CHAPTER - 1

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Life Insurance necessity depends on human life value. Insurance provides a safeguard both for living too long or dying too young. The insurer in consideration of a stipulated premium agrees to pay to the insured or his beneficiary a fixed sum of money on the occurrence of death or some other mishap. The mechanism of insurance is based on sharing of risk and proportionate distribution of risk among the same group of people. 1

Insurance in India came during the British rule. The Oriental Life Insurance Company started by the Europeans in 1818 was the first life insurance organization on Indian soil. The very first life policy on Indian life was, however, issued in 1845. Indians entered into insurance business very late. The Indian Mutual Life Insurance Society was the first insurance venture started in 1871. To strengthen confidence of people in parting their savings to insurance companies, the government entered into the business and established Oriental Government Life Insurance Company in 1873. Many more insurance companies came on the map of India in the later years.

In order to regulate the insurance business the government passed the first Insurance Act in 1912. After gaining further experience and with a view to overcoming the impediments in the growth of insurance business, the second Insurance Act was enacted in 1938 as an improved version of the first Act.
The insurance business in India was, however, in private hands. Many companies indulged in malpractices and closed down and many others were newly established. Moreover, India had achieved independence and the country had embarked upon the policy of planned development. First Five Year Plan was implemented and need was felt for capital formation to finance the planned development projects. Insurance institutions are the main and basic source of capital formation through mobilization of scattered savings. But as there were numerous insurance companies operating in India, it was not possible to have timely availability of funds from a number of insurance organizations. The Government of India, therefore, decided in the best national interest to nationalize the insurance business.

Thus, the Life Insurance Corporation came into being in 1956 as a result of nationalization of insurance industry in India.

However, the liability characteristics of Life Insurance Corporation of India have peculiar nature being made up of the small savings of the people paying in the form of insurance premium to the Corporation. When in the hands of the LIC, these institutional savings become trust money which need protection and security. Being pooled in huge amount, these institutionalized savings also acquire investible property. And since they are the people’s money the institutionalized savings fetch a moral obligations to be invested in national interest for the general welfare of the people and economic development of the country. Because of these characteristics of life insurance funds countries world over make regulations for the safe utilization and investment of the insurance funds. The Government of India also laid down a legal framework for the Life Insurance Corporation of India to regulate the investment operations of the Corporation. The legal
framework sets the quantum and direction for channelizing the investible funds of the LIC. Thus, the LIC has a tether within which it has to operate for deploying its investible funds. From the adherence to the legal framework emerges a pattern of investment of the Life Insurance Corporation of India which invites the focus of attention for a deep insight into the nature of the pattern.

The present study is devoted to examine the nature of LIC’s pattern of investment and to analyse if the pattern is adequately purveying financial resources for the general welfare and socio-economic development as expected from the financial institution of the national level responsible for capital formation for economic development.

REVIEW OF LITERATURE

A survey of literature, stray articles appearing occasionally in the press, journal and magazines related to studies in the field of Life Insurance is made here in order to discern the distinctiveness of the present study. Very little work has been done on investment pattern of Life Insurance Corporation of India and that, too, belongs to the era when the LIC functioned as a monopolistic government institution in a protective and closed market. A review of the published literature related to the subject of study is made hereunder: The researcher has also surveyed the bibliography of several journals, newspapers, magazines, annual reports of insurance companies and dissertations available in the Maulana Azad Library, Faculty of Management Studies at Aligarh, Faculty of Commerce, Jamia Millia University, New Delhi, Institute of Insurance Management, Amity, Noida, several other publication of the government and private agencies. The review of literature on the subject of study is presented below:
Floyd, F. Burtchett (1939), in his book entitled, “Investments and Investment Policy,” described the concept, meaning, and principles of investments. Further, the study provided a technical description of the contracts of the private enterprises. The term under which capital is obtained, utilized, and managed in modern insurance industry may, however be easily over-emphasized and this technical discussion has purposely been brief. The author focused on the traditional outline for treatment of civil obligations. This study is further concerned with investment policy which can not be segregated from speculation. The whole study is based on theoretical aspects.

