

ADMINISTRATIVE REFORMS COMMISSION

R e p o r t
of the
WORKING GROUP

on

LIFE INSURANCE ADMINISTRATION

(Volume II)
APPENDICES.

October 1968.

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contd.....

APPENDIX I

ADMINISTRATIVE REFORMS COMMISSION.

Sardar Patel Bhavan,
Parliament Street,
New Delhi,
August 11, 1967.

Constitution of a Working Group
on Life Insurance Administration.

Ref:- Para 5 of the Government of India, Ministry of Home Affairs (Department of Administrative Reforms) Resolution No. 47/3/65-AR(P) dated 5th January, 1966.

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The Administrative Reforms Commission hereby appoints the following persons to constitute the Working Group on Life Insurance Administration;

1. Shri Tanneti Viswanatham, MP, Chairman
30, Canning Lane,
2. New Delhi.
2. Shri B.V. Narayana Reddy, Member
Retired General Manager,
Bank of Mysore,
Grant Road, Bangalore;
3. Shri Randhir Singh Chaudhary MP, Member
170, South Avenue,
New Delhi.
4. Shri B.K. Shah, Member
Managing Director,
New India Assurance Co. Ltd.,
87, Mahatma Gandhi Road,
Fort, Bombay-1.

2. The Group will :

- (1) Examine the organisation and the working of the Life Insurance Corporation of India in the light of the requirements that the Corporation shall so exercise its powers as to secure that life insurance business is developed to the best advantage of the community' and that in discharging its functions it 'shall act as far as may be on business principles'.

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- (ii) make suitable recommendations for the improvement of the business of the Corporation and the service provided by it to the policy-holders; and
 - (iii) suggest in-built agency or agencies for securing corrective action as well as furthering the growth of business.
3. The Group will submit its report within four months.
 4. Shri S.S. Sharma, an officer of the Central Secretariat Service, will act as Secretary of the Working Group.

(V.V. Chari)
Secretary.

To

Chairman and Members of the Working Group.

Secretaries to Ministries and Departments of the Government of India.

Chief Secretaries to all State Governments and Union Territories.

APPENDIX II.Summary of Conclusions and Recommendations
Contained in the Hundred and Thirty-Fourth
Report of the Estimates Committee (Second Lok Sabha.)Sl. No. Summary of Conclusions/Recommendations

1. In the case of a monopolistic and monolithic enterprise like the Life Insurance Corporation no comparative standards for measuring efficiency and performance are readily available. In the absence of such competition, perhaps defects cannot also be easily located or removed.

The suggestion which contemplates a federal structure with semi-autonomous zonal units, has a number of desirable features. It will not entail duplication of organisation. On the other hand the grant of more autonomy in the writing of business, payment of claims, grant of loans, servicing etc., will encourage initiative and can be expected to result in increased efficiency. Such delegation of functions is also likely to require a smaller Central Organisation which need be concerned only with policy matters, overall supervision, co-ordination, rates of premia, higher recruitment, postings and transfers, training, inspection, etc. An element of competition between

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the different semi-autonomous Zonal Units could thus be introduced. The figures of new business, management expenses, overall and renewal expense ratios, profit and loss etc. could be worked out for each Zone and published separately in the Annual Reports of these Units to enable their efficiency to be judged. The Committee recommend that the matter may be examined in the light of the observations made above.

2. It is quite clear that at least one of the two tiers in a Zone, viz., Divisional or Zonal Office, is superfluous and could be eliminated.

The Committee have recommended the setting up of semi-autonomous Zonal Units. They are not aware whether administrative and financial considerations would justify or warrant creation of such a semi-autonomous unit in each State immediately. They expect that in the years to come the rising tempo of business would justify the creation of zonal units in at least most of the States if not all. The Committee suggest that the feasibility of doing so may be kept in

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mind when a reorganisation on the basis of the recommendation for creating semi-autonomous zonal units is to be considered. Moreover, if such a unit is set up in each State it should be easier for such Offices to deal with the Branch Offices directly without an intermediate Divisional Office, which could then be done away with.

3. The Committee suggest that the jurisdiction of Branch and supervisory offices may be demarcated in such a way as not to fall in more than one State except for very special reasons.

4. (1) Should there be decentralisation of functions of the Central Office and semi-autonomous zonal units are created, as envisaged in paragraph 10 of the Report, then the composition, powers and functions of the Members of the Corporation as well as the Zonal Advisory Boards would require examination, and the Zonal Advisory Boards would have to be strengthened by the addition of people having knowledge of insurance business. The Committee trust that these matters would be examined by Government at

at the appropriate time.

