

LIFE INSURANCE CORPORATION OF INDIA: A GIANT IN INDIA'S INSURANCE SECTOR

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ABSTRACT

INTRODUCTION

The history of life insurance in India started after the establishment of a British firm, Oriental Life Insurance Company at Calcutta in 1818 and Bombay Life Assurance Company in 1923. Before the establishment of Bombay Mutual Life Assurance Society (the Indian insurance company) in 1871, the Indian lives were treated as sub-standard and charged extra premium of 15 to 20 percent. The Bombay Mutual Assurance Society was covering Indian lives at normal rates. The Madras Equitable Life Insurance Society in 1874, Bharat Insurance Company in 1896, Hindustan Co-operative Insurance Company (Calcutta) in 1907; the Indian Mercantile, General Assurance and Swadeshi Life (Bombay Life) were also established during the same period. To regulate the life insurance business, the government passed the Indian Life Assurance Companies Act in 1912.

OBJECTIVES OF THE STUDY:

The study has following objectives,

1. To know the importance of insurance in risk management
2. To study the history insurance in India,
3. To study the performance of Life Insurance Corporation of India and
4. To know the competitors of Life Insurance corporation of India.

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METHODOLOGY:

The secondary data is used for the study.

The paper contains Objectives, Need for Study, Functioning of LIC under State Control, Life Insurance Corporation of India, Progress and Performance of LIC Business in India, Revenue Details of LIC, Functioning of LIC in the Globalized Market, Major Players in the Insurance Sector in India and Conclusion.

INTRODUCTION:

The history of life insurance in India started after the establishment of a British firm, Oriental Life Insurance Company at Calcutta in 1818 and Bombay Life Assurance Company in 1923. Before the establishment of Bombay Mutual Life Assurance Society (the Indian insurance company) in 1871, the Indian lives were treated as sub-standard and charged extra premium of 15 to 20 percent. The Bombay Mutual Assurance Society was covering Indian lives at normal rates. The Madras Equitable Life Insurance Society in 1874, Bharat Insurance Company in 1896, Hindustan Co-operative Insurance Company (Calcutta) in 1907; the Indian Mercantile, General Assurance and Swadeshi Life (Bombay Life) were also established during the same period. To regulate the life insurance business, the government passed the Indian Life Assurance Companies Act in 1912.

There were 176 insurance companies with the total business of Rs.298 crore in 1938. In 1938, the Insurance Act was passed. This Act was governing not only life insurance, but also non-life insurance and total insurance business.

NEED FOR THE STUDY:

The insurance sector is gaining importance in these days. The role of insurance is very important in the management of risk. In the today's complex life, insurance has got prime place. The insurance sector has wide avenue for investment and attracting foreign investors and

companies in insurance. Many private insurance companies have reached India and competing with LIC, the public sector institution.

The study is essential to study the performance of LIC among private competitors in the globalized era to diagnose the actual problems faced and find solutions.

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FUNCTIONING OF LIC UNDER STATE CONTROL:

The insurance business was carried on by 154 Indian, 16 non-Indian insurance companies and 75 provident societies, in 1956. During those days, insurance service was not extended to rural areas, but was confined only to cities and better-off segments of the society. The parliament, by passing the Life Insurance Act of 1956, nationalized the insurance business and created the Life Insurance Corporation of India on 1st September 1956 with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country at reasonable cost.

On the occasion of the nationalization of the Life Insurance Corporation, Prime Minister Jawaharlal Nehru said, "The nationalization of life insurance is an important step in our march towards a socialistic society; its objective will be to serve the individual as well the state. We

require life insurance to spread rapidly all over the country and to bring a measure of security to our people”.

After nationalization, the LIC has extended its service to larger geographical area. In 1957, LIC had only 5 Zonal Offices, 33 Divisional Offices and 212 Branch Offices. The business of LIC increased from Rs.200 crore in 1957 to Rs.1000 crore in the year 1969-70. Now the LIC functions with 2,048 fully computerized Branch Offices, 100 Divisional Offices, 7 Zonal Offices and Corporate Offices (as on 31-3-2005).

