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Abbreviations

AP – Age-proof
APA – Automatic Premium Advance
CAB – Career Agents Branch
CDA – Children’s Deferred Assurance
DAB – Double Accident Benefit
DAB – Direct Agency Business
DOC – Date of Commencement
DOM – Date of Maturity
DGH – Declaration of Good Health
EPDB – Extended Permanent Disability Benefit
FPR – First Premium Receipt
FYP – First Year’s Premium.
FYC – First Year’s Commission
GSV – Guaranteed Surrender Value
GI – Group Insurance
IRDA – Insurance Regulatory Development Authority
ME – Medical Examiner
MHR – Moral Hazard Report
MR – Medical Report
OR – Ordinary Rate
OYH – Own Your Home
PF – Provident Fund
RPR – Renewal Premium Receipt
RCA – Rural Career Agent
SV – Surrender Value
SA – Sum Assured
TT – Table and Term
UCA – Urban Career Agent
FEAP – Front End Application Package
FPI – First Premium Insurance
NOP – Number of Policies
CDEA – Children Deferred Endowment Assurance.
NIC – National Insurance Company
NIAC – New India Assurance Company.
OIC – Oriental Insurance Company.
UIIC – United India Insurance Company
GLOSSARY

Accident: An event or occurrence causing damage/injury to an entity, and is unforeseen and unintended.

Accident benefit: Provides for payment of an additional benefit equal to the sum assured in installments on permanent total disability and waiver to subsequent premiums payable under the policy.

Accidental Insurance: For covering loss occurring due to accidental bodily injury, accidental insurance is provided.

Actual Premium: The actual premium of insurance company comprises the pure premium and administrative as well as marketing cost.

Actuary: A professional having expertise in the technical aspects of pension, insurance and related fields who estimates the amount of money to be contributed to an insurance on pension fund in order to provide for his future.

Age limits: Stipulated minimum and maximum ages below and above which the company will not accept applications or may not renew policies.

Agent: An insurance company representative licensed by the state, who solicits, negotiates or effects contract of insurance, and provides service to the policyholders for the insurer.

Annuitant: The person to receive the annuity during whose life annuity is payable.

Annuity: A contract providing an income for specified period of time is number of years or for life.

Annuity Certain: Provision of income for a specified number of years, regardless of life or death of a policyholder.

Annuity Consideration: An annuitant making one of the periodic payments for an annuity.

Annuity Plans: These plans provide for a “pension” (or a mix of a lump sum amount and a pension) to be paid to the policyholders or his spouse. In the event of death of both of them during the policy period, a lump sum amount is provided for the next of kin.
Application Form: Supplied by the insurance company, usually filed in by the agent and medical examiner (if applicable) on the basis of information received from the applicant. It is signed by the applicant and is part of the insurance policy if it is issued.

Assignment: Assignment means legal transference. A method by which the policyholders can pursue on his interest to another person, an assignment can be made by an endorsement on the policy document or as a separate deed. Assignment can be of two types – (a) Conditional, (b) Absolute.

Beneficiary: The person(s) or entity(ies) (e.g. corporation, trust etc.) named in the policy as the recipient of insurance proceeds upon the death of the insured.

Benefits: Under every coverage, the amount received by the claimant, assignee or beneficiary by an insurance company.

Blue Order: The Finance Department (Insurance Division), Government of India published service conditions of field officers based on the categorization formula (of LICI) in the Govt Gazette on 30.12.1957. Since then, that order was printed on a blue paper it was conveniently named as ‘Blue Order’. The duties terms and conditions of services of Development Officers were set out in an order issued by the Central Govt in 1957. The order is usually termed as “Blue Order”.

Broker: A person representing the buyers of property and liability insurance, and a marketing specialist deals with either agents or companies to provide proper coverage required by the customer.

Business Insurance: A policy which primarily provides coverage of benefit to a business as contrasted to an individual. It is issued to indemnify a business for the loss of services of a key employee or a partner who becomes disabled.

