CHAPTER – III

THE LIFE INSURANCE CORPORATION OF INDIA: A HISTORICAL PERSPECTIVE
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A HISTORICAL PERSPECTIVE

3.1 INTRODUCTION:

The concept of life insurance has been built on a good faith. It is based on confidence of the insurer as well as insured. Its progress is based on the community who could contribute on a long-term basis by way of premiums. The good faith created between the insurer and the assured helps to multiply the efforts of both, security against risks and uncertainty. The LIC also undertakes social security schemes by issue of policies, as an extension of government responsibility towards the citizens. This way, the LIC is contributing greatly to the development of the country as well as its own development.

It is difficult to fix the exact date when insurance began, but certain activities which may be regarded as forerunners of insurance existed before insurance as it is understood today was first transacted. The story of insurance is probably as old as the story of mankind. The same instinct that prompts the modern business to secure himself against loss and disaster existed in primitive man also. The concept of insurance is largely a development of the recent past, particularly after the industrial era, past few centuries-yet its beginning date back to almost 6000 years. Holdsworth\(^1\) pointed out that “Its history is part of the history of commerce and navigation”. The Hoffman\(^2\), remarked that “it has been

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described as the last term in the evolution of various legal devices invented to provide against the risks of the sea”. But the McClench said that, “It was not the outgrowth any legislation”.

The earliest traces of insurance in the ancient countries of the world are found in the form of Marine Trade Loans or Carrier’s Contracts which included an element of insurance and ancient Indian history preserves many reliable records of this nature. If we look back to the Veda, particularly in the Atharvaveda, insurance has been named as Yogakshema, on the strength of two slokas in Manu’s Smriti. Dr. Trennery concluded that the Hindus of ancient times had an elaborate system of bottomry contracts, which he thought they had derived from Babylon. The perfect description of existence of the system found in Kautilya’s Arthashastra and Yajnyavalkya’s Dharmashastra, shows the remarkably logical and clear conceptions for which the ancient Hindus were reputed. According to the works of Manu, Yajnyavalkya and Kautilya show that India of their times had established network of business relations based on a wide spread system of her oceanic transport and the excellence of her world famous handicrafts and her overseas trade was in a very flourishing condition.

Modern form of insurance companies in India goes back to the closing years of the 18th century when several marine insurance companies appear to have been started in this country. As reiterated by Herald E.R., “most of the Indian Insurance


Companies (existing at the commencement of the 19th century) were established after 1797. There were seven in Calcutta, five in Madras; and in Bombay, one of the Calcutta companies had a branch. The Indian Joint Family System was the first solid economic system which provided social security to all its members.

Until the eighteenth century life insurance was known only as a yearly contract developed probably from marine insurance. The business was confined to a limited age group and a uniform rate of premium seems to have been charged for wide ranges of ages. The different kinds of life assurance and provident institutions can be traced back to the middle ages, for example in France, Belgium and Holland. These were mainly concerned with pensions, and the theory of life annuities was first developed in the Netherlands. Pension funds for government servants in Belgium and a Widow’s fund in Denmark were types of institutions prevalent before the advent of life assurance. A life assurance company was started in France in 1787, but it came to an end six years later in the troubled times of the revolution. Life assurance really began in Holland in 1807, followed by France, Belgium, Germany and Austria in the 1820’s. Denmark, Norway, Sweden and Switzerland entered the field later, about the middle of the century.

3.2 A Historical Background and Genesis of Life Insurance in India:

Any talk on life insurance in India would remain incomplete without tracing the path of its evolution. The year 1870 heralded the birth of the First Indian insurance companies, the Bombay Mutual Life Assurance Society, which came into
existence to cover Indian lives at normal rate. To quote from Walford's Encyclopaedia:\(^6\): "Bombay Life Assurance Company was founded in Bombay on 1\(^{st}\) May 1823, Madras Equitable was founded in 1829. Madras Widows was started in 1834. Medical Invalid and General was established in the United Kingdom in 1841 and soon started operating in India. It took over New Oriental in 1853. It also later took over the Agra Insurance Company, Family Endowment and Indian Laudable. The entire amalgamation of these five Companies was absorbed in the Albert Life Assurance Company in 1860, which went into liquidation in 1869." During the earlier period, Indian lives were treated as sub-normal and loaded with an extra premium of 15 to 20 percent. This was the first attempt to provide insurance on a countrywide scale at normal rates, since, up to then, the European insurance companies considered Indian lives inferior to European lives.

