CHAPTER II

PROFILE OF LIC OF INDIA
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2.1 Introduction

In this chapter, an attempt has been made to present a brief profile of LIC. The discussion covers aspects such as origin and historical perspectives, organisation structure and performance of LIC. Profiles of select LIC branches have also been included to facilitate a detailed analysis later.

2.2 Origin and Historical perspectives

Sir. John Child (Governor of Bombay) (1681-1690) was instructed by the Court of Directors of East India Company “to constitute an insurance office on the (Bombay) Island” but what prompted them to take that decision is still not known.¹

The English introduced Life Insurance in India in 1818. The first insurance company namely the Oriental Life Insurance Company was started in Calcutta by the Europeans, to help the widows of their community. Babu Muttylal Seal, one of the Directors, in Oriental Life Insurance prevailed upon his English friends to insure the lives of Indians too. Raja Ram Mohan Rai, father of Indian Renaissance, appealed to his wealthy friends through the columns of the “Calcutta Journal” in 1822 to “start an Institution of our own to maintain our poor widows and orphans”. People like Prince Dwarakanadh Tagore, Ramtanu Lahiri, Rushtomji Cowasji took active interest in the insurance business and started a company of our own.

¹ Tryst with Trust, The History of LIC of India. 1992, p.4
Universal Life Assurance Company which started its operation in 1840 in India was taken over by the North British insurance company in 1901 and became a part of LIC in 1956. The Christian Mutual fund started in Punjab in 1847 and the Tinnevelly Diocesan Council Widow’s Fund of Madras which was started as early as in 1849 also became a part of LIC in 1956.2

The year 1870 heralded the birth of the first Indian Insurance company, namely the Bombay Mutual Life Assurance Society. It was started mainly to cover Indian lives at nominal rates. During the earlier period Indian lives were treated as sub normal and loaded with an extra premium of 15-20 per cent. This was the first attempt to provide insurance to Indians on a country wide scale at normal rates, until then the European Insurance Companies considered Indian lives inferior to European lives.

Pandit Ishwar Chandra Vidya Sagar a noted Social reformer and educationist founded the “Hindu Family Annuity Fund” in 1872 in Calcutta. The fund was created by voluntary donations and by subscriptions. Its sole aim is to provide money for all the maintenance of the parents, widows, children and other relatives.

The next most important Indian Life Insurance company was the Oriental Government Security Life Assurance Company which was established on May 5th 1874 by a distinguished Actuary, Mr. D.M. Slater. The company was formed with an authorised capital of Rs. 10 Lakhs of which Rs.1.50 Lakhs was raised as subscribed capital. 3

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1 Tryst with Trust, The History of LIC of India. 1992,p.5
2 Ibid,p.7
Right up to the end of the 19th Century foreign insurance companies had an upper hand in matters of insurance business and they enjoyed near monopoly. Indian lives were insured with 10% extra premium as a common practice at that time. This provoked men like Lala Harikoshan Lal ‘the Napoleon of Indian finance’ and inspired them to launch the Bharat Insurance Company at Lahore in 1896 in Punjab. At the turn of the century, inspired by the unusual nationalistic fervour, many more insurance companies were started.

Sir. Phirozshah Mehta an Eminent personality was associated with many insurance companies. The Empire of India Life Assurance Company Limited was founded by Earnest Frederick Allum and Rushtomji Bharucha in 1897.

The United Indian Insurance Company in Madras, National Indian Insurance Company in Calcutta and the Co-operative Assurance at Lahore were established in 1906. The Hindustan Co-operative Insurance Company and the Indian Mercantile Insurance Company were started in Bombay in 1907. The General Assurance and the Swadeshi Life Insurance Company were established in Bombay 1908.

2.3 Insurance Legislation

To regulate the activities of insurance companies and prevent them from becoming speculative a need was felt for checks and controls to be applied on the operation of life offices.

The British Parliament passed an Act in 1909 to this effect. In India, too, the Life Insurance Company Act 1912 and the Provident Fund Act 1912 were passed. The Life Insurance Companies Act 1912 made it compulsory that the rate tables and periodical valuations should be certified by an actuary. The law
required that Indian insurers make deposits with the Government but foreign companies were exempted from this provision. This led to discrimination between Indian and foreign companies.

The end of the First World War (1914-18) witnessed an influx of insurance companies in India. By 1919 companies like Jupiter General, New India, Vulcan Insurance Company, Lakshmi Insurance Company came in to being. As a result of persistent demands by the insurance industry and the leaders of (Motilal Nehru, C.R.Das, K.Santhanam, Hakim Ajmal Khan, Lala Lajpat Rai, Vithabhai Patel, were members of Legislative Council) national movement, the Government decided to pass ‘stop-gap’ Legislation in 1928 by amending the Insurance Companies Act 1912. The important features of the new Act stressed on the collection of statistics, including those from the foreign companies.

2.4 Insurance Act 1938

The Insurance Act 1938 was the first comprehensive legislation enacted for governing not only life but also non life insurance and also to provide strict state control over insurance business. The salient features of the Act are as follows.

a. Constituting a Department of Insurance.

b. Compulsory registration of insurance companies.

c. Provision for deposits to prevent inadequate financial resources.

d. 55% of the net fund of Indian or non Indian insurer should be invested in Indian Government securities.

e. Prohibition on rebating, restriction on commission.


g. Providing a place for policy holder in the board.
h. Standardisation of policy condition.

For the first time in the history of insurance in India the whole business was brought under a unified system of control and its structure was strengthened by statutory regulations. Various amendments were made to the 1938 Act in 1939, 1940, 1941, 1944, and 1945 covering issues like.

a. Control on deposits.

b. Creation of superintendency of insurance with wide powers of supervision and control.

c. Investments.

d. Prohibition of rebating.

e. Policy holders' role as directors.

f. Returns.

g. Abolition of managing agencies.

