

**Working and Progress of Life Insurance Corporation of India**

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Insurance business in India is classified primarily as Life Insurance and General Insurance. Life insurance is basically associated with risk of human lives. It provides protection to households against the premature death of its bread winner or income earning member. Individuals buy life insurance product by paying certain amount of money which is called premium to the life insurance company for contractual agreement to provide a shield in case of eventualities. Therefore, life insurance is a contract under the provision of the respective national laws or conventions or commercial practices that agree to pay a contracted sum of money to the person whose life is insured in the event of death or on the happening of any other event agreed upon by the parties to the contract. General Insurance is to compensate for the loss of goods and property of the insured.

**Objective of the study:**

1. To understand the concept of insurance and the formation of Life Insurance Corporation of India.
2. To determine the organisational structure and working of LIC of India.
3. To determine the progress and growth of LIC of India during the period of study.

**Sources of Data:**

The present study is based on the secondary sources of data. The data is collected from the annual reports of LIC of India, annual reports of IRDAI, Indian insurance statistics report of IRDAI, the official website of LIC of India and the official website of IRDAI.

**Period of Study:**

The present study is undertaken for a ten year period from 2004-05 to 2013-14.

**Meaning of Insurance:**

According to the section 2(11), of the Insurance Act of 1938, life insurance business in India is defined as “Life insurance business means the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) and the happening of any contingency dependent on human life and any contract which is subject to payment of premiums for terms dependent on human life” and shall be deemed to include:

- The granting of disability and double or triple indemnity accident benefits, if so provided in the contract of insurance;
- The granting of annuities upon human life; and
- The granting of superannuation allowances and annuities payable out of any fund applicable, solely to the relief of and maintenance of person engaged or who have been engaged in any particular profession, trade or employment or of the dependent of such persons.

The insurance industry of India as on 31<sup>st</sup> March 2014 consists of 53 Insurance Companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation of India (LIC) is the sole public sector company. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and

corporate), brokers, surveyors and third party administrators servicing health insurance claims.

**Nationalisation of life insurance sector in India and formation of Life Insurance Corporation of India:**

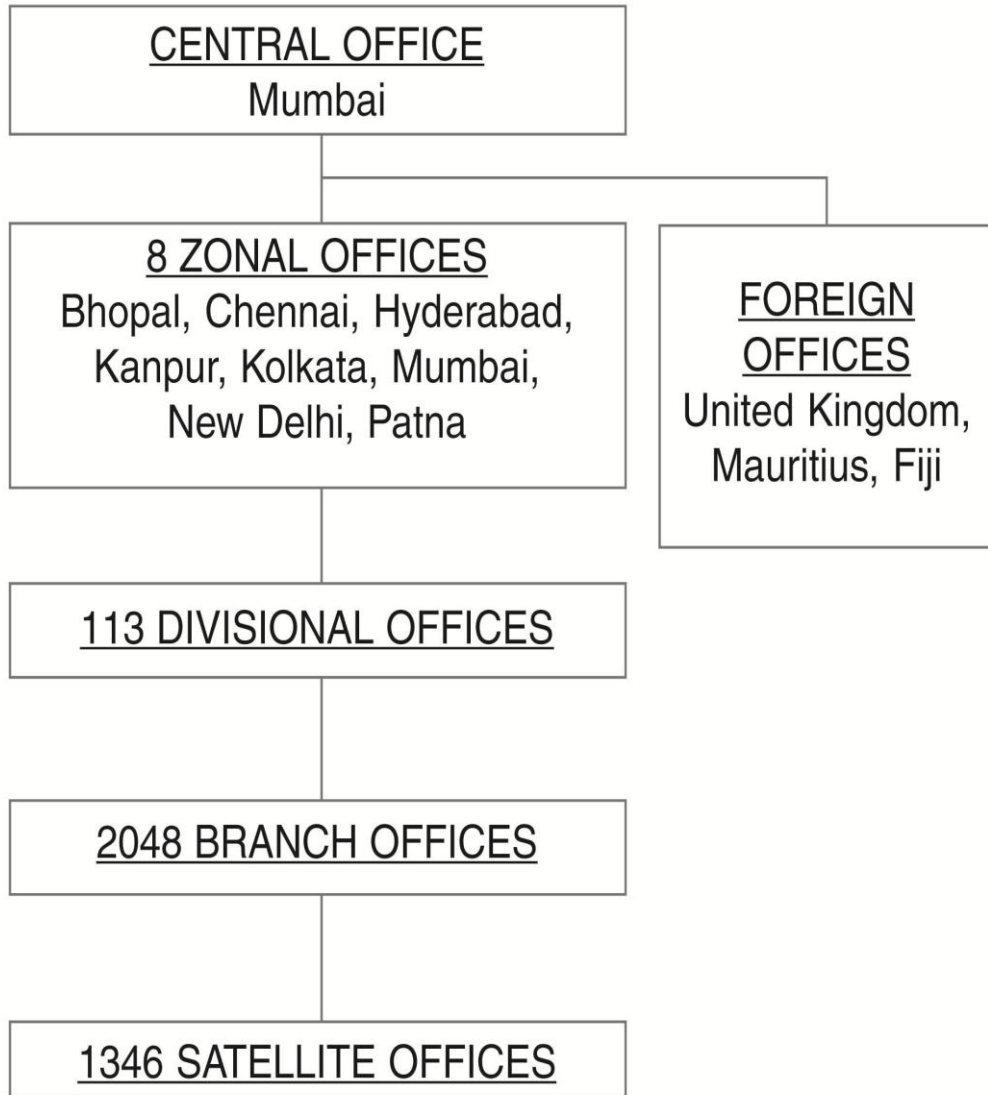
The President of India promulgated an Ordinance on January 19, 1956 vesting the management and control of life insurance business of all the sixteen non-Indian, one hundred and fifty four Indian insurers and seventy five provident societies into a single entity. On June 18, 1956 a bill through the Parliament emerged as the Life Insurance Corporation Act, 1956 and was gazetted next day. It came into force in July, 1956. By this Act all the assets and liabilities pertaining to the life insurance business in India of all registered insurers were transferred and vested in the Life Insurance Corporation of India from the appointed day. According to this Act, a Corporation called the Life Insurance Corporation of India was established which started its operations on September 1, 1956. At the time of inception LIC of India had one Central office at Mumbai and four Zonal offices.

