3.1 INTRODUCTION

Risk is an inherent and integral part of human life and work. The all-pervading risk cannot be eliminated into and therefore, the endeavour is to minimise risk. One of the ideal devices for avoiding risks and exigencies is the concept of insurance. In fact, life insurance takes care of contingencies that effect life\(^1\).

Insurance is essentially an aleatory contract. It is based on an uncertain event, which may happen or not, that may cause loss to the assured. Even there is an element of speculation on the part of the insurer to undertake to pay a sum on the happening of the event. Such a speculation in risk burden covered in an insurance contract is known as aleatory contract.

Prior to independence, financial institutions were either apathetic or were not in a position to provide long-term finance for the economic development of the country. Hence the Government of India set up a number of financial institutions such as Industrial Credit and Investment Corporation of India, Unit Trust of India, Industrial Development Bank of India, National Small Industries Corporation, Life Insurance Corporation of India and the like to provide short and long term finance to agriculture, Industries and other undertakings. Among the Financial Institutions, Life Insurance Corporation of India (LIC) is playing an important role in the promotion of economic growth of the country. This corporation was established
with a view to spread the gospel of life insurance to every part of India in order to encourage the habit of thrift among the people and help them to provide against the rainy day and to enhance the resource at the disposal of government for economic development of the country. Besides life insurance would be available to every corner of the country and savings of the people would be mobilized for nation building activities.²

Life Insurance Corporation is one of the major state undertakings in India. Its objective is to serve the individual as well as the state. The profit motive goes out of it and the service motive becomes much more dominating. This chapter highlights the conceptual framework of insurance, definition, function, historical background, nationalisation of Indian insurance companies, formulation, organisation structure, management of companies and organization committee.

3.2 CONCEPTUAL FRAMEWORK

The concept of “Insurance” means an arrangement to deal with unpleasant contingencies. It is a contractual arrangement, which provides partial or total protection against adverse financial outcomes. While there are many outcomes or risks which are insurable, there are many against which there can be no insurance. Broadly insurance contracts can be divided into non-life and life insurance. Life insurance in particular provided protection to a household against the risk to premature death of its income-earning member. In traditional societies such as
India, the joint family system itself provided an insurance umbrella and succour to surviving family members. In modern times such arrangements are increasingly made through the market mechanism of buying insurance. Thus individuals pay a price called the premium, to the insurance company for such a contractual arrangement, and the insurance company in turn, provides compensation if a specified event occurs. By making such contractual arrangement with a large number of individuals and organisations the insurance company can spread the risk. This gives insurance its ‘Social’ characteristics in the sense that it entails pooling of individual risks. Life insurance in modern times also provides protection against other life related risks such as risk of longevity that is, the risk of outliving other sources of income and risk of diseases and sicknesses (Health Insurance).³

3.3 LIFE INSURANCE-DEFINITION

Life insurance may be defined as an insurance contract under which the insurer’s liability is dependent upon the happening of the contingent event such as death or on the expiry of a stipulated period mentioned in the policy⁴. The definition of insurance can be made from two points:

(1) Functional Definition and

(2) Contractual Definition
3.3.1 Functional Definition

Insurance is a co-operative device to spread the loss caused by a particular risk over a number of persons, who are exposed to it and who agree to insure themselves against risk. Thus the insurance is.

(a) Co-operative device to spread the risk.

(b) The system to spread the risk over a number of persons who are insured against the risk.

(c) The principle to share the loss of each member of the society on the basis of probability of loss to their risk; and

(d) The method to provide security against losses to the insured.

3.3.2 Contractual Definition

Insurance has been defined to be that in which a sum of money as a premium is paid in consideration of the insurer’s incurring the risk of paying a large sum upon a given contingency. The insurance, thus is a contract whereby

(a) Certain sum called premium is charged in consideration

(b) Against the said consideration, a large sum is guaranteed and to be paid by the insurer who received the premium.

(c) The payment will be made as a certain definite sum, that is the loss on the policy amount whichever may be

(d) The payment is made only upon contingency.
3.4 FUNCTIONS OF INSURANCE

The functions of insurance are as under.

3.4.1 Provide Certainty

Insurance provides certainty of payment at the uncertainty of loss. Better planning and administration can reduce the uncertainty of loss. But the insurance relieves the person from such a difficult task. Moreover if the subject matters are not adequate, the self-provision may be proving costlier. There are different types of uncertainty in a risk. There are uncertainty of happenings of time and amount of loss. Insurance recovers all these uncertainties and guarantee is offered for sure of payment to compensate for the of loss. The insurer charges premium for providing the said certainty.

3.4.2 Provide Protection

The main function of insurance is to provide protection against the probable chances of loss. The time and amount of loss are uncertain and at the happening of risk, the person will suffer loss in the absence of insurance. The insurance guarantees the monetary compensation of loss and thus protects the insured from the damages. The insurance cannot check the happening of risk but can provide for losses at the happening of the risk.

3.4.2 Risk Sharing

The risk is uncertain, and therefore the loss arising from the risk is also uncertain. When risk takes place, the loss is shared by all the persons who are
exposed to the risk. The risk sharing in ancient time was done only at the time of
damages or death; but today on the basis of probability of risk, the share is
obtained from each and every insured in the shape of premium without which the
insurer does not guarantee protection.