Pandit Ishwar Chandra Vidya Sagar\(^7\), a noted social reformer and educationist founded "the Hindu Family Annuity Fund" in 1872 in Calcutta. This Company was started to give financial help to Hindu widows and orphans through annuities. Life Insurance in its modern form came to India from England as far back as in 1818. The First insurance company on Indian soil, namely the Oriental Life Insurance Company was started in Calcutta mainly by Europeans, to help the widows of their community. In the beginning, the life insurance companies which were started were few and far between, and their scale of operation was also very limited.

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At the turn of the 19th century, many insurance companies were born, and thrived. National leaders and public-spirited men like Sir A.O. Hume 8, urged the country men to "make a resolute struggle to secure as much share in the management of their affairs.

With the advent of the 20th century, the glorious renaissance of swadeshi days dawned, the more staunch among nationalist advocated "Swadeshi and, as a corollary, a movement for the boycott of British institutions took birth. At the same time, well- to-do Indians realized the potentiality of Indian insurance business. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The united India in Madras, National Indian and National Insurance in Calcutta and the Co-Operative Assurance at Lahore were established in 1906. In 1907 Hindustan Co-Operative Insurance Company took its birth in Calcutta. The Indian Mercantile (1907) was started in Bombay. General Assurance (1908) at Ajmer and the Swadeshi Life (later Bombay Life) in Bombay in 1908.

In fact, the Universal Life Assurance Company which started operation in 1840 in India, was taken over by North British in 1901 and became a part of LIC in 1956, that carries the history of insurance even beyond 100 years. Christian Mutual in Panjab, and the Tinnevelly Diocesan council widows' in Madras which started as early as 1847 and 1849 respectively, also became part of LIC in 1956. The Bengal Christian Family Pension Fund, in 1852, was absorbed by LIC in 1956. These Companies had a hundred years of experience even before LIC was formed.

8. Ibid. P. 8.
The 20th century, the growth of Indian insurance enterprise became more rapid and its early foundations were laid, though it continued to be in an infant stage till the return of peace in 1918. The first post-war decade (1919 to 1928) was a period of study but it was a limited growth; but during the years 1929-1938 India had a life insurance boom, and no less than 68 life insurance companies operating in 1955 in the Country were established in this decade. To a great extent, the growth of life insurance enterprise in India is an inter-war phenomenon. Progress, however, continued during the period of World War II and in the ten post-war years of private enterprise in this sphere, life insurance rose to unprecedented strength and began to show signs of maturity. Despite the progress made by the Indian Companies, the phenomenon of life insurance largely remained an urban one.

3.4 **NECESSITY OF LIFE INSURANCE IN INDIA:**

Life insurance cannot afford to lose the sight of its social relevance and shy away from its social responsibilities. It has to constantly study the emerging needs of the market, arising due to the change in the values of social life. Demographic changes also produce the different needs amongst the population. It will be the duty of the life insurer to satisfy the demands so arising. The concept of family undergoing metamorphosis—a joint family has given way to the small families, which now face the threat of further changes like single parenting, live-in-relationship, double income, no child units etc. The product design has to be oriented to this changing family scenario.
With the liberalization and globalization the days are not far when labour laws would be brought in tune with those of the other developed economies. These economies are already facing a threat of involuntary unemployment of an earning member of a family. The contingency, which may arise due to such an event resulting in stoppage of earning, needs to be provided for by a life insurer.

