in each and every case. Proper service marketing requires creative visualization to effectively evoke a concrete image in the Policy Holder's mind. From the Policy Holder's point of view, these characteristics make it difficult, or even impossible, to evaluate or compare services prior to experiencing the service delivery.

**Mass generation** and delivery of services is very difficult. This can be seen as a problem of inconsistent service quality. Both inputs and outputs to the processes involved providing services are highly variable, as are the relationships between these processes, making it difficult to maintain consistent service quality. For many LIC services there is employee (Labour) intensity as services usually involve considerable human activity, rather than a precisely determined process; exceptions include computerized services. Human resource
management is important even for making the computerized services to put on work appropriately. The human factor is often the key success factor in service economies. It is difficult to achieve economies of scale or gain dominant market share. There are demand fluctuations and it can be difficult to forecast demand. Demand can vary by season, time of day, business cycle, etc. There is consumer involvement as most service provision requires a high degree of interaction between Policy Holder and service provider. There is a customer-based relationship based on creating long-term business relationships. Accountants, attorneys, and financial advisers maintain long-term relationships with their clients for decades. These repeat consumers refer friends and family, helping to create a client-based relationship.

Service Definition

The generic clear-cut, complete and concise definition of the LIC service term reads as follows:

A service is a set of singular and perishable /imperishable benefits to policy holders

- delivered from the LIC, mostly in close co action with his appointed service employees or machines (suppliers)
- generated by functions of technical systems and/or by distinct activities of individuals, respectively,
- commissioned according to the needs of his Policy Holders from the accountable LIC office
- rendered individually to an authorized Policy Holder at his/her dedicated trigger,
- And, finally, consumed and utilized by the triggering Policy Holder for executing his/her upcoming personal or private activity.
Measurement of the Customers’ Satisfaction

The process for measuring customer satisfaction and obtaining feedback on Organizational performances are valuable tools for quality and continuous service improvement. Customer satisfaction, a business term, is a measure of how products and services supplied by a LIC meet or surpass customer expectation. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for LIC. The LIC as an organization need to retain existing customers while targeting non-customers; Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. Customer satisfaction is an abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other factors the customer, such as other products against which the customer can compare the organization's products.

The satisfaction of the LIC customers may be measured by using the logic of Likert Scale. While using this method, firstly the investigator identifies the different service segment for example procedure of meeting the Claims of policy holders, practice of renewal of lapsed policies, supplying or furnishing the policy information by
agent, Behavior of LIC staff, Methods of LIC office communications, … and so .... After identifying the particular segment of LIC service a statement reveling the positive merit of the service is made and tendered for the opinion of the customer having experience for the service under question For example :- Thus ,

Against particular statement revealing the positive merit of LIC service, the necessary number of customers (N= say 10) were asked to endorse their opinions, for example a statement is:-

“The LIC office promptly resolves the Claims of policy holders or his/her heir/nominee “

The selected customers availing the services under the given segment of LIC services were asked to endorse their opinion in the style of Likert Scale in score forms or categories as below

- Strongly Agree
- Agree
- Undecided
- Disagree
- Strongly Disagree

**Mutually Exclusive, Collectively Exhaustive**

Any service attaches or inherits to given LIC Policy can be clearly, completely, consistently and concisely specified by means of the following 12 standard attributes which conform to the **MECE** principle (Mutually Exclusive, Collectively Exhaustive). The 50 insurance policy holders experiencing the LIC services associated with their policies were asked to inform their satisfaction level under
system of Likert Scale. Their reporting were noted down and their level of satisfaction is presented in the following table

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Attribute....of service</th>
<th>Fully satisfied</th>
<th>Partly satisfied</th>
<th>Indifferent</th>
<th>Partly dissatisfied</th>
<th>Not at all satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Service- Customer Benefits</td>
<td>32</td>
<td>20</td>
<td>16</td>
<td>28</td>
<td>04</td>
</tr>
<tr>
<td>2</td>
<td>Service-specific Functional Parameters</td>
<td>34</td>
<td>22</td>
<td>12</td>
<td>26</td>
<td>06</td>
</tr>
<tr>
<td>3</td>
<td>Service Delivery Point</td>
<td>32</td>
<td>16</td>
<td>14</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>Policy Holder Count</td>
<td>34</td>
<td>28</td>
<td>16</td>
<td>16</td>
<td>06</td>
</tr>
<tr>
<td>5</td>
<td>Service Delivering Readiness Times</td>
<td>36</td>
<td>26</td>
<td>12</td>
<td>18</td>
<td>08</td>
</tr>
<tr>
<td>6</td>
<td>Service Support Times</td>
<td>36</td>
<td>28</td>
<td>08</td>
<td>24</td>
<td>04</td>
</tr>
<tr>
<td>7</td>
<td>Service Delivery Unit</td>
<td>36</td>
<td>18</td>
<td>08</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>8</td>
<td>Service Support Languages</td>
<td>32</td>
<td>26</td>
<td>12</td>
<td>26</td>
<td>04</td>
</tr>
<tr>
<td>9</td>
<td>Service Fulfillment Target</td>
<td>22</td>
<td>22</td>
<td>14</td>
<td>34</td>
<td>08</td>
</tr>
<tr>
<td>10</td>
<td>Service Impairment Duration per Incident</td>
<td>34</td>
<td>28</td>
<td>16</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Service Delivering Duration</td>
<td>36</td>
<td>26</td>
<td>12</td>
<td>22</td>
<td>04</td>
</tr>
<tr>
<td>12</td>
<td>Service Delivering Price</td>
<td>36</td>
<td>28</td>
<td>08</td>
<td>24</td>
<td>04</td>
</tr>
</tbody>
</table>

Source: - Field Survey
Note:-The meaning and content of the attributes mentioned in the table are as given ahead:-

1. **Service- Customer Benefits (Policy Holder Benefits)** describe the (set of) benefits which are triggerable, usable and effectively utilizable for any authorized LIC policy holder and which are rendered to him as soon as he trigger one service. The description of these benefits must be phrased in the terms and wording of the intended Policy Holders.

2. **Service-Specific Functional Parameters** specify the functional parameters which are essential and unique to the respective Insurance policy and which describe the most important dimension(s) of the services scope, the service output or the service outcome, e.g. maximum benefits that are receivable from the particular insurance policy.

3. **Service Delivery Point** describes the physical location and/or logical interface where the benefits of the LIC service are triggered by and rendered to the authorized policy holder. At this point and/or interface, the preparedness for service delivery readiness of LIC can be assessed as well as the effective delivery of the service itself can be monitored and controlled.

4. **Policy Holder Count** specifies the number of beneficiaries, clearly identified, explicitly named, definitely registered and authorized insurance Policy holder which shall be and/or are allowed and enabled to trigger and avail the commissioned service for executing and/or supporting their life tasks or private activities.

5. **Service Delivering Readiness Times** specify the distinct agreed times of every day of the week when
the described Policy Holder benefits are
  o triggerable for the authorized policy holder at the defined service delivery point
  o available and utilizable for the authorized policy holder at the respective agreed service level
all the required LIC service contributions are aggregated to the triggered service
the specified service benefits are comprehensively rendered to any authorized policy holder triggering Policy Holder without any delay or friction.