Cancelable: A contract of health insurance that may be cancelled during the policy term by the insurer or insured.

Capital Surplus: Capital fund arises when the value of the fund is balanced by the value of the various assets of the life fund as recorded in the balance sheet.

Claim: A request made by the insured under the terms of an insurance contract for payment of loss.

Coinsurance: 1) Provision under which an insured who carries less than the stipulated percentage of insurance to value, will receive a loss payment that is limited
to the same ratio which the amount of insurance bears to the amount required; 2) a policy provision frequently found in medical insurance, by which the insured person and the insurer share the covered losses under a policy in a specified ratio, i.e., 80% by the insurer and 20% by the insured.

**Commission**: The part of an insurance premium, which an insurer shares with an agent or broker for his services in procuring and servicing the insurance.

**Conditions**: Provisions/Stipulations contained in an insurance contract which limit the insurers promise to perform.

**Contract**: It is an agreement that binds two or more parties for doing or not doing certain things. An insurance contract is embodied in the written document referred to as policy.

**Convertible Whole Life Policy**: A mix of “whole life” and “endowment” policy, it provides for very low insurance premiums with maximum risk cover while the life assured is just beginning his working career, and the possibility of converting the policy to an “endowment” policy after five years of commencement.

**Coverage**: The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

**Days of Grace**: Policyholders are expected to pay premium on the due dates, a period is 15-30 days is allowed as grace to make payment of premium; such period is days of grace.

**Death Benefit**: A payment made on the death of the employee annuitant to a designated beneficiary.

**Deferred Annuity**: An annuity plan in which the income benefits begin at some specified future date.

**Deferment period**: Period between the dates of subscription to an insurance-cum-pension policy and the time at which the first installment of pension is received. Such policies generally prescribe a minimum and maximum limit on the deferment period.

**Depreciation**: A decrease in the value of property over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss.
**Disability Benefit:** An additional feature with some life insurance policies which not only provides for waiver of premium, but also provides for monthly income if the policy become totally and permanently disabled.

**Double/Triple Cover Plans:** These offers to the beneficiaries double/triple the sum assured on death of life assured during the term of the policy. On survival to the date of maturity, the basic sum assured is paid to the assured. These are low-premium plans, most useful for situations such as housing.

**Earned Income:** An individual income from salary, wages, commission or fees.

**Earned Premium:** Applies to the portion of the policy period which has already expired and includes the part of total property casually policy premium.

**Embezzlement:** Fraudulent use or taking of another’s property or money which has been entrusted to one’s care.

**Endorsement:** An additional paper mentioning certain terms, besides the original contract and when attached to original, a legal part of the contract.

**Endowment Policy:** The assured has to pay an annual premium which is determined on the basis of the assured's age at entry and the term of the policy. The insured amount is payable either at the end of specified number of years or upon the death of the insured person, whichever is earlier.

**Excess and surplus insurance:** 1) Insurance to cover losses above a certain amount, with losses below that amount usually covered by a regular policy. 2) Insurance to cover an unusual or one-time risk, e.g., damage to a musician's hands or the multiple perils of a convention, for which coverage is unavailable in the normal market.

**Exclusions:** Specific conditions or circumstances for which the policy will not provide benefits.

**Facultative reinsurance:** A type of reinsurance in which the reinsurers can accept or reject any risk presented by an insurance company seeking reinsurance.

**Family insurance:** A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and small amounts of term insurance on the other spouse and children, including those born after the policy is issued.
Fiduciary: A person who holds something in trust for another.

Fire insurance: Coverage of losses caused by fire and lighting, plus resultant damage caused by smoke and water. Flood insurance coverage against loss resulting from the flood peril, available at low cost under a programme developed by the Central Government.

Franchise insurance: A form of insurance in which individual policies are issued to the employees of a common employer or the members of an association under an arrangement by which the employer or association agrees to collect the premium and remit them to the insurer.