With the decline in the birth rate as well as mortality rate, the composition of the population will be showing the tendency of increase in the proportion of aged people. The longevity over and above the earning span of an individual will further open the huge pension market in India. The population is also being affected by other factors like growing terrorism, increase in number of accidents and calamities as also the spread of disease like ‘AIDS’ at exponential rate. The insurer needs to identify his role to address those issues, which are adversely affecting the social fabric of our country.

The contribution to the nation building through strengthening the economy of a country, improvement of the health care facilities, education as well as employment shall go long way to ultimately improve the quality of life of individual members of society. Investment in infrastructure projects shall set the country on a road to the progress on one hand and create goodwill and favourable organizational image in the minds of public on the other hand.

Life insurer will also have to play a role for encouraging development of technology and make its effective use by enhancing the matching skills of inside public. Poverty alleviation programmes and schemes for unorganized sector of the society, are some more areas, where life insurer can make a favourable impact.
Life insurance business is directly related to life insurance mindedness in the country. This is on the assumption that there are no factors adversely affecting life insurance business therein. The fatalistic outlook of Indians, the prevalence of the joint family system, lack of insurance mindedness, illiteracy on a massive scale and many other similar factors have contributed to the late start and slow growth of life insurance business in this country.

3.5 Life Insurance in India before Nationalisation:

The Britishers were the pioneers in establishing the modern insurance system in India. It was originally intended to cover only the British Community. Some Indians associated themselves with the insurance business which eventually resulted in the establishment of Indian insurance companies. The early companies failed because of bad management and competition from the British companies. They indulged in mismanagement, fraud, misuse of life fund and other unethical practices. The insurance movement in India was strengthened by the swadeshi movement of 1965, the Non-Co-Operation movement of 1919 and the Civil disobedience movement of 1929. During these years many new Companies came into existence and some of them withered away due to competition from the foreign companies which enjoyed privileges, as well as due to the absence of insurance mindedness. However, during 1940-55, insurance mindedness increased and the insurance movement developed on modern lines. Still in 1955 life insurance touched only a fringe of the urban population. The immense benefits of modern life insurance remained largely unknown to the masses in India.
3.6 Post-Nationalization of LIC in India:

Though we are not directly concerned with the cause for nationalization, it would be in the fitness of things, to mention some of the important causes which have led to the nationalization of life insurance in India in 1956 to enable a better understanding of the problem. It has been said that the Swadeshi Movement of 1905, the Non-co-operation Movement of 1919 and the Civil Disobedience Movement of 1929 were milestones in the history of Indian insurance as these movements were primarily responsible for generating the Spirit of Indianness. The shortcomings noticed in the insurance business were due to the unscrupulous business practices of some insurance business magnates. The funds of the insurance companies were jeopardized by doubtful dealings such as:9

i) Buying them at higher prices and selling them at lower prices,
ii) Buying and Selling to oblige others,
iii) Granting of loans on inadequate security,
iv) Buying and selling of investments needlessly,
v) Cutthroat competition among life insurers,
vi) Many insurers made appointments on what were termed ‘pro-rate bases’ resulting in higher rates of remuneration than were permitted by the insurance Act, and as such were illegal appointments,
vii) Inadequate agency force and high expense ratio,
viii) A good number of companies were going into liquidation and the business of some transferred to other companies,
ix) Fraudulent investment practices at the cost of policyholders.
x) High lapse ratio of insurance policies, and
xi) High cost ratios.

Many of these were given a clear expression by Mr. H.D. Malaviya in his book “Insurance Business in India”. As many as 25 Companies had gone into liquidation and another 25 Companies had frittered away their resources at the cost of policyholders by 1956.

The fraudulent practices of the past, the vast potential for life insurance business, and the growing needs of planned development finance culminated in the historic decision of the Government to nationalize life insurance in India in 1956.

Mr. C.D. Deshmukh in his broadcast to the nation on the eve of nationalization stressed the importance of life insurance as distinct from general insurance. He further said that the nationalization of life insurance will be another milestone on the road, the country has chosen in her order to reach its goal of a socialistic pattern of society.