**Organisational Structure of LIC of India:**

As on 31<sup>st</sup> March 2014, LIC of India has one Central office located at Mumbai, eight Zonal offices located at Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Kanpur, Bhopal and Patna. There are one hundred and thirteen Divisional offices, two thousand and forty eight branch offices, one thousand three hundred and forty six Satellite Sampark Offices (SSO), one thousand two hundred and forty two Mini offices, sixty nine Chief Life Insurance Advisory (CLIA) Branches, twenty five Metro Area Service hub Centres, seventeen thousand two hundred and eighty seven premium collection points, ninety eight Direct Marketing units operating all over India. Apart from the pan India presence, LIC of India also has international operations through its foreign offices at U.K., Mauritius and Fiji. The organisational structure of LIC of India is shown in Chart 2.1.

Chart 2.1

**ORGANISATIONAL STRUCTURE OF LIC**



Source : [www.licindia.in/images/orgn\\_structure\\_new.pdf](http://www.licindia.in/images/orgn_structure_new.pdf)

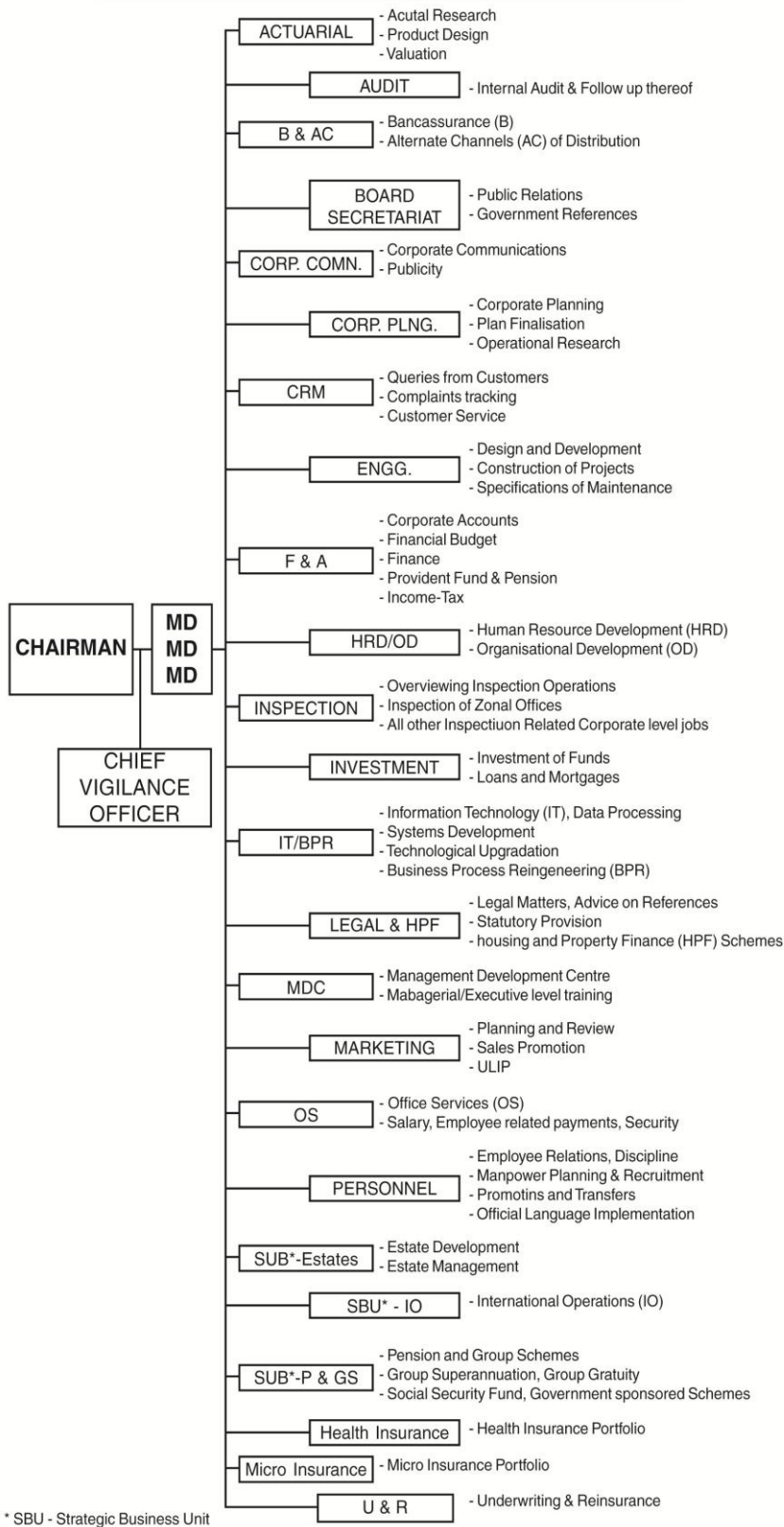
**Central Office:**

The Central office of the LIC of India is situated in Mumbai, the financial capital of India. It is the highest controlling point of the Corporation. The Chairman, who is the chief executive officer of the Corporation, is assisted by managing directors, who are whole time officers of the Corporation. The managing directors in turn are in the overall control of certain specified departments, which are headed by officers of the rank of executive directors or chiefs.

The central office functions under the supervision of the board of directors and the different committees of the Corporation. For the purpose of discharging various functions effectively different departments, viz., investment, finance & accounts, actuarial, internal audit & inspection, legal & housing property, pension & superannuation, human resource, vigilance, public relations & publicity, marketing, engineering, planning, estate & office service departments, health insurance, micro-insurance portfolio, underwriting and reinsurance have been set up under the charge of an executive director in the central office. Functions of each department have been shown in Chart 2.2.