Although there was considerable progress in Indian insurance business in the pre-independence and early post-independence period, life insurance business remained essentially an urban phenomenon. There was immense scope and opportunity for development of life insurance business in the rural areas of the country. The limited development of insurance was however marked by many malpractices and deficiencies like use of life insurance funds to some other enterprises, excessive cost, rebating and unsatisfactory standards of management. As such, there was frequent liquidation of insurance companies, shaking public confidence and depriving policy holders of their saving and security. Therefore it was felt necessary to nationalise insurance business in India with a view to:
a. Provide full security to policy holders
b. Ensure the use of life insurance funds for nation building activities and
c. Avoid wasteful efforts in competition.

The Government of India took the first step towards nationalisation of life insurance business in India on 19th January 1956 by promulgating an ordinance. It extended the management and control of life insurance business to the Central Government. The Life Insurance Corporation Act (Act XXXI of 1956) was passed in the Parliament in June 1956. The Act brought all the 154 Indian insurers, 16 non Indian insurers and 75 Provident Fund societies under one control. However, the companies continued to exist as separate entities and ownerships continued with the respective share holders until the LIC Act came into force in September 1st 1956. By this Act all the assets and liabilities pertaining to the life assurance business in India were transferred to the Life Insurance Corporation of India. Thus the Life Insurance Corporation of India came into existence on 1st September, 1956 with its 5 Zonal offices, 33 Divisional offices, 212 branches and sub offices all over India at 97 centres.

2.5 Growth of LIC

LIC is committed to the socio economic welfare of the people with its three pronged thrust. It aimed at in harnessing the savings, providing security and utilising people's money for the people's welfare.

At the end of the first decade, the corporation overcame it teething troubles, revamped the entire structure of the organisation to suit the long term financial and security needs of the people and proved the critics of nationalisation wrong

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4 Tryst with Trust, The History of LIC of India. 1992, p.59
by the steady growth of its operations. The second decade saw LIC consolidating itself, spreading its gospel far and wide, especially in the rural areas and setting up hundreds of new offices. During the second decade new business almost tripled surpassing Rs.2, 100 crores.\textsuperscript{5}

The third decade was a crucial and momentous one. The Corporation steadily climbed to new heights in its business performance and the sum assured shot up to Rs. 7,088 crores. But the most significant break through of the decade was its rural thrust. It accomplished a target of 30.8% of new business and 37.2% of policies sold in 1985-86 in rural sector.\textsuperscript{6}

Group and Superannuation scheme was started in 1957 and the growth of group life insurance business remained modest in the sixties and the volume of group business in the total new business of the corporation was negligible.

The innovative group schemes made great headway. Over seven million lives were covered for Rs.8, 409 crores in 1985-86.\textsuperscript{7} Thus the LIC contributed its might towards ushering in a socialistic pattern of society by reaching to all sections of people such as small farmers, building construction workers, fishermen, weavers, railway porters, rickshaw pullers, beedi workers and also blind and handicapped workers.

The most significant development of the third decade in the insurance business was the offering of better customer service. As the new business performance was picking up year after year, the need for providing prompt and efficient service to the policy holders was also accurately felt. The aim of setting

\textsuperscript{5} Tryst with Trust, The History of LIC of India. 1992,p.146
\textsuperscript{6} Annual Report of LIC of India. 1985 – 86,P 12
\textsuperscript{7} Ibid, p.10
up of LIC was to reorganize the whole structure of servicing functions and give a better deal to all the customers.

LIC has registered a significant growth in the fourth decade. It's total business in 2001-2002 shot up to Rs.1, 92,575.36 crores from Rs.75,606.26 crores in 1998-99. Decentralisation of servicing functions to branches, installation of computers at all branches and retaining only control and supervisory functions at the Divisional level were some of the measures taken to improve the after sales service. Further, to suit the changing social needs, the LIC has been introducing new plans periodically. LIC's enormous investments have been funding many social welfare projects like electricity, housing, water supply and sewage and other schemes designed to improve the people's living standards.

2.6 Objectives of LIC

The objectives of LIC are:

1. To spread Life Insurance much more widely and in particular to the rural area and to the socially and economically backward classes with a view to reach all insurable persons in the country and to provide adequate financial cover against death at a reasonable cost.

2. To maximise mobilisation of people's saving by making insurance linked savings adequately attractive.

3. To bear in mind, the investment of funds, and the primary obligation to its policy holders, whose money it holds in trust, without losing sight of the interest of the community as a whole. The funds to be deployed to the best

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^ Annual Report of LIC of India, 2001-02, p.11
advantage of the investors as well as the community as a whole, keeping in view the national priorities and obligations of attractive return.

4. To conduct business with utmost economy and with the full realisation that the money belongs to the policy holders.

5. To act as trustees of the insured public in their individual and collective capacities.

6. To meet the various life insurance needs of the community that would arise in the changing social and economic environment.

7. To 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, and

8. To 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 the corporate objectives.9

The motto of Life Insurance Corporation of India is aptly mentioned as “Yogakshemam Vahamyaham” meaning ‘your welfare is my responsibility’.

2.7 Organisation Structure of LIC

The LIC Act, of 1956 has broadly given the pattern of the organisation's structure. LIC is a very large organisation with a country wide network of 7 Zonal Offices, 100 Divisional Offices and 2048 Branches.10 For a better understanding of its organizational setup an attempt has been made to discuss it's functioning at Central, Zonal, Divisional and Branch Office levels.