It was hoped that the nationalized life insurance would reach millions and millions of industrial workers and people in rural areas who by and large remained, outside the orbit of life insurance till now. The nationalized life insurance was viewed in this context as an important instrument of plan finance, as one that builds up in the policy holder, a sense of confidence and participation in nation building and finally as a measure conceived in a genuine spirit of service to the people. These historical facts and promising hopes have led to nationalization of life insurance in 1956.

Though the nationalization of life insurance was received very warmly and with high expectations by the entire nation, but it was then criticized by few
of the following heads. The insurance trade and business community termed the ordinance on nationalization as "Undemocratic" and there was no reason for doing so. Shri. B.D. Garware, president of the Maharashtra Chamber of Commerce reiterated it as "an eloquent illustration of an utterly unnecessary extension of the public sector" and "This is bound to shake the confidence of private enterprise and arrest economic and industrial development". Thus, the nationalization of life insurance corporation is a most severe blow on the private enterprise, as the interest concerned were not consulted and it is obviously a political decision in that it is contrary to all facts and experience of the countries in the west. Since the nationalization of the corporation the cost of insurance was bound to go up, besides in absence of competition the rates of premium would tend to go up, it would be an obstacle to the development of the economy.

The objectives of nationalization were in 1956 to conduct the business with utmost economy in a spirit of trusteeship, to charge premium and invest the funds for obtaining maximum yield consistent with the safety of the capital, and render prompt and efficient service to the policy-holders. The mission was to spread insurance to every nook and corner of the country and to mobilize savings to invest the funds to the best advantage of the investors as well as the community as a whole. Keeping in view the national priorities and the attractive returns, the mission given to the LIC at the time of nationalization can be summarized as follows;
A. Providing protection of insurance to people in every nook and corner of the country.
B. Mobilizing savings for the development of the country.
C. Responding to customer sensitivity.

The LIC Act (Act XXXI of 1956) was passed by the parliament in June, 1956 and it came into force on 1st July, 1956. By this act, all the assets and liabilities pertaining to the life assurance business, in India of all registered insurers and outside India of all registered Indian insurers, were to be transferred to and vested in the LIC of India from the appointed day. In its 46 years (as on 1st September 2001) of existence the LIC has not only been able to live up to the expectations of its founding fathers but has also created a foundation for the accomplishments in the financial and economic arena. Today, LIC of India is not just an insurance organisation but a movement in itself. Tracing the development of the life insurance industry after 1956 is nothing but going through the progress of the LIC itself.

3.7 Objectives and Functions of LIC of India:

The L.I.C. of India came into existence on 1st September 1956 with the nationalization of 245 companies working in different parts of the country. LIC was created with an avowed objective of removing many defects, developed and perpetuated by the private insurance companies. LIC was also expected to function in the direction of fulfilling certain socio-economic goals, of which eight fold objectives of LIC are as follows:
1. To spread life insurance and provide life insurance protection to the masses at a reasonable cost;

2. To mobilize people’s savings through insurance – linked savings schemes.

3. To invest the funds to serve the best interests of both the policy holders and the nation.

4. To conduct business with maximum economy, remembering always that the money belongs to the policy holders.

5. To act as trustees of the policy holders and protect their individual and collective interests.

6. To innovate and adopt to meet the changing life insurance needs of the community.

7. To involve all the people working in the corporation to ensure efficient and courteous service to the insured public.

8. To promote amongst all agents and employees of the corporation a sense of participation, pride and job satisfaction through dedicated service to achieve the corporate objective10.

The establishment of a single organization by nationalizing 245 private insurance companies with quite different objectives as a major landmark in the planned economic development of India. The Private insurance companies were functioning purely with profit motive without any regard for the development of the nation’s economy. Thus, to perform the above important objective of LIC during the course of existence is an ode to its exemplary efforts to live up to its

lofty motto “Yogakshemam Vahamyaham” which means “Your welfare is our responsibility”. The Corporation has, over the years, not only registered substantial growth, but has also played a vital role in channelising the community’s savings for rejuvenation of the national economy, more particularly in the area of socially oriented schemes. Today, LIC has come to acquire a status and stability to justify its claim as one of the largest nationalized life insurance institutions in the democratic world and with a purpose, so social.