3.4.3 Provides Capital

The insurance provides capital to the society. The accumulated funds are
invested in production channel. The dearth of capital of the society is minimised
to a greater extent with the help of investment of insurance. The industry, the
business and the individual are benefited by the investment and the loans of the
insurance.

3.4.4 Helps Economic Development

The insurance by protecting the society from huge losses of damage,
destruction and death, provides an initiative to work hard for the betterment of the
masses. The next factor of economic progress, the capital is also immensely
provided by the masses.

3.4.5 Human Life Value and Life Insurance

Human life value is a concept propounded by the late S.S. Huebner of
Wharton School of Pennsylvania, USA in 1924, which is getting increasingly
accepted for measuring the quantum of life insurance one should have for
providing for his family.
Every object has its own economic value, may be a house, land car, television or any other goods. In a materialistic environment one thinks of the value of tangible assets. One loves and cherishes life and prays for a long one. But surprisingly, many tend to overlook that one’s own life is of great economic value to one’s dependents.

The head of the family is responsible for meeting the various social and economic needs of his wife and children. This apart, he is the nucleus around whom the dependents have their dreams for a sound, secure and bright future. The son expects a good and sound start in life; the daughter aspires for a good academic achievement and hopes to marry her prince charging. A wife dreams of owning a house. These are in addition to the husband’s primary responsibility of providing the basic necessities of the family. The net value of all these contributions in other words is “The Human Life Value”. As long as the head of family is alive and active, he proves the necessary economic support for the present.

Generally all are attracted by high interest yielding investments, but for ensuring the economic security of a family there is no substitute for life insurance. Life insurance is the only means by which one can ensure total protection to one’s family in case the family gets orphaned due to the untimely death of the breadwinner.
Life insurance has become more popular and more attractive due to the ever-increasing bonus that is being announced by the LIC.

**3.5 HISTORICAL BACKGROUND**

Life insurance made its first appearance in England in 16\(^{th}\) Century, the first record evidence in England being the policy on life of Willam Gybbons on June 18, 1653. Even before this date, annuities had become quite common in England, and marine insurance had, in fact made its appearance three thousand years ago. The life insurance developed at ‘Exchange Alley. The first registered life office in England was Hand-in-Hand Society established in 1696. The famous Amicable Society for a Perpetual Assurance Office started its operation in 1706. Life Insurance did not prosper in the United States during the 18\(^{th}\) century, because of serious fluctuation in death-rate, but soon after 1800, some active interest began to be shown in this enterprise because of the application of level premium plan which had by then been in operation in UK for more than a generation.

In India some Europeans started the first life insurance company in Bengal presidency namely Orient Life Assurance Company in 1818. The year 1870 was a landmark year in the history of Indian insurance, separating the early period of pioneering attempts at life insurance from the subsequent period of steady development of the establishment of India life office, by Bombay Mutual Life Assurance Society in 1871.\(^5\)
This was the first company that charged the same premium on both Indian and non-Indian lives. Earlier native Indian lives were considered more risky and hence were charged a higher premium for coverage. Foreign insurance companies dominated in matter of insurance business in India and enjoyed almost monopoly right up to the end of 19th century. There existed a close association between the nationalist movement in India and the development of Indian insurance companies. There was a rapid growth of life insurance in India during 1920’s and early 1930s. The next important life office speaking on the terms of history, Indian insurance industry is 150 year old. It had professed both life and general insurance business through the medium of Indian and foreign players. There existed 245 companies up to 1956 doing life insurance business and 107 companies, (63 foreign and 44 Indian Companies) doing general insurance business up to 1971. Due to unhealthy state of affairs of the insurance industry in the country, non percolation of benefits and poor customers service to the policyholders, the government of the day under the able and dynamic leadership of Smt. Indira Gandhi, the former Prime Minister of India, had been compelled to nationalise the insurance industry both life and general insurance through Acts of Parliament in 1956 and 1971 respectively. The Life Insurance Corporation in India (LIC) and General Insurance Corporation of India (GIC) being a holding company having 4 subsidiary insurance companies known as the New India
Assurance Oriental Insurance Company Limited, National Insurance Company Limited and United Insurance Company Limited, with their head office being located in New Delhi, Mumbai, Calcutta, and Chennai, respectively have been formed after amalgamation of the diverse Indian and foreign companies. Oriental Governed Security Life Assurance Company Limited, which started its operation in 1974 gradually developed in India.

3.6 NATIONALISATION OF INDIAN INSURANCE COMPANY

The Nationalisation of Life insurance was another milestone. The country had chosen to reach its goal of a socialistic pattern of society. In the implementation of the Second Five-Year plan, it was bound to give material assistance to the lives of millions in the rural areas, to introduce a new sense of awareness of building for the future in the spirit of calm confidence which insurance alone can give. It was a measure convinced in a genuine spirit of service to the people. It was for the people to respond, confound the doubters and make it a resounding success. The nationalisation of life insurance was aimed at widening the channels of public saving. It was an important step towards mobilising these savings more effectively. Their savings can be utilised for national development. Nationalised insurance, in brief, was designed to bring to the door of even the humblest citizen, wherever he may be, the benefits of this
social service, to ensure complete security of the funds collected by way of premium and utilise profitably such funds for nation building activities.\textsuperscript{8}