6. Service Support Times
Specify The Determined And Agreed Times Of Every Day of the week when the triggering and consumption of commissioned services is supported by the service desk team consisting of Development officers, Agents, Branch Managers and other employees for all identified, registered and authorized policy holders within the LIC customer's organizational unit or area. The service desk is/shall be the so called the Single Point of Contact (SPoC) for any policy holder inquiry regarding the commissioned, triggered and/or rendered services, particularly in the event of service denial, i.e. an incident During the defined service support times, the service desk can be reached by phone, e-mail, web-based entries and/or fax, respectively.

7. Service Support Languages
specifies the national or regional languages which are spoken by the service desk team(s) to the Policy holders calling them.

8. Service Fulfillment Target
specifies the LIC's promise of effectively and seamlessly delivering the specified benefits to any authorized Policy holder triggering a service within the specified service times. It
is expressed as the promised minimum ratio of the counts of successful individual service deliveries related to the counts of triggered service deliveries. The effective service fulfillment ratio can be measured and calculated per single Policy Holder or per Particular Policy Holders group and may be referred to different time periods (workday, calendarer, work month, etc.)

9. Service Impairment Duration Per Incident Specifies the Allowable Maximum elapsing time [hh:mm] between

- the first occurrence of a service impairment, i.e. service quality degradation, service delivery disruption or service denial, whilst the Policy Holder consumes and utilizes the requested service,
- The full resumption and complete execution of the service delivery to the content of the affected Policy Holder.

10. Service Delivering Duration specifies the promised and agreed maximum period of time for effectively rendering all specified Policy Holder benefits to the requesting Policy Holder at his currently chosen service delivery point.

11. Service Delivery Unit Specifies The Basic Portion For Rendering The Defined Policy Holder benefits. The service delivery unit is the reference and mapping object for the Service Delivering premium inclusive of price and investment elements, for all service costs as well as for charging and billing the consumed service volume to the service customer who has commissioned the service delivery.

12. Service Delivering Price (Premium Inclusive of Price And Investment) specifies the amount of money the policy holder has to
pay for the distinct service volumes he has availed. Normally, the service delivering price comprises two portions

- a fixed basic price portion for basic efforts and resources which provide accessibility and usability of the service delivery functions, i.e. service access price
- a price portion covering the service consumption based on
  - Fixed flat rate price per authorized Policy Holder and delivery period without regard on the utilized service volumes,
  - Staged prices depending on utilized service volumes,
  - Fixed price per particularly utilized service delivering unit.

**Service Delivery**

The delivery of a service typically involves six factors:

- The accountable service provider and his service suppliers (e.g. the people)
- Equipment used to provide the service (e.g. vehicles, cash registers, technical systems, computer systems)
- The physical facilities (e.g. buildings, parking, waiting rooms)
- The requesting Policy Holder
- Other customers at the service delivery location
- Customer contact

The service encounter is defined as all activities involved in the service delivery process. Some service managers use the term "moment of truth" to indicate that defining point in a specific service encounter where interactions are most intense.

**Customer Satisfaction in Seven Steps**

The LIC agents during the training period are taught about the following seven steps to win their potential or existing policy holders as a customer.
It's a well known fact that no business includes LIC can exist without customers. In the business of Website design, it's important to work closely with your customers to make sure the site or system you create for them is as close to their requirements as you can manage. Because it's critical that you form a close working relationship with your client, customer service is of vital importance. What follows are selections of tips that will make one’s clients feel valued, wanted and loved.

1. **Encourage Face-To-Face Dealings**

   This is the most daunting and downright scary part of interacting with a customer. If you're not used to this sort of thing it can be a pretty nerve-wracking experience. Rest assured, though, it does get easier over time. It's important to meet your customers face to face at least once or even twice during the course of a project. The experience has shown that a client finds it easier to relate to and work with someone they've actually met in person, rather than a voice on the phone or someone typing into an email or messenger program. When you do meet them, be calm, confident and above all, take time to ask them what they need. I believe that if a potential client spends over half the meeting doing the talking, you're well on your way to a sale.

2. **Respond to Messages Promptly & Keep Your Clients Informed**

   This goes without saying really. We all know how annoying it is to wait days for a response to an email or phone call. It might not always be practical to deal with all customers' queries within the space of a few hours, but at least email or call them back and let them know you've received their message and you'll contact them about it as soon
as possible. Even if you're not able to solve a problem right away, let
the customer know you're working on it.

A good example of this is my Web host. They've had some
trouble with server hardware which has caused a fair bit of downtime
lately. At every step along the way I was emailed and told exactly
what was going on, why things were going wrong, and how long it
would be before they were working again. They also apologized
repeatedly, which was nice. Now if they server had just gone down
with no explanation I think I'd have been pretty annoyed and may
have moved my business elsewhere. But because they took time to
keep me informed, it didn't seem so bad, and I at least knew they were
doing something about the problems. That to me is a prime example of
customer service.

3. Be Friendly and Approachable

A fellow Site Pointer once told me that you can hear a smile
through the phone. This is very true. It's very important to be friendly,
courteous and to make your clients feel like you're their friend and
you're there to help them out. There will be times when you want to
beat your clients over the head repeatedly with a blunt object - it
happens to all of us. It's vital that you keep a clear head, respond to
your clients' wishes as best you can, and at all times remain polite and
courteous.

4. Have a Clearly-Defined Customer Service Policy

This may not be too important when you're just starting out, but
a clearly defined customer service policy is going to save you a lot of
time and effort in the long run. If a customer has a problem, what
should they do? If the first option doesn't work, then what? Should
they contact different people for billing and technical enquiries? If they're not satisfied with any aspect of your customer service, who should they tell?

There's nothing more annoying for a client than being passed from person to person, or not knowing who to turn to. Making sure they know exactly what to do at each stage of their enquiry should be of utmost importance. So make sure your customer service policy is present on your site -- and anywhere else it may be useful.

5. Attention to Detail (Also Known As 'the Little Niceties')

Have you ever received a Happy Birthday email or card from a company you were a client of? Have you ever had a personalized sign-up confirmation email for a service that you could tell was typed from scratch? These little niceties can be time consuming and aren't always cost effective, but remember to do them.

Even if it's as small as sending a Happy Holidays email to all your customers, it's something. It shows you care; it shows there are real people on the other end of that screen or telephone; and most importantly, it makes the customer feel welcomed, wanted and valued.


Sometimes this is easier said than done! However, achieving this supreme level of understanding with your clients will do wonders for your working relationship.

Take this as an example: you're working on the front-end for your client's exciting new ecommerce endeavor. You have all the images, originals and files backed up on your desktop computer and
the site is going really well. During a meeting with your client he/she happens to mention a hard-copy brochure their internal marketing people are developing. As if by magic, a couple of weeks later a CD-ROM arrives on their doorstep complete with high resolution versions of all the images you've used on the site. A note accompanies it which reads:

"Hi, you mentioned a hard-copy brochure you were working on and I wanted to provide you with large-scale copies of the graphics I've used on the site. Hopefully you'll be able to make use of some in your brochure."

Your client is heartily impressed, and remarks to his colleagues and friends how very helpful and considerate his Web designers are. Meanwhile, in your office, you lay back in your chair drinking your 7th cup of coffee that morning, safe in the knowledge this happy customer will send several referrals your way.