3.8 ORGANIZATIONAL SET UP OF THE LIC OF INDIA:

The Organizational set up of any institution has to be in conformity with its objectives. Since life insurance business was carried on in India by a large number of Indian Companies and a good number of Foreign Companies, still 1956, no specific objectives could be assigned to them except some general guidelines laying down the need to mobilize the savings of the community for economic development of the country on the one hand and to make available the necessary social security by providing the coverage against risks and uncertainties in accordance with the accepted principles of life insurance on the other. The objectives of LIC of India are clearly already stated earlier in this Chapter.

Section 18 of the LIC Act 1956 lays down that the management of the corporation is made through a central office under which there were 5 zonal offices, 34 divisional offices, and 216 branches and sub offices. The central government under the powers vested in it under section 18 of this Act of 1956
has specified Bombay as the place where the central office of the corporation should be situated. This was done by a notification in the Gazette of India extraordinary on 30th August, 1956. The Corporation could establish additional zones with the approval of the central Government. It is also provided in the Act that there may be established as many divisional offices and branches in each zone as the zonal manager thinks fit. Under the Act, the corporation will fix the territorial limits of each zone.

At the time when the LIC Bill was on the anvil, only two alternatives regarding the organizational set up were considered, viz.

A) A single corporation with zonal offices, divisions and branches, and

B) Five corporations competing for business all over India.

The Government held the view that to start with, a single corporation would be preferable to several competing corporations and the same was incorporated under section 18 of the LIC Act, 1956.

By and large, three alternatives have been put forward in this connection from every now and then thereafter:

i) One Corporation with a Monopoly power over life insurance business of the whole country;

ii) Five independent corporations each operating over the whole country and each competing with the remaining four corporations in carrying out its business;

iii) Five independent corporations each operating within the territory assigned to it.

Out of these three, the first one has been accepted by the Government and the same has been in operation even at present.

3.8.1 ORGANIZATIONAL STRUCTURE:

The following chart 3.1 shows the present organizational structure of the LIC of India.\(^\text{12}\)

**CHART. 3.1**

**ORGANIZATIONAL STRUCTURE OF THE LIC OF INDIA**

- CENTRAL OFFICE
- 7 ZONAL OFFICES
- 100 DIVISIONAL OFFICE
- 2024 BRANCH OFFICE
- OFFICES ABROAD
  1. UNITED KINGDOM.
  2. MAURITIUS.
  3. FIJI.

\(^{12}\) LIC of India. 'Fact Book', 1996. OP. Cit. PP. 76-80.
The chart 3.1 depicts the present organizational structure of LIC. This type of organization is called the Territorial type of organization which covers the whole territory of the country.

3.8.2. CENTRAL OFFICE:

The Central office of the LIC of India is situated in Bombay. The responsibilities and functions of the central office are summarised as follows:

(i) The central office provides direction in all aspects of LIC's operations, specialist and service activities. This task requires setting of goals, review of various activities, special studies for problem areas, assessment of organizational effectiveness and timely action to remedy an adverse situation.

(ii) Influencing Government and business policies that are conducive to the development of sound insurance business in the country.

(iii) Long term planning for growth and development of business and of the factors that influence performance such as employees, finance and policies in different areas.

(iv) Investment of funds and its policies, submission of statutory returns to the government, standardization of procedure, forms, drawing up of prospectus, premium rates, reinsurance, auditing of various offices are the important responsibilities.
(v) Establishing links, relationships with public institutions, Government and private agencies, trade unions and other representative organizations so that an integration benefits them all.

(vi) Performing boundary control functions to ensure that people within the organization are reasonably protected from constant disturbances from outside.

The chart 3.2 depicts various departments or an organizational structure of the central office of LIC of India.