Both LIC of India and GIC of India are state owned, monolithic and monopolistic corporations, which face no competition. The rationale behind the set up of four subsidiary companies to do the general insurance business had been that they enter into healthy competition with each other in order to serve the customer with proper pre and after sales service, as against the cutthroat competition comprising violation of tariffs together with uniformly formulated terms acts concerning both, LIC of India and GIC of India. They were to spread the insurance message to the rural areas and maximum mobilisation of saving for the better deployment towards national socio-development projects, especially the social sector of poverty alleviation and eradication of illiteracy programmes which have been the bane of our Indian society. Although both the state owned corporations have markedly done well, yet it is felt that there still remains a lot more to be achieved in the near future.\textsuperscript{9}

The main purpose of nationalisation of life insurance business was to do away with the malpractices of the private insurance. The huge swindling of life insurance funds by the management of private insurances had to be avoided. The investment in Government securities was declining. The findings of the investigation auditors revealed that several crores of insurance funds were
misappropriated by the private insurers. The private securities were purchased at high rates and were sold at lower rates. The difference was misappropriated by the directors. The regulation of the Insurance Act 1938, could not control the unfair practices of private insures. The cost of insurance was exaggerated and investment returns were minimised. The finance minister Shri. Deshmukh States, “The misuse of power, position and privilege that we have reason to believe occurs under existing conditions is one of the most compelling reasons that have influenced as in deciding to nationalise life insurance”. Therefore the nationalisation of life insurance business was arrived at to safeguard the public money.

The next purpose was to spread the gospel to remote corners of the country and do prompt service to policyholders. It was to help the national economy by providing adequate amount for investment. The funds must be invested as to service the maximum yield for the policyholders that it may be possible to secure consistent with the safety of the capital.

The next aim of nationalisation was to create the conducive atmosphere for the emergence of public sector in India. Nationalisation of banking and insurance would help development of national economy in the right perspective for the benefits of the society as a whole. There is need for an extended public sector to
provide for large planned development to prevent emergence of inequalities and to discourage greater concentration of economic power.\textsuperscript{10}

\textbf{3.6.1 Objective of LIC}

Upto 1956, life insurance was an open market with both Indian and foreign players. The Provident Societies were also permitted to operate. However in 1956, the life insurance industry was nationalised under a single roof of Life Insurance Corporation of India. Pivotal objectives of nationalisation of the industry are spreading the insurance gospel to rural areas and maximum mobilisation of savings.

The life insurance corporation of India has been widely accepted as a symbol for security and savings. The main objectives of LIC of India are to extend the benefit of insurance to every nook and corner of our country from privileged to under privileged, from the affluent to the weaker and vulnerable section of our society.\textsuperscript{11} The following are the objectives of LIC of India.

(1) To spread life insurance much more widely and in particular to the rural areas and the society and economically backward classes with a view to reaching all persons in the country and providing them adequate financial cover against a reasonable cost.

(2) To maximise mobilisation of people’s savings by making insurance linked to saving adequately attractive.
(3) To bear in mind, in the investment of funds, the primary obligation is to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be developed to the best advantages of the investors as well as the community as a whole, keeping in view 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 policyholder.

(5) To act as a trustee of the insured public in their individual and collecting 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 of the best of their capacity in furthering the interest of the insured public by providing efficient service with country.

(8) To promote amongst all agents and employees of the corporation and senses of participation, pride and job satisfaction through discharge of their duties with dedication towards achievements of corporate objectives.

3.7 FORMATION

Life insurance business in India was nationalised and its management was taken over by Central Government on September 1, 1956. By an Act of
parliament, Life Insurance Corporation was formed with a capital of contribution of Rs.5 crores from the Government of India. The corporation is a body corporate having perpetual succession and a common seal with powers to acquire, hold and dispose of property and may be its name and sue and be sued. The corporation is charged with the main duty to carry on life insurance business. The life insurance is almost entirely in the hands of the LIC of India.

As in 2009 LIC is more than 53 year old. With more than one lakh employees, 2048 odd branch officers over 5 lakh active agents and more than 90,000 crores of rupees of investible funds, it is a big part of national financial life.

3.8 ORGANISATION STRUCTURE

The organisational set up of the LIC of India is subject to frequent review and examination by various committees appointed by parliament. The Administration reforms commission examined the organization in detail in 1968. On the basis of the recommendations of this commission, the corporation modified its organisation.

The corporation consists of a central office, zonal office, and divisional office and branch offices. The central office is located in Mumbai. There are seven zonal offices, located in different places namely Mumbai, Kolkatta, New Delhi, Kanpur, Bhopal, Chennai and Hyderabad. At present the corporation has
100 divisional offices and 2048 branch offices in India. Besides, it has offices in London, Fiji, and Mauritius outside India.

The zone-wise figures of divisional and branch offices are shown in following Chart 3.1 and 3.2.