Henry, T. Own (1951) in his book entitled “Fundamentals of Life Insurance” focused the various aspects of the life insurance in general. The study mainly emphasized on the criteria of the investment. Many considerations were listed that enter into the selection of the securities or other investment commitments, especially if the particular needs of various investors are to be considered. Some of these are safety of principal, protection of principal against changes in the purchasing power of money, certainty and stability of incomes, stability of purchasing power of income, marketability, liquidity, taxability or tax exemption and satisfactory duration or maturity. The entire study is based on the theoretical aspect of the objective.

Agarwala, A.N. (1961), in his book entitled, “Life Insurance in India: A Historical and Analytical Study,” makes an intensive study of the private ownership phase of life insurance enterprise in India extending over a period of 42 years, from 1914 to 1955, and compares the working during this period of insurance business as a private enterprise with the working of insurance sector under nationalized enterprise since 1956. It is a historical, analytical and constructive study.
A historical study of the growth of the life insurance institutions of India has been made. Historical aspects of every problem has again been taken into account wherever relevant or likely to be useful. As a matter of fact, life insurance has acquired prominence only recently in this country. Therefore, for the purpose of analysis the period often kept by author in view is approximately the last decade and half, though it has not been strictly followed in every instance.

Mohd. Mohsin (1966) in his doctoral thesis entitled “Investment of Life Insurance Corporation Fund” has reviewed the current economic thought which led to the liberalization of life insurance business in India. The study has confined the analysis on two major issues viz. (i) The effective mobilization of public savings (ii) the efficient financing of economic development. The author maintained that the growth of life insurance savings, though related to economic development have lagged behind the rate of capital formation in India. The study concluded that due to the liability characteristics of the LIC its investment flowed in fixed earning securities of well established concerns as against the financing of new and oriental industries. The author has urged that the LIC should depart from orthodox investment channels and make a definite change in its investment patterns. From the angle of liquidity and safety, the LIC must invest in those ventures which favour economic and social development of the country as a whole. The author has further suggested that the corporation needs to rethink on its investment policy and consequent changes are necessary to rationalize the investment pattern of the LIC.

Sharma, S.P. (1967), in his book entitled, “Organization of Indian Insurance,” has attempted to analyse the evolution of insurance and its role in economic growth and a brief discussion of the principles
governing the life insurance contract and its role in economic growth. It also provides an analysis of the history of insurance in India. Nationalization of life as well as general insurance was an important landmark in the sphere of insurance and as such post-nationalization problems have been examined in greater detail.

Peter J. Franklin and Caroline Woodhead (1980) conducted a study entitled “The U.K. Life Assurance Industry”. The author looks into the radical changes in the British Insurance Policy. The British Financial System its markets and institutions have undergone major and often radical changes among these changes in the life insurance. Industry has been particularly important and often dramatic affecting both the images and structure of the industry, and even the types and choice of product available. Despite these changes, the life insurance industry still provides the U.K. economy with one of its major forms of contractual savings.

Mishra A.K. (1985) in his paper entitled “Security Pattern of LIC’s Investment - An Evolution” examine the pattern of Investment of Life Insurance Corporation of India from the period of 1957 to 1985. The author highlights the trends in various issues relating to the investment pattern of LIC including corporate securities and minor investments, Govt. securities. The investment of corporate securities consists of investment in equity shares, preference shares and debentures of companies. This has been termed by the author as a trend in right direction, both from the point of view of principle and diversification and the utilization of National Savings for the fulfillment of the wider objectives of socio-economic development in the country.

conclude the importance of the LIC in the country’s economic life. The study highlighted that the LIC derived its income through premium investment. Miscellaneous sources and cost of management expenses i.e. commission to agents, salaries and other benefits to staff etc. This study further needs an examination of the pattern of income earned and expenses incurred by the corporation, an assessment of the interrelationship among different components of the income and expenses with reference to relevant economic indicators like national income wholesale price index, consumer price index and aggregate bank deposit etc. and giving suggestions which might help the corporation to minimize the expenses.

Chaudhary, S.K. and Kulkarni, K.G. (1991), in their book entitled, “Role of the Life Insurance Corporation in Economic Development of India,” primarily examined the role of the LIC in mobilizing the savings of the people and investment of these savings to assist the economic development of India, largely by analyzing the data and information available through the LIC Annual Reports, Reserve Bank of India Reports and other published information. Since the avowed objective of nationalizing life insurance in India was to uproot corruption and assist economic development, they decided to review the objectives and provide a progress report of LIC for nearly thirty years. Emphasis is mostly on the interpretation and analysis of available data within an acceptable framework rather than providing any different growth model or alternatives.

