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## Changing Products of Life Insurance Corporation of India After Liberalization-an Overview

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### INTRODUCTION

In response to the liberation of Indian economy, the Malhotra Committee (1993) on reform of insurance sector recommended many suggestions for restructuring the insurance business in India. Major suggestions of the Malhotra Committee may be summarized as follows:

- Ø Private Sectors should be allowed to enter in insurance business. It would provide consumer better choice in terms of the range, quality and price of insurance product.
- Ø Internal reorganization and technical up-gradation of LIC and GIC.
- Ø Sale of 50% of their equity to public. It would greatly enhance their managerial autonomy and accountability and enable them to respond effectively in competitive environment.
- Ø The GIC should cease to be the holding company of its four subsidiary companies and the latter should, therefore, function exclusively as Reinsurance Company.
- Ø Recognize the work of zonal offices of LIC for all intents and purposes; it should be the Head Office for all insurance and related matters in their jurisdiction. LIC's Central Office should concentrate on policy formulation, review and evaluation, product development, pricing and actual valuation, investment, personnel policies, system development and accounts.
- Ø Mandated investment of insurance companies shall be substantially reduced to enable them to give better deal to the insuring public and specially to improve the attractiveness of life insurance as a medium of long-term savings.
- Ø A strong insurance regulatory authority in the form of a Statutory Autonomous Board on the line of Securities Exchange Board of India (SEBI) should be established.
- Ø Three Postal Life Insurance (PIL) organizations should be permitted to transact life insurance business in the areas among general public.
- Ø Encouragement should be provided through appropriate tax incentive for pension plan as these have a vast potential and would be of special interest to self-employed professional and traders and those working in the unorganized sectors.

On the basis of the recommendation of the Malhotra Committee, the Interim Insurance Regulatory Body was set-up by the Narashima Rao Govt. H.D. Devegowda Govt. also in the first budget session announced setting up of a stationary body for insurance sector in India. On December 1999, the BJP govt. passed the Insurance Regulatory Development Authority (IRDA) Bill. Among other things following were the major contents of Bill.

- Ø Establishment of IRDA as a Body Corporate to regulate insurance business in the country.
- Ø Establishment of insurance Advisory Committee with not more than 25 members.
- Ø IRDA is to make guidelines and rules for insurance sectors.
- Ø Allowing the entry of private companies.
- Ø Fixing a cap of 26% for foreign equity, including foreign institutional investors.
- Ø Specifying percentage of life insurance business and

general insurance business to be undertaken by the insurer in the rural and social sectors.

The mission of the Government was to introduce a competitive insurance market along with the LIC, GIC and other private companies. Analysts say that people in the Asian countries are traditionally saving oriented. India has the highest rate (21%) of domestic savings in the world. This gives a hope to the private and foreign companies that India still has a very vast market for life insurance product.

### CHANGING PRODUCTS OF LIC

The LIC was established in the year 1956 with a main objective of spreading life insurance business widely to the rural, socially and economically backward classes in particular, with a view to reach all insurable person in the country and to provide adequate financial cover against death a reasonable cost. It was nationalized in 1956 so that it can serve as a public utility concern rather than private concerns. However, after the liberalization of insurance sector, the LIC has changed its product line by introducing various new policies to attract the public as a whole. Some of the major policies that have been introduced by the LIC after liberalization are as follows:

#### Health Related Policies:

In the pre-Malhotra Committee era, unlike today, LIC has not offered any health insurance policy but after 1993, LIC has introduced the following health related policies.

#### Ø Ashadeep:

It fulfills all the needs of endowment policy like life risk cover and maturity benefit. Moreover, it provides amount for medical expenses in case of the policy holder getting any one of the following diseases- (i) Cancer ( Malignant) (ii) paralytic Stroke leading to permanent disability (iii) Renal failure of both kidneys (iv) Heart diseases leading to bypass surgery. On contacting any one of these diseases, 50% of sum assured is payable immediately. After that, premiums need not be paid. 10% of sum assured is paid every year till the maturity or death whichever is earlier. At the time of maturity or death, 50% of sum assured plus bonus up to that is payable.

#### Ø Jeevan Asha:

Under this policy, the policy holder shall receive 2% of sum assured as survival benefit at the end of every second year towards health check-up. The first such periodic payment becomes due only on completion of 3 years from the date of commencement of the policy. In case the survival benefit is not opted for the policy holder can avail of an enhanced lump-sum benefit towards any health emergency at a later date. The policy holder shall be eligible for 20% to 50% of sum assured depending on whether the surgery is categorized as major or minor. The payments of fixed benefit against surgical treatment are also mentioned properly in this policy.

#### Children Related Policies:

##### Ø Jeevan Sukanya:

It is a policy exclusive for female children. Proposer of this policy may be father, mother or legal guardian. There is no

accident benefit or extended permanent disability benefit under this policy. No loan is available under this policy before vesting of the policy on the child when the child becomes 20 years old. On child getting married, risk cover will extended to her husband, thereby making it a joint life policy.