**Chart 3.1**

**Organisational Structure of LIC of India**

```
Life Insurance Corporation of India

Member of the Corporation

Central Office

Zonal Office

Central     North Central     Eastern     Northern     South Central     Southern     Western

Bhopal      Kanpur        Calcutta     New Delhi     Hyderabad      Chennai      Mumbai
```
Chart 3.2
Organisational Structure of LIC of India (South Zone)

SOUTHERN ZONE

Divisional Office

Madras  Coimbatore  Ernakulam  Kottayam  Kozhikode  Tirunelveli

Salem  Thanjavur  Trivandrome  Madurai  Vellore

25 Branches
### TABLE 3.1

**Divisional Office and Branch Office of LIC as on 31st Dec. 2008**

<table>
<thead>
<tr>
<th>Zone</th>
<th>Divisional Office</th>
<th>Branch Office</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>Western</td>
<td>21</td>
<td>403</td>
</tr>
<tr>
<td>Central</td>
<td>7</td>
<td>140</td>
</tr>
<tr>
<td>North Central</td>
<td>11</td>
<td>247</td>
</tr>
<tr>
<td>Eastern</td>
<td>18</td>
<td>363</td>
</tr>
<tr>
<td>Northern</td>
<td>15</td>
<td>320</td>
</tr>
<tr>
<td>South Central</td>
<td>16</td>
<td>314</td>
</tr>
<tr>
<td>Southern</td>
<td>12</td>
<td>261</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>2048</strong></td>
</tr>
</tbody>
</table>

Source: Annual Report of LIC.

Out of 2048 branch offices in India, 19.68 per cent of the branches were in western zone, 17.72 per cent of the branches were in eastern zone, 15.63 per cent of the branches were in northern zone, 12.74 per cent of the branches were in southern zone. About 12.06 per cent of the branches were in north central, 15.33 per cent of the branches were in south central and 6.84 per cent of the branches were in central zone.

#### 3.8.1 The Head Office (Central Office)

The Corporation’s Central Office is located at Mumbai. The central offices is concerned with policy making such as union negotiations, wage fixation and
revision of the employees, terms and conditions for remuneration of agency force, formation and modification of staff members regulations, recruitment and training of officers, management of investible funds, valuation of assets and liabilities, declaration of bonus to policyholders, fixation, revisions and updating of premium rate, updating of policy conditions and introduction of new price policy of insurance and the like. At present LIC of India has three branches in foreign countries. The central office governs them. The central office has the duty to provide guidelines to zonal offices. The various departments in the central office are as follows:

1. Marketing including Sales planning, policyholders servicing
2. Reliability and public relation.
3. Income and accounts
4. Inventory
6. Vigilance
7. Internal Audit and Inspection
8. Legal and house property finance
9. Buildings
10. Foreign Operation cell
It is the central office or head office that gives direction and provides guidelines to the divisional office on all matters of importance. Central office keeps in liaison with the Central Government and various State Governments and other financial institutions.

3.8.2 Zonal Offices

The LIC has established seven zonal offices which are located in Mumbai, Calcutta, New Delhi, Kanpur, Bhopal, Hyderabad, and Chennai. The supervision and direction of affairs and business of each zonal office is entrusted to the senior officer known as “Zonal Manager” who performs all such functions that may be delegated to him with respect to his zone. For each zone, the corporation has constituted zonal advisory board whose function is to discuss various important issues. The chairman of the corporation is the chairman of all these advisory boards. Zonal manager is also a member of this board by virtue of his office. The zonal office is also entrusted with the job of advertising and publishing of life insurance products.

3.8.3 Divisional Office

Divisional office works under the broad framework of the policies laid down by the central office and under the guidance and supervision of the zonal office.
On the recommendation of the Erachezhien Committee, which submitted its report on 30\textsuperscript{th} August 1980 and on the suggestions of Prof. Iswal Dayal, an eminent management consultant appointed, by the corporation to go into the organisational improvements in life insurance industry the corporation has effected some improvements in the structure and functions of the divisional office and branch offices.

The Divisional Offices are primarily responsible for controlling and guiding the branches without assuming any operating functions in any area except in legal and mortgage. The present functions of the division offices are as under.

1. Development of organization, new business planning and direction in the matter of new business development.
2. Underwriting of new business and issue of policies.
3. Policyholders services to the extent that it is not decentralized to the branch office.
5. Sanction of loans under various loan schemes.
6. Personal matters such as promotion, posting transfer and so on of class II and III, and class IV employees.
7. Exercising supervision and control over the working of branch offices and sub offices in their jurisdiction.
3.8.4 Branch Offices

The branch office of the corporation is the main operating office in the sense that it is the only office where sales of Life Insurance products are made and service given. Each branch is given a specific area of operation and is expected to strictly adhere to the territorial limits for business procurement. New business is brought in by licensed agents who are of different kinds such as career agents, direct agents and agents working through development officers. Career agents are paid a stipend for three years.

3.9 MANAGEMENT

The affairs of the corporation are managed by the board of members not exceeding fifteen in number appointed entirely by the central Government. One of the members is appointed as the chairman of the board by the central Government. The board meets once every month. The chairman has got full control and authority to take any decision in the event of any emerging situation arising in the interim period between two meetings of the board.

3.10 COMMITTEES

The Life Insurance Corporation Act 1956 empowers the corporation to entrust the work to its committees. The Act specifically provided for the formation of two committees.

1. Executive Committees

2. Investment Committees
The corporation is also permitted by Act to form some other committees as it deems necessary.

3.10.1 Executive Committees

This has been entrusted with the general superintendence, direction of the affairs and business of the corporation. The committee is also authorized to exercise all powers and do all such acts as the corporation may delegate to it. The committee consists of five members of the corporation including the chairman and it meets once a month before the corporation meets for its regular business matters.