However, the marketing department at the central office has to primarily finalise the plans for development of new business. It has to guide and co-ordinate the preparation of performance budget of the units and to study the need for opening of new offices for greater spread and penetration by analysing the potential of the various areas. Opening of new offices, recruitment of marketing officials who develop the sales force, training, profile of LIC of India personnel, preparation of training material and so on are also handled by the marketing department.

**Chart 2.2**  
**ORGANISATION OF CENTRAL OFFICE IN LIC OF INDIA**



\* SBU - Strategic Business Unit  
Source : [www.licindia.in/images/orgn\\_structure\\_new.pdf](http://www.licindia.in/images/orgn_structure_new.pdf)

## **Zonal Offices**

In the case of LIC of India the regional level offices are called Zonal offices. The Corporation has 8 zonal offices located at Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Kanpur, Patna, and Bhopal. The zonal manager is the head of the zonal office and is assisted by regional managers and secretaries who are in charge of individual portfolios. The details about the functioning of various departments at Zonal office are shown in Chart 2.3.

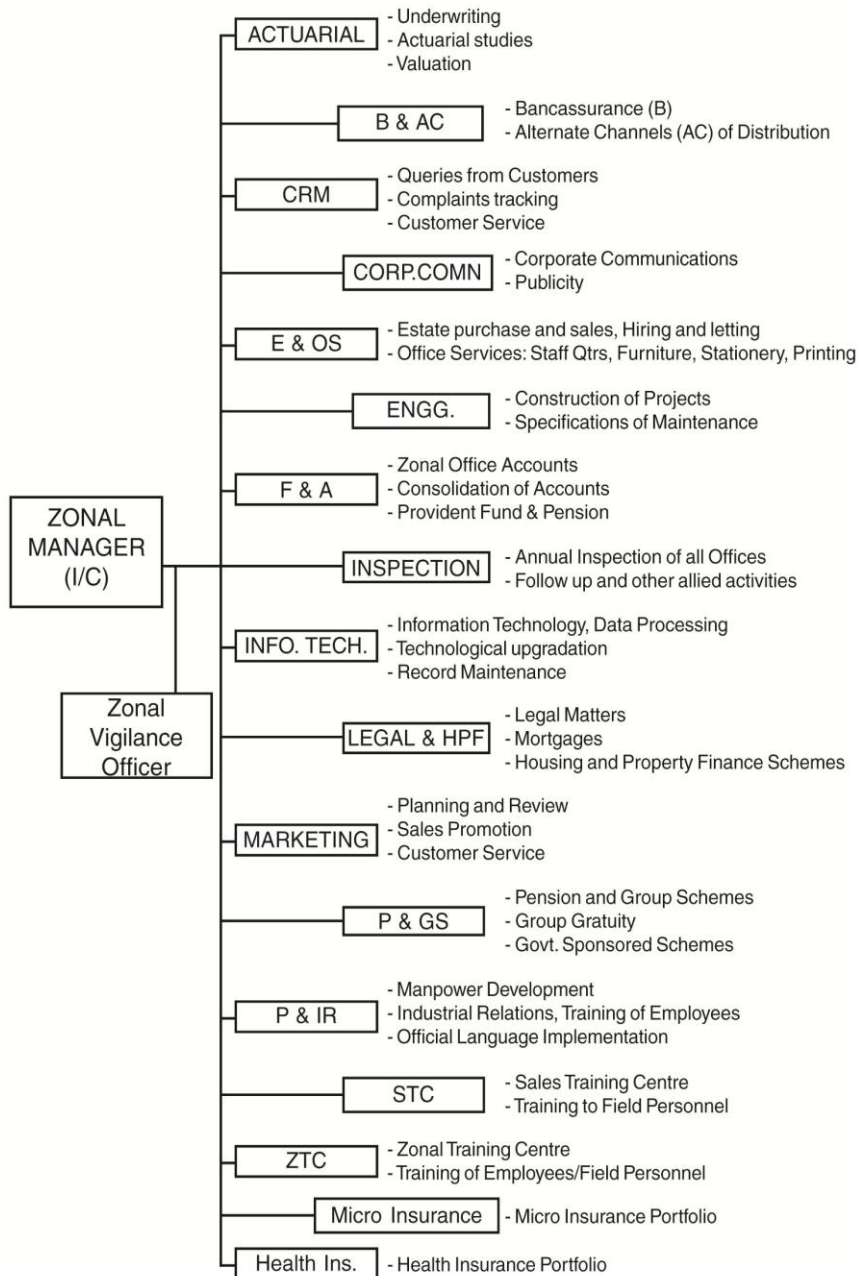
The zonal manager manages and controls the functioning of the zonal office and executes the orders and directions received from the central office. The zonal manager is responsible for the following functions:

- Making arrangements for managerial development and training activities,
- Expansion of branches and development of insurance agents,
- Undertaking market studies for improving the cost effectiveness and public relations of the corporation.

The zonal office also functions as an appellate office to which appeals are made over the decisions of the divisional managers by aggrieved persons. Each zonal office is in charge of a number of divisions and has authority to execute decisions of the Corporation and to coordinate the working of those divisions. It is the primary responsibility of the zonal office to ensure that uniformity of working is maintained and the efficiency of the offices is kept at the highest level.

The role of advisory board and zonal manager is very important for the organization and management of zonal offices. Typically, a zone caters the supervision, support and control of offices over a couple of states jurisdiction and handles around 10 to 15 divisions.

**Chart 2.3**  
**ORGANISATION OF ZONAL OFFICE IN LIC OF INDIA**



Source : [www.licindia.in/images/orgn\\_structure\\_new.pdf](http://www.licindia.in/images/orgn_structure_new.pdf)

## **Divisional Offices**

Divisional office is an important functional area point of LIC of India. It provides various types of services to policyholders, agents, development officers, employees and even to the branch offices. Divisional offices monitor and control the operations within the divisions and have a specified number of branches under its control. The divisional manager is responsible for all the functions of divisional office and also evaluates the plans and budgets of branch offices and sends the report to the zonal manager. The divisional manager discharges the functions under the direct control of zonal manager.

