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## GROWTH AND DEVELOPMENT OF LIFE INSURANCE CORPORATION OF INDIA

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### Abstract:

*Numerous an individuals partner extra security item with death and not as an instrument of speculation. Protection division was opened to advertise protection item as an indication of venture. Around 1993, the Government of India chose to attempt structural changes in the protection division and forward to open up this part for private interest. Hence, on December 7, 1999 parliament passed the Insurance Regulatory and Development Authority (IRDA) Act which prepared for allowing licenses to private area insurance agencies. After privatization of the protection segment more than twenty extra security organizations have entered the business. Thusly, imposing business model of LIC of India has arrived at an end and the Corporation needs to perform in an aggressive domain. The present study is an endeavor to inspect the development of LIC of India in the aggressive situation.*

### KEYWORDS:

Insurance, Death , Individuals Partner , Extra Security LIC...

### INTRODUCTION:

Actual opening up of the insurance sector in India was preceded by a serious debate about the pros and cons of liberalisation. The following two questions of policy were discussed: Would privatisation mean only selling of public sector units to private parties? Or would it be possible and advantageous to allow public sector company (LIC) to continue and simultaneously encourage the entrance of private sector? It was concluded that the coexistence of both the public and the private units would definitely benefit the economy. Malhotra Committee on Reforms in the Insurance Sector favoured for mixed arrangement of public and private sector insurance companies. Therefore, India adopted for the latter alternative viz. to generate competition without dismantling the public sector. The setting up of the Insurance Regulatory and Development Authority (IRDA) was a clear signal of the end of the monopoly in the insurance sector. It has become imperative for LIC to face the competition posed by the entry of new private players. If under this pressure, Life Insurance Corporation of India improves its performance, the whole economy will be benefited. The present study is an attempt to examine the performance of LIC of India in this competitive age.

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## GROWTH AND DEVELOPMENT OF LIFE INSURANCE CORPORATION OF INDIA

### FIRST INSURANCE, NEW BUSINESS INSURANCE AND BUSINESS IN FORCE:

First Insurance means people first time insured their lives who have no previous life insurance on their lives. One of the objectives of nationalisation of the Life Insurance Corporation of India was providing insurance coverage to more and more persons in the country. In pursuance of this objective, LIC has provided insurance coverage to many new persons who have no previous insurance on their lives.

**Table 2.6**  
**First Insurance**

Year	No of persons insured (In Lakhs)	%of Growth	Sum Assured (Rs in Crore)	% of Growth	Ratio of First insurance to total business (Policies)	Ratio first insurance to total business (Sum Assured)
1991	64.98	-	20,152.99	-	75.2	71.6
1992	68.76	5.82	22,806.20	13.17	74.4	71.1
1993	71.47	3.94	24,736.60	8.46	71.8	68.8
1994	77.02	7.77	28,618.16	15.69	71.8	68.4
1995	76.90	-0.15	37,040.49	29.43	70.71	67.07
1996	76.63	-0.35	33,884.32	-8.52	69.53	65.39
1997	84.55	10.34	36,935.63	9.00	68.91	65.10
1998	92.55	9.46	41,576.45	12.56	69.53	65.35
1999	107.53	16.19	50,845.63	22.29	72.4	67.5
2000	125.35	16.57	61,915.50	21.77	74.2	68.2

The above Table shows that the number of persons insured was 64.98 lakh in 1990-91; the same was increased to 125.35 lakh in the year 1999-2000. It has shown an increasing trend except in the year 1996. The number of persons insured as at 31 March 2000 has increased nearly by two times over that of the business in 1990-91.

Similarly the first insurance in terms of sum assured has shown increasing trend throughout the study period. It was 20,152.99 Crore in the year 1990-91, which rose to 61,915.50 Crore in the year 1999-2000. This is more than three times during the period. During the year 1994 LIC did well in insuring maximum individual with more sums assured as compared to 1993. But 1995 business in terms of sum assured has increased in relation to the no. of persons insured. This is due to introduction of Bima Kiran Plan in the 1995, which gives maximum risk coverage with low premium.