Guaranteed Insurance Sum (GIS): A lump sum purchase price is given to purchase future pensions under the Jeevan Akshay Plan of Life Insurance Corporation of India. This amount is referred to as GIS. The monthly pension that is payable one month after payment of first premium is calculated on the basis of the age of entry.

Grace Period: A specified time period after the due date for payment of premium, allowing the policyholder to make the payment as the policy continues without any break during this period.

Gross Insurance Value Element (GIVE): The amount payable on the deferred date under Jeevan Dhara Life of Life Insurance Corporation of India. An annuity of 1% of the GIVE is payable per month after the deferment period. And the entire GIVE is payable on death after deferment period.

Group Life Insurance: Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees or to members of an association, for example a professional membership group. The individual member’s of the group holds certificates as evidence of their insurance.

Group Insurance: A single master policy containing the particulars of insurance cover involving a number of people issued generally to the employer or the association to which they are affiliated.

Guaranteed Policies: These are policies where the payment stays fixed.

Human Value Life: The term is used to indicate the present value’s of the family’s share of the deceased bread-winner’s earning for purpose of life insurance.

Immediate Annuity: An annuity, wherein payment begins immediately.
**Indemnity:** Legal principle that specifies an insured should not collect more the actual cash value of a loss but should be restored to approximately the same financial position as existed before the loss.

**Insurable Interest:** A condition in which the person applying for insurance and the person who is to receive the policy benefit will suffer an emotional or financial loss, if any untouched event occurs. Without insurable interest, an insurance contract is invalid.

**Insurability:** All conditions pertaining to individuals that affect their health, susceptibility to injury and life expectancy; an individual risk profile.

**Insurance:** Social device for maximizing risk of uncertainty regarding loss by spreading the risk over a large enough number of similar exposures to predict the individual chance of loss.

**Insurance Reserves:** Since there is a lag between payment of premiums & payment of claims, there is generation of investible funds known as insurance reserves.

**Insured:** The person whose life is covered by a policy of insurance.

**Joint Life Endowment Assurance Plan:** The sum assured (plus any accrued bonuses) under this type of policy is payable on the end of the endowment term or on the first death of the two lives assured, whichever is earlier. Typically (though not a necessity) taken out by a couple, a variation is available for couples only. In this case, the sum assured will be payable on the first death and then again on the second death (along with all vested bonuses) if both deaths occur during the term of the policy. If one or both lives survive to the maturity date, the sum assured along with all vested bonuses will be payable on maturity date. Premiums during this plan cease on the first death or the expiry of the selected term, whichever is earlier. Another variation provides for annuity to both/ surviving spouse, or a lump sum amount to the legal heirs.

**Keyman Insurance Policy:** A life insurance policy taken by a person on the life of another person who is or was his employee/connected to his business in any manner whatsoever.

**Lapsed Policy:** A policy which has terminated and is no longer in force due to non-payment of the premium due.
**Limited Payment Life Policy:** Premiums need to be paid only for a certain number of years or until death if it occurs within this period. Proceeds of the policy are granted to the beneficiaries whenever death of the policyholder occurs. Again, this policy can also be of the "with profits" or "without profits" type.

**Loyalty Additions:** The loyalty addition is given upon the maturity of the policy, and not before. It’s a small percentage of the sum assured. Broadly speaking, loyalty addition is the difference between the performance, of the insurance company and the guaranteed additions. It is LIC’s effort to further share its surplus after valuation with the policyholders, as LIC is a non-profit organization.

**Life Assured:** The person whose life is insured by an individual life policy is called life assured.

**Maturity:** The date upon which the face amount of a life insurance policy, if not previously invoked due to the contingency covered (death), is paid to the policyholder.

**Maturity Claim:** The payment to the policyholder at the end of the stipulated term of the policy is called maturity claim.