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9 Tryst with Trust, The History of LIC of India, p.211
10 Annual Report 2001-02, p.10
2.7.1 Organisation Structure of Central Office

The Central Office of the Corporation is located at Mumbai. The Central Office confines itself mainly for giving broad policy direction and decisions. It coordinates the activities of the various Zones and Divisions of LIC, and has direct executive responsibility for certain key areas like investment policy and its implementation, formulation of underwriting of large proposals.

Submission of statutory returns to the government, standardisation of procedures and forms, drawing up of prospectus, premium and policy conditions and making arrangements with regard to reinsurance are the other responsibilities looked after by the Central Office. Generally, policy decisions are made by the Chairman of the Corporation with the help of the Executive Committees and other bodies. The organisational structure of Central Office is shown in Chart 2.1.
ORGANISATION STRUCTURE OF CORPORATE OFFICE

Management Committee

- Marketing
  - Planning & Review
  - Sales Promotion
  - Publicity
  - Policy Service
  - Foreign Operation
- Personnel & I.R
  - Human Resource Development
  - Industrial Relations
  - Manpower Audit
  - Training
- P & GS
- Management Service
  - Actuarial
    - Actuarial Research
    - Product Design
    - Valuation
  - Secretary to the Board & PGC
    - Investment of Funds
    - Loans & Mortgages
- Investment
  - Long Range Planning
    - 5-Year Planning
    - Perspective Planning
  - Design & Development
    - Construction of Major Project
    - Specification for Maintenance
- Finance & Accounts
  - Corporate Accounts
  - Financial Budget
  - C.O. Accounts
  - Income Tax
  - Finance
- Legal & H & PF
  - Advice on Reference
  - Statutory Provisions
  - Housing & Property
  - Finance Schemes
- Inspection & Audit
  - Corporate Audit
- Estate & Office Service
  - Service
  - Security
  - Estate Management
Management of LIC is vested with the Board of Directors consisting of members not exceeding 15, appointed by Central Government, from whom one is appointed as Chairman. The Chairman is the Chief Executive of the Corporation. He is assisted by two Managing Directors who function as full time officers of the Corporation. The departments at corporate level which are headed by the Executive Directors are controlled by the Managing Director.

At Central Office level, there are 13 departments in addition to the Chief Vigilance Officer and Public Relations Officer to look after various functions such as marketing, personnel and industrial relations, actuarial, investment, and long range planning, engineering services, finance and accounts, legal and house property finance and estate and office services. These departments are headed by the Executive Directors. The main activities performed by these individual departments are explained below.

*Marketing Department*

The marketing department supervises the marketing activities of LIC and gives policy directions with regard to planning and review of sales budgets, sales promotion activity, and publicity, policy servicing and foreign operations.

*Policy and Group Schemes Department*

This policy and group schemes department involves itself in framing and deciding the policy guidance regarding group insurance, group and superannuation schemes, group gratuity, social security fund and government sponsored schemes.
Personnel and Industrial Relations Department

The main activities of this department are development of human resources, preparing the training programmes, maintaining the cordial industrial relation and manpower audit.

The Department of Management Services undertakes the activities as operations, research, cost and special studies, organisation and management and data processing.

Actuarial Department

The actuarial department is involved in activities such as actuarial research, designing of policies and valuation of assets.

The Investment Department decides the broad policy guidelines for investment of funds and granting of loans and mortgages.

Department of Engineering Services

The important functions of the department are designing and development and of construction of major projects and determining the specifications for maintenance of assets.

Department of Finance and Accounts

The finance and accounts department is vested with the responsibility of preparing corporate accounts, preparation of financial budgets and Central Office accounts, calculating the income tax obligations, preparation of provident fund and pension fund accounts and other financial matters.
Department of Legal and House Property Finance

The above mentioned department is concerned with preparation of policy guidelines for house property finance schemes, statutory provisions and advises on the issues referred to by the Central Office.

Department of Estate and Office Services

The responsibility of the department is to provide sufficient space to the different departments, arranging security and estate management.

Department of Inspection and Audit

This department undertakes the audit of corporate accounts and inspection of Zonal Office accounts.

Long Range Planning

This department is entrusted with the responsibility of five year planning and prospective planning.

Secretary to the Board

The responsibility of the secretary is to maintain liaison with government and also to look after the maintenance of library.

Apart from these departments the Corporate office has many committees. The purpose of the committee is to advice the Corporation from time to time. The members of the committee are nominated by the Board of Directors from the department heads. The committees are:

a. Executive Committee: General Superintendence and direction of the business affairs of business of LIC are entrusted to this committee.

b. Investment Committee: This committee advises LIC on matters relating to investment of its funds.
c. Personnel Advisory Committee: Personnel management is looked after by this committee.

d. Buildings Advisory Committee: The main duty of the committee is to advice the LIC on construction of buildings.

e. Development Advisory Committee: All development matters connected with the LIC are carried out on the advice of this committee.

f. Budget Advisory Committee: Preparation of budget is based on the recommendation of this committee.

The Chairman of the Corporation is also the Chairman of all these committees.

2.7.2 Organisation Structure of Zonal Offices

The field organisation of LIC consists of 7 Zonal Offices at Mumbai, Delhi, Kanpur, Calcutta, Chennai, Bhopal and Hyderabad. The organisational structure of Zonal Offices is shown in the Chart 2.2.

The Zonal office is headed by Zonal Manager, who is in charge of the LIC operations at Zonal level. The Zonal Manager is assisted by Regional Managers and secretaries, who hold charge of individual departments. At each Zonal Centre, there is a Zonal Advisory Board with the Chairman of the Corporation as its Chairman and Zonal Manager as the Ex-Officio member.