Banerjee, B.N. (2000), in his book entitled, “Globalization: Liberalizing the Insurance Sector,” says that there is a lot to celebrate 50 years in the life of a country, especially a country like India. It has defined doom prophesies on the agricultural front by absorbing the
green revolution; it has built on industrial base capable of matching many developing countries of the world. The country has the third largest scientific and technological manpower and is a member of the exclusive club of nuclear and space “haves.”

He further points out that the second phase of reforms that is expected to intensify the liberalisation of the financial sector and revamp the public sector will help accelerate the inflow of foreign direct investment. The foreign institutional investors who are now increasingly focusing on the Indian capital market would largely aid this. The liberalisation will have a positive effect on the workforce, the trends, worldwide indicates that insurance has created higher job opportunities and better pay packets.

Kapoor, P.V. (2000), in his book entitled, “Insurance Privatization: S Legal and Financial Issues,” reviewed that the insurance business market in India is perceived to be potentially one of the largest in the world. That this potential remains unrealized should be a matter of concern to policy makers. The twin reasons attributable to this scenario are the extant cumbersome regulations and state ownership of insurance business. He further points out that the insurance sector in India is state owned and remained shackled within the national barriers. He further explains that the private parties have, thus, been debarred from carrying on the insurance business in India. Whilst this has had salutary effect of the consumer obtaining an inexpensive insurance policy, the quality of services rendered by the insurance sector leaves a lot to be desired.

Verma, J.R. (2000), in his publication entitled, “Pension Reforms and Capital Market Development in India,” reviews the evolution of the Indian capital market and pension reforms and describes its current
status. It shows how the Indian market has gone through a process of modernization and structural transformation during the last few years. Pension funds are an important category of long-term investment which are not present in the Indian market today. He further reviews and comments recent proposals for pension funds reforms. However, he argues strongly that pension funds reforms must be focused on investors interest rather than broader social goals\textsuperscript{13}.

Ranade, A. and Ahuja, R. (2001), in their paper entitled, "Impact on Savings via Insurance Reforms," conclude that insurance sector reform in India is likely to increase insurance demand in the country. However, the experience of several countries with financial reforms has been that savings have tended to go either way. Using a two-period model we show that, in the short run, in the absence of any income or productivity growth, private savings go unambiguously down since market based insurance replaces savings hitherto meant for self-insurance (the precautionary motive). Thus insurance is likely to edge out the precautionary component of savings. Reliable estimates of the precautionary component of savings are hard to get. During the course of financial sector reforms there are several other avenues through which savings are likely to go down as well, such as, easing of credit constraints, more provision of social insurance and so on. So it would be difficult to disentangle the effect of insurance reforms on savings reduction. However with liberalisation as the economy moves into greater income uncertainty and volatility, and income growth, this may offset the reduction in savings somewhat. They have also examined the issue of fund intermediation and welfare in the context of joint bankruptcy of banks and insurance firms. In such a case the insurance bankruptcies they find create greater vulnerabilities. Specifically they
show in a comparison of equi-probable bankruptcy of insurance firms and banks, funds intermediation is lesser in an environment of probable insurance failures than bank failures, and consumer welfare is higher under the latter.

Shrivastava, D.C. and Shrivastava, S. (2001), in their book entitled, “Indian Insurance Industry: Transition and Prospects” examine that the growth of insurance industry is associated with the general growth of industry, trade and commerce. The origin of insurance service may be traced back to 14th century in Italy when ships carrying goods were carried under different perils. The insurance sector has assumed special significance as it has the potential to speed up the rate of growth of an economy. They further assert that the insurance industry assists the development process of an economy in several ways. Primarily, it acts as mobilizer of savings, financial intermediary, promoter of investment activity, stabilizer of financial market, risk manager, and an agent to allocate capital resources efficiently. Although the insurance industry has grown rapidly in the industrialized countries, its growth in developing countries has neither been satisfactory nor in tandem with the growth of other sectors of the economy. The share of developing countries is extremely low. The slow growth of insurance services in developing countries calls for an in-depth analysis of the nature and pattern of evolution of these services. Policies pursued to develop the insurance industry and constraints thereof also need close examination. Regrettably, the Indian insurance industry has lagged behind even amongst the developing countries of the world. They further observe that the process of liberalisation and globalization of the Indian economy started in right earnest in mid-1980s. The market mechanism was the motivating factor underlying the
new economic policy. In consonance with the New Economic Policy, insurance sector was opened up for the private sector in 1999. The new competitive environment is expected to benefit consumers, industry and the economy at large.