3.8.3. ZONAL OFFICES:

The LIC Act Provides for the establishment of as many zonal offices as required. In the beginning there were five zonal offices, but at present there are seven zonal offices. viz.

(i) Delhi (Northern Zone): Union territories of Delhi, Chandigarh, Jammu and Kashmir, Haryana, Himachal Pradesh, Punjab and Rajasthan, come under the jurisdiction of this zone.

(ii) Kanpur (North Central Zone): This zone covers the area of Uttra Pradesh.

(iii) Indore (Central Zone): Madhya Pradesh Falls in this zone.

(iv) Calcutta (Eastern Zone): This zone covers the area of Bihar, Manipur, Meghalaya, Nagaland, Orissa, Tripura, West Bengal, Arunachal Pradesh, Mizorma, Assam and Sikkim.

(v) Hyderabad (South Central Zone): This zone consists of Karnataka and Andra Pradesh.

(vi) Madras (South Zone): This zone covers the area of Kerala, Tamilnadu, Mahe (Pondicherry), Karaikal (Pondicherry) and Pondicherry (Puducheri)
Bombay (Western Zone): Maharashtra, Gujarat, Goa, Die and Daman come under the Jurisdiction of this zone.

The necessity of these zonal offices is to be justified now. Most of the employees are not in favour of these zonal offices. The Administrative Reforms Commission (1968) has also recommended that “with complete decentralization of powers to branches, there is no need for the zonal offices, which should be abolished.” But after reviewing the Nayuda Committee (1971) by the Thapar Committee in 1974, the Report suggested that zonal offices may not be abolished and some executive functions of zonal offices which were to be transferred to divisional offices or central office may be continued in the zonal offices. Moreover, the Ramanathan Committee in 1977 reviewed de nova the functions of zonal offices and came to the conclusion that zonal offices should continue to function as an important tire in the structural organization of LIC. Hence, it was recommended that the zonal offices should be strengthened to function as “executive arms” of LIC as envisaged in 1956. Though the Administrative Reforms committee’s (ARC) recommendation was made in the year 1968, the Government did not take immediate action and the reason now seems that the Government was not in favour of a single Corporation.

The zonal offices are meant to carry out the decision taken by the central offices; therefore, the role of these offices is contemplated as one of the co-ordination, control and providing services to divisional and branch offices. The zonal offices are expected to function as development, planning and review of business, valuations, personnel i.e, recruitment, promotion and training of staff etc.
CHART. 3.3

ORGANISATIONAL STRUCTURE OF THE ZONAL OFFICE OF THE LIC

• Marketing:
  • Planning & Review
  • Sales Promotions.
  • Publicity.
  • Policy Services: Service Training.

• Personnel & I.R.:
  • Management Development.
  • Manpower Development.
  • Industrial Relations.
  • Training: Supervisory, Officers, Senior Assistants.

• Finance & Accounts:
  • Z.O. Accounts.
  • Consolidation.
  • P.F. Accounts.
  • Arranging annual inspection of all offices.
  • Follow up there of and allied jobs.

• Actuarial:
  • Underwriting.
  • Actuarial Studies.
  • Valuation.

• Legal:
  • Legal.
  • Mortgages.

• Estates & Office Service:
  • Estates: Purchase & Sales Hiring & Letting off maintenance services.
  • Office Services: Staff Quarters & Guest Houses, Furniture Establishment, Stationery, Printing.

• Systems Development:
  • Technological Upgradation.
  • Operational Research.
  • Record Maintenance.

• Marketing:
  • Planning & Review
  • Sales Promotions.
  • Publicity.
  • Policy Services: Service Training.

• Personnel & I.R.:
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  • Manpower Development.
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  • Office Services: Staff Quarters & Guest Houses, Furniture Establishment, Stationery, Printing.

• Systems Development:
  • Technological Upgradation.
  • Operational Research.
  • Record Maintenance.
for the various offices under their jurisdiction. It is also seen as the terminal point for all operating decisions within the prescribed policies and limits set by the central office.