Insurance in Private Sector and Public Sector:

The names of few of the major insurance companies in public sector are:

- Life Insurance Corporation(LIC) of India
- Oriental Insurance Limited
- National Insurance Company Limited

Life Insurance Corporation of India:

In 1956 the Life Insurance Corporation (LIC) of India is established and is the largest life insurance company in India owned by the Government of India. Headquarter of LIC is in Mumbai. At present it has 7 Zonal Offices and 100 Divisional Offices situated all around the country and has 2048 branches located in different towns and cities of India, LIC also has a network of around one million agents who solicit life insurance policies to the public.

Existing as a gigantic insurance company for over 50 years, LIC has acquired almost monopoly power in the solicitation and sale of life insurance policies in India. LIC has extended its activities in 12 countries other than India with the objective of catering to the insurance needs of Non Resident Indians.

The enforcement of New Economic Reforms in 1991 coupled with the formation of Insurance Regulatory and Development Authority Act (IRDA) of 2000 started issuing licenses to private life insurers and it has diluted the monopolistic attitude commanded by LIC. The only insurance company belonging to the public sector now has to compete with several other

corporate entities of its kind which often are heavyweight Indian as well as Multinational Life Insurance Brands in themselves.

Table- 1. Progress and Performance of LIC Business in India

Year	In India		Out side India	
	No. of policies	Sum Assured	No. of policies	Sum Assured
2005	787,530	276.50	5,055	5.40
2006	549,652	187.69	17,956	12.33
2007	7,70,681	238.30	35,461	20.33
2008	7,24,365	230.34	32,682	17.65
2009	5,61,336	155.20	30,441	14.66
2010	5,90,256	169.10	31,050	15.58

Source: *Trust with Trust, the LIC Story 2010 Edition*

Progress and Performance of LIC Business in India:

The following table reveals the figures of completed new business for the years 2005 to 2009.

The performance of LIC during the initial two years is considerable improvement in business, giving substance to the corporation's objective of extending benefits of life insurance to the maximum number of people in the country.

Over the last three decades In India, the Life Insurance Business has grown tremendously. The progress of Life Business of LIC can be evaluated by various parameters such as growth of new business, performance of business in force.

During the period from 2005 to 2010, the progress of Life Insurance business can be measured on the basis of gross premium income and net premium income. The term gross

premium refers to the total premium earned from the customers. The insurers normally avail reinsurance on their policies to hedge against huge losses affecting their financial position for which they pay a portion of the premium earned. The term net premium refers to the premium after paying premium to reinsurers for their reinsurance protection.

Table No. 2 shows the number of schemes and members at the end of the year. The insurance coverage of the group superannuation schemes have increased continuously in terms of the number of lives covered. The number of new schemes offered every year has shown an increasing trend. The number of new lives covered has a fluctuating trend, growing sharply in some years while falling during some years and growing steadily during the remaining years. Under new schemes most of the new lives covered every year are accounted for by lives covered.

TABLE:2. Performance of LIC Business

Year	Number of Schemes	Total number of members (in Million)
1995-1996	2,405	2.32
1996-1997	2,600	2.43
1997-1998	2,806	2.54
1998-1999	3,040	2.69
1999-2000	3,314	3.14
2000-2001	3,642	3.54
2001-2002	3,977	4.19
2002-2003	4,349	5.54
2003-2004	4,719	6.71
2004-2005	4,963	7.54
2005-2006	5,246	8.09
2006-2007	5,753	8.84
2007-2008	6,109	9.8
2008-2009	6,461	10.86
2009-2010	6,750	12.01

Source: LIC annual reports

REVENUE DETAILS OF LIC:

The LIC has gross premium is Rs.73, 571 million and net premium income was Rs. 89,856 million in the year 2004 -05. Gradually it has increased. In the year 2007-08 it has got gross premium income with first premium income of Rs.88, 540 million and net premium income Rs.1, 22,731 million. The net premium income was Rs.1.40.231 million in the year 2009-10 the company has been earning the gross premium income of Rs. 339,861 million and net premium income of Rs. 281,253 million. The table given below shows that the growth of premium income of India life insurance from 2005 to 2010.