3.10.2 Investment Committee

The investment committee has been charged with the responsibility of advising the corporation in all matters concerned with the investment of funds of the corporation. It consists of not more than seven members of whom not less than three are members of the corporation and the remaining are persons from other areas of knowledge. The committee meets frequently and the sittings will be normally at the central office.

3.10.3 Reorganised Scheme of LIC of India

As per the suggestion of Era Chezhien Committee, the LIC of India has adopted reorganisation scheme of its divisional and branch offices. At present the reorganisation work has been completed in all the divisional and branches.
3.11 REORGANISED DIVISIONAL OFFICE

3.11.1 Marketing Department

It is responsible for branch performance and is the single point of contact for supervising them. The department is responsible for judging the quality of work done in branches through its sections such as sales; policyholders’ service section, sales training section and branch-supported section.

3.11.2 Sales Section

It is responsible for carrying out supervisory functions relating to sales and the field force and customer satisfaction. The major task of the sales managers in charge of the sales section is the supervision of the sales functions at the branches and the performance of the field personnel. This section is also responsible for spreading awareness among the general public about the benefits of life insurance and the nature of cover that LIC of India’s policies provided and how different policies are designed to meet varying individual needs. This section assesses the quality of business of the various branches and effectiveness of their plans in penetrating the respective territories and markets assigned.

3.11.3 Policyholder’s Service Section

It is responsible for supervising the policyholder’s servicing function including claims and the operation function of early settlement of claims. It
handles matters referred to divisional office by branches in respect to all policyholder’s service function. It may undertake the training of branch staff and carry out supervisory inspection. This section is primarily concerned with the timeliness and the quality of the service rendered by the branches to the policyholder. This section also deals with the individual cases referred to by branches. All old claims have to be got investigated and settled by this section.

3.11.4 Sales Training Section

This section is entrusted with the responsibility for training in product, in setting and sales planning in the field of personnel. It arranges and conducts training of field-personnel such as Assistance Branch Manager, Development Officers and Agents.

3.11.5 Secretarial Support Department

It is responsible for providing secretarial support to the various sections in the marketing department. It provides administrative support to the section under the Marketing Manager. This section is responsible for analysis of budget proposals and monthly review of data. They analyse the performance data, raise special issues concerning the performance of branches and generally help the various sections in the marketing department to process work and perform liaison work with other departments and take up routine functions as assigned to them.
They have to undertake general follow up of routine matters with the branches and with other departments of the Divisional Office.

The marketing department controls the entire sales and service function in the divisional area and also service as a single point control between the branches and the department of the Divisional Office.

3.11.6 New Business and Actuarial Department

New business and actuarial department is responsible as specialist to decide on the proposals referred to the divisional office in respect to all individuals, Salary Savings Scheme (SSS) and General Savings Plan (GSP) proposals, Cheque, declined line index cards and supervisory inspection in branches are the areas covered. This department is responsible for supervision of branch functions from underwriting to issue of policy appointment and control of medical examiners and the like. It underwrites proposals of higher sum assured which are beyond the power of the branches and conducts actuarial valuation and undertakes actuarial research.

3.11.7 Accounts Department

The account department is responsible for supervision of amount in the branches, collection of branch accounts and all the accounting functions in the division, also training of staff and test checking how well the work in branches is
being done. Accounts department has two sections (a) branch accounts sections has responsibility for supervisions of branch accounts, expenses and training of staff. They analyse the trial balances from branches and recommend suitable action to divisional management (b) General account section, which has three units:

(i) Cash and Banking Section

(ii) Salary and Provident Fund Section and

(iii) Final Accounts Section

3.11.8 Legal Mortgage Department

The legal mortgage department has the responsibility for all legal and mortgage loan work in the division. It advises branches when required for mortgage loans and legal matters.

3.11.9 Office Management Department

The office management department consists of two divisions.

(a) Purchase section, which has responsibility for purchase, inventory and materials utilization, and

(b) Service Section that consists of security dispatch duplicating, and office services, transportation and so on.
3.11.10 Machine Department

It is responsible for the data processing and offers services to user department in the divisional offices and to branches that do not have machine support. It has two sections such as:

(a) System section, which is responsible to oversee the systems and programmes of data processing machine in branches and division.

(b) Operation section that is responsible for providing machine support to branches that do not have an in-house system as also to the divisional office.

3.11.11 Personnel Department

It consists of three sections.

(a) Management Development Section

(b) Industrial Relations Section

(c) Training Section

3.11.12 Management Development Section

This section is responsible for management forecast, management development and career planning of the staff members. It has responsibility to ensure that branches implement the policies laid down in letter and spirit. They
carry out periodic personnel and ensure that the corporate plans and policies are implemented satisfactorily.

3.11.13 Industrial Relation Section

It is responsible to develop relation with trade unions and to carry out negotiations in matters that relate to the division as a whole.

3.11.14 Training Section

It is responsible for organising programme for supervisors and middle management persons within the division. This section is also responsible for organising functional programmes according to the needs of various departments in the divisional office.

