



Development of Life Insurance Corporation of India

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ABSTRACT

Spread Life insurance business more widely at all India basis and particularly to the rural areas and to the weaker sections of the society at a reasonable cost with the objective of linking more and more people with life insurance.

Keywords : Development of Life Insurance Corporation of India

Life insurance is a contract between a person and an insurance company for a number of years covering either the life time period or a fixed number of years.

(1) Establishment : The Government of India has nationalised 245 private sector insurance companies by passing an ordinance on 20 January, 1956. The Life Insurance Corporation of India was established on 1 September, 1956 under the Life Insurance Corporation of India Act, 1956. Its head office is situated at Mumbai. Besides this, there are 7 zonal office at Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Kanpur and Bhopal operate through 100 divisional office in important cities and more than 2048 branch offices. It is wholly owned by the Government of India with a initial capital of Rs. 5 crore. The LIC collect large amounts of funds from the general public to provide insurance cover and use part of his funds to give long term loans to the corporate sector or to acquire industrial securities from the market. Because of the large funds it is able to mobilise the operations in the stock market.

(2) Objective: The main objective of the LIC is mobilise saving of the public to specifically invest in the industrial securities. It carries on the business of life insurance and deploy the savings to the best advantage of the policy-holder and the community as a whole. Apart from industrial finance LIC deployed a large part of the funds as loans to assist the development of social overheads like housing, rural electrification, water supply and sewerage schemes. The main objectives of LIC are as follow securities was:

- (i) To attract more and more saving of the people by liking them with life insurance.
- (ii) Investment of funds in the securities to the best advantage of the investors and provide them profitable return on their investment with safety of capital.
- (iii) Provide social securities by insuring the risks related to life.
- (iv) Act as the trustee of the insured public in their individual and collective capacities.
- (v) Conduct with utmost economic and with full realisation that money belongs to the policy-holders.

(3) Investment Police of LIC : LIC is a powerful and effective investment institution of India. LIC invested its funds in

almost all the sectors of Indian economy. It has large affect in the capital market of India. No part of economic activity has been un-touched by the activities of LIC. The corporation has contributed in the share capital of public sector companies, quasi-corporations and industrial and business houses. It has provided funds to the central government, State Government and Government and semi-government institutions. LIC is the trustee of public funds. There fore, it is the responsibility of the corporations to invest public funds wisely, carefully and efficiently with a sense of responsibility. Funds should be invested carefully with the twine objectives of safety and gainful and regular return. Fro safety point of view LIC invests its funds in government securities and from gainful, sufficient and regular return point of view it invests funds in stock and private securities.

The present investment policy of the LIC is as below:

- (i) At least 50% of the increase in controlled funds invested in the securities of the central and state government.
- (ii) 25% of increase in controlled funds is invested in social welfare schemes such as electrification, water supply, road transport, establishment of industrial colonies etc.
- (iii) 10% of the so increase in the controlled funds into shares, bond, debentures and direct loans.
- (iv) 8% of the increase in controlled funds used in loans to policy-holders and 2% invested in construction of buildings and immovable properties.
- (v) Remaining 5% is kept as reserves and not used for investment.

(4) Functions of LIC: in order to meet out its objectives the LIC performs following functions:

- (i) The LIC performs functions related to underwriting of share and debentures of the companies and provide life insurance and reinsurance services to individuals and groups.
- (ii) Secured and profitable investment of its funds and receive payment of investment at the time of maturity and take necessary steps for the management of assets kept against security of investment.

- (iii) Sale and purchase of any assets to conduct its business successfully.
- (iv) If it is desirable and in the interest of the corporation transfer life insurance business out of India to any other persons or institutions.
- (v) To grant loans on the security of assets and other securities.
- (vi) If find suitable grant loans on securities of other wise.
- (vii) If any business transferred to LIC, manage such business or supervise and operate such business or company.
- (viii) Conduct any business or perform such functions which are in the best interest of the corporation.
- (ix) To perform all such functions which are helpful in achieving objectives of the corporation.
- (x) Borrowed finance by using any method or on the basis of any security, whatever thinks proper by the corporation.
- (5) Progress of LIC: As on 31 March, 2009, LIC has 13, 44,856 agents spread all over the country. The LIC also transacts business abroad and has offices in Fiji, Maurities and UK. LIC is associated with joint ventures abroad in the-field of insurance.
- During 2008-09, the total new business under individual asurances was Rs. 3, 95, 755 crore under 359 lakh policies. The sum assured in respect of the conventional group insurance business was Rs. 2812 crore under Death claim cases, Rs. 34, 744 crore under Maturity claims and Rs. 9, 732 crore under annuities.

Progress of LIC business (Rs. crore)

S. NO	ITEMS	2006-07	2007-08	2008-09	2009-10
(A)	New business for the year				
1.	Individual Assured				
	Sum Assured	33,03,213	52,79,692	33,95,755	44,34,755
	No. of policies	3382	3376	3359	3389
	Group Schemes				
2.	Sum Assured	1,52,962	67,923	75,666	85,097
	No. of Schemes	20,717	22,604	21,335	23,763
3.	No. of lives (lakh)	141.5	267.4	318	387
(B)	Business Inforced at the end of the year				
	Individual Assurance				
1.	Sum Assured	17,79,624	19,88,027	23,23,351	24,26,665
	No. of policies	2,126	2,340	2,580	2,783
	Group Schemes				
2.	Sum Assured Annuities per Annum No. of schemes	3,24,716 1,17,929	3,10,161 1,35,367	4,21,728 1,28,116	4,63,117 1,03,993
3.	No. of Lives(lakh)	419.02	510.79	647	834

Source : Annual Report of LIC, 2009-10

It is evident from the above table that LIC has made significant progress in all fields. During 2003-04 the LIC has corporation has sanctioned Rs. 21,974 crore and disbursed Rs. 15,782 crore as financial assistance to various sectors. During 2008-09, LIC has sanctioned term finance and other financial assistance amounting to Rs.65, 009 crores and distributed Rs. 56,434 crore.

(6) Investment of LIC: Basically the life insurance Corporation is an investment institution. The corporation invests its funds mainly to the public sector, private sector, joint sector and cooperative sector and cooperative sector. The investment position of LIC different years and different sectors has shown in the following table:

Investment by LIC
(At the end of March) (Rs.crore)

S. No.	Items	2005-06	2006-07	2007-08	2008-09
1.	Total funds Available	117	293	308	335
2.	Total Investments	166	279	293	320
3.	% Return on Investments	6.54	6.98	5.34	9.15

About 85% of the total Investments of LIC deployed in public sector, followed by private sector with a share of 13.64%. The joint sector share in LIC investment is about 1.29% and a very small part of the total investment of LIC deployed in cooperative sector.