(11) As an immediate measure, Government may endeavour to appoint more members with experience of life insurance work.

5. The Committee find that the fees paid to the Members for attending the meetings of the Boards of Directors etc. differ from one undertaking to another. They feel that there should be some rationale for fixing such fees for the meetings of different bodies in all the public undertakings.

6. The Committee consider that an inspection of every office should be carried out at least once every year, as provided in the L.I.C. Regulations.

7. The Committee have elsewhere suggested the abolition of the Divisional Offices when servicing will become the responsibility of Branch Offices. Till such time that the recommendation is implemented, the Committee feel that the inspection organisation should pay special attention to the servicing of policies and payment of claims during their periodical inspection of the Divisional Offices.

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8. (i) It is evident that the Employees' and Agents' Relations Committees are not meeting regularly in all the Zones. In the Southern Zone no meetings have been held for 3 years and in the Eastern Zone only one meeting has been held for 3 years. These are statutory committees which it is expected will be taken a little more seriously.
- (ii) The Committee trust that necessary action would be taken to ensure that the Agents' Associations are adequately represented on these Committees and their meetings are held regularly.
9. There are two Managing Directors, four Executive Directors and a Zonal Manager in the Central Office in addition to the Secretaries to look after each Department. The Committee feel that such a hierarchical system of administration may not be quite suitable for the public undertakings. They consider that with the stabilisation of working methods quite apart from the decentralisation suggested in paragraph 10 above—there should be enough scope for reduction in the top posts in the LIC particularly in the Central Office.

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10. It appears that the functions of the Financial Adviser, Executive Director (Accounts) and chief Internal Auditor are, to a large extent, allied and are in fact being performed by a single officer in the Railways and, to some extent, in the Defence Accounts Organisation. The Committee recommend that the justification for the continuation of these three separate posts in the Corporation may be examined with a view to reduce the number.

11. The Committee were informed that Government had no powers over the creation of and appointment to any posts in the LIC. They find that in the case of all Government Companies and of statutory corporations, like Oil & Natural Gas Commission, Employees' State Insurance Corporation, Khadi & Village Industries Commission prior approval of Government is necessary for creating and making appointment to posts carrying a pay beyond the prescribed limits ranging between Rs. 500 and Rs. 2,000 p.m. The Committee are of opinion that there should be uniformity in all public undertakings in this respect and recommend the desirability

of Government issuing a Direction to the Corporation under Sec. 21 of the LIC Act, 1956, requiring it to seek approval of Government for creation of posts carrying pay over certain limit. They would also refer to the views expressed in paragraph 48 of the Report of the Sub-Committee of the Congress Party in Parliament on Parliamentary Supervision over State Undertakings that 'appointments carrying monthly salary of Rs. 2,000 and above should be made by Government'.

12. Whatever justification there may have been for locating the Central Office of the Corporation in Bombay originally when the head offices of most of the erst-while insurers situated in Bombay had to be integrated, now that it has been done the need for its continued location there loses much of its significance. Moreover, with the creation of semi-autonomous Zonal Units recommended at paragraph 10 of the Report, it would be administratively convenient for the Central Office of the LIC to be located at a more central place from where the work of co-ordination and

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overall supervision may be discharged more conveniently. The Committee recommend that Government may examine the desirability of shifting the Central Office of the LIC from Bombay to a more suitable place.

13. (i) In administering a public undertaking there has necessarily to be a large measure of consultation between Government and the undertaking concerned. It is also perhaps inevitable that such consultation would include a number of suggestions from the Government to the undertaking. But a clear distinction has to be drawn between suggestions made for consideration by the undertaking and suggestions which are really in the nature of instructions to be complied with. The committee are of opinion that the views of the Government set out in paragraph 35 of the Report lay down the correct principles which should regulate the relationship between an undertaking and the administrative Ministry concerned. When a suggestion is made for consideration it is open to the undertaking to accept it or not. When, however, the Government issues instructions which are for implementation and not merely

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for examination, such instructions should appropriately be issued as directions. The Committee suggest that it would be desirable for Government to lay down these principles clearly for guiding the relationship between the public undertaking and concerned Ministries.

(ii) Any directions issued should also be published in the Annual Reports of the Undertakings as recommended by the Committee in paragraph 26 of their 86th Report (Second Lok Sabha).

14. No precise statistical data had been collected for the purpose of fixing targets of new business. The Committee consider that one of the ways to do so would be by collection of statistics of potential business through field officers by means of properly devised proforma.