It is the business of the divisional office to provide guidance and necessary resources to the branch offices to have effective control and supervision which would help them to deliver the goods. Until recently, many of the functions which are now being done by the branch offices were done by the divisional offices.

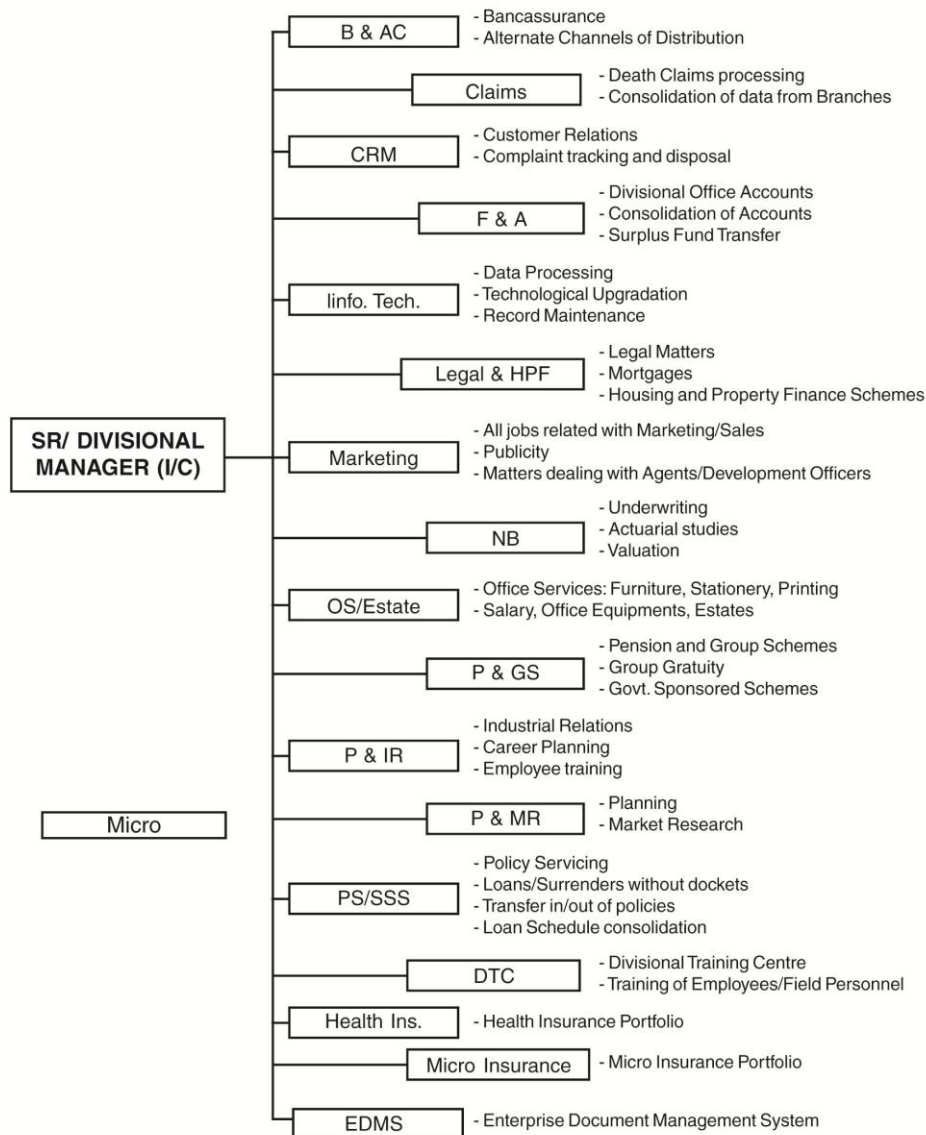
However, with the re-organization scheme having been implemented, the role of the divisional offices has changed from an operating one to a supervising one. The heads of the different departments of divisional office visit the branch offices periodically to supervise and provide the necessary confidence and expertise to the personnel manning the branch offices. In this way divisional offices are entrusted with more of controlling work rather than operational job. Every divisional office handles around 15 to 20 branches. The organisation of divisional office of LIC of India is shown in Chart 2.4.

Marketing department normally looks after both sales and servicing. The head of this department is given the responsibility of supervising the branches. Since the head of this department acts as supervisor of branches a small cell called branch support unit is functioning under marketing head.

The policy servicing department provides guidance to the branch offices regarding policy servicing. The branch offices submit all early claims to the divisional office along with all the relevant papers. The divisional office considers the admissibility of these claims. The references made by the branch offices are dealt with New Business and Actuarial Department of the divisional office and papers are returned to the branch offices with the decision of the competent authority. A divisional medical referee is appointed for tendering advice regarding accepting high risk cases. This department also supervises the working of the new business department of branch offices.



**Chart 2.4**  
**ORGANISATION OF DIVISIONAL OFFICE IN LIC OF INDIA**



**B & AC** Bancassurance and Alternate Channels  
**CRM** Customer Relationship Management  
**F & A** Finance and Accounts  
**IT** Information Technology  
**HPF** Housing Property Finance  
**NB** New Business / Actuarial

**OS** Office Services  
**P & GS** Pension and Group Schemes  
**P & IR** Personnel and Industrial Relations  
**P & MR** Planning and Market Research  
**PS** Policy Servicing  
**SSS** Salary Saving Scheme

Source : [www.licindia.in/images/orgn\\_structure\\_new.pdf](http://www.licindia.in/images/orgn_structure_new.pdf)

## **Branch Offices**

Branch offices are primarily entrusted to procure business of the corporation and are also responsible for all customer interface transactions. In the year 1982, LIC started adopting the marketing approach. The first step towards this end was decentralization of LIC's operations upto branch level. As a result of decentralisation, almost all aspects of policy servicing such as identifying the prospective customers and motivating them to take policies, policy registration, sales force management, settlement of claims and so on are entrusted to branch office.