The functions of the Zonal Advisory Board are to advice the Zonal Manager on such matters referred to under the regulations of the Corporation. The Zonal Office also functions as an Appellate Office to which appeals are made over the decisions of the Divisional Managers by the aggrieved persons.

The departments at the Zonal Office are mentioned below.
Marketing Department

This department supervises the marketing activities such as planning review of sale programmes, publicity, policy services, group and superannuation schemes and mortgages in the Zonal area.
ORGANISATION STRUCTURE OF ZONAL OFFICE

Management Committee

ZONAL MANAGER

Z.M.'s Secretariat

Management Services

Marketing
- Planning & Review
- Sales Promotions
- Policy Service
- Mortgages

Personal & I.R

M D P
- Management Development
- Manpower Development
- Industrial Relations
- Supervisory
- Officers

Finance & Accounts

Z.O. Accounts

Consolidation
- Purchase & Sales
- Hiring & Letting -out
- Engineering Service
- Staff Quarters
- Guest House
- Furniture
- Establishment
- Stationery
- Printing

P.F. Accounts

Actuarial
- Underwriting
- Actuarial Studies
- Valuation

Legal
- Legal
- Vigilance

Estates & Officer Service

Estates
- O & M Studies
- Office Equipment
- O. P. Research
- Corp. Studies
- Record Maintenance
- Micro-Processor
- U.R.

Office Service

Management

O & M

O.R.

Machine
**Personnel and Industrial Relations Department**

This department undertakes the activities like management development, manpower development, industrial relations and training activities of the supervisors and officers.

**Finance and Accounts Department**

This department is vested with the responsibility to prepare Zonal Office accounts, consolidation of accounts of a Zonal area and to prepare the provident fund accounts.

**Actuarial Department**

This department undertakes activities such as underwriting actuarial studies and valuation.

**Legal Department**

Legal and vigilance activities are supervised by this department.

**Estates and Office Services Department**

This department supervises the purchase and sales of estates, hiring and letting out of estates and engineering services. The other activities such as maintenance of staff quarters, guest houses, furniture, establishment, stationery and printing are also looked after by this department.

**Management Services Department**

This department supervises the activities of the organisation and management studies, the purchase and maintenance of office equipments, operations research, corporate studies, maintenance of records computers.
2.7.3 Organisation Structure of Divisional Office

Under the reorganization scheme, the role of the Divisional Office has changed. Until recently, many of the functions that are now being discharged by the Branch Offices were looked after by the Divisional Office. Now, the function of the Divisional Office is to see that the branches function effectively and successfully. It is the responsibility of Divisional Office to provide guidance and necessary resources to the branch offices and have effective control over them. It should help them to deliver the goods effectively and efficiently. The heads of the different departments visit the branch offices periodically to provide necessary guidance and expertise to the personnel manning the branch offices. The scope of the Divisional Office is confined to the references that are made by the branch offices, which enjoys limited financial powers and those on matters which require elucidation. The organisational setup of the Divisional Office is shown in the chart 2.3.
It may be observed that the Divisional Manager is the overall supervisor in charge of operations at divisional level. He is assisted by the departmental managers and other supporting staff. To coordinate and review the various departmental activities, there is a divisional management committee with a Divisional Manager as its Chairman and all the department managers as its members. This committee meets every fortnight and reviews the activities at divisional level. The functions of each department are explained briefly in the following paragraphs.

Marketing Department

The Marketing department plays an important role in the scheme of plans at the Divisional Office. Marketing department supervises sales and services of the branches. The marketing department is divided into four sections, namely: Sales, Divisional Training Centre (DTC), Policy Servicing and branch support section. The functions of each section are mentioned below.

Sales section

The sales section undertakes the following activities.

- Product research vis-à-vis the markets;
- Review of branch plans to develop agency force, recruitment of agents, etc;
- Appointment, transfer and disciplinary action against development officers;
- Action against agents, termination etc;
- Opening of new branches, allocation of territories among the branches.
**Divisional Training Centre (DTC)**

This section looks after the training of agents and development officers. A manager (Principal DTC) has been appointed exclusively to supervise the activities of this centre.

**Policy servicing section**

Two managers are in charge of this section. While one manager looks after the policy servicing section, the other deals with claims. This section provides necessary guidance to the policy holders servicing department at the branch office in all matters relating to policy holders servicing. The functions of this section are:

- Deciding cases in respect of policy servicing functions which are beyond the purview of the branch authority.
- Processing 'early claims', instituting investigations and taking final decision,
- Granting approval to salary savings scheme by branch office and liaison work with selected paying authorities.

**Branch Support section**

This section is headed by the Assistant Administrative Officer and he is answerable to the Marketing Manager. The functions of this section are:

- Providing administrative support to the Marketing Manager,
- Analysing and reviewing the branch budget proposals,
- Analysing and reviewing the of monthly performance of branches as revealed by the work status reports.
- Processing of the data required by the sales section,
- Acting as a clearing house in respect of other branches/ divisions’ commission bills,
- Acting as a link with other sections or departments of the Divisional Office and tendering guidance, clarification and advice sought by the branches,
- Reviewing of the budgets and monthly performance reports of the branches,
- Imparting training to branch staff in ‘policy servicing’ functions and
- Supervising and inspecting the performance of the branches.