15. The Committee are glad to note that the Corporation exceeded the targets of new business during the first three years of its working but they fail to understand why there has been a shortfall of about Rs. 65 crores in the year 1960, i.e., 12% of the target of Rs. 525 crores. The

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actual increase so far has been Rs. 29 crores a year on an average, that is nearly a third of the anticipated average increase in the next three years. Unless the Corporation improves on its present performance in securing new business by about 3 times the target of business fixed for 1963 cannot be fulfilled. The likelihood of the Life Insurance Corporation even bettering this target, as indicated in the speech of the Finance Minister, referred to in para 43 of the Report, seems rather doubtful. The Committee hope that the target of new business under the Five Year Development Plan will not have to be substantially revised and that suitable steps will be taken to reach it after analysing the reasons for shortfall in 1960 and overcoming them.

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The Committee trust that the Corporation would plan its future programme after taking into account the various targets of performance indicated before Parliament from time to time and the vast potential of Life insurance which is obviously there. They hope that Government also will keep a

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continuous watch over the actual performance of the Corporation so that it may not fall behind the targets and that the objectives of nationalisation are amply fulfilled.

17. (1) The over-concentration of a major portion of the new business of the LIC in the last months of the year is in striking contrast to the corresponding distribution in the U.S.A. The Committee are of opinion that the situation demands much more effective steps to be taken than hitherto. One way of doing so would be to fix the targets of new business for the field staff on a quarterly basis instead of the present annual targets.

(2) They also suggest that in order to encourage the field staff to pay more attention to the soundness of business procured, prizes may be awarded on the basis of the business which continues to be in force two years after its introduction instead of the present practice of awarding such prizes on the volume of business procured during the year.

18. (1) The Committee suggest that lapses from the business written in the last

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quarter of the year should be worked out separately for each month and published in the annual Reports of the Corporation.

(ii) It would also be desirable for the LIC to give in the Annual Reports figures of new business written during each month of the year zone-wise as indicated in paragraph 49 of the Report.

19. Since the spreading of insurance to the rural areas is one of the primary objectives of the Corporation, the Committee recommend that efforts may be made to increase such business more effectively than has been done so far.

20. The Committee feel that it would be hardly realistic to view all areas having a population upto 20,000 as rural. They understand that for purposes of census the areas having a population of 5,000 and below are viewed as rural. They suggest that the same definition may be adopted by the Corporation and figures of rural business may be compiled and published separately in the Annual Reports of the Corporation. They do not appreciate different standards to be applied for determining what are rural areas for different purposes.

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21. As group insurance practically rules out lapses and makes for lower expenses the Committee suggest that special efforts should be made by the Corporation to popularise this scheme, particularly in the industrial undertakings, both in the public and private sectors.
22. The Committee hope that the non-medical scheme will be successful. They need hardly stress that the success of such a scheme would depend on the careful selection of lives so as to avoid, or at any rate minimise, fraud or anti-selection.
23. While the Committee do not want to go into the technicalities of the legal position they feel that the question of payment of a portion of profits to non-participating policyholders has to be looked into from the point of view of equity also. Since the higher premia paid by a with-profit endowment policyholder is determined on the basis of bonus of Rs. 8 on each thousand of the sum assured, the policyholder can expect a higher return upto a reasonable limit.

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If the profits go beyond this limit, the Committee consider that there is certainly a case in equity for a portion of the profits being passed on to the non-participating policyholders, at least exgratia. The Committee hope that the matter will be examined by Government from this angle.

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The Committee feel that in the nationalised set up, the premium rates should not be any higher than are warranted by strict actuarial considerations. The continuation of old rates by the Corporation therefore calls for reconsideration. One of the tests of the successful working of the Corporation is the longterm reduction it can effect in its expenses and consequently reduction in the rates of premia. They recommend that a committee of experts consisting of the Controller of Insurance, representatives of the Corporation and independent actuaries may be set up to review the rates of premia offered at present by the Corporation.

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The Committee are glad to note that there has been an improvement in the lapse ratio of the business written by the

Corporation since 1957. In para 52 they have suggested that concerted efforts should be made to spread the business of the Corporation evenly throughout the year. This may further reduce lapses. The Committee trust that every effort would be made to bring the lapses to the level of the erstwhile best managed Indian and foreign insurers.