7. Honour Your Promises

It's possible this is the most important point in this article. The simple message: when you promise something, deliver. The most common example here is project delivery dates.

Clients don't like to be disappointed. Sometimes, something may not get done, or you might miss a deadline through no fault of your own. Projects can be late, technology can fail and sub-contractors don't always deliver on time. In this case a quick apology and assurance it'll be ready ASAP wouldn't go amiss.
Customer service, like any aspect of business, is a practiced art that takes time and effort to master. All you need to do to achieve this is to stop and switch roles with the customer. What would you want from your business if you were the client? How would you want to be treated? Treat your customers like your friends and they'll always come back.

II

Talk about Significant services Rendered by LIC

This section II deals with the select services that have been rendered by the LIC. Under the Likert scale, it is found that the majority of the customers have expressed their satisfaction over these services. While using the Likert scale, only those respondents were selected who availed/experienced these services.

1. Payment of Premium:
2. Days Of Grace for easing a delay:
3. Revival of Lapsed Policy
4. Change of Address and Transfer of Policy Records:
5. Loss of Policy Document
6. Loans:
7. Relief to Policyholders:
8. Nomination:
9. Assignment:
10. Survival Benefit/Maturity Claims:
11. Death Claims
12. Initiatives in Policy Servicing Areas:
13. Grievance Redressal Machinery
14. Insurance Ombudsman:
15. Speedy Collection

Talk about Significant services Rendered by LIC

Life risk cover i.e. financial protection to the family in case of an unforeseen event—say death, illness, disability on account of accident, etc—is the main Service purpose of insurance. But, it is also seen as a
‘compulsory savings’ leading to creation of wealth which can be utilized for education/marriage of children; for old age provision; for construction of house; etc. Policies are taken to get exemption from Income Tax and to assign these to financial institutions as collateral security while availing different type of credit facilities including housing loan. In order to meet various socio-economic needs of different people, LIC has designed more than 40 types of plans which include whole life policies, endowment policies with a definite term, joint life policies, money back policies having provision for periodical lump sum payments called survival benefits, term insurance policies which have low premium but high risk cover, pension plans, children plans, Unit Linked Plans which provide an opportunity to invest in capital market, etc. etc. Each of LIC plans has distinct features covering certain type of benefits. The selection depends on needs. In addition to these plans or incidental to these plans, the LIC provides number of customer services.

Citizens’ Charter for better services

Citizens' Charter was presented to the Nation in November, 1997. In the Charter the bench marks were prescribed for 30 servicing areas; some of these are as ahead

- Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
- Act as trustees of the insured public in their individual and collective capacities.
- Meet the various life insurance needs of the community that would arise in the changing social and economic environment.
- Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.
- Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through
discharge of their duties with dedication towards achievement of Corporate Objective.

The Policy holders by and large agree that the LIC functions in conformity with the above charters. However it can do much in some areas of working efficiently these areas are settlements of insurance claims, dealing with lapsed policies, advancing the housing loans, complicated documentations, receiving the premiums etc.

The following text refers some of these services which directly facilitate the benefits of various insurance policies and keeps the customers comfortable.

1. Payment of Premium:

- By cash, local Cheque (subject to realization of Cheque), Demand Draft at Branch Office.
- The DD and cheques or Money Order may be sent by post.
- Policy Holder can pay premiums at any of LIC Branches as 99% of LIC Branches are networked.
- Many Banks do accept standing instructions to remit the premiums. So by providing a standing instruction to Policy Holder Bank to debit his/her account for the premium amount and send it vide a banker’s Cheque to LIC, on the due dates and months mentioned on his/her policy bond.
- Through Internet : Payment of premiums can be made through Internet through Service Providers viz. HDFC Bank, ICICI Bank, Times of Money, Bill Junction, UTI Bank, Bank of Punjab, Citibank, Corporation Bank, Federal Bank and BillDesk.
- Premium payment can also be made through ATMs of Corporation Bank and UTI Bank.
- Premium payment can also be made through Electronic Clearing Service (ECS) which has been launched at Mumbai, Hyderabad, Chennai, Kolkata, New Delhi, Kanpur, Bangalore, Vijaywada, Patna, Jaipur, Chandigarh, Trivandrum, Ahmedabad, Pune, Goa and Nagpur, Secunderabad & Visakhapatnam. A policyholder having an account in any Bank which is a Member of the local Clearing House can opt for ECS debit to pay premiums. The policyholders wishing to use this system would have to fill up a Mandate Form available at LIC
Branches/DO and get it certified by the Bank. The certified Mandate Forms are to be submitted to LIC BO/DO.

2. Days Of Grace for easing a delay:

- Policyholder should pay the premiums on due dates. However, a grace period of one month but not less than 30 days will be allowed for payment of yearly/half-yearly/quarterly premiums and 15 days for monthly premiums.
- When the days of grace expire on a Sunday or a public holiday, the premium may be paid on the following working day to keep the policy in force.
- If the premium is not paid before the expiry of the days of grace, the policy lapses.

3. Revival of Lapsed Policy:

- If the policy has lapsed, it can be revived during the life time of the life assured, within a period of five years from the date of the first unpaid premium but before the date of maturity subject to certain conditions.
- The Corporation offers three convenient schemes of revival viz., Ordinary Revival, Special Revival and Installment Revival. Policies can also be revived under Loan-cum-Revival and SB-cum-Revival schemes.
- Request for revival may be made to the Branch Office servicing the policy.

4. Change of Address and Transfer of Policy Records:

- The policyholder should immediately intimate the change of his/her address to the Branch Office servicing the policy. The correct address facilitates better service and quicker settlement of claims.
- Policy records can also be transferred from one Branch Office to another for servicing, as requested by the policyholder.

5. Loss of Policy Document:

- The Policy Document is an evidence of the contract between the Insurer and the Insured. Hence the policyholder should preserve the Policy Bond till the contracted amount under it is settled.
• Loss of the Policy Document should be immediately intimated to the Branch Office where it is serviced.

6. Loans:

• Loans are granted on policies to the extent of 90% of Surrender Value of the policies which are in force and 85% of the Surrender Value in case of policies which are paid-up, inclusive of the cash value of bonus. The rate of interest charged at present is 9% p.a. payable half-yearly.
• Loans are not granted for a period shorter than six months. The Conditions and Privileges printed on the back of the Policy Bond states whether a particular policy is with or without the loan facility.

7. Relief to Policyholders:

• The Corporation generally allows concessions on payment of premiums, settlement of claims, issue of duplicate policies, etc when the policyholder are affected by natural calamities such as droughts, cyclones, floods, earthquakes, etc.

8. Nomination:

• Nomination is a right conferred on the holder of a Policy of Life Assurance on his own life to appoint a person/s to receive policy moneys in the event of the policy becoming a claim by the assured’s death. The Nominee does not get any other benefit except to receive the policy moneys on the death of the Life Assured. A nomination may be changed or cancelled by the life assured whenever he likes without the consent of the Nominee. Ensure nomination exists in the policy for easy settlement of claims.