New Business Department

This department is headed by the Manager and he is entrusted with the following responsibilities:

- He decides proposals which are beyond the authority of the branches,
- Appoints medical examiners for all the branches in the respective areas.
- Is empowered to take action against erring medical examiners. He can suspend, reduce the limit and even terminate the errant officers.
- Can appoint specialist examiners, radiologists, cardiologists etc,
- This department provides training to the branch staff in underwriting and new business administration,
- This department has to submit ‘Data returns’, valuation schedules, and other allied data like ‘surplus analysis’, ‘continuous mortality’, ‘investigation’ to finance and accounts department.
- He is authorized to supervise the functions of the New Business of the branches.
Personnel and Industrial Relations Department

The Manager of this department is vested with powers to recruit Class III and Class IV employees for all branches under its control and also for the departments of divisional office. This department consists of two sections. The functions of each section are mentioned below:

Management Development Section

The functions of this section are
- Forecast the manpower needs for various levels at the branches and divisional offices,
- Arranges recruitment, placement, transfer, promotion and disciplinary matters relating to staff,
- Looks after the management, development and career planning of the staff, in line with overall corporate policies and
- Carries out periodic ‘personnel audit’ of the branches.

Industrial Relations Section

The functions of this section are
- Handling grievances of the employees,
- Establishing better understanding with the trade unions and promoting better management employee relations and
- Carrying out negotiations with the trade unions on all matters at the divisional level.
Planning Department

The planning department is headed by a planning manager, whose duty is to look after two sections, namely, operations, and special studies section. The functions of each section are as follows.

Operation Section

- Collecting the various data for the purpose of planning,
- **Maintaining liaison with other departments and gathering all the necessary particulars** such as population, production, irrigation, medical aid and other socio-cultural activities.
- Review of the budgets and monthly performance reports of the branches,
- Analysing the trends noted in the performance reports and suggesting, if need be, the remedial course of action to the divisional management and
- Training the branch personnel in planning techniques and processes.

Special Studies Section

As required by divisional management, special studies are undertaken by the staff of this section to provide a feedback to the divisional management.

Finance and Accounts Department

The accounts manager is the head of this department. His responsibility is to maintain the accounts of the divisional office. The branch office promptly transfers the surplus funds to the Zonal Office through the Divisional Office. It is supervised by the accounts department. The functions of this department are as follows:

- Analysis and review of the Trial Balance of the branches,
- Control over branch expenses,
- Granting permission to the branches to open bank accounts for operating all types of accounts.

- Disbursement of salary to the divisional office employees,

- Consolidation of the Trial Balance and Balance Sheet of the division, verification and submission of concomitant statutory returns and organising the statutory audit of accounts of the branches and divisional office.

Office Service Department

This is the housekeeping department of the divisional office. The main duty of the manager is to create a conducive atmosphere for the employees to discharge duties sincerely both at the divisional office, and at the branch offices. The department's functions are as follows.

- Printing and supplying of various forms required by the branches and the divisional office,

- Purchase and supply of stationery requirements,

- Exercising control over the inventory of forms and stationery and their Utilisation,

- Purchase and supply of furniture and other components, viz, water coolers, photo copy machines, etc.

- Finalising service contracts for the office equipments like computer, type writers etc,

- Arranging for the security of the office premises,

- Performing services like duplicating, dispatching for the divisional offices,

- Negotiating and finalising the additional space required for the branches.
Data Processing Department

The records of the policy holders, transactions of the division are maintained by this department in computer and floppy diskettes. The various functions performed by this department are as follows.

- Developing systems and programmes for the computer at branches and divisional office.
- Supervising the functions of the computers and maintaining the programmes developed.
- Training data processing personnel in the systems and programmes,
- Compilation of 'data returns' and 'valuation schedules' and other related statistical statements,
- Supplying diskettes and stationery to the branch offices.

Divisional Management Committee

The committee consists of a Divisional Manager and the heads of all the departments. The committee meets once in a month to discuss the progress of the branches and review all the operational aspects to ensure that every branch functions profitably. The Marketing Manager is next only to the Senior Divisional Manager who is the sole person in control of all the branches. He coordinates all the branches on the one side and all other heads of departments of divisional office on the other side.

2.7.4 Organisation Structure of Branch Office

Branch offices of the LIC are the main operating offices where policies are sold and services are rendered to the customers. Under the Organisation
Improvement Cell Scheme of 1982, the branch office of the LIC is considered as profit making centre with a separate administrative unit. Previously the branch offices confined their activities to procurement of business and doing some initial service to the policy holders. Of late under Reorganisation Scheme, the branch office is made responsible for servicing policy holders in all respects. The organisation structure at the branch office level is shown in the chart 2.4.
ORGANISATION STRUCTURE OF BRANCH OFFICE

Management Committee

BRANCH MANAGER

Sales
- Sales
- Agents
- Development
- N.B. Registration
- Commission Settlement
- Mortgage Enquirer
- Agents' Training

Underwriting
- Policy issues

New Business

Policy Servicing
- All PS Functions including Loans, Claims and Surrenders

Accounts
- Cash Receipts & Payments
- Banking
- General Accounts
- Perpetration of Trial Balance

Office Services
- Office Upkeep
- Furniture & Stationary
- Maintenance of Leave Records
- Salary Details

Machine
The branch manager is overall in charge of LIC operations at branch level. He is assisted by Assistant Branch Manager (Sales). To coordinate and review all the branch level activities a branch management committee is formed. It consists of all sectional heads as members and branch managers as Chairman. The functions of these sections are discussed below.

**Sales Section**

This section looks after the field force which is made up of agents and development officers. It also plans and reviews business performance and takes remedial action where ever necessary. Appointment of agents and issue of agency licenses are also done by this section. This section deals with grant of all types of advances to the agents. Commission bills, commission on first premium and bonus commission bills are prepared here. Training of agents is an important job and it is undertaken in this section.