26. The Committee were informed by the Controller of Insurance that information in forms DD, DDD, and DDDD, which was required to be submitted along with the audited accounts for 1959, had not been submitted by the Corporation till December, 1960 and in the absence of this information, it had not been possible for him to check the figures of lapses given in para67 of the Report. The Committee would refer to their remarks in paragraph 77 and trust that in future the Corporation would furnish such information in time.

27. One of the desired effects of life insurance is an increased provision of social security. If this is to be

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achieved, it does not appear desirable to leave out of consideration the possibility of introducing compulsory life insurance to Central Government employees whose total number runs to about 20 lakhs. There is no reason why it cannot be done by the Central Government when it has been possible for a number of State Governments to do so. The Committee consider that the matter calls for co-ordinated examination by Government at a high level. One of the requirements of such a scheme would be the deduction of premia at source. This has been dealt with in paragraph 155 of the Report.

23. (i) Statistics relating to the first insurance policies and sum assured thereunder in urban and rural areas, should be published in the annual reports of the Corporation;

(ii) Statistics relating to the policies classified into:

- (a) Rs. 501-1000
- (b) Rs. 1,001-2,000
- (c) Rs. 2,001-3,000
- (d) Rs. 3,001-5,000
- (e) Rs. 5,001-10,000
- (f) Rs. 10,001-100,000
- (g) Rs. 100,001-and above

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should be included in the annual reports of the Corporation;

(iii) Lapse ratio for the year under report should be compiled in time for inclusion in the relevant annual report of the Corporation;

(iv) It should be ensured that the age of proponents is admitted and the assignments are made by policyholders within a period of 12 months from the date of issue of the insurance policies;

(v) The desirability of making cash payments for the amount of bonus declared or in the alternative allowing the bonus amount to be utilised towards payment of premium might be considered; and

(vi) The Corporation should keep in touch with the latest plans of insurance available to the policyholders in other countries with a view to introducing them here.

29. The Report of the first valuation as at 31-12-57 was presented to Parliament on 5th August, 1959, i.e. 19 months after the period to which it related. Even this report was not final as the objections raised by the Controller of

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Insurance on the values of some of the assets as well as adjustments to the Life Fund had not been settled. The Committee consider that normally only final reports which depict a true and complete picture should be presented to Parliament. In this case, they feel that it should have been at least indicated for the information of Parliament that the valuation, though provisional, was not expected to vary materially. This was not done.

30. The Committee understand that bonus warrants as a result of valuation as on the 31st December, 1957 have not so far been issued to the policyholders. They consider the delay regrettable all the more because the bulk of Government share has been already paid.

31. The Committee understand that the Corporation has not so far furnished the valuation returns to the Controller of Insurance in regard to the second valuation as at 31-12-59 under Section 15 of the Insurance Act, 1938, as applied to the Corporation. These were required to be submitted within a period of 9 months, i.e.

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by 30th September, 1960. In this connection, it is to be noted that the Corporation did not even approach the Central Government for extension of the period of submission of returns which could only be given upto a period not exceeding three months thus making a total of 12 months. Even this maximum period has been exceeded and yet the returns have not been furnished to the Controller of Insurance. It may be noted that failure of the Corporation to furnish returns in time to the Controller of Insurance attracts penalties under Section 102 of the Insurance Act. The Committee feel that it is essential for public undertakings to comply strictly with the provisions of the various statutes applicable to them.

32. The Committee suggest that a time-limit should be fixed for finalisation of valuation reports and their submission to Parliament.

33. The Committee suggest that the Corporation may examine the desirability of associating one or more experienced independent actuaries in carrying out the valuation.

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34. No regulations have been so far framed in respect of classification of policies under Section 49(2)(k) of the L.I.C. Act, 1956, pending finalisation of the scheme of differential bonuses. The Committee hope that early action will be taken to finalise the scheme and frame regulations for the classification of policies.

35. In the first Valuation Report the erstwhile insurers have been classified under five groups on the basis of the reserves brought by them into the Corporation. The policyholders of the insurers under the first four groups are entitled to bonuses at different rates according to the reserve strength of their insurers. The policyholders of Group V companies do not get any bonus at all. While the Committee appreciate that the rate of bonus may have to vary on the basis of the assets of each erstwhile insurer, they hope that the results of better management and working of the Corporation would enable some bonus being paid in future to the policyholders of Group V companies.

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36. The Committee trust that the settlement of compensation in all the outstanding cases would be finalised as early as possible.
37. The Committee recommend that the Corporation may examine the desirability of changing the present practice of banking with a large number of Banks and of having as far as possible operating account with the State Bank of India alone.
38. The large balances in current accounts at the end of the year as indicated in paragraph 85 of the Report could have been invested gainfully in call deposits.
39. (i) The Committee would suggest that the Corporation may examine the desirability of keeping its call deposits also with the State Bank of India as far as possible.
- (ii) They would further suggest that the cash position of the Corporation should be examined at least twice a week in order to ensure that surplus money in its current account is transferred to call deposits, pending regular investment.