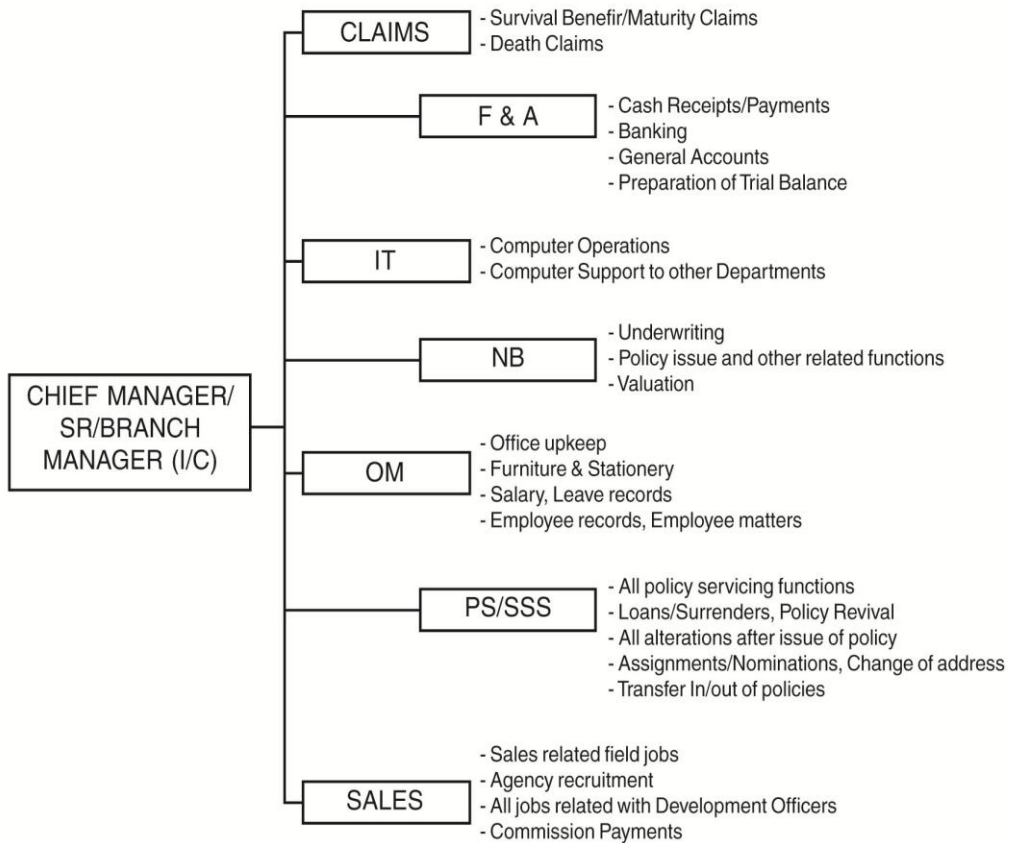
The branch office of the LIC is the main operating office where the sale of life insurance policies is done and services are provided to the customers. The branch manager is the head of the branch and is responsible for effective functioning of the branch office. The organisational structure of a branch office is shown in Chart 2.5.

Branch offices are the primary centres of the LIC through which the insurance business is obtained. Nearly two thirds of the total income of the LIC is earned through branch offices and about 75 percent of the managerial expenses are spent upon the branch offices. A major part of the employees and officers are working in the branch offices. The problems of policyholders are mostly received and solved by the branch offices. At present 2048 branch offices are functioning under the control of various divisional offices in the country.

There is a provision for setting up of a management committee at every branch office. This committee would find solutions for the day to day problems. The members of the committee consist of head of divisional office as a chairman and all departmental heads as nominated members. Each branch is given a specified area of operation.

There are six departments in a branch office, viz., claims, finance & account, new business, office management, policy servicing and sales as shown in chart 2.5. The sales department, new business department and the policyholders servicing department play a significant role in marketing of insurance.

**Chart 2.5**  
**ORGANISATION OF BRANCH OFFICE IN LIC OF INDIA**



<b>F &amp; A</b>	Finance and Accounts	<b>SSS</b>	Salary Saving Scheme
<b>IT</b>	Information Technology		
<b>NB</b>	New Business		
<b>OM</b>	Office Management		
<b>PS</b>	Policy Servicing		

Source : [www.licindia.in/images/orgn\\_structure\\_new.pdf](http://www.licindia.in/images/orgn_structure_new.pdf)

Sales department looks after the field personnel, i.e., development officers and agents. Appointment of agents and issue of their licenses are done by this department. Commission to agents is calculated and settled by this department. It also maintains earning records of the agents and appraisal of the development officers.

The underwriting of new proposals is handled by New Business Department. The proposals are scrutinised and then underwritten according to the set procedure. When a proposal is found acceptable, it is completed with the allotment of a policy number, adjustment of the premium and release of the commission to agents. The policy is printed and the original bond is sent to the policyholder and the copy of the policy is filed along with proposal papers and the packet comprising all these papers is sent to the records. Moreover, this department appoints a medical examiner whose services are required for examining proponents for insurance where the sum of the proposal is large or age of the proponents is beyond stipulated limits. The department maintains all records of the medical examiners, pays their fees and keeps a general watch on their performance.

Policyholders servicing department plays an important role in LIC branch offices. This is a big and vital department as it serves the policyholder from the formation of the contract to the settlement of the claim. The quality of service given by the branch to its policyholders is responsible to a large extent for the conservation of business. The activities of this department cover a wide range of services starting from simple jobs like posting of premium in the ledger sheet, admission of age, registration of nomination and assignment, effecting alteration on the policies, issuing of duplicate policies and so on to more complicated jobs such as revival of lapsed policies, calculation and payment of loans, calculation of surrender value and also settlement of maturity and death claims.

#### **Progress and Growth of LIC of India after Privatisation:**

After IRDA Bill was passed in parliament and the enactment of IRDA Act, 1999 the monopoly of LIC ceased and competition became a reality. IRDA announced that application for license for life insurance business to be received from 16<sup>th</sup> August 2000. Today apart from LIC of India there are as many as twenty three private life insurers in India. The purpose of opening up of insurance industry was to enable better choice for the customers with array of products with different features and benefits. New products are marketed with greater innovation and utilisation of technology. The liberalization of the Indian insurance industry has added a new chapter of transformation in the journey of LIC.