This section attends to the Development Officers tour and tour reports and also their travel expense bills. Annual appraisals of the performance of Development Officers are done here and on the basis of merit additional incentives for the better performance are determined. Matters like telephones for the field force, vehicles etc, are handled in this section. This section provides the branch manager with data for his periodical review of the development officers' performance.

Another function of this section relates to the registration of new business. The agents submit the proposal papers along with the deposits toward the first premium in the branch office. The proposal papers are scanned in this section to examine whether all the requirements have been complied with or not and they
are registered in the proposal register by giving a proposal number for each proposal. This section is also responsible for submission of periodical statements on the field force.

**New Business Section**

This section which is headed by an Assistant Administrative Officer (AAO) is responsible for the smooth functioning of business. Proposals which are received from the sales section are scrutinised and underwritten here. The numerical rating system of assessment in lives is followed for accepting or rejecting a proposal. The decision to accept proposal is taken at various levels of competence. If the proposals are accepted premiums are calculated for it. Suppose the proposal accepted. If the proposal is accepted on certain terms and conditions other than usual proposal, the proposer’s consent and the difference of premium should be collected. If all the requirements are received, the proposal is then deemed to be ‘complete’. If policy number is allotted for the proposal and office formalities are completed then the policy is dispatched to the policy holder by registered post. The policy document and premium ledger sheet are then passed on to the policy holder servicing section for storage.

The LIC has appointed Medical Examiners at different centres in the branch area to examine the proposer’s wherever it is necessary. Medical fees for the cases examined by the doctors are settled by this section. Monthly returns and reports on the working of this section are prepared and dispatched to the divisional office.
Policy holders Servicing Section

Policy holders Servicing Section is the biggest in the branch office and it is headed by an Assistant Administrative Officer (AAO). It serves the policy holders from the commencement of a policy to its maturity. This is a very important section at the branch level because the success of LIC depends to a large extent on the quality of services rendered to its policy holders. This section covers a wide range of activities from simple job like posting premiums in the ledger sheet, admission of age, registration of nomination and assignment, effecting alterations on the policies, issue of duplicate policies, revival of lapsed policies, calculation of payment of loans and surrender value, settlement of maturity claims and death claims, other than early death claims.

The entire Salary Savings Scheme (SSS) transactions are maintained by this section. Revivals of lapsed policies are carried out here.

Accounts Section

This section which is headed by Assistant Administrative Officer (AAO) is responsible for maintaining the accounts at the branch office and issuing the premium receipts as and when the premiums are tendered either across the counter or through post. This section maintains three accounts with the bank, out of which one is collection account, wherein all collections are deposited and the other two are payment accounts. In order to facilitate payment of premium at outstation centres, a number of banks have been authorised to collect premiums on behalf of the LIC.

The section also maintains the principal ledger with the help of which it prepares the Trial Balance every month and forwards it to the divisional office for
incorporating in the divisions’ accounts. Premium income generated at the branch office is made available immediately to the Central Office for investment purposes. This amount is transferred to the divisional office for onward transmission to the Central Office. A performance report is kept in the section for all the payments made like salaries, commission, loans, claims, surrender values etc, in the books of account maintained by it.

**Office Management Section**

This section maintains all the records pertaining to salary, leave, various advances of the staff in the branch office and also on certain amenities like L T C medical benefit, and sports club. This section is also responsible for providing adequate space for each section of the branch and also for the proper upkeep of the premises with adequate lighting, ventilation and proper seating arrangements for visitors. Moreover it safeguards all the office records.

**Data Processing Section**

All branch offices are equipped with in - house machine support to expedite the work. The installation consists of computers, printers and Xerox machines. The information pertaining to the branch office is stored in diskettes and this is used for providing statistics, statements, commission bills etc.

**Branch Management Committee**

The Branch Management Committee consists of the officer – in charge of the branch and the heads of the sections of the branch including the supervisor – in - charge of branch machines. These heads of the sections directly report to the officer in charge of the branch. The committee is vested with the financial authority in matters relating to underwriting and policy services. The decision of
the management committee expected to be unanimous. In case of difference among the committee members, the matters should be referred to the divisional office. The basic functions of the committee are however, to review the performance of the branch, discuss its work status and evolve methods to overcome the problems faced by the branch.

2.8 Performance of LIC

Over the years, LIC has achieved tremendous progress in terms of geographical coverage and business expansion.

In 1956 when LIC was nationalised there were only 212 branches. By the end of March 2002 the branch network increased to 2048 in various parts of the country. In recent times LIC branches are being established in rural areas also.

In the first year of establishment, LIC was able to issue 5.67 lakh policies worth of Rs. 200.63 crores.\^1\^ By 2002 there has been multifold increase in the number of policies as well as the volume of business. The performance of LIC during 1993-2002 periods at the National level is shown in the table.