**Misrepresentation:** Act of making, issuing, circulating or causing to be issued or circulated an estimate, an illustration, a circular or a statement of any kind that doesn’t represent the correct policy terms, dividends or share of surplus or the name or title for any policy or class of policies that doesn’t in fact reflect its true nature.

**Money Back Policy:** Unlike endowment plans, in money back policies, the policyholder gets periodic “survivance payments” during the term of the policy and lumpsum amount on surviving its term. In the event of death during the term of the policy, the beneficiary gets the full sum assured, without any deductions for the amounts paid till date, and no further premiums are required to be paid. These types of policies are very popular, since they can be tailored to get large amounts at specific periods as per the needs of the policyholders.

**Moral Hazard:** Risk depends on the need for insurance, state of health, personal habits, standard of living and income of insured person. Moral hazard is the risk factor that affects the decision of the insurance company to accept the risk.

**Nomination:** An act by which the policyholders authorizes another person to receive the policy money. The person so authorized is called the Nominee.

**Non-Cancelable Policies:** Such policies stay in effect regardless of whatever that might happen and as the premium is paid from time to time.
**Pension Plan:** An insurance plan which is established and maintained by an employer, group of employers, unions or any combination where the participants receive income after retirement.

**Pure Premium:** It is the present value of expected cost of an insurance claim.

**Premium:** The payment, or one of the regular periodic payments, that a policyholder makes to an insurer in exchange for the insurer’s obligation to pay benefits upon the occurrence of the contractually-specified contingency (e.g. death).

**Premium Back Term Insurance Plan:** These provide for refund of all the premiums paid, in the event of the life assured surviving to the end of the beneficiaries in the event of death occurs during the policy term.

**Reinstatement:** The restoration of a lapsed policy to in-force status can only occur after the expiration of the grace period. The company may require evidence of insurability (and, if health status has changed, deny reinstatement), and always require payment of the total amount of past due premium.

**Retention:** An insurance company retaining a part of the net amount of risk which is not insured.

**Reversionary bonus:** There are three basic methods of distributing surplus to policyholders: in the form of cash, as a reduction in premium, and as an addition to the value of policy. If the surplus is distributed in the form of addition to the value of policy, it is known as Reversionary bonus.

**Revenue Surplus:** An excess of future income over future outgoings.

**Rider:** A document allowing the modification of the policy or amending the original contract by increase/decrease in benefits or waiver of a condition or coverage.

**Risk:** The obligation assured by the insurer when it issues a policy. The spreading of risk across a broad base of the population, adjusted for statistical probability, and the protection against catastrophic loss, is the entire purpose of insurance. For risk assumption purposes, death is viewed as a contingency. That is, although death is certain, its time is unknown. The process of evaluating and selecting risk is known as underwriting.

**Salary Saving Scheme:** This scheme provides for payment of premiums by money deduction from the salary of the employees by one employer.
**Sub Standard Risk:** Person who is considered an under average or impaired insurance risk because of physical condition, family or personal history of disease, occupation, residence in unhealthy climate or dangerous habits.

**Surrender Value:** The value payable to the policyholder in the event of his deciding to terminate the policy before the maturity of the policy.

**Survival Benefit:** The payment of the sum assured to the insured person which has become due by installments under a money back policy.

**Term Insurance:** An insurance plan, where the beneficiary receives the life insurance benefits only if the insured dies within a specified period.

**Vesting Age:** The age at which the receipt of pension starts in an insurance-cum-pension plan.

**Waiver:** Exemption of certain disability or injury otherwise covered in the policy, from the coverage through an attached agreement.

**Whole Life Policy:** Premium is paid throughout the life time of life assured. This can be with profits or without profits (A “with profit” policy is eligible for various bonuses declared by LICI every year, while a “without profits” policy does not have this privilege.)

**WPP:** Policies are/are not entitled to bonus, which is paid at the time of claim-death or maturity one with profit policies.