#### **Number of Offices and Individual Agents of LIC of India:**

In a service sector like insurance the presence of physical evidence in the form of branch offices is very much essential for providing the fast and efficient services to the policyholders. LIC of India has got one of the widest coverage across the country and its presence is found in all the states and union territories of the country. The number of offices of LIC of India as well as for the total life insurance industry is presented in the Table 2.1.

An analysis of table 2.1 reveals that the offices of LIC of India continued to increase year after year. The number of offices which were 2,197 in the year 2004-05 increased to 4,839 by the year 2013-14. The average number of offices of LIC of India for the period is 3071 with an average increase of 9.69% per year.

It can also be noted that the number of offices in the total industry also increased very rapidly as number of private players expanded their business across the country. The total number of offices in the industry was 3,001 for the year ending 2004-05 and increased to 11,032 by the end of year 2013-14. The average number of offices for the Indian life insurance sector for the ten years period is 8,902 with an average increase of 17.79% per year. During the period of study the average percentage of offices of LIC of India in relation to the total life insurance sector is 39.27%.

People play very important role in services sector. Trained agents generate sustained business to the organisation. LIC of India is one of the greater employment providers to lakhs of people across the country in the form of agents. The total number of agents of LIC of India as well as for the entire Indian life insurance sector is presented in the Table 2.1.

**Table 2.1**

**LIC Offices and Individual Agents**

Year	Offices			Individual Agents		
	Offices of LIC	Total Offices in the Industry	% of LIC offices	Agents of LIC	Total Agents in the Industry	% of LIC Agents
2004-05	2197	3001	73.21	1041737	1212679	85.90
2005-06	2220 (1.05)	3865 (28.79)	57.43	1052283 (1.01)	1420235 (17.11)	74.09
2006-07	2301 (3.65)	5373 (39.02)	42.83	1103047 (4.82)	1976934 (39.20)	55.80
2006-08	2522 (9.60)	8913 (65.88)	28.29	1193744 (8.22)	2485980 (25.75)	48.02
2008-09	3030 (20.14)	11815 (32.56)	25.64	1344856 (12.66)	2883214 (15.98)	46.64
2009-10	3250 (7.26)	12018 (1.72)	27.04	1402807 (4.31)	2898653 (0.53)	48.40
2010-11	3371 (3.72)	11546 (-3.93)	29.20	1337064 (-4.69)	2581840 (-10.93)	51.79
2011-12	3455 (2.49)	11167 (-3.28)	30.94	1278234 (-4.40)	2358885 (-8.64)	54.19
2012-13	3526 (2.05)	10285 (-7.90)	34.28	1172983 (-8.23)	2122757 (-10.01)	55.26
2013-14	4839 (37.23)	11032 (7.26)	43.86	1195916 (1.96)	2188500 (3.10)	54.65
<b>Average</b>	<b>3071 (9.69)</b>	<b>8902 (17.79)</b>	<b>39.27</b>	<b>1212267 (1.74)</b>	<b>2212968 (8.01)</b>	<b>54.78</b>

Source: Handbook on Indian Insurance Statistics, IRDAI 2013 – 14.

\*Figures in the brackets indicate the percentage of change over the previous year

It can be observed from table 2.1 that the LIC of India agents strength which was 10,41,737 by the end of the year 2004-05 increased to 11,95,916 by end of the year 2013-14. The average agents of LIC of India for the ten years period is 12,12,267 with an average increase of 1.74% per year.

It can also be noted that the total number of agents of the life insurance sector in India were 12,12,679 by the end of the year 2004-05 and increased to 21,88,500 by the end of the year 2013-14. The average agents for the ten years period stands at 22,12,968 with an average increase of 8.01% per year.

The average number of agents for LIC over the period is 12,12,267 and for the life insurance sector are 22,12,968 representing an average 54.78% of agents in the total life

insurance sector are from LIC of India. LIC has got a policy of providing training to the agents and also giving recognition to the best performing agents as Corporate Club Member, Chairman's Club Member and Distinguished agents.

Apart from individual agents LIC of India also has corporate agents for selling of policies and providing business to the corporation. The total corporate agents of LIC at the end of the year 2004-05 were 139 and the number touched to 510 by the end of the year 2009-10 and the total industry agents at the same time were 2930. However, in the subsequent years the total corporate agents for LIC as well as for the industry declined gradually year after year. The total number of corporate agents of LIC by the end of the financial year 2013-14 is 149 out of the total industry agents of 689.

**Policies Issued by LIC of India and Life Insurance Sector:**

The total number of individual policies issued by LIC of India as well as the life insurance sector in India from 2004-05 to 2013-14 are presented in Table 2.2.

The number of policies issued by LIC of India during the year 2004-05 was 239.78 lakhs and it increased to 345.12 lakhs during the year 2013-14. The average policies issued by LIC of India for the ten years period from 2004-05 to 2013-14 is 350.27 lakhs with an average increase of 4.82% per year.

**Table 2.2**

**Individual Policies Issued by LIC and Life Insurance Sector**

(in Lakhs)

Year	LIC of India		Life Insurance Sector		% of LIC Policies to total Industry
	Policies Issued	Trend Values	Policies Issued	Trend Values	
2004-05	239.78	322.55	262.11	399.30	91.48
2005-06	315.91 (31.75)	328.71	354.62 (35.29)	408.40	89.08
2006-07	382.29 (21.01)	334.87	461.52 (30.14)	417.50	82.83
2007-08	376.13 (-1.61)	341.03	508.74 (10.23)	426.60	73.93
2008-09	359.13 (-4.52)	347.19	509.23 (0.10)	435.70	70.52
2009-10	388.63 (8.21)	353.35	532.25 (4.52)	444.80	73.02
2010-11	370.38 (-4.70)	359.51	481.52 (-9.53)	453.90	76.92
2011-12	357.51 (-3.47)	365.67	441.93 (-8.22)	463.00	80.90
2012-13	367.82 (2.88)	371.83	441.87 (-0.01)	472.10	83.24
2013-14	345.12 (-6.17)	377.99	408.72 (-7.50)	481.20	84.45
<b>Average</b>	<b>350.27 (4.82)</b>	<b>350.27</b>	<b>440.25 (6.11)</b>	<b>440.25</b>	<b>80.64</b>

Source: Handbook on Indian Insurance Statistics, IRDAI 2013 – 14

\* Figures in brackets indicate the percentage of change over the previous year.