\^1\^ Tryst with Trust, The History of LIC of India. 1992, p.106
<table>
<thead>
<tr>
<th>Years</th>
<th>No. of Policies</th>
<th>Growth Index</th>
<th>Sum Assured (in crores)</th>
<th>Growth Index</th>
<th>Annual Premium (in crores)</th>
<th>Growth Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-1993</td>
<td>99,68,119</td>
<td>100</td>
<td>36,115.80</td>
<td>100</td>
<td>2,047.85</td>
<td>100</td>
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<tr>
<td>1993-1994</td>
<td>1,07,38,009</td>
<td>107.72</td>
<td>42,012.90</td>
<td>116.33</td>
<td>2,519.86</td>
<td>123.05</td>
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<td>1994-1995</td>
<td>1,08,87,986</td>
<td>109.23</td>
<td>55,468.82</td>
<td>153.59</td>
<td>2,548.83</td>
<td>124.46</td>
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<tr>
<td>1995-1996</td>
<td>1,10,34,170</td>
<td>110.69</td>
<td>52,071.53</td>
<td>144.18</td>
<td>2,829.26</td>
<td>138.16</td>
</tr>
<tr>
<td>1996-1997</td>
<td>1,22,80,772</td>
<td>123.20</td>
<td>56,993.94</td>
<td>157.81</td>
<td>3,360.78</td>
<td>164.11</td>
</tr>
<tr>
<td>1997-1998</td>
<td>1,33,25,198</td>
<td>133.68</td>
<td>63,927.83</td>
<td>177.01</td>
<td>3,859.19</td>
<td>188.45</td>
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<tr>
<td>1998-1999</td>
<td>1,48,57,043</td>
<td>149.05</td>
<td>75,606.26</td>
<td>209.34</td>
<td>4,880.52</td>
<td>238.30</td>
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<tr>
<td>1999-2000</td>
<td>1,69,89,430</td>
<td>170.44</td>
<td>91,490.94</td>
<td>253.33</td>
<td>6,026.02</td>
<td>294.20</td>
</tr>
<tr>
<td>2000-2001</td>
<td>1,97,48,513</td>
<td>198.12</td>
<td>1,41,206.32</td>
<td>390.98</td>
<td>14,823.47</td>
<td>723.85</td>
</tr>
<tr>
<td>2001-2002</td>
<td>2,32,50,078</td>
<td>233.24</td>
<td>1,92,575.36</td>
<td>533.21</td>
<td>18,444.05</td>
<td>900.65</td>
</tr>
</tbody>
</table>

Source: Computed from LIC Annual Reports
PERFORMANCE OF LIC OF INDIA
AT NATIONAL LEVEL

- Number of Policies (in '000')
- Sum Assured (Rs. in '000' Crores)
- First Premium Income (Rs. in '000' Crores)

Years

The performance of the LIC at the Divisional level is shown in the table 2.2

**Table - 2.2**

*Performance of the LIC at Divisional (Thanjavur) level*

<table>
<thead>
<tr>
<th>Years</th>
<th>No of Policies</th>
<th>Growth Index</th>
<th>Sum Assured (in crores)</th>
<th>Growth Index</th>
<th>First Premium Income (in crores)</th>
<th>Growth Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-1993</td>
<td>1,70,121</td>
<td>100</td>
<td>481.60</td>
<td>100</td>
<td>10.98</td>
<td>100</td>
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<tr>
<td>1993-1994</td>
<td>1,62,722</td>
<td>95.65</td>
<td>510.48</td>
<td>106.00</td>
<td>11.41</td>
<td>103.91</td>
</tr>
<tr>
<td>1994-1995</td>
<td>1,53,213</td>
<td>90.06</td>
<td>589.92</td>
<td>122.47</td>
<td>11.52</td>
<td>104.93</td>
</tr>
<tr>
<td>1995-1996</td>
<td>1,55,589</td>
<td>91.46</td>
<td>607.24</td>
<td>126.09</td>
<td>13.43</td>
<td>122.30</td>
</tr>
<tr>
<td>1996-1997</td>
<td>1,67,321</td>
<td>98.35</td>
<td>690.57</td>
<td>143.39</td>
<td>16.41</td>
<td>149.41</td>
</tr>
<tr>
<td>1997-1998</td>
<td>1,82,480</td>
<td>107.26</td>
<td>788.63</td>
<td>163.75</td>
<td>18.76</td>
<td>170.82</td>
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<tr>
<td>1998-1999</td>
<td>1,93,504</td>
<td>113.74</td>
<td>884.26</td>
<td>183.61</td>
<td>21.58</td>
<td>196.47</td>
</tr>
<tr>
<td>1999-2000</td>
<td>2,27,075</td>
<td>133.48</td>
<td>1,093.38</td>
<td>227.03</td>
<td>27.68</td>
<td>252.09</td>
</tr>
<tr>
<td>2000-2001</td>
<td>2,66,159</td>
<td>156.45</td>
<td>1,571.27</td>
<td>326.26</td>
<td>41.76</td>
<td>380.33</td>
</tr>
<tr>
<td>2001-2002</td>
<td>2,72,995</td>
<td>160.47</td>
<td>2009.11</td>
<td>417.17</td>
<td>56.62</td>
<td>515.66</td>
</tr>
</tbody>
</table>

Source: Computed from LIC Records
2.9 Profile Of Life Insurance Corporation's Thanjavur Divisional Office and Selected Branch Offices

Having discussed the profile of LIC at macro level an attempt has been made here to review the profile of Thanjavur District and its selected branches for an in depth analysis.

Profiles of Selected Branches

2.9.1. Thanjavur Branch.

Thanjavur town has two branches, the Main and the Carrier Agent Branch (CAB). This main branch was started in the year 1956. The area of operation of this branch includes Thanjavur and Thiruvaiyaru taluks. The total area of this branch is 878.86 Sq. Kms and the total population covered is 6, 17,877. The urban share is 2, 48,055 and rural share is 3, 69,822. Out of this male population is 3, 09,781 and female is 3, 08,096. 2, 50,735 main workers are available in the jurisdiction of this branch area and insurable population is 1, 90,558. Out of this population only 54,839 have been insured and the rest a staggering 1, 35,719 persons are yet to be insured

Thanjavur District is called as the Granery of South India with green fields all around it. Thanjavur town itself is a very important tourist spot. A number of historical monuments are still intact. The Big Temple, the Saraswathi Mahal Library and the fort of Rajah Serfoji are but a few of them. Tourists from all over the world pour into this town through out the year.