The table also reveals that ratio of first insurance to total business in terms of policies is more than that of ratio of first insurance to total business in terms of sum assured Hence it is clear that there has been horizontal growth in the LIC business.

### TOTAL NEW BUSINESS :

Operational efficiency of any institution particularly a service organisation, can be assessed through a variety of factors. One of the major yardsticks to measure such efficiency is the growth of new business. The new Business of LIC means the business contracted during a financial year. The progress under the total new business has been shown under three parts i.e. i) Individual Insurance, ii) Group Insurance and iii) total insurance.

### INDIVIDUAL INSURANCE :

The aim of nationalisation of Life Insurance business was to spread the gospel of insurance as far and wide as possible so that the benefits of insurance may be available to beyond the more advanced areas well into the hitherto neglected rural areas. In pursuance of this objective LIC is consciously trying to spread its business as far and wide as possible. The following table No. 2.7 reveals that the new business in terms of policies shows increasing trend.

But, as far as the percentage increase over previous year is concerned, it is clear that up to 1994 it was satisfactory and ranged from 6.86 to 7.79 percent. But in the year 1994-95 it declined to 1.40 and it further declined to 1.39 per cent in the year 1995-96. This is due to the introduction of Bima Kiran plan in the year 1995.

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The new business in terms of sum assured shows increasing trend. During the period of ten years it has increased more than three times. The year 1994-95 shows the highest growth rate percentage over the previous year i.e. 32.03. This is due to the previous explanation i.e. introduction of Bima Kiran plan, which is again effected in the year 1995-96, which shows negative growth rate of -6.12 percent growth over previous year. But from 1996-97 onwards to 1999-2000 the percentage of growth rate over previous year shows an increasing trend. LIC's performance in this respect is good.

### New Business Progress - Individual Insurance

Year	No. of Policies in Lakhs	% of Growth	Sum assured Rs. in Crore.	% of Growth
1991	86.54	-	28,239.10	-
1992	92.48	6.86	32,196.30	14.01
1993	99.68	7.79	36,115.80	12.17
1994	107.38	7.72	42,012.90	16.33
1995	108.88	1.40	55,468.82	32.03
1996	110.34	1.34	52,071.53	-6.12
1997	122.81	11.30	56,993.94	9.45
1998	133.25	8.50	63,927.83	12.17
1999	148.57	11.50	75,606.26	18.27
2000	169.89	14.35	91,490.94	21.00

### GROUP INSURANCE:

Under this kind of insurance, a master policy is issued by LIC providing coverage to a number of persons in organised groups. This is the cheapest form of insurance and very helpful for employers to provide insurance protection and retirement benefits to their employees at a low cost and owing to this, it is gaining popularity in Life insurance market in recent years. The premium under the group insurance policies is subject to revision on the basis of mortality experience of the group. Recently, it has been introduced amongst self-employees, professionals and some groups of working population, who pay premium on their own. This group insurance is divided into two parts i.e.

- Group Insurance including group gratuity, and
- Superannuation Schemes.

### New Business under Group Insurance (Including Group Gratuity)

Year	No. of Schemes	No of Members (In Lakh)	Sum Assured (Rs. in Crore)	% of Growth.
1991	115.48	14158	25,912.08	-
1992	122.93	15651	28,941.78	11.69
1993	64.65	17775	39,906.65	37.88
1994	65.29	38587	38,728.88	-2.95
1995	67.72	21081	50,651.85	30.79
1996	90.78	22724	62,718.50	23.82
1997	83.81	22378	62,691.88	-0.04
1998	86.40	22718	75,148.22	19.87
1999	88.32	21671	69,558.14	-7.44
2000	92.66	23493	66,619.43	-4.22

Above Table shows that the total new business under group insurance scheme has shown fluctuating growth trend in all the cases i.e. in case of number of schemes, number of members and sum assured, during the period 1991 to 2000. The percentage of growth over previous year has shown negative growth rate in case of sum assured in 1994, 1997, and 1999 and in 2000. Thus, the performance of LIC of

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India in respect of new business under group insurance scheme is not satisfactory and LIC of India ought to look into this matter.