3.11.15 Planning and Review Department

The planning and review department has responsibilities in two main areas. One is the operation section with responsibility for locality that is suitable for planning, educational and developing among concerned people, the understanding of the concepts and their applications, review of performance budget proposals and review of monthly, quarterly or six monthly performance reports. The other is the special studies section with responsibility for undertaking studies that the performance data may indicate or the divisional management may consider necessary.
3.12 REORGANISED BRANCH OFFICE

The reorganized branch offices of the LIC have the following sections.

3.12.1 Sales Section

This section is responsible for supervision of development officers, agents and for building up the agency force in its jurisdictions. It has to plan and review business performance and takes remedial action wherever by necessary. It registers new proposals, settles commission and makes all payments to agents and development officers.

3.12.2 New Business Section

This section is responsible for underwriting all new business and the issue of new policies. It sends recommendation and obtains approval for business beyond permissible limits, from higher authority.

3.12.3 Policyholder’s Servicing Section Including Claims

This section is responsible for total servicing of policies, including loans and claims and to obtain approval from higher authorities for matters beyond their sanctioned power.

A separate section for claims and salary saving scheme is created, if the volume of work justifies. It is responsible for providing the required support to all the departments. An in-house machine will be provided where size justifies it. In other cases, such support will come from the divisional office.
3.12.4 Office Service Section

It is responsible for establishment and personnel matters in the branch.

3.12.5 Accounts Section

This section is responsible for cash and banking preparation of trial balance of the branch, reconciliation of various accounts and issues and control of premium receipts.

3.13 PROFILE OF LIC OF INDIA IN MADURAI DIVISION

Madurai division was started on 1st September 1995. It covers six Districts, such as Madurai, Dindigul, Ramanthapuram, Sivagangai, Theni and Virudhunagar.

3.13.1 Basic Data about Madurai Division

The basic information about the Maduri Division is presented in Table 3.2.
### TABLE 3.2
**Basic Data about Madurai-Division as on 31-3-2008**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of Districts covered by Madurai Division</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>Number of Branches in Madurai Division</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>Number of Satellite Sampark Offices</td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>Number of Taluk in Madurai Division</td>
<td>40</td>
</tr>
<tr>
<td>5.</td>
<td>Total Number of Villages in Madurai Division</td>
<td>2365</td>
</tr>
<tr>
<td>6.</td>
<td>Total Number of Town in Madurai Division</td>
<td>135</td>
</tr>
<tr>
<td>7.</td>
<td>Rural Population</td>
<td>5466348</td>
</tr>
<tr>
<td>8.</td>
<td>Urban Population</td>
<td>4115092</td>
</tr>
<tr>
<td>9.</td>
<td>Total Population</td>
<td>9581440</td>
</tr>
<tr>
<td>10.</td>
<td>Number of Blocks (Panchayat and Towns in Madurai Division)</td>
<td>69</td>
</tr>
</tbody>
</table>

Source: Records of LIC of India Madurai Division.

Table 3.2 Shows that the Madurai Division of LIC of India has 2 satellite Sampark offices (SSO), 69 blocks, 40 Taluks, 2365 Villages and 135 Towns. The total population in the geographic area of Madurai Division is 9581440, consisting of rural population of 5466348 and 4115092 urban population.

#### 3.13.2 District-wise Detail of Madurai Division

The details of the Madurai Division of the LIC according to district-wise information are given in Table 3.3.
TABLE 3.3
District-wise Details of Madurai Division as on 31st March 2008

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>District</th>
<th>Branch</th>
<th>Development Officer</th>
<th>Agent</th>
<th>Rural Population</th>
<th>Urban Population</th>
<th>Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Madurai</td>
<td>7</td>
<td>65</td>
<td>3,832</td>
<td>12,45,688</td>
<td>14,66,771</td>
<td>27,12,409</td>
</tr>
<tr>
<td>2.</td>
<td>Dindigul</td>
<td>4</td>
<td>37</td>
<td>1,953</td>
<td>10,31,013</td>
<td>6,50,707</td>
<td>16,81,720</td>
</tr>
<tr>
<td>3.</td>
<td>Ramanathpuram</td>
<td>2</td>
<td>15</td>
<td>1,019</td>
<td>7,23,544</td>
<td>2,76,047</td>
<td>9,99,591</td>
</tr>
<tr>
<td>4.</td>
<td>Sivagangai</td>
<td>4</td>
<td>29</td>
<td>1,731</td>
<td>9,89,738</td>
<td>3,52,431</td>
<td>13,42,169</td>
</tr>
<tr>
<td>5.</td>
<td>Theni</td>
<td>2</td>
<td>21</td>
<td>1,313</td>
<td>5,02,109</td>
<td>5,91,841</td>
<td>10,93,950</td>
</tr>
<tr>
<td>6.</td>
<td>Virudhu-Nagar</td>
<td>6</td>
<td>45</td>
<td>2,243</td>
<td>9,74,256</td>
<td>7,77,345</td>
<td>17,51,601</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25</td>
<td>212</td>
<td>12,091</td>
<td>54,66,348</td>
<td>41,15,092</td>
<td>95,81,440</td>
</tr>
</tbody>
</table>

Source: Records of LIC of India Madurai Division.

Table 3.3 indicates that there are 25 branch offices, 212, development officers and 12,091 agents in the Madurai Division of the LIC of India. In Districts like Madurai and Theni urban population is larger than the rural population. In all the other districts the rural population exceeds the urban population.