6 Class I, 15 Class II Officers, 42 Class III and 2 Class IV employees are working in this Branch. The strength of the sales people is 540. During the year 2001-2002 the performance of this branch was commendable. The following is
business done in this branch: No. of Policies issued 14,522 and the Sum Assured was Rs. 1,000.95 (in Lakhs) First Premium Income was Rs. 296.50 (in Lakhs).

2.9.2. Kumbakonam Unit I

This is also one of the oldest branches in Thanjavur District and it was established in the year 1957. Its total area is 611.73 Sq. Kms and it covers the following area i.e. Kumbakonam, Papanasam and Valangaiman. The total population covered is 7,57,254 and among them male are 3,79,563 and the female are 3,77,691. 2,35,136 persons are living in the urban area and 5,22,118 are living in the rural area. This town is known for Silver, Bronze vessels and Silk sarees. Out of 3,07,294 main workers 2,33,543 are insurable. So far only 38,277 workers have been insured and 1,95,266 are yet to be insured.

5 Class I, 9 Class II Officers, 35 Class III, 1 Class IV employees are working in this branch. Besides regular employees 402 agents are doing their business in this branch. Performance of this branch during the year 2001-2002 is as follows. 9830 policies have been issued and the Sum Assured was Rs 7,679.69 (in Lakhs) and the First Premium Income was Rs 208.57 (in Lakhs).

2.9.3. Kumbakonam Unit II

This branch was established on 15.10.1990. It covers Kumbakonam and Thiruvaidaimaruthur taluks. Out of 6,11,215 people 1,88,503 people are insurable population and only 44,054 are so far insured and the remaining 1,44,449 are yet to be insured. The employees’ strength is as follows: 5 Class I, 9 Class II, 37 Class III, 3 Class IV are employed here.
As far the performance of this branch during 2001-2002 the total Sum Assured is Rs.7000.01 Lakhs, for 9869 policies and the First Premium Income is Rs190.18 lakhs,

2.9.4. Thanjavur – Career Agents’ Branch

The Thanjavur Career Agents’ Branch was started on 11.09.1991. It covers the greater Thanjavur. Out of the total population 2, 18,442 only 67,369 are insurable population. But to our great dismay only 18,270 have been so far insured and the rest is yet to be tapped. It has 3 Class I officers, 20 Class III staff and 3 Class IV employees in its roll. Being a Career Agents’ Branch, there is no provision for Development Officers in it.

Its performance during the year 2001-2002 is as follows.

3,193 Policies have been issued for Rs.1, 707.81 Lakhs Sum Assured and the First Premium Income is Rs.37.04 lakhs

2.9.5. Pattukkottai Branch

On 19.08.1981 this branch was established. The areas of operation of this branch are Pattukkottai, Orathanadu and Peravurani taluks. The total area of this branch is 1,582.62 Sq. kms. as on 1999 the total population is 7,48,904 out of this 1,04,591 are living in the urban area ad the 6,44,313 are living in the rural area. Among the total population 4, 94,482 are literates. Out of the insurable population of 2, 30,969 only 49,005 are insured and the remaining people are yet to be covered under the insurance fold.

5 Class I, 14 Class II, 36 Class III and 5 Class IV employees are working in this branch
During the year 2001-2002 this branch successfully issued as many as 13,611 policies to the tune of 9,819.25 lakhs and the first premium income from the policies issued is 281.77 lakhs.

2.10 Profile of Thanjavur District

The district lies on the East Coast of Tamil Nadu. It is situated between 9 50' and 11 25' of the Northern Latitude and 78 45' and 79 25' of the Eastern Longitude. The district is bounded on the North by the Coloroon which separate it from Perambalur and on the East it is bounded by the Thiruvarur District on the South by the Palk Strait and Pudukkottai District and on the West by Pudukkottai and Trichirappalli District. There are no hills anywhere in the District. The district being predominantly agricultural one is called the Granary of South India. Out of the total Geographical Area of 3396.57 sq. km the net area under paddy crop is 1, 51,576 hectares. The Cauvery is the chief river of the district and has many branches.

As on 1999 the total population is 29, 63,294 of which 14, 80, 644 are males and 14, 72, 650 are females. The total population census reveals that 18, 85,139 persons are literates of which 11, 01,667 are males and 7, 83,432 are females.

In the field of education with in a record time as many as 15 arts colleges, one medical college, 4 poly techniques, one Tamil University, 3 Engineering Colleges, 3 College for special education 1535 schools for general education, 13 school for special education, one College of Pharmacy, and many schools for Oriental studies have sprung up. Swami malai has become a training centre for our traditional school of culture. Though the Thanjavur District is industrially
backward it is famous for metal ware, jewellery, toys, and lace work art plates and embroidering.

Thanjavur is the centre of Arts and Sculptures. The Big temple at Thanjavur is a standing monument of ancient architecture. The most striking features are the Bull Nandi carved out of one solid piece of rock and the hollow construction of the tower over the sanctum sanctorum.

It is well known that Thanjavur is the home of Bharadha nattiyam and the centre of karnatic and Tamil music. The great saint and singer Thiyagaraja lived and died at Thiruvaiyaru and the annual festival at his Samadhi on the bank of the river Cauvery is well known and it is attended by all the celebrated musicians of the country. The Saraswathi Mahal library, the grand climax of Raja Serfoji's fruitful labour is the greatest manuscript library in the world and also a fit centre of research in medicine, music, history and other subjects.

The LIC has two branches at Thanjavur, two at Kumbakonam and one at Pattukottai.

In this chapter the organisational structure of LIC at various levels has been analysed. The profile of Thanjavur District and the profile of five towns where the branches are located have been highlighted.