Gumber, A. (2002), concluded in his publication captioned, "Health Insurance for the Informal Sector: Problems and Prospects," that there is much potential and scope to enhance the coverage of health insurance in general and, more specifically, to the poor. In view of the recent developments in the insurance sector, by opening it to the private player, so far the license has been given to eight companies by the Insurance Regulatory and Development Authority (IRDA). It is good to note that now the IRDA has made the mandatory requirement for new companies to float a plan of health insurance as well. Therefore, the main thrust of the State should be in initiating schemes for the poor. For this purpose the discussion in the above sections suggests at looking towards options that could be explored through using the existing infrastructure, institutional arrangements, and networks in the public sector welfare programmes. It is presumed that the following options could be more suitable under the existing circumstances, that is, without putting much strain on both physical and financial resources of the State. It is of utmost importance that such options should be more cost-effective and the services are more responsive to people in the future. He further suggests that another way to increase or initiate health coverage to the poor could be to make health insurance a component of existing poverty alleviation programmes. This option may require additional staff for the purpose. However, other problems that come in the way of integrating insurance in the existing programmes need to be worked out in detail. In this regard, an
interesting option proposed recently suggests that a rural hospitalization insurance scheme for people below the poverty line could be initiated as a part of the anti-poverty programme.

Naragan, R. (2002), in his paper entitled, “Peoples’ Money for Peoples’ Welfare,” focused on the objectives of the LIC and the trends of investment in various sectors in the country. The Life Insurance Corporation of India has to bear in mind that its primary obligation is to its policyholders whose money it holds in trust and hence it must work, as far as possible, on business principles. It should never lose sight of the fact that, as a single largest investor in India, it has to keep in mind interests of the community as a whole. It should, therefore, invest in ventures, which further the social advancement of the country.

Batra, S. (2003) remarks that today, the Indian insurance industry has over a dozen private players, each of which is making strides in raising awareness levels, introducing innovative products and increasing the penetration of insurance in the vastly under-insured country. The success of the efforts is noteworthy. Private players have captured nearly nine per cent of new business premium income in two years of operations.

He further points out that the biggest beneficiary of the competition amongst insurer has been the consumer. A wide range of products, customer-focused service and professional advice have become the mainstay of the industry. They have seen a dramatic increase in customer awareness, with penetration cutting across socio-economic classes and attracting people who have never purchased insurance before. With the heightened awareness comes a willingness to evaluate life as well general insurance as an integral part of the financial.
planning kit, a significant change from the earlier attitude, where insurance was purchased as a tax-saving tool.

Joshi, N.N. (2003), in his article entitled, “Changing Mind Set of Professional Agents in the Emerging Insurance Scenario in India,” has analysed that the insurance industry in India is currently undergoing a major change with the induction of competition. The industry is at the threshold of a revolutionary change of environment which will have a significant impact on its various constituents viz. the suppliers, sellers, service providers and consumers of insurance products and services, it would be desirable that this revolutionary change process is harnessed effectively to serve short and long-term interest of the industry as well as the society at large.

Views of some eminent personalities on current developments in insurance sector was published in the Chartered Accountant (June 2003) in this publication, Rangacharya, N, Ex-Chairman, IRDA opines that the insurance managers need to understand more about the details that go into the formulation of insurance products to make it attractive in a competitive market. Overcoming challenges to development requires leadership, commitment, creativity, and flexibility. Besides helping in expanding the insurance coverage geographically it provides coverage so that “every family in every remote village in the country feels safe and secure.” This vision alone will help to bring the new ideas, as well as the capital and technical assistance, necessary to create viable insurance industry.

Kapoor, T. (2003), in his article entitled, “Issues and Challenges facing the Insurance Industry,” remarks that insurance industry of India has opened wide opportunities for service and infrastructure sectors. This growth has to be properly channelized. He further noted that the
some of the major challenges that have to address for channelizing growth of insurance sector are product innovation, distribution network, investment management, customer service and education. He further says that the competition will result in the market to grow beyond current rates and offer additional consumer choice through the introduction of new products, services and price options. Development of industry code of conduct, contributing to a common catastrophe reserve fund and chalking out agreements to settle claims to the benefit of consumer can be expected with concentrated efforts from all the players.