The organization of the zonal office of the LIC has shown in the Chart 3.3

3.8.4 Divisional Offices:

The LIC Act provides for the establishment of as many divisional offices and branch offices in each zone as required. In the beginning there were 32 divisional offices. At present their number is increased to 100.

Table-3.1: Divisional Offices of the LIC in India.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Zones</th>
<th>Number of Divisional Offices.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Northern Zone.</td>
<td>15</td>
</tr>
<tr>
<td>2.</td>
<td>North Central Zone.</td>
<td>11</td>
</tr>
<tr>
<td>3.</td>
<td>Central Zone.</td>
<td>7</td>
</tr>
<tr>
<td>4.</td>
<td>Eastern Zone.</td>
<td>18</td>
</tr>
<tr>
<td>5.</td>
<td>South Central Zone.</td>
<td>16</td>
</tr>
<tr>
<td>6.</td>
<td>Southern Zone.</td>
<td>12</td>
</tr>
<tr>
<td>7.</td>
<td>Western Zone.</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

The divisional offices are primarily concerned with control, co-ordination and services for the operating aspects of business. These offices were a kin to the head office of an erstwhile insurer.

The following are the main functions of the Divisional Offices, viz.

(i) Development of organization, planning and directions in the matter of new business development;
CHART. 3.4

ORGANISATIONAL STRUCTURE OF THE DIVISIONAL OFFICE OF THE LIC

DIVISIONAL MANAGER

MANAGEMENT COMMITTEE

BRANCH SUPPORT UNIT

MARKETING

FINANCE & ACCOUNTS

N.B. & ACTUARIAL

PERSONNEL & I.R.

LEGAL & H.P.F.

OFFICE SERVICES

PLANNING & REVIEW.

PENSION & GROUP.

DATA PROCESSING.

• Sales.
• Policy Servicing.
• Field Training Agents, Development Officer.

• Branch Accounts.
• General Accounts: D.O. Accounts Consolidation Surplus Funds.
• Underwriting
• Valuation.

• Industrial Relations.
• H.R.D.: Career Planning/Manpower Planning.
• Training: Staff, supervisory.

• Legal Matter follow-up.
• Property related loans, etc.

• Office Furniture.
• Stationery.
• Printed forms.
• Office Equipment.

• Planning.
• Data Collection.
• Training.
(ii) Underwriting of new business and issue of policies;

(iii) Policy-holders servicing to the extent that it is not decentralized to the branch office;

(iv) Maintenance of accounts, security and settlement of claims;

(v) Divisional office vested with complete authority and responsibility in the matter of recruitment, training, posting of branch offices, and transfers of class II, III and IV employees;

(vi) Exercising supervision and control over the working of branch offices and sub offices in their jurisdiction

The organizational structure of the Divisional office of the LIC has shown in the chart 3.4.

3.8.5 **BRANCH OFFICES:**

Under each divisional office there were to be a number of branch offices to procure new business. The basic aim is to develop the branch offices as independent accounting units with full responsibility for both sales and service. Each branch is developed as a profit center responsible for results in terms of profit and growth. Branch offices have the same operational system as the divisional offices has with slight different functions. Limited to new business procuration, policy holder servicing and accounting in respect of new business upto first premium receipt and certain limited policy servicing operations including receiving of premium payments, issue of premium receipts and issue of lapse notices etc.
A major part of the LIC employees and officers are working in branch offices. The problem of policy holders are mostly solved by the branch offices. Nearly two thirds of the total income of the LIC is earned through the branch offices. Nearly 75 percent of the managerial expenses are spent by the branch offices. Branches are first contacting place for the proposers.
The Branch manager is Head of the branch and he is responsible for effective functioning of the branch office. There is provision for setting up a management committee at every branch office.

The chart 3.5 depicts the organizational structure of branch offices of LIC of India.

In the beginning, the corporation had 216 branches and sub offices. At present, their number is increased to 2024. Now the sub offices and development centers have been abolished.