9. Assignment:

• Assignment means transfer of rights, title and interest. When an assignment is executed, all rights, title and interest in respect of the property assigned are immediately transferred to the Assignee/s and the Assignee/s become the owner/s of the policy subject to any lawful condition made in the assignment.
• Assignment can be either conditional or absolute. On assignment (other than to LIC), Nomination automatically
stands cancelled. Hence, when such a policy is reassigned, the policyholder will have to make a fresh nomination to avoid delay in settlement of claim.

10. Survival Benefit/Maturity Claims:

- LIC settles survival benefit/maturity claims on or before the due date.
- Policyholders are intimated well in advance by the Branch Office which services the policy regarding the payment, and the necessary Discharge Voucher is also sent for execution by the assured. In case the policyholder does not get any intimation from the Branch Office concerned, he/she should contact them, quoting the Policy Number.
- Survival Benefit payment up to Rs. 60,000/- are settled without insisting for Policy Bond and Discharge Voucher.

11. Death Claims:

i. If the life assured dies during the term of the policy, death claim arises. The death of the policyholder should be immediately intimated in writing to the Branch Office where the policy is serviced along with the following particulars:
   a. The No./s of the policy/ies
   b. The name of the policyholder
   c. Death Certificate issued by concerned Authority
   d. The date of death
   e. The cause of death and
   f. Claimant’s relationship with the deceased

ii. On receipt of the intimation of death, necessary claim forms are sent by the Branch Office for completion along with instructions regarding the procedure to be followed by the claimant.

iii. The claims which have arisen after a period of three years are treated as non-early claims and settled within 30 days from the date of receipt of all requirements.
iv. The claims that have arisen within a period of two years from the date of commencement of the policy are treated as early claims and investigation is compulsory in such cases.

v. The claim is usually payable to the nominee/assignee or the legal heirs, as the case may be. However, if the deceased policyholder has not nominated/assigned the policy or if he/she has not made a suitable provision regarding the policy moneys by way of a Will, the claim is payable to the holder of a Succession Certificate or some such evidence of title from a Court of Law.

vi. The Corporation grants claims concessions under certain Plans whereby payment of full sum assured is made, subject to the deduction of unpaid premiums with interest till the date of death and unpaid premiums falling due before the next anniversary of the policy, in the event of the death of the life assured within a period of six months or one year from the date of the first unpaid premium, provided premiums have been paid for at least three years and five years respectively.

vii. **Claim Review Committee:**

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 LIC operations and has resulted in greater satisfaction among claimants, policyholders and public.

12. Initiatives in Policy Servicing Areas:

- All 2048 Branches of LIC are fully computerized covering all policy servicing aspects to give prompt computerized services from new policy introduction, acceptance of renewal premium, revivals, loans, etc to final claims settlement.
- Green Channel facility has been introduced for the speedy completion of proposals.
- Payment of premiums can be made through internet through service providers, viz., HDFC Bank, ICICI Bank, Times of money, Bill Junction, UTI Bank, Bank of Punjab, Citi Bank, Corporation Bank, Federal Bank and Bill desk.

13. Grievance Redressal Machinery:

Corporation has Grievance Redressal Officers at Branch/Divisional/Zonal/Central Office to redress grievances of customers and for transparency in operations. Their names and availability timings are published in newspapers of wide circulation. The spirit of customer relations and customer care have been ingrained in complaint Redressal system with emphasis on placing customer oriented personnel at all touch points. IT enabled support system have been operationalisation to reduce manual interventions and minimize grievances. In LIC endeavor for enhancing customer satisfaction, stringent bench-marks as laid down in the Citizens’ charter are being followed scrupulously. Claimants aggrieved by the decision of repudiation of any death claim have the facility of referring their cases for review to Zonal Office CRC (Claims Review Committee) or Central office CRC. A Retired judge of a High Court or a retired District Judge of a Sessions Court is one of the members of the Claims Review
Committee. Out of 3055 cases reviewed during the year 2008-09, 1034 were paid (including ex-gratia). Policyholders can also seek Redressal from the Insurance Ombudsmen in the country located at Ahmedabad, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkata, Lucknow and Mumbai For ensuring quick Redressal of customer grievances Corporation has introduced a Customer friendly Complaint Management System through the LIC Customer Portal (website) which is http://www.licindia.in, where policy holder can directly register complaint/grievance and track its status. Corporation has 15 INFO CENTRES all over India in the following major cities - Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Ernakulam, Guwahati, Hyderabad, Indore, Jaipur, Jamshedpur, Kolkata, Lucknow, Mumbai and Pune. These INFO Centers can be accessed through a unified access number 1251 which is available from Monday to Friday between 8 AM to 8 PM and on Saturdays from 10AM to 6 PM, where trained executives act as one point resolution of grievances.

Machinery for Redressal of policyholders? Grievances exist in all the offices of the Corporation. These are headed by designated Officers who are available at their respective Offices every Monday between 2.30 pm and 4.30 pm. except holidays. Policyholder can approach these officers to get their grievances redressed.

The Designated Officers at the various offices of the Corporation are:
At Branch Office --- Sr./Branch Manager
At Divisional Office --- Marketing Manager
At Zonal Office --- Regional Manager (Mkt)
At Central Office --- Executive Director (Mkt/IO/CRM)

14. Insurance Ombudsman:

- The **Grievance Redressal Machinery** has been further expanded with the appointment of Insurance Ombudsman at different centers by the Government of India. At present there are 12 centers operating all over the country.
- Following type of complaints fall within the purview of the Ombudsman
  a) any partial or total repudiation of claims by an insurer;
  b) any dispute in regard to premiums paid if payable in terms of the policy;
  c) any dispute on the legal construction of the policies in so far as such disputes relate to claims;
  d) delay in settlement of claims;
  e) non-issue of any insurance document to customers after receipt of premium.

Policyholder can approach the Insurance Ombudsman for the Redressal of their complaints free of cost.

When enquired with the policy holders (N=25) who are with grievances, majority of them were dissatisfied about the time consumed to settle their problems or the grievances. On the other hand the LIC officials explained that the grievances are tendered without any legal base or they are outside the purview of legitimate authorities.

15. Speedy Collection

i. **Electronic Clearance System (ECS):** This facility is presently available at 53 centers. Total number of centers where ECS can be offered as per RBI is 64. Through ECS premium can be collected for ULIP and Health Insurance policies also. Online Payment channels, Valid Receipt issued instantly:

ii. **Customers’ Portal Payment Gateway:** Online premium payment on LIC Website: www.licindia.in with the help of Net Banking Facility of 33 major Banks.
iii. **Axis Bank:** Premium can be paid at any of the Branch or Extension Counter of Axis Bank in cash or cheques drawn on Axis Bank.

iv. **APOnline:** This is a utility bill collection network operative in Andhra Pradesh. There are more than 1,000 franchises across the state.

v. **MPOnline:** MPOnline is a utility bill collection network operative in Madhya Pradesh. There are more than 300 franchises across the state with a presence in almost every Mandal.

vi. **Suvidhaa Infoserve Pvt. Ltd.** This is a utility bill collection network present across the country. It has more than 3000 collection centre across the country at present.

vii. **Tick Business Solution Pvt. Ltd (TBS):** it is an E-Commerce Company engaged in offering citizen oriented services including collection of different bills. It has approx. 2000 outlets across the country.

viii. **Electronic Bill Presentation and Payment (EBPP):** Premium can be paid through various Banks like City Bank, HDFC Bank, ICICI Bank, Federal Bank, Corporation Bank, Axis Bank and through Service Providers – Bill Desk and Tech Process which cover almost all other banks throughout the country. Premium can be paid through Credit Card also availing this facility.

ix. **ATM:** Available with two banks - Corporation Bank and Axis Bank. Through EBPP & AT Premium can be collected for in force policies only which are NOT with Monthly /Salary Saving Schemes mode or under ULIP or Health Insurance plan.

x. **Authorized Agents:** Keeping in tune with the increasing customer expectation for more conveniences in servicing, the Corporation has empowered select Agents to collect the renewal premium. At present, there are 2590 authorized Agents across the country.
III

Information Technology in LIC

Introduction:-

The LIC services of the different types are speedily and accurately facilitated by the introduction of computerized IT management at each and every possible nook of the LIC organization. In order to highlight the obvious factors about the IT techniques maneuvered by the LIC for serving the customers, the forthcoming delineation is endeavored on the points mentioned below.