### NEW BUSINESS UNDER GROUP INSURANCE SUPERANNUATION SCHEME :

LIC has introduced this scheme to provide pension (annuity) benefits to the retired employees when they are old and not able to earn for their maintenance. It is an effective kind of Social Insurance Scheme, where employees are assured for their old age provisions.

#### New Business under Group Superannuation Schemes

YEAR	No.of Schemes	%of Growth	No.of Members	%of Growth	Sum Assured	%of Growth
1991	275	-	193518	-	10.31	-
1992	306	11.27	237850	22.91	12.30	19.30
1993	249	-18.63	269371	13.25	14.42	17.24
1994	273	9.64	313662	16.44	18.17	26.00
1995	328	20.15	354368	12.98	24.24	33.41
1996	353	7.62	418982	18.23	59.33	144.76
1997	373	5.67	554104	32.25	92.87	56.53
1998	393	5.36	572544	3.33	145.00	56.13
1999	369	-6.11	753595	31.62	132.42	-8.68
2000	323	-12.47	808889	7.34	138.92	4.91

In above table it indicate an increasing trend in case of number of members as well as in case of sum assured except in the year 1999 where sum assured trend has decreased. The percentage of growth over previous year is not uniform. The year 1996 experienced higher percentage of growth over previous year i.e. 144.76 percent.

As far as the number of schemes is concerned, it has shown negative growth rate in the year 1993, 1999 and 2000.

### TOTAL NEW BUSINESS:

The Total New Business of LIC includes individual insurance, Group Insurance and superannuation scheme business.

#### Total New Business -Sum Assured (Rs. in Crore)

Years	Total New Business (Sum Assured)	% of Growth
1991	54161.49	-
1992	61150.38	12.90
1993	76036.87	24.34
1994	80759.95	6.21
1995	106144.91	31.43
1996	114849.36	8.20
1997	119778.69	4.29
1998	139221.05	16.23
1999	145296.82	4.36
2000	158249.29	8.91

The above table shows that the total new business in terms of sum assured has shown increasing trend during the period 1991 to 2000. But percentage of growth over previous year has shown fluctuating trend.

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**New Business Policies and Average Sum Assured per Policy.  
(Individual Insurance)**

Year	No. of Policies in lakh	%of Growth	Sum Assured (Rs.in Crore)	Average Sum Assured	%of Growth
1991	86.54	-	28,239.10	32,631	-
1992	92.48	6.86	32,196.30	34,814	6.69
1993	99.68	7.79	36,115.80	36,232	4.07
1994	107.38	7.72	42,012.90	39,125	7.98
1995	108.88	1.40	55,468.82	50,944	30.20
1996	110.34	1.34	52,071.53	47,192	-7.36
1997	122.81	11.30	56,993.94	46,408	-1.66
1998	133.25	8.50	63,927.83	47,976	3.38
1999	148.57	11.50	75,606.26	50,889	6.07
2000	169.89	14.35	91,490.94	53,853	5.82

The above table shows that the number policies and sum assured are showing increasing trend. But the percentage of growth of average of sum assured has declined in 1997; it is -1.66 this is because of title decrease in average sum assured. This shows that LIC failed in selling larger number of policies with smaller amount except the year 1999.

The total number of policies and average sum assured per policy. The numbers of policies are increasing throughout the period up to 2000. There is increasing trend over previous year and has shown the highest percentage of increase in the year 2000 i.e. 14.35 per cent. During the years 1995 and 1996 the percentage increase over previous year was not satisfactory. It was just 1.40 and 1.34 percent respectively. Sale of Bima Kiran Plan was affected in this regard.

As far as sum assured is concerned, it is increasing year after year with the exception of the years 1996 and 1997.