Table: 3. Income Details of LIC:

Year	Gross Direct premium Rs in Million	percent Total	Net Premium Income	percent Total Rs in Million
2004-05	73,571	12	89,856	10.2
2005-06	84,025	13	91,575	12.5
2006-07	93,634	17	99,822	14.5
2007-08	1,02,721	17.6	1,07,712	18.8
2008-09	88,540	19.4	1,22,731	20.4
2009-10	90.601	21	1,40,231	23.6
Total	339,861	100	281,253	100

Source: *Trust with Trust, the LIC Story 2009 Edition.*

FUNCTIONING OF LIC IN THE GLOBAL MARKET:

Whenever the foreign companies are coming and trying to attract the Indian customers, why not our LIC to go and compete in the foreign countries? Psychologically, most of the Indians are with LIC only. They have less faith on private insurance companies than on LIC. No doubt the LIC is not keeping quiet in giving competition and extending variety of services in other countries. The **vision** of the LIC is to become “a transnational competitive financial

conglomerate of significance to society and pride of India". The LIC's **mission** is to "explore and provide services of assured attributes with competitive returns, and render resources for economic development."

The Life Insurance Corporation of India operates directly through its Branch Offices in Mauritius at Port Louis, in Fiji at Suva and Lakota, and in England at Wimbledon. On 31st March, 2005, the total business of these foreign branches was 436.50 million US \$ and the number of total policies was 99,998. A subsidiary of LIC, LIC International BSC(C) Bahrain, established in Bahrain in 1989, covers the life insurance of NRI in the Gulf by issuing policies in dollars. The company registered 10,852 policies for a sum assured of 106.11 million US \$. On 3rd December 2001, a joint venture between LIC of India and M/S. Vishal Group of Companies in Nepal was launched and completed 20,985 policies with sum assured of NRs.251.19 crore, on 15th July 2004. On 1st March 2003, a joint venture company between LIC of India and M/S. BarHeet Group of Companies Ltd. was launched and completed the business of 8,958 policies for a sum of 136.50 crore SLR. The LIC of India and General Insurance Corporation of India are likely to commence its operations shortly in joint venture. The following table shows different companies in insurance sector in India.

Major Players in the Insurance Sector in India

Table. 4. Major Players in the Insurance Sector in India

S. No.	Date of Reg.	Name of the Company
1	23-10-2000	HDFC Standard Insurance Company Ltd.
2	23-10-2000	Royal Sundaram alliance Insurance Company Ltd.
3	23-10-2000	Reliance General Insurance Company Ltd.
4	15-11-2000	Max New York Life Insurance Company Ltd.
5	24-11-2000	ICICI Prudential Life Insurance Company Ltd.
6	04-12-2000	IFFCO Tokyo General Insurance Co. Ltd.
7	10-01-2001	Kotak Mahindra Old Mutual Life Insurance Ltd.
8	22-01-2001	TATA AIG General Insurance Co. Ltd.

9	31-01-2001	Birla Sun Life Insurance Co. Ltd.
10	12-02-2001	TATA AIG Life Insurance Co. Ltd.
11	30-03-2001	SBI Life Insurance Co. Ltd.
12	02-05 2001	Bajaj Allianz General Insurance Co.Ltd.
13	02-08-2001	ING Vysya Life Insurance Co. Pvt. Ltd.
14	03-08-2001	ICICI Lombard General Insurance Co.Ltd.
15	03-08-2001	Bajaj Allianz life Insurance Co.Ltd.
16	06-08-2001	Metlife India Insurance Co.Ltd.
17	03-01-2002	AMP Sanmar Life Insurance Co. Ltd.
18	14-05-2002	Aviva Life Insurance Co. India Pvt. Ltd.
19	15-07 2002	Cholamandalam General Insurance Co. Ltd.
20	27-08-2002	Export Credit Guarantee Corp. Ltd.
21	27-08-2002	HDFC-Chubb General Insurance Co. Ltd.
22	06-02-2004	Sahara India Insurance Co. Ltd.
23	17-11-2005	Shriram Life Insurance Co. Ltd.

CONCLUSION:

In the today's complex and busy life risk is at every step. The insurance in these days has become essential for managing risk. The insurance company is the only company which prays for longer life of insurer. The LIC is efficiently functioning among many competitors in the field and not given up its place to any competitor. People of India have more faith and confidence in LIC. Hence retaining, maintain and developing confidence is essential factor and it has to give more attention towards innovative policies.

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