- Meaning
- Characteristics Of Information Technology
- IT Revolution In India
- Objectives of Information Technology In LIC
- Modeling Systems
- Advantages Of Information Technology
- Front End Operations
- Metro Area Network
- Wide Area Network
- Interactive Voice Response Systems (IVRs)
- LIC on the Internet
- Payment of Premium And Policy Status On Internet
- Information Kiosks
- Info Centers
- A)New Channels For Premium Payment:-
- B) Corporate Active Data Warehouse (CADW):-
- C) Enterprise Document Management System (EDMS):-

The positive role the IT industry is playing in LIC lives is no longer a debatable issue. Most countries today are beginning to understand the value add that information technology is bringing to economics - introducing both efficiency and benefits. And business around the globe has been investing heavily in the IT hardware and
software infrastructure. As communication within companies and users occurs more rapidly, with more customized information, greater security, and interactively and timeliness than before, business strategies and even the structures of companies and industries are being transformed.

**Meaning**

Information technology consists of electronic devices capable of performing a number of complex operations with in one time. They have internal storage, a stored program and program modification capacities. They are basically an automatic information converter. They can transfer raw and unusable data into a meaningful information. Thus, information technology are utilised for processing of set of information.

**Characteristics Of Information Technology**

1) **Speed:** Its internal speed is virtually instantaneous
2) **Storage:** It can store certain amount of information in the internal -memory
3) **Accuracy:** The accuracy of IT is consistently can do almost any task
4) **Variability:** It seems capable of performing almost any task
5) **Automation:** In IT once the process has begun, it would continue without the need for human intervention until completion.
6) **Diligence:** It does not suffer from the human traits of tiredness and lack of concentration.

**IT Revolution In India**
India - the world's largest democracy and home to a billion people is also rapidly emerging as a leader in the field of IT. The IT revolution has become the new mantra in the economic landscape here. The high potential of IT to generate wealth, foreign exchange and employment has already caught the imagination of India's businessmen, citizens, economists, bureaucrats and politicians.

A gradual shift towards the usage of IT is happening in the Government, public as well as the private sector all over the country. And in the last two decades, software engineering, web-based services and E - Commerce solutions' have emerged as the new jewels of the Indian economy. The year 1999 - 2000 particularly witnessed a concerted effort to trickle the benefits of IT to the common masses in the country. India has many advantages that can enable it to become an important player in the global IT industry. By marshalling its vast human, industrial and technological resources, especially in the area of software, India can raise the productivity of domestic manufacturing and services. And this obviously will lead to IT in governance, IT in industry and IT for every citizen of the country.

**Information Technology In LIC**

The major growth drivers of the insurance business include the need for insurance companies worldwide to reduce costs and focus on their insurance trade competencies to face increased global competition, global slowdown and increased speed of change brought about by technology. Information technology has been around for a longtime now. LIC of India is a pioneer financial institution in leveraging information technology as its front line tool to better its overall efficiency in all area of its activities. MIS - Management
Information Strategies a leading international magazine in its issue of Dec.2000 reported that LIC is the second largest user of computer and information technology in India. LIC was one of the first organizations to computerize its operations to provide better services to customer. Today LIC has data pertaining to over 10 Crores policies being held in computers. It has the largest dedicated network among all organizations in the country and has connected about 1500 branches all over India through Metro / Wide Area Net work. LIC has launched a comprehensive any where enquiry and computer service system through which payment can be made and support obtained country wide with the help of next generation connectivity.

**Objectives Of Information Technology In LIC**

The main purpose of introducing information technology in LIC is to gather co-ordinate, systematic and continuous flow of relevant information.

Information Technology is an organized set of procedures and routine. In brief, the following are the important objectives of information technology in LIC:

1) Information Technology makes available only the required information and is less time-consuming in making decisions.

2) To the top executives, information technology provides fast and accurate insurance marketing informations.

3) The operation and design of the system is handled by specialists, who gather informations and deal with it to meet the desired objectives.

4) It facilitates in taking suitable and quick decisions promptly.

5) To ensure to prepare an error-file for updating
6) It provides the latest status of the master record resulting in happy customers, confident employees and above all maintenance of policy master files with high degree of purity and consistency.

7) To ensure better and prompt customer servicing

8) It facilitates actively involved in routine work design and the work process.

9) It enables the employees acquiring multiple skills and getting empowered to deal with all type of situations.

10) It helps to achieve the maximum overall efficiency in all areas of its activities.

**Modeling Systems**

Office automation is changing the equipment and work habits of today's end users. Of course, none of us would like to work in an office where all information processing activities are done manually. Office automation systems are computer based information systems that collect, process, store and transmit electronic messages, documents and other form of communications among individuals, work groups and organizations.

For better and prompt customer servicing, LIC has a multi-channel approach of using information technology taking the optimum benefits of the latest technological advantages. The following modules are used:

1) Front End Application Programs.
2) New Business Module.
3) Cash Counter Module.
4) Policy Servicing Module.
5) Networking.

1) Front End Application Programs

The development of networking has been a landmark in the world of computers. A module is a representation of a real-world element (such as object, concept or event) or a group of elements and the relationships among them. Modules help us frame LIC thinking about items in the world. The field of life insurance also uses many modules. Modules may be classified in many ways. One way concerns how general or specific the modules are. General Modules that can be applied to a wide variety of settings, whereas specific modules are those that apply to a specific situations. All the 2048 Branches of LIC are equipped with in-house developed programs covering all policy servicing aspects to give prompt computerized services from new policy introduction, acceptance of renewal premium, revivals, loans etc. to final claim settlement.

2) New Business Module

Organisation faces problems during their operations and come across opportunities which could be converted into profitable solutions. Whenever there is an opportunity and/or problem in the existing system or when a system is being developed for the first time, the organisations consider designing a new. System for information processing. Accordingly New Business Module aims to redesign the various activities in to one integrated process of Branch New Business Department and thereby to shorten the turn-around/response time. The New Business Module generates the following outputs:

(a) Proposal Introduction Register
(b) New Business Adjustment Sheet
3. **Cash Counter Module**

Cash Counter Module aims to redesign the process of services at cash counter. Instead of the current practice of issuing preprinted receipts, receipts are generated on-line, thereby, eliminating the need to issue special premium receipts etc and use multiple stationary formats. The system prints cashbooks, facilitates reconciliation of Cheque and cash totals and dispenses with manual posting of premiums in ledger and obviously invoice posting and related tasks would not be required. The cash counter module takes care of the following items of income:

- **a)** Renewal premium
- **b)** Proposal Deposit
- **c)** Policy Deposit
- **d)** SSS Collection
- **e)** Loan repayment and Loan interest
- **f)** Miscellaneous receipts
- **g)** Revenue stamps reconciliation lists
- **h)** List of premium received through collecting Bank.