The number of policies issued by the Indian life insurance sector during the year 2004-05 was 262.11 lakhs and the same increased to 481.20 lakhs during the year 2013-14. The average policies issued by the life insurance sector in India for the ten years period is 440.25 lakhs with an average increase of 6.11% per year.

The market share of policies issued by LIC of India during the year 2004-05 was 91.48% and the same decreased to 84.45% during the year 2013-14. The average market share in issue of policies by LIC of India for the ten years period is 80.64%.



Upon calculation of straight line trend, LIC of India and the Indian life insurance sector have shown an increasing trend in issue of policies as shown in Table 2.2. on an average the LIC policies increased by 6.16 lakhs year after year, whereas the average policies for the life insurance sector increased by 9.1 lakhs year after year for the period of the study.

**Premiums Underwritten and Market Share of LIC:**

After the entry of private insurers into the market, it is obvious to examine the market share of LIC in the life insurance business. The data in Table 2.3 shows the details of First Year Premium (FYP), Renewal Premium (RP) and the market share of LIC from the year 2004-05 to 2013-14.

It can be observed that the average first year premium collected by LIC of India stood at Rs.62,638.46 crores with an average increase of 21.43% per year for the ten years period from 2004-05 to 2013-14. The average renewal premium collected for the same period stands at Rs.1,01,261.13 crores with an average increase of 11.78% per year.

The total premium collection by LIC of India for the year 2004-05 was Rs.75,127.29 crores and the same increased to Rs.2,36,942.30 crores during the year 2013-14. The average collection of the total premium for the ten years period stands at Rs.1,63,899.62 crores. It can also be noted that the market share of LIC in collection of premium in relation to the life insurance sector was at 90.67% in the year 2004-05 and the same declined to 75.39% by the year 2013-14. The average market share in the collection of premium by LIC of India for the period from 2004-05 to 2013-14 is 76.23%.



**Table 2.3**

**Premiums Underwritten and Market Share of LIC**

Year	Premium Underwritten by LIC (In Crores)			Market Share of LIC (In Percent)		
	FYP	RP	Total	FYP	RP	Total
2004-05	20653.06	54474.23	75127.29	78.78	96.18	90.67
2005-06	28515.87 (38.07)	62276.35 (14.32)	90792.22 (20.85)	73.52	92.82	85.75
2006-07	56223.56 (97.17)	71599.28 (14.97)	127822.84 (40.79)	74.32	89.02	81.90
2007-08	59996.56 (6.71)	89783.43 (25.40)	149789.99 (17.19)	64.02	83.41	74.39
2008-09	53179.08 (-11.36)	104108.96 (15.95)	157288.04 (5.01)	60.89	77.43	70.92
2009-10	71521.90 (34.49)	114555.41 (10.03)	186077.31 (18.30)	65.08	73.64	70.10
2010-11	87012.35 (21.66)	116461.05 (1.66)	203473.40 (9.35)	68.84	70.48	69.77
2011-12	81862.25 (-5.92)	121027.03 (3.92)	202889.28 (-0.29)	71.83	69.91	70.68
2012-13	76611.50 (-6.41)	132192.08 (9.22)	208803.58 (2.92)	71.36	73.50	72.70
2013-14	90808.79 (18.53)	146133.51 (10.55)	236942.30 (13.48)	75.47	75.34	75.39
<b>Average</b>	<b>62638.49</b> <b>(21.43)</b>	<b>101261.13</b> <b>(11.78)</b>	<b>163899.62</b> <b>(14.18)</b>	<b>70.41</b>	<b>80.17</b>	<b>76.23</b>

Source: IRDAI & LIC Annual Reports from the year 2004-05 to 2013-14.

\*Figures in brackets indicate the percentage of change over the previous year.

The figures in the table 2.3 clearly indicate that LIC of India is facing stiff competition with entry of private insurance companies. Despite the growing competition LIC of India has succeeded in retaining its leadership even after fourteen years of privatization.

**Investments of LIC of India:**

The premiums raised from the policyholders are used to meet the various expenses of the corporation such as commission to the agents, payment of salary and other benefits to the employees, other management and operating expenses. The company is also required to pay the maturity claims, death benefit claims, policy surrender claims from time to time. In order to meet the claim payments the company invests the surplus remained with it from time to time in various forms of securities.

LIC makes investments in the various asset classes both in India as well as abroad. Investments in India are made mainly into three categories, viz., loans, securities and other investments, whereas investments outside India can be classified as loans, securities and house property. The major share of the total investment is made generally in securities of various forms. The investments of LIC from the year 2004-05 to the year 2013-14 are detailed in the Table 2.4.

Investments in India which stood at Rs.5,02,488.96 crores for the year ending 2004-05 increased to Rs.16,81,777.82 crores for the year ending 2013-14 with a compounded annual growth rate of 12.84% for the ten years period. The average investments in India for the period are Rs.10,18,119.02 crores with an average increase of 14.86% per year.

Investments outside India which stood at Rs.879.42 crores for the year ending 2004-05 increased to Rs.2,912.67 crores by the year ending 2013-14 with a compounded growth rate of 12.72% for the ten years period. The average investments outside India during the ten years period stands at Rs.1,489.32 crores with an average increase of 14.86% per year.