**Ø Children’s Money –Back Policy:**

This is a policy on a children’s life. Risk coverage starts from age 7 or 2 years from commencement of policy whichever is later. Premium is payable up to the age of 18 years of the child .After 18 years and 20 years ago of the child, 20% of sum assured is payable. After 22 and 24 years of the age, he/she receives 30% of the sum assured. At 26 years of age, he/she receives bonus up to that period. Premium waivers and family benefit is also available under this scheme, subject to the payment of extra premium.

**Ø Jeevan Chaya:**

Jeevan Chaya is a policy, which was introduced to make adequate financial provision for higher education of children who agree less than one year old on the date of proposal. Instead of insuring the life of the child, life of the child, life of the parent is insured. Even an unmarried person can take this policy for providing security for children like, nieces or nephews who are dependent on them.

**Ø Komal Jeevan:**

This is Money Back Plan for children. The Payment of Premium Ceases on the Policy anniversary coinciding with or immediately following the completion of 17 years of age. Either father or mother can become the proposer of this policy. But to become a proposer the mother must have her own income. In case of if both the parents are not alive, then legal guardian can be the proposer of the policy. Again, close relatives of the child e.g. grand parents, uncles (maternal or paternal), elder brother, elder sister etc. can gift this policy as single premium policy for love and affection. However, in this situation proposer should be either father or mother or legal guardian.

**Ø Child career plan and child Future plan**

These two plans are meant to meet educational and other needs of growing child and also provide risk cover on the life of the child not only during the policy terms but also during the extended term. Extended term will be 7 years form the date of expiry of policy term, i.e., 7 years from maturity age. Premiums are to be paid till start of Survival Benefit or for 6 years from the Date of Commencement of the policy. Either father or mother can be the proposer of this policy. But to become a proposer of the policy the mother must have her own income. In this policy the Grand Parents can also propose the proposal subject to the consent of child parents. If both parents are died then legal guardian can be a proposer of the policy.

**Plan for Periodic payment with rising insurance cover:**

**Ø Jeevan Suravi:**

This is money back policy. A part of sum assured is returned to policyholder at regular interval. Premium payable term is less than policy term. The life risks cover increases by 50% of basic sum assured once in every five years.

**Ø jeevan Sanchary:**

This policy is like a money back policy, but features of this policy are slightly different. Instead of bonus, a guaranteed addition of Rs.70 per thousand sum assured is given at maturity or at per-mature death. A loyalty addition is also payable on maturity or pre-mature death. Accident benefit, subject to a maximum of Rs.5 lakhs is paid in case of death by accident.

**Pension Policies:**

**Ø Jeevan Shuraksha:**

This plan is intended to help individual to provide retirement income through savings during their working life. The scheme is introduced specially for the self-employed professionals, businessmen, employees who do not enjoy full pension benefit, like govt. servant. The scheme offers two basic options ‘with insurance’ scheme, option provides an insurance cover

during the deferment period (i.e. the period when the scheme members are paying their installments). Thus, if the policy holder dies during this period his/her spouse will be entitled to a minimum 50% of the pension that the policy holder was to be entitled to, from that death till his/her death. If there is no spouse then the nominee will get the lump sum or certain annuity if the policy holder had opted for such an option. Within these two options there are five options:

- (i) Pension for Life
- (j) Pension guaranteed for five years and life thereafter
- (k) Pension guaranteed for ten years and life thereafter
- (l) Pension guaranteed for fifteen years and life thereafter
- (m) Joint life or last survivor option

**Ø Jeevan Sarita:**

It is a joint life policy for husband and wife. In this policy monthly pension is payable for whole life after the maturity period. On expiry of the policyholders, legal heirs or nominees are entitled to some payment. No lone is permissible under this policy. Besides the above-mentioned policies the LIC has also introduced some more policies for meeting the needs of the diverse sections of the society .Chief among these are as follows with its nature and name:

Nature of the Policies	Name of the policies
Low premium better risk with 10 years free insurance covers	<b>BIMA KIRAN</b>
Multiple cover life insurance policy with triple covers	<b>JEEVAN MITRA</b>
Key-man insurance	<b>JEEVAN SHRI</b>
A single premium policy for children education with monthly	BAL VIDYA
Short term multiple benefits insurance	<b>BIMANIVESH AND NAVPRABHAT</b>
Plan Exclusively for Women	JEEVAN BHARITI
Unit Link Health Insurance Plan	HEALTH PROTECTION PLUS
Single Premium Money Back Plan	BIMA BACHAT

A part from these, now LIC has also increased the maximum age of entry at 70 and age of maturity at 75 years. Whereas, in the pre-liberalized era the maximum age of entry was at 60 years and maturity age was at 65 years. It has also enhanced its bonus rate.

**Findings and conclusion:**

The aforesaid analysis shows that after liberalization and the subsequent privatization in the insurance sector, LIC has been changing its product lines to face the stiff competition with private companies. By introducing new policies, enhancing the bonus rate, providing better services to its customers through front office computerization (from July,1995) etc, the LIC has tried to maintain a lion’s share in the competitive insurance market,

It may be concluded here that LIC, as old organization in insurance sector, has given a better service to the consumers. By changing its products lines (after liberalization) it could able to expand its business in terms of premium collection, profit earning, branch expansion and strengthening the financial position. If this trend continues L IC has the real possibility of becoming a potential front runner in the insurance market in the near future.

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