4) **Policy Servicing Module**
The business function of insurance marketing is concerned with planning, promotion and sale of insurance products in existing markets and the issue of new products and new markets to better serve present and potential customers. Thus, insurance marketing performs vital functions in the operation of LIC. Customer Service Strategy Module has been catalyst in the development of insurance information technology.

The objective of this module is to enable policy-servicing department, in particular, to handle expeditiously the most common requests. For example,

a) Change of Address  
b) Revival Quotation  
c) Policy Status Reports  
d) Surrender Value Quotation  
e) History of accounting transactions under a policy  
f) Exit Transaction on:
   - Surrenders, Foreclosures, Cancellations, Transfer out, Death claims. Transfers to SSS.

The first policy service Info Center was commissioned at Mumbai in March 2002. The center is equipped with state of the art technology and manned by trained persons. People desiring any information regarding their life insurance needs and about their policies, can get the same by calling the Info center telephone number.

5. Net Working

The Internet and the Worldwide Web are the latest in the series of milestones that mark the progress of technology. Ranking on a par
with discovery of fire, the invention of the wheel, the development of the steam engine and the proliferation of telephone lines - the advent of the worldwide web promises to change the way human beings communicate, educate, entertain and do business in a way that is perhaps unprecedented in the history of the human race. The term Internet refers to "consists of a huge number of computers connected together as a gigantic network".

LIC's wide area network covers 100 Divisional centers connecting about 1500 branches through a Metro Area Network. It is expected to cover all the remaining branches by the end of this year. This helps the customer to pay his insurance premium in any of the Branches connected to the network. The customer can get a status report on his policies in these branches as well as quotations for revival, loan and surrender. The Metro Area Network infrastructure also helps in various offices taking to each other through hotlines at no extra cost. The same infrastructure will be leveraged for setting up of call centers for customers to contact LIC.

**Advantages of Information Technology**

1. Information Technology helps to the management by providing necessary informations for effective decision making.
2. It assists the executives to select a alternative course of actions and then provide feedback on the success of the implemented decisions.
3. Information systems can help managers to exercise their effective control with in the organization. They also monitor the strategic performance of the organization and its overall direction.
4. It helps to increase the operational efficiency of the concern i.e. performing routine tasks better, faster and cheaper.
5. It provides better insurance services to customers or clients and good enough to take care of customer’s satisfaction.
6. It helps to keeping accurate financial and non-financial records.
of insurance companies up to date.

(7) It facilitates more effective communication's system and reduce the costs of creating, reviewing, revising etc.

(8) It helps to increase productivity of executives, development officers and agents.

(9) It helps to assessing the viability of a insurance products and making a visible marketing commitments.

(10) It helps to know about competitive edge in the market with diversified product launch by competitors.

**Front End Operations**

1964 saw the introduction of computers in LIC. Unit Record Machines introduced in late 1950's were phased out in 1980's and replaced by Microprocessors based computers in Branch and Divisional Offices for Back Office Computerization. Standardization of Hardware and Software commenced in 1990’s. Standard Computer Packages were developed and implemented for Ordinary and Salary Savings Scheme (SSS) Policies. With a view to enhancing customer responsiveness and services, in July 1995, LIC started a drive of Online Service to Policyholders and Agents through Computer. This online service enabled policyholders to receive immediate policy status report, prompt acceptance of their premium and get Revival Quotation, Loan Quotation on demand. Incorporating change of address can be done online. Quicker completion of proposals and dispatch of policy documents have become a reality. All LIC 2048 branches across the country have been covered under front-end operations. Thus all LIC 100 divisional offices have achieved the distinction of 100% branch computerization. New payment related Modules pertaining to both ordinary & SSS policies have been added to the Front End Package catering to Loan, Claims and Development Officers’ Appraisal. All
these modules help to reduce time-lag and ensure accuracy.

**Metro Area Network**

A Metropolitan Area Network, connecting 74 branches in Mumbai was commissioned in November, 1997, enabling policyholders in Mumbai to pay their Premium or get their Status Report, Surrender Value Quotation, Loan Quotation etc. from ANY Branch in the city. The System has been working successfully. More than 10,000 transactions are carried out over this Network on any given working day. Such Networks have been implemented in other cities also.

**Wide Area Network**

All 7 Zonal Offices and all the MAN centers are connected through a Wide Area Network (WAN). This will enable a customer to view his policy data and pay premium from any branch of any MAN city. As at November 2005, we have 91 centers in India with more than 2035 branches networked under WAN.

**Interactive Voice Response Systems (Ivrs)**

IVRS has already been made functional in 59 centers all over the country. This would enable customers to ring up LIC and receive information (e.g. next premium due, Status, Loan Amount, and Maturity payment due, Accumulated Bonus etc.) about their policies on the telephone. This information could also be faxed on demand to the customer.

**LIC On The Internet**

LIC Internet site is an information bank. We have displayed information about LIC & its offices. Efforts are on to upgrade LIC web site to make it dynamic and interactive. The addresses/e-mail Ids of ur
Zonal Offices, Zonal Training Centers, Management Development Center, Overseas Branches, Divisional Offices and also all Branch Offices with a view to speed up the communication process.

**Payment Of Premium And Policy Status On Internet**

The LIC has given its policyholders a unique facility to pay premiums through Internet absolutely free and also view their policy details on Internet premium payments. There are 11 service providers with whom LIC has signed the agreement to provide this service.

**Information Kiosks**

The LIC We have set up 150 Interactive Touch screen based Multimedia KIOSKS in prime locations in metros and some major cities for dissemination information to general public on LIC products and services. These KIOSKS are enabling to provide policy details and accept premium payments.

**Info Centers**

The LIC also set up 8 call centers, manned by skilled employees to provide you with information about LIC Products, Policy Services, Branch addresses and other organizational information.

**A) New Channels For Premium Payment:**

More channels were added this year to facilitate renewal premium payments by LIC customers. Amador addition was the Premium Point where Policy Holders could pay premium 24 x 7 and get a final receipt from the offices of ‘Empowered’ LIC Agents’ across
the country. More than 5000 Empowered Agents were collecting Premium from the Policy Holders by the end of the year.

B) Corporate Active Data Warehouse (CADW):-

LIC’s CADW is one of the largest life insurance customer databases in the world. The Project has enabled LIC to launch various Customer focused Campaigns like the Customer Contact Programs and Gold Club Customer Campaigns launched in Pune, Chennai, Hyderabad, Kolkata, Delhi in 2008-09 and various targeted marketing competitions. The major achievement has been to send single notice for premium falling due in the same month for various polices of an individual customer. The project was also successfully used for generating marketing leads. All these initiatives launched have made the Brand LIC more visible in the eyes of the customers.