**Table 2.4**

**Investments of LIC of India**

**(Rupees in crores)**

<b>Year</b>	<b>Investment in India</b>	<b>Investments outside India</b>	<b>Total Investment</b>
2004-05	502488.96	879.42	503368.38
2005-06	523065.72 (4.09)	951.53 (8.20)	524017.25 (4.10)
2006-07	712212.89 (36.16)	1050.69 (10.42)	713263.58 (36.11)
2007-08	755814.65 (6.12)	1075.86 (2.40)	756890.51 (6.12)
2008-09	814382.66 (7.45)	1101.69 (2.40)	815484.35 (7.74)
2009-10	1094718.10 (34.42)	1123.24 (1.96)	1095841.34 (34.38)
2010-11	1265120.20 (15.57)	1418.84 (26.32)	1266539.04 (15.58)
2011-12	1347561.29 (6.52)	1970.62 (38.89)	1349531.91 (6.55)
2012-13	1484047.92 (10.13)	2408.61 (22.23)	1486456.53 (10.15)
2013-14	1681777.82 (13.32)	2912.67 (20.93)	1684690.49 (13.33)
<b>Average</b>	<b>1018119.02</b> <b>(14.86)</b>	<b>1489.32</b> <b>(14.86)</b>	<b>1019608.34</b> <b>(14.90)</b>
<b>CAGR</b>	<b>12.84%</b>	<b>12.72%</b>	<b>12.84%</b>

Source: LIC Annual Reports from 2004-05 to 2013-14.

\*Figures in brackets indicate the growth over the previous year.

The total investments by LIC of India for the year ending 2004-05 stood at Rs.5,03,368.38 crores and the same increased to Rs.16,84,690.49 with a compounded annual growth rate of 12.84%. The average total investments for the ten years period is Rs.10,19,608.34 crores with an average increase of 14.90% per year.

The investment pattern in relation to the total investments indicate that LIC is making majority of its investments in the form of securities such as government bonds, fixed income bearing securities, fixed deposits and so on. This is primarily to protect the capital of the policy holders and to earn a fixed return on the investments. LIC also invests in the various entities for infrastructure & social purpose to help the country's economic development. In the

year 2013-14 the total investment in these social sectors stood at Rs.22,370.99 crores when compared to the investment of Rs.20,164.92 crores in the year 2012-13.

As all the types of investments are generally affected with various risks such as Credit risk, Liquidity risks and Interest rate risks LIC of India follows the guidelines prescribed by IRDA and Insurance Act, 1938. In order to avoid majority of investment at one place, there is a maximum ceiling prescribed in each company as well as industry to gain the benefits of diversification. Investments are generally made in instruments which are rated 'AA' and above by the approved credit rating agencies with a continuous monitoring thereafter. On an average about 55 percent of LICs investments are in Government approved securities to ensure protection against various risks.

#### **Diversified Activities of LIC of India:**

LIC of India has not only confined its activities to its traditional life insurance business but also diversified in other businesses also. In order to take the advantage of the diversified needs of the customers and policyholders' of LIC of India the corporation has spread its reach in the other business of financial services. The following are the various diversified activities of LIC of India:

a) **LIC Housing Finance Limited:** This business was started with an intention to provide housing loans to the Indians and NRI's. The company has its corporate office in Mumbai and has 07 regional offices, 16 back offices, 209 marketing offices and 01 customer service point in India. The company also has representative offices in Dubai and Kuwait. The company's shares are listed on India's major stock exchanges Bombay Stock Exchange and National Stock Exchange and its Global Depository Shares (GDS) are listed on Luxemburg stock exchange. The company is rated 'AAA' by the prominent credit rating agencies CRISIL and CARE.

**LIC Housing Finance Limited Care Homes Ltd:** It is a wholly owned subsidiary company of LIC Housing Finance Limited and was incorporated on 11<sup>th</sup> September 2001. The basic purpose of establishing the company was to establish and operate assisted community living centers for the senior citizens. As the life expectancy is increasing and the numbers of elderly citizens are rising year after year, the company is set on a growth trajectory keeping LICs and LIC HFLs vision for fulfillment of corporate responsibility as the main focus.

b) **LIC Nomura Mutual Fund Asset Management Company Ltd:** It was setup by LIC of India on 20.04.1989 to engage in the business of Mutual Fund. The AMC was incorporated on 20<sup>th</sup> April, 1994 under the Companies Act, 1956 and commenced business on 29<sup>th</sup> April, 1994 and later was renamed as LIC Mutual Fund Asset Management Company Ltd w.e.f. 21<sup>st</sup> August, 2006. LIC of India formed joint venture with Nomura Asset Management Strategic Investments Pvt. Ltd on 18.01.2011 and thus becoming LIC Nomura Mutual Fund with its investment manager, renamed as LIC NOMURA Mutual Fund Asset Management Company Ltd. NOMURA has 35 percent stake in the company. The total number of investors in the company as on 31<sup>st</sup> March, 2014 are 2,97,659 with Assets Under Management (AUM) at Rs.10,584.34 crores. The AMC has 27 area offices with its respective business centers pan India to operate business for penetration into the untapped semi urban and retail markets.

c) **LIC Pension Fund:** The Company is sponsored by LIC of India with a specific purpose of managing pension funds under National Pension System, which is regulated by the Pension Fund Regulatory and Development Authority (PFRDA) for the employees of Central/State government joined in the services after 01.01.2004. The company has four schemes under Government pattern funds and six schemes under private sector funds. The total assets under management of the company as on 31<sup>st</sup> March 2014 stands at Rs.14,180.38 crores.

d) **LIC Cards Services Ltd:** A wholly owned subsidiary of LIC of India was incorporated on 11<sup>th</sup> November 2008 with an objective to provide Credit Card services to the employees, agents and policyholders of LIC of India through strategic alliances. It is operational at select 88 divisional centers and has area offices at Ahmadabad, Bangaluru, Chennai, Delhi, Hyderabad, Kolkata and Mumbai. The company has tie up with Corporation bank and Axis bank for issuance of credit cards. The total number of credit cards issued as on 31.03.2014 stands at 80,146 and double reward points are credited on payment of premium through LIC Credit Card.

The Indian insurance as well as the life insurance market offers a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 percent of the world's total insurance premiums and about 2 percent of the world's life insurance premiums despite being the second most populous nation. The country is the eleventh largest insurance market in the world in terms of premium volume and has the potential to grow exponentially in the years to come.

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