3.13.3 Number of Policies Sold through New Business in the Madurai Division

The total number of policies sold through new business in the Madurai Division is presented in Table 3.4.
TABLE 3.4
Policies Sold through New Business in Madurai Division as on 31st March 2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Policies</th>
<th>Increase/Decrease</th>
<th>Growth Rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>2,08,907</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1999-2000</td>
<td>2,47,600</td>
<td>38,693</td>
<td>18.52</td>
</tr>
<tr>
<td>2000-2001</td>
<td>2,52,357</td>
<td>4,757</td>
<td>1.92</td>
</tr>
<tr>
<td>2001-2002</td>
<td>2,53,454</td>
<td>1,097</td>
<td>0.43</td>
</tr>
<tr>
<td>2002-2003</td>
<td>2,67,812</td>
<td>14,358</td>
<td>5.66</td>
</tr>
<tr>
<td>2003-2004</td>
<td>2,88,251</td>
<td>20,439</td>
<td>7.63</td>
</tr>
<tr>
<td>2004-2005</td>
<td>2,35,570</td>
<td>-5,261</td>
<td>-18.28</td>
</tr>
<tr>
<td>2005-2006</td>
<td>3,19,322</td>
<td>83,752</td>
<td>35.55</td>
</tr>
<tr>
<td>2006-2007</td>
<td>3,84,420</td>
<td>65098</td>
<td>20.38</td>
</tr>
<tr>
<td>2007-2008</td>
<td>4,60,288</td>
<td>75868</td>
<td>19.73</td>
</tr>
</tbody>
</table>

Source: Records of LIC of India, Madurai Division.

Table 3.4 shows that the growth rate of policies sold has increased since 1998-99 (18.52) to 2007-2008 (19.73) except in the year 2004-05 (-18.28), in which there is a decline. Table 2.4 shows that the increased growth rate is not satisfactory from 1992-2000 to 2003-2004, when compared with 1998-99.

3.13.4 First Premium Received through New Business of LIC of Madurai Division

The first premium income received through new business of the LIC in Madurai Division is indicated in Table 3.5.
Table 3.5 indicates that the first premium income received through new business of the LIC of India in the Madurai Division has increased from 2375.9 lakhs in 1998-99 to Rs.42796.2 lakhs in 2007-08. The growth rate in the first year premium income is remarkable in the year 2004-05. During the year 2002-03, the growth rate of the first year premium is low (19.53) when compared with the other financial years.
3.13.5 Chairman Club Member of LIC of India Madurai Division

Chairman’s Club Member Agent means an agent of the corporation, who fulfills the condition of the club rules as amended from time to time and has been granted the membership of chairman’s club for agents and continue to be such member of the chairman’s club. Table 3.6 presents the details about the chairman club members of LIC of India Madurai Division.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Members</th>
<th>Increase/Decrease</th>
<th>Growth Rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1999-00</td>
<td>92</td>
<td>22</td>
<td>31.43</td>
</tr>
<tr>
<td>2000-01</td>
<td>124</td>
<td>32</td>
<td>34.78</td>
</tr>
<tr>
<td>2001-02</td>
<td>176</td>
<td>52</td>
<td>41.93</td>
</tr>
<tr>
<td>2002-03</td>
<td>198</td>
<td>22</td>
<td>12.50</td>
</tr>
<tr>
<td>2003-04</td>
<td>211</td>
<td>30</td>
<td>15.50</td>
</tr>
<tr>
<td>2004-05</td>
<td>225</td>
<td>14</td>
<td>6.64</td>
</tr>
<tr>
<td>2005-06</td>
<td>240</td>
<td>15</td>
<td>2.22</td>
</tr>
<tr>
<td>2006-07</td>
<td>275</td>
<td>35</td>
<td>14.58</td>
</tr>
<tr>
<td>2007-08</td>
<td>294</td>
<td>19</td>
<td>6.90</td>
</tr>
</tbody>
</table>


In Table 3.6, it is found that there was increasing trend in the strength of chairman club member of life insurance corporation of India Madurai Division.
The strength of chairman club member of Madurai Division was 70 in the year 1998-99 and it had increased to 275 in the year 2006-2007.

3.13.6 Zonal Manager’s Club Members of Madurai Division

Zonal Manager’s Club Member Agent means an agent of the corporation, who on fulfilling the condition of the club rules as amended from time to time has been granted the membership of zonal manager’s club for agents and continued to be such a member of the zonal manager’s club. Table 3.7 furnishes the details about the zonal manager’s club members of LIC of India Madurai Division.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Member</th>
<th>Increase/Decrease</th>
<th>Growth Rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>54</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1999-00</td>
<td>73</td>
<td>19</td>
<td>35.19</td>
</tr>
<tr>
<td>2000-01</td>
<td>94</td>
<td>21</td>
<td>28.77</td>
</tr>
<tr>
<td>2001-02</td>
<td>127</td>
<td>33</td>
<td>35.11</td>
</tr>
<tr>
<td>2002-03</td>
<td>148</td>
<td>21</td>
<td>16.54</td>
</tr>
<tr>
<td>2003-04</td>
<td>155</td>
<td>7</td>
<td>4.73</td>
</tr>
<tr>
<td>2004-05</td>
<td>165</td>
<td>10</td>
<td>6.45</td>
</tr>
<tr>
<td>2005-06</td>
<td>156</td>
<td>11</td>
<td>6.67</td>
</tr>
<tr>
<td>2006-07</td>
<td>179</td>
<td>23</td>
<td>14.74</td>
</tr>
<tr>
<td>2007-2008</td>
<td>204</td>
<td>25</td>
<td>13.97</td>
</tr>
</tbody>
</table>


The strength of zonal manager club members of Madurai Division was 54 in the year 1998-99 and it has increased to 204 in the year 2007-2008. It could be
seen from Table 3.7 that the strength of zonal manager club member 54 grew four times from 98-99 to 2007-08.