C) Enterprise Document Management System (EDMS):-

LIC has implemented Enterprise Document Management System (EDMS) in its offices to digitize the customer & office records with a view to offering Anytime Anywhere Service to LIC Customers. EDMS implementation includes Document Management, Workflow and Record Management Systems. The objectives of implementing the EDMS are:

1. To enable the concept of Anywhere Anytime services through electronic files made available across the Corporation.
2. To make documents and files available to multiple users simultaneously.
3. To eliminate the need to transfer paper records from one place to another.
After all the Policy Records are scanned it will be possible to offer various services like loan disbursement and claims payment from anywhere in the country irrespective of where the Policy is serviced. EDMS implementation has been taken up in a phased manner. As at 31.03.2009, nearly million policyholder records (policy dockets), have been digitized and enabled for online access from anywhere in the country. This has enabled better & quicker service to the policyholders.

D) Network:-

New software has been implemented at IVR/INFO Centers at 13 locations across the country. The software enables the executives to attend to the queries raised by customers in an efficient manner besides generating MIS reports locally and remotely.

III

Advances against Life Insurance Policies:-
A tool to Increase Marketing

The LIC, for effective marketing motivates the potential customers by the loans releases for the different purposes, provided he/she has purchased an Insurance Policy. The amount of loans is in proportion to the value of policy purchased. Other financing institution also releases the loans against the LIC policies or frequently they insist for purchase of Life Insurance Policies prior to the release of loan to concern.

The Corporation can grant a loan to the policyholder against his policy as per the terms and conditions applicable to the policy. The requirements for granting a loan are as under:

- Application for loan with an endorsement of terms and conditions of the loan being placed on the policy.
- Policy to be assigned absolutely in favor of the Corporation
- A receipt for the loan amount
The maximum loan amount available under the policy is 90% of the Surrender Value of the policy (85% in case of paid up policies) including cash value of bonus. The rate of interest charged on loans is at 9% to be paid half-yearly. The minimum period for which a loan can be granted is six months from the date of its payment. If repayment of loan is desired within this period the interest for the minimum period of six months will have to be paid. In case the policy becomes a claim either by maturity or death, within six months from the date of loan interest will be charged only up to the date of maturity/death.

In the present day liberalized policy of advances to borrowers in the neglected sectors, where sometimes a small margin is required, insurance policy as security has come into great prominence. The insured generally approaches LIC or the bank for money to tide over an urgent but unexpected difficulty of a personal nature. Nobody would normally offer his life policy as security, which he has taken as a provision for his old age or for the benefit of his dependants in the event of his death. It is not intended to convey that advances against life policies are undertaken for business purposes. Many businessmen take such advanced for their trade requirement.

Insurance is taken on the life of the borrower for the amount of the advance and the policy is assigned in the LIC's or bank's favor. The policy may or may not have any surrender value. In the event of the death of the borrower, the advance amount would be adjusted from it. Life policy with or without any surrender value is also taken as a supplementary security, where the prosperity of a borrowing concern depends mainly or entirely on the life of the borrower himself and the concern may collapse in the event of his death.

**Points in Favour**

1) Life policies in India are issued by LIC, which is nationalized institution known for its stability and integrity.

2) There is no change, therefore, of the LIC denying its liability or not paying the amount, if the policy and claim are in order.

3) The value of the life policy- surrenders value-does not-decrease. On the other hand, it steadily increases if the premiums are
regularly paid.
4) The amount of the advance is automatically repaid in the event of the death of the borrower. There is hardly any difficulty in the recovery of the amount from the LIC.
5) Little supervision is required because the life policy remains in the custody of the bank or LIC
6) If the policy is 'with profits' the surrender value of the policy increases over and above the normal expectation.

Drawbacks

1) A life policy depends for its continued validity of the amount insured, on regular payment of premium.
2) A contract of insurance is a contract of utmost good faith and any fraudulent statement on a material fact, made by the insured in the proposal may render the policy invalid.
3) The life policy usually contains a number of conditions and special restrictions. For example, life policies state in the suicide clause that if the assured commits suicide
4) A policy under which the entire policy amount does not become payable on the death of the insured should also not be accepted.
5) Complication may arise if a duplicate policy is issued and the lending bank has no knowledge of it.

LIC Housing Finance Ltd. and its Role: Introduction

This is the sister company of LIC and releases the loans for housing purposes against the LIC Policies. Housing is one of the basic necessities of human beings. Yet in India the number of persons in need of this basic necessity far exceeds the number having a roof of their own over their head. Accordingly the demand for housing has been growing at a rapid pace. Housing has become far more affordable in recent times. A decade ago, a house cost nearly 15-20 times an individual's annual salary. To day, the cost has declined to a smaller multiple. Further, interest rates on housing loans have come down and are much lower-between 7% and 9% as compared to 14-15 per cent five years ago. The government has been offering attractive tax incentives for purchasing houses. Stable property prices, lower interest rates, tax concessions and rising income levels have contributed to tlu- increased demand for housing. Thus, housing finance acts as an impetus to the housing sector is essential for a
substantial growth of the economy and housing the country's homeless.

Organization and Capital Resources:

The LIC Housing Finance Ltd. was set up as a shareholders' organization. It was incorporated on 19th June, 1989 under the Companies Act 1956. From the 15th September 1994 it became a widely held public limited company with the setting up of the LIC Housing Finance Ltd as a subsidiary of LIC with equity participation from UTI, IFCI, GIC and others, and ICICI. Among the shareholders, as on 31st March 2008 the major share of the company which has held by LIC of India is 3.8.43%. The shareholdings of others are: UTI 12.17%, IFCI 12.07%, GIC and its Associates 3.03% and other individual 34.30%, respectively. The company has 6 Regional Offices and 67 Operating Offices along with 23 Extension Counters and over 100 Camp Offices making it the housing finance institution with widest marketing network in the country and it is a premier Housing Finance Company in our country.

Objectives of LIC Housing Finance Ltd

1) To undertake as a socio-purposive investment.
2) To provide long-term finance for construction.
3) To provide finance for purchase of individual houses and flats.
4) To serve better the needs of the economy by providing value-added services.
5) To ensure that lower probability of losses arising out of non-performing loans.
6) To ensure effectively utilization of strong potentials for further growth.
7) To ensure effective management of all types of risks- maturity risk, interest rate risk, foreign exchange risk, and credit risk.
8) To provide home loan on life insurance policies as collateral security.
9) To provide financial assistance to state Governments for social housing schemes for the economically weaker sectors.

Housing Scheme Loans

Consequent on the declaration of the National Housing Policy, the LIC Housing finance Ltd gave special importance to housing loans,
which was till then a subdued activity and coined a new slogan "housing loan as a marketing tool". Finance is provided for housing to individuals, co-operative housing societies and private undertakings. The housing scheme loans of LIC Housing Finance Ltd may be grouped into:

(I) Individual Housing Schemes
(II) Non-Individual Housing Schemes.

I. Individual Housing Schemes

The following are the various individual housing schemes are available to meet the needs of the individual.