Gupta, N.D. (2003), in his paper entitled, "Insurance - A booming professional opportunity," observed that the insurance is the pooling of fortuitous losses by transfer of such risks to insurers who agree to provide other pecuniary benefits on their occurrence or to render services connected with the risk. It is the transfer of financial responsibility for the risk at the point of occurrence and conventionally involves the insurer in a commitment to pay. The insured is, thus, exchanging the uncertain cost of losses for certain and known cost of the premiums.

The insurance services lead to efficient and productive allocation of capital resources, facilitate growth of trade and commerce, substitute for government social security programmes and assist individuals and firms in efficient management of risks. He further points out that the insurance market may tremendously improve as India represents huge untapped market. However, globalization will certainly increase insurance penetrations and all professionals shall equip them to exploit the opportunities offered by this sector.
Joshi, N.N. (2003), in his article entitled, “Insurance Sector Reforms in India: the Emerging Scenario,” has pointed out that the insurance industry in India today, has a few enigmatic features. It is very old and yet it is very new. On the one hand it traces its origins in the ancient Aryan period and on the other it has reinvented itself in the year 2000. He further explains, that on the one hand it has awe-inspiring history, on the other hand it has set itself on a fast track for an awesome growth in the first decade of the new millennium. Be that as it may, it would be quite appropriate to say, that the Indian insurance market today is a great opportunity.

Sadhak, H. (2004) in his paper entitled “Insuring Life” concludes that since liberalization late 1999. The Indian Insurance market has achieved higher growth rate in Domestic Saving, and the higher propensity to save by the household sector has been maintained over a period. However, this growth rate has showed down during the last few years particularly. Since economic liberalization and basically due to growth in consumer expenditure and reduced rate of return on investment. The author focused on positive growth in economy, expansion of service sector and increase in household savings contributed significantly to the expansion of insurance market in India.

Bajpai, G.N. (2004), in his book entitled, “Marketing Insurance,” views that the managers of the Indian economy decided to liberalize the insurance sector, in tune with the philosophical shift of the economy towards globalization and marketization. The process of opening up of the nationalized insurance sector clearly outlines in new approach of the marketing, which is significantly divergent from the thinking that accompanied the liberalisation of other sectors in India or that of other
countries in the emerging economies. India’s proposition does not stipulate any limitation, except limiting the foreign ownership to 26 per cent, on the number of insurance companies to be licensed, lines of business to pursue and on the geographies or insurable segments to operate on. He further explains no wonder most countries from the mature insurance market have sponsored big-ticket companies with deep pockets. Apparently, each of the new entrants has a long-term view, not only of the Indian insurance market but also of the economy and they are not looking forward to a small pie of the market, but a substantial share. The battle for supremacy is expected to be fierce.

He further points out that on the eve of opening of the insurance sector and in the backdrop of the emerging insurance industry ethos he was privileged to lead the Life Insurance Corporation of India (LIC) which hitherto had a new-exclusive entitlement to operate in the life insurance market and of course, it was one of the most successful public sector undertakings in the country. The issue which was being hotly debated in every section of the media and was hunting the thoughts of the managers of the Indian economy, opinion makers and, in particular, the workforce of insurance can be euphemistically described as “what will happen to you.”

Baker, C. (2004), in his paper entitled, “The Liberalisation of India’s Insurance Industry,” concludes that since late 1999, the Indian insurance market has undergone major structural changes. The government monopoly was dissolved, private companies were permitted to operate, and brokers suddenly had a role to play in this country of one billion people where the untapped potential for insurance and reinsurance business is enormous. Nevertheless, impediments to an open and competitive market still exist in the form
of restriction on foreign investments, compulsory tariffs, and mandatory reinsurance cessions.

Kumar, J. (2004), in his article entitled, "Changing Scenario of Insurance Industry," has expressed his views that the consultation paper has been drawn up by the Law Commission on a comprehensive law by merging Insurance Act of 1938 and IRDA Act of 1999. The Chairman, Justice M.J. Rao has reacted that lot of provisions in the two Acts have become redundant and have to be removed in order to make it relevant to emerging changes and needs. The Government has favoured a comprehensive law including an alternate dispute resolution and appellate authority in line with that of the securities market and telecom sector. There is a need for a Regional Grievance Authority to resolve most of the insurance disputes referred to consumer forums. The main objective is access to justice.