A comparative study of increase percentage of number of the policies and sum assured reveals that the tendency of selling larger number of policies with smaller amount has been prevailing in the LIC.

**TOTAL BUSINESS IN FORCE :**

Business in force means business completed since the beginning of the period to the particular year. The figures of the total business in force show the overall performance of the Corporation in the matter of mobilisation of savings from the people. Total business figures indicate the total amount of savings committed by the policyholders. The net amount of savings expected by the Corporation is calculated by deducting the claims, lapses and surrenders and by adding the revivals during the period.

**Total Business in Force**

(Rs. in Crore)

Year	Individual Insurance	Group Insurance Including superannuation scheme.	Total Business in force	% increase over previous year
1991	1,19,179	30,755	1,49,934	-
1992	1,46,677	33,275	1,79,952	20.02
1993	1,78,120	43,446	2,21,566	23.13
1994	2,08,619	47,146	2,55,765	15.44
1995	2,54,572	51,462	3,06,034	19.65
1996	2,95,758	65,135	3,60,893	17.93
1997	3,44,619	65,152	4,09,771	13.54
1998	4,00,748	75,482	4,76,230	16.22
1999	4,59,201	78,735	5,37,936	12.96
2000	5,36,451	77,356	6,13,807	14.10

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The total Business in force comprises business outside India, group insurance and superannuation scheme. In the year 1991 the total business in force was Rs. 1, 49,934 crore and it has reached to Rs. 6, 13,807 crore in the year 2000. It has increased more than four times during the period. It shows increasing trend throughout the period. As far as percentages over previous year are concerned it has shown positive but fluctuating growth throughout the period. In brief, the business in force has increased constantly, although with varying degree. It is clear, that it is due to the low rate of lapsation with increasing conservation of new business.

### Total Number of Policies in force (Individual Insurance)

Year	Total No. of Policies in Lakhs	Policies in force percentage increase over previous year.
1991	455.68	-
1992	509.26	11.75
1993	566.79	11.30
1994	608.73	7.40
1995	655.29	7.65
1996	709.60	8.29
1997	777.50	9.57
1998	850.03	9.33
1999	917.26	7.91
2000	1013.89	10.53

Source : LIC Annual Reports

The total No. 2.13 shows that the total No. of policies in force are increasing year after year but the increase in percentage over the previous year is seen fluctuating. The highest increase over the previous year was 11.75 in 1992 and in 2000 it was 10.53. LIC has made efforts to cover a large number of populations, which is a good sign of the business.

### PERCENTAGE OF NET LAPSES TO MEAN LIFE INSURANCE BUSINESS IN FORCE :

As insurance is a contract between insurer and insured and premium is the consideration for such valid contract, if the insured fails to pay the premium within the grace period, the contract comes to an end. This is called "Lapsation" High lapse ratio is regarded as unfavorable on the part of the LIC. If high proportions of a Corporation's policyholders are discounting their policies presumably the poorer risk will remain and their higher mortality rates will increase the cost of insurance to other policyholders. More lapsation causes poor relations between the Corporation and the policyholders. This affects the future business.

### Percentages of Net Lapses to Mean Life Insurance Business in force

Year	Lapse Percentage
1991	6.0
1992	6.1
1993	5.9
1994	6.3
1995	6.1
1996	6.4
1997	5.1
1998	5.0
1999	4.9
2000	5.1



**GROWTH AND DEVELOPMENT OF LIFE INSURANCE CORPORATION OF INDIA**

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It can be seen from the table No. 2.14 that the lapse ratio is unable to save from their current earning for life insurance. Lower lapse ratio shows that the management and field personnel are providing more care to improve the business. Table further shows the position of lapse rate. In the year 1999 there was marked improvement in the lapse rate which decreased from 6.00 in 1991 to 4.9 in 1999 but thereafter there is a slight increase in the year 2000. From 1994 to 1996 the ratio did not decline, which was not good indication to the Corporation. The best filing for Corporation would be to increase the business and reduce the lapses rate.

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