**Individual Loan Schemes**

The company has several housing finance schemes tailor-made for individuals. The schemes are briefed as under:

(a) **Griha Prakash**

1) Loan up to 85% of property cost
2) Minimum and Maximum loan - as Rs. 25,000 & Rs.50 lakhs
3) Maximum Term - 20 years
4) Any LIC policy equal to loan amount

(b) **Griha Tara**:

1) Loan up to 85% of property cost
2) Minimum and Maximum loan - Rs. 25,000 & 25 lakhs.
3) Maximum Term - 20 years
4) Only Bima Sandesh Policy as collateral security

(c) **Griha Jyoti**:

1) Loan up to 85% of property cost
2) Minimum & Maximum loan - Rs. 50,000 & 1 lakh
3) Maximum Term - 20 years
4) Group Insurance Cover. No individual policy

(d) **Griha Lakshmi**:

1) Exclusive loan for non-insurable lives
2) Loan up to 85% of property cost
3) Minimum & Maximum loan - 1 lakh & 50 lakhs  
4) Maximum Term - 15 years  
5) No LIC Policy as collateral  

**(e) Griha Shobha:**

1) Exclusive scheme for NRI's  
2) Loan up to 85% of property cost  
3) Minimum & Maximum loan - Rs. 25,000 & 50 lakhs  
4) Term 7 to 10 years  
5) Subject to RBI regulations  
6) Any LIC policy equal to loan amount  

**(f) Griha Sudhar:**

1) Loan for repairs / renovation  
2) Loan up to 85% of cost of repairs or 25% of market value of property as per LIC assessment  
3) Minimum & Maximum loan - Rs. 50,000 & 10 lakhs  
4) Term - 5 to 10 years  
5) Insurance not compulsory  
6) Age of the flat / house not > 40 years  

**(g) Loans for plots:**

1) For purchase of plots / site from Govt. / statutory bodies  
2) Loan up to 75% of property cost  
3) Minimum & Maximum loan - Rs. 50,000 & 10 lakhs  
4) Term - 6 years  

**(h) Sampurna Griha (A & B):**

1) Loans for purchase of consumer durables like TV, Music system, computer, Furniture etc to existing / New loans at select centres.  
2) Minimum & Maximum loan - Rs. 25,000 & 2 lakhs  
3) Term - Existing loans -3 years ; New loans - up to 20 years  

**(i) Clean Channel facility for professionals:**

1) Practicing Doctors, Computer Engineers, Chartered Accountants, Senior Executives etc.  
2) Only latest year’s IT returns  
3) Policy equal to 50% of the loan amount  
4) 15 years Term  

**(j) Scheme for Pensionable Employees:**

1) For Government employees eligible for pension (aged 50
2) Extended loan term beyond retirement (up to 15 years or 70 years whichever is less)
3) 1/3 of outstanding loan to be repaid out of retirement benefits
4) Reduced EMI on balance loan term

II. Non-Individual Schemes

With a view to solving the housing shortages in the country institutions like LIC join in a big way in a massive effort by granting loans for purchase/construction of houses/flats to the following agencies:

1) State Governments Social Housing Schemes.
2) State Level Apex Co-operative Housing Finance Societies.
3) Loans to Other Housing Agencies.
4) Other Non-Individual Schemes.

1) State Governments Social Housing Schemes: Since 1959 LIC has been advancing loan to State Governments for financing social housing schemes for the commercially weaker sections, low income groups, middle income groups, state government employees and for rural population.

2) State Level Apex Co-operative Housing Finance Societies: Since 1959 LIC has been advancing loan to State/Union territory and Apex Cooperative Housing Finance Societies who, in turn, advance loans to their affiliated primary co-operative societies for construction/purchase of houses.

3) Loans to Other Housing Agencies: Loans are advanced to other housing agencies like Housing Development Finance Corporation, Housing and Urban Development Corporation, National Housing Bank and State Police Housing Corporations in a few states.

Examples of Corporate Loan Schemes

Apart from individual loan schemes, the company also lends to reputed public limited companies/public sector undertakings for the following are examples:

Staff Quarters

1) Loan up to 70% of property cost or 10% of the net worth of the
company, whichever is less
2) Minimum and Maximum loan - Rs. 20 lakhs and Rs. 7.5 crores.
3) Term - 5 to 7 years

**Office Premises**

1) Loan up to 50% of the project cost of 5% of the net worth
2) Minimum loan - Rs. 25 lakhs ; Maximum loan - as per limitation above
3) Term - up to 7 years

**Line of credit - to the company**

1) To the company for their house building scheme
2) Minimum and Maximum loan - Rs. 25 lakhs and 10% of the net worth of the company
3) Term - up to 5 years

**Apna Chikitsalaya**

1) Loan for purchase / Constructions of clinic / Nursing home / Diagnostic center
2) Loan up to 50% of the property cost
3) Minimum & Maximum loan - Rs. 5 lakhs & Rs. 50 lakhs
4) Term - 5 to 7 years

**Document required (common for all):**

(a) Duly filled in application form
(b) Copy of sanctioned plan & letter
(c) Copy of N.A. Permission / ULC Clearance, whichever applicable
(d) One guarantor and his / her salary certificate in LIC Housing Finance Ltd. format. If guarantor is in business, profession, a copy of his / her latest IT returns / Assessment order.
(e) Bank passbook or statement for the last two years
(f) Power of attorney whichever applicable

**Additional requirements (for salaried person)**

(a) Employer's salary certificate in LICHFL format / latest salary slip
(b) Identity card of the applicants
(c) TDS certificate of applicant
(d) PE / ESI slip of applicants
For Businessmen/Self employed

Three years IT returns / assessment orders along with computed income and statement of accounts certified by Chartered Accountant.

Income Tax Relief

For principal loan repayment, a rebate @ 20% for amount up to Rs.20000 is allowed u/s 88. Deduction u/s 24 (2) is allowed up to Rs. 1,50,000 towards interest payable on housing loan borrowed for housing purpose provided the construction / acquisition is completed within 3 years from the end of the financial year in which the loan was allowed. The deduction is applicable only for self occupied house property and unoccupied self-occupied house property.


A Survey conducted by LIC Housing Finance Ltd. in 2001, highlights the following performance of its financial operations during the year (1999 - 2000):

(1) The company's income from operations was Rs.644.92 crore registering a growth of over 15%
(2) The company sanctioned Rs. 1433.58 crore of individual housing loans rising the cumulative sanctions to Rs.7416.55 crore
(3) It distributed Rs. 1312.59 crore for the year the total disbursements being Rs.6363.53 crore which is a growth of 35.9% and 24.9% respectively.
(4) The gross profit of the company came to be Rs. 138.58 crore and the net profit Rs. 109.08 crore
(5) The company's reserve rose to Rs.493.95 crores over last year's Rs.410.72crores

The company put equal emphasis on recovery of its loan and the individual default has came down to 1.49% of the total portfolio. The gross non-performance assets on individual loans has come down to 3.20% as compared to 3.46% of the earlier year.

4. **Other Non-Individual Schemes**: (a) Direct loans to Corporate Bodies (Public limited company) for construction/purchase of staff
quarters, (b) Construction finance to Builders and Developers (c) Loans to members of Co-operative Housing Society of employees of public sector undertaking/Public Limited Companies, (d) Line of credit for financing House Building Advance Scheme of a company for its employees, (e) Financing Housing Projects of public agencies like housing board. Development Authorities etc. (f) Loans to corporate bodies for purchase or construction or repairs/renovation of office premises.

References