The insurance disputes are not very often resolved through mediation and reconciliation. Consumer courts are made to interpret difficult insurance laws. The tendencies of insurers of not setting the claims taking advantages of the complex legal provisions, is increasing the burden on courts. The discrepancies in the case of nominations in life and general insurance sector are leading to litigations, which are not within the reach of common man.

Priyadarshini (2004), in his article entitled, "IT and IT Enabled Services for Indian Insurance," observes that the importance of Information Technology (IT) in insurance operations couldn't be over emphasized. Insurance companies are becoming increasingly dependent on IT, not only for the sake of efficiency and competitive edge but also to make IT as a dynamic tool to pro-act swiftly towards
incorporation of changes according to evolving insurance policy requirements.

Bhat, R. and Babu, S.K. (2004), conclude in their publication, "Health Insurance and Third Party Administrators: Issues and Challenges," that the health insurance protects people against catastrophic financial burden resulting from unexpected illness or injury. An efficient system ensures the pooling of resources to cover risks. Health insurance in India is at a nascent stage and contributes to a small proportion of the health expenditure. The Government through its state-run schemes such as the Employee State Insurance Scheme (ESIS), Central Government Health Scheme (CGHS) and the Mediclaim Scheme offered by Government-run Insurance Companies, has played a significant role. NGOs and community-based organizations such as SEWA offer a number of schemes for the poor and vulnerable groups to meet the high cost of healthcare. He further describes that the recently, the government allowed private insurance companies to offer health insurance products.

The Insurance Regulatory and Development Authority in India has paved the way for insurance intermediaries such as third party administrators (TPAs) to play a pivotal role in setting up managed healthcare systems. TPAs have been set up to ensure better services to policyholders and to mitigate some of the negative consequences of private health insurance. However, given the demand and supply-side complexities of private health insurance and healthcare markets, insurance intermediaries face immense challenges. IRDA has defined the role of TPAs as one of the managing claims and reimbursement. Their role in controlling costs of healthcare and ensuring appropriate quality of care is less well defined.
Introduction

Kaundal, Sandeep (2005) in his paper entitled “An early assessment of liberalization and insurance” conclude since post liberalization, the Indian Insurance Industry has come far and, to continue the trend there is a constant need to examine the key issue and outline possible trends, opportunities and challenges sector so that we can match international standard both in terms of market size and customer satisfaction. The biggest challenge for the industry today is the low levels of penetration. This challenge becomes bigger due to presence of host of other investment opportunities available to the consumer (like housing loans) and due to spending habits of younger generation which believes in consumption today rather than investing tomorrow. The LIC to some extent, can enable investments in infrastructure development to sustain economic growth of the country.

Objectives of the study

The following are the main objectives of the study:

- To study the investment avenues for insurance companies,
- To assess the overall performance of Life Insurance Corporation in pre-and post-liberalized period,
- To study the impact of liberalisation on Life Insurance Corporation,
- To examine the challenges for LIC in new competitive,
- To study the role of IRDA in liberalized insurance sector,
- To make an in-depth analysis of Investment Pattern of Life Insurance Corporation of India since 1991,
- To identify the problems, and suggest suitable measures for improvement and development of Investment pattern of LIC.
Introduction

Hypotheses

H1 That the legal framework and liability characteristics of the LIC impose quantitative and qualitative restrictions on the investment of funds and exclude certain investments from its portfolio.

H2 That the corporation's pattern of investment has preponderance of non-risky safe securities of govt. sector depriving the growing private sector from LIC investment

H3 That the insurance sector has undergone a change of complexion and character after privatization with impact on the volume of insurance business and market share of the Life Insurance Corporation.

H4 That the Life Insurance Corporation of India has been unable to effectively discharge, due to the pattern of its investment, its socio economic obligations emerging from the new environment of liberalisation, privatization and globalisation of Indian economy.