3.13.7 Divisional Managers Club Members

Divisional Manager’s Club Member Agent means an agent of the corporation, who on fulfilling the condition of the club rules as amended from time to time has been granted the membership of Divisional Manager’s club for agents and continues to be such a member of the Divisional Manager’s club. Table 3.8 furnishes the details about the divisional manager club members of LIC of India Madurai Division.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Member</th>
<th>Increase/Decrease</th>
<th>Growth Rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>161</td>
<td>--</td>
<td>---</td>
</tr>
<tr>
<td>1999-00</td>
<td>220</td>
<td>59</td>
<td>36.65</td>
</tr>
<tr>
<td>2000-01</td>
<td>273</td>
<td>53</td>
<td>24.09</td>
</tr>
<tr>
<td>2001-02</td>
<td>280</td>
<td>7</td>
<td>2.56</td>
</tr>
<tr>
<td>2002-03</td>
<td>289</td>
<td>9</td>
<td>3.21</td>
</tr>
<tr>
<td>2003-04</td>
<td>291</td>
<td>2</td>
<td>0.69</td>
</tr>
<tr>
<td>2004-05</td>
<td>358</td>
<td>67</td>
<td>23.02</td>
</tr>
<tr>
<td>2005-06</td>
<td>274</td>
<td>-84</td>
<td>-23.46</td>
</tr>
<tr>
<td>2006-07</td>
<td>308</td>
<td>34</td>
<td>12.41</td>
</tr>
<tr>
<td>2007-08</td>
<td>341</td>
<td>33</td>
<td>10.71</td>
</tr>
</tbody>
</table>

Table 3.8 reveals that the strength of divisional managers’ club member was 161 in the year 98-99 and it has increased to 341 in the year 2007-2008.

Table 3.8 reveals that the strength of the divisional managers’ club members decreased in 2005-06.

### 3.13.9 Branch Manager’s Club Members of Madurai Division

Branch Manager’s Club Member Agent means an agent of the corporation, who on fulfilling the condition of the club rules as amended from time to time and has been granted the membership of Branch Manager’s club for agents and continue to be such a member of the Branch Manager’s club. Table 3.9 illustrates the strength of branch manager’s club member of LIC of India Madurai Division.

**TABLE 3.9**

**Branch Manager's Club Member of Madurai Division**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Member</th>
<th>Increase/Decrease</th>
<th>Growth Rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>518</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1999-00</td>
<td>572</td>
<td>54</td>
<td>10.42</td>
</tr>
<tr>
<td>2000-01</td>
<td>662</td>
<td>90</td>
<td>15.73</td>
</tr>
<tr>
<td>2001-02</td>
<td>669</td>
<td>7</td>
<td>1.06</td>
</tr>
<tr>
<td>2002-03</td>
<td>677</td>
<td>8</td>
<td>1.20</td>
</tr>
<tr>
<td>2003-04</td>
<td>689</td>
<td>12</td>
<td>1.77</td>
</tr>
<tr>
<td>2004-05</td>
<td>628</td>
<td>-61</td>
<td>-8.85</td>
</tr>
<tr>
<td>2005-06</td>
<td>555</td>
<td>-73</td>
<td>-11.62</td>
</tr>
<tr>
<td>2006-07</td>
<td>624</td>
<td>69</td>
<td>12.43</td>
</tr>
<tr>
<td>2007-08</td>
<td>685</td>
<td>61</td>
<td>9.78</td>
</tr>
</tbody>
</table>

It is found from Table 3.9 that the strength of branch manger’s club member was 518 in the year 98-99 whereas in 2007-08 it was raised to 685. It is inferred from Table 3.9 that there was remarkable increase in the strength of branch manger’s club member of LIC of India in Madurai Division

3.14 CONCLUSION

In this chapter, formation, organisation structures LIC, Division, Central Zonal, Divisional and Branch Officers Achievement, working result of Madurai Division have been bough to light. The Life Insurance Corporation, which was established in 1956, has been having the exclusive prerogative of carrying on life insurance business in India. From then till today, the LIC of India in general Madurai Division in particular has been justifying the role assigned to it and is carrying on the work of indemnifying the loss suffered by a person and providing an estate of the living needs.
REFERENCES


4. Ibid


8. www.licindia.com


CHAPTER III

EVOLUTION AND SERVICES OF LIC OF INDIA

3.1 Introduction
3.2 Conceptual Framework
3.3 Life Insurance - Definition
3.4 Functions of Insurance
3.5 Historical Background
3.6 Nationalisation of Indian Insurance Company
3.7 Formation
3.8 Organisation Structure
3.9 Management
3.10 Committees
3.11 Reorganised Divisional Office
3.12 Reorganised Branch Office
3.13 Profile of the LIC of India in Madurai Division
3.14 Conclusion