Methodology

With a view to accomplishing the objective of the study and for testing the hypothesis, which relate to the review of LIC’s pattern of Investment, the important sources available for garnering pertinent data are the published material and statutes. Accordingly, the major reliance is on secondary data and published reports of Life Insurance Corporations of India since 1991. The Annual Reports of Insurance Regulatory Development Authority (IRDA) have also been taken into account and relevant facts and figures obtained from them for the study. In addition, the data has been culled out from seminar papers, journals, bulletins and specialized study made by government bodies. The information has also been collected from various Ministries of Govt. of India, particularly the Ministry of Finance and Ministry of Commerce. Other government agencies, public and private libraries, insurance institutions and several divisional offices of LIC were also
visited to obtain the required information and statistics. The chief sources, however, have been the Life Insurance Corporation of India in Bombay and IRDA in Hyderabad. They made available the data regarding the insurance industry in India, volume of funds mobilized by the industry, the pattern of investment of insurance funds particularly the LIC of India, and the material and statistics related to the private players in insurance sector. The books, annual reports and Statistical Year Book, yearly review of Centre for Monitoring of Indian Economy (CMIE) and the Reserve Bank of India statistical publications, have also been consulted to supplement information and data available from all other sources. Appropriate statistical tools have been applied for the interpretation of data and deriving logical conclusions. Diagrams and graphs have been constructed and displayed to represent the information for understanding at a glance. Personal discussions with people in the insurance sector are the added tools that enriched the thoughts and made the study practical and realistic.

Plan of work

For the purpose of presenting this study relating to the investment pattern of the Corporation in an elaborate, comprehensible and right perspective, the layout of the study has been arranged into relevant and appropriate chapters.

Chapter-I introduces the problem and makes a review of the available literature on the subject. It also sets the objectives, hypothesis, research methodology and the plan of work.

Chapter-II deals with the life insurance in retrospects and prospects in India. It is split in three sections. The first section presents the evolution of insurance in India and the phases it has gone through till the development of Insurance in the present forum. Section-II explains the formation of the LIC, goes deep into its objectives, capital
structure, organizational structure and functional areas, and internal as well as external operation of LIC. Section-III deals with the opening up of the insurance sector and the entry of the private players into the insurance industry. It also throws light on the establishment of the Insurance Regulatory and Development Authority (IRDA), the role assigned to it and the steps taken by IRDA to regulate the insurance business in India.

Chapter III deals in detail with the working of the Life Insurance Corporation and highlights the policy portfolio of the Corporation. Various insurance products of LIC have been discussed and their classification into broad group has been made. The range of products of the LIC, their characteristics and benefits to the people, etc. have also been examined.

Chapter IV, makes a detailed and comprehensive study of the inflows of funds to the LIC. The chapter is split into three section. Insurance is the function of savings. Section-I examines in detail motives of savings, insurance contribution to the gross national savings, various other components of savings, their respective contribution to national savings and the growth of Gross Domestic Savings in India over the period of the study 1990-91 through 2004-05. Comparison of insurance penetration and density in India has also been made with countries chosen from all the five continents of the world.

Section-II discusses the inflows of Life Insurance premium funds to the LIC. It explains the individual sources of income and measures the contribution of each source to the aggregate pool of funds of the LIC. It also explain the changes that have taken place in the inflows of funds over the time-space of the study 1990-91 through 2004-05.

Section-III deals with the opening up of the sector to private insurers. It examines the progress made by these private players and
guage as the impact of privatization on the LIC which still functions as a Govt. insurance institution in the public sector. The market share of both LIC and the private insurers have been analysed and measured in quantum and percentages to total business of insurance industry in India.

Chapter V, makes a detailed study of the investment pattern of LIC. It examines in detail the influence of the nature of LIC’s liability characteristics and of the legal framework on the investment pattern of the LIC in terms of quantum and direction of investments. Each channel of investment has been thoroughly analysed and finally the consolidated pattern of investment is examined and its broad features have been highlighted.

The final chapter summaries the work, derives overall conclusions makes comments and suggestion for improvement in the consolidated comprehensive Pattern of Investment of LIC.

Limitation of Study

The study mainly bases itself on the information obtained right from the horse mouth. That is, information and data has been obtained from the Annual Reports of the LIC itself. The work is, therefore, representative of realistic facts and figures, analysed and discussed, and conclusions derived on their basis in the study. However, the LIC’s reports contain a change of format in certain years. As a result the uniformity and symmetry of information and data got impaired. In such a situation, attempt has been made to convert such data to the uniform standard for the sake of comparative analysis in the study. Human bias and error is possible in such a situation.

Based on this plan, the next chapter is devoted to the study of Life Insurance in Retrospect and Prospects.
References


18. Ibid.,