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40. The Committee hope that with improved management, the Corporation would not only reach but improve on the renewal expense ratio attained by the leading erstwhile insurance companies in the country.
41. The Committee consider that for a monopoly organisation like the LIC the limit of 15% in respect of the renewal expense ratio provided for under the Insurance Act, 1938 is probably on the high side. They would suggest that Government may review the possibility of bringing down the present prescribed limit of 15% suitably.
42. The Committee are inclined to agree with the stand taken by Government that there should be one auditor for each zone and one extra auditor for Bombay who, along with the Zonal Auditor, should audit the consolidated accounts of the Corporation and there is no reason why the LIC should not have accepted the suggestion. At any rate it should be acted upon in future.
43. (i) The Committee trust that the details of activities likely to be taken up in subsequent years would also be incorporated in the Reports from 1960 onwards.

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(ii) They would also refer to the recommendations contained in the 20th Report of the E.C. (2nd Lok Sabha) for the preparation of performance-cum-programme statements by the Public Undertakings and suggest that the LIC should also take necessary action in the matter.

44. The Committee hope that a beginning would be made to include a summarised statement showing the excess of income over expenditure at a glance in the annual reports of the Corporation from this year, as agreed to by the representative of the Corporation.

45. Reading the assurances held out by the Finance Minister in regard to making investments available in the private sector, it is clear that the intention was more to help the development of industries in the private sector than in going to the share market and merely dealing in stocks and shares. Purchase of shares already in the market can be hardly held to serve the purpose of adding the development of new industries or expansion of existing ones. They would mostly go to the benefit of the persons

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who are already possessed of such shares, very likely for speculation. That the LIC could buy only Rs. 17.15 lakh worth of shares, debentures of newly floated companies and Rs. 205.57 lakhs worth of shares/debentures floated by the existing companies during 1959 would indicate the inherent limitations of LIC's role in the achieving the above purpose. The fact that other public undertakings like the IFC, ICICI and State Industrial Finance Corporations, which could finance new industries on a developmental basis have come into operation would seem to make the role originally contemplated for the LIC in this respect somewhat superfluous. The Committee feel that the Corporation's investments in shares and debentures fulfil little of the objectives of social advancement, diversification and avoidance of speculation. It would be in the interest of the country and the Plan programme for the Government itself to take over the entire investible funds of the LIC as an unfunded debt. The interest payable by Government could be pre-determined periodically in consultation with the

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Corporation to give an adequate return to meet the Corporation's liabilities. It should not be difficult for Government to an interest of 3% as deemed to be sufficient by pay the Chairman, LIC or for a matter of that even something more. Such an arrangement would provide in the 3rd Five-year Plan period an estimated amount of Rs. 135 crores, in addition to a sum of Rs. 315 crores approximately which could be utilised by Government to the best advantage for the development plans. The various requirements of diversification, development, social advancement and furtherance of the interest of the community as a whole could be better served by Government with the help of the funds provided by the LIC for the Plan than could be done by the Corporation itself. Government could likewise provide funds for the development of new industries for expansion of existing ones contemplated evidently for the private sector under the Plan. Such investments should be made through other financing agencies in the Public Sector, taking into account the size of investments made by the LIC for this purpose in the past and the allocations in the Plan.

A very important factor to be borne in mind is that with the passage of time the business will increase to such an enormous extent that the LIC whose main purpose is to procure insurance business and render service may not be able also to devote sufficient time and care for assuring the most advantageous investment of the large funds without detriment to its main task. If the Corporation is freed from the controversial and distracting work of investment it can then find time and energy necessary which the growing business and servicing would demand. The Committee recommend that the desirability of changing the present policy of investment of the LIC on the above lines may be examined by Government. The measure suggested will not only relieve the LIC of the job of investments and increase its efficiency but will also enable the Government to better realise the objectives of nationalisation.

46. (1) The overall increase in staff during the 3 years period 1957-59 has been over 21% and the increase in expenditure about 29%. While some additional staff might

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have been required to look after the increased business of the Corporation, the Committee find it difficult to appreciate the justification for such a large increase in the number of employees within a period of two years, particularly in view of the statement of the Minister of Finance quoted in para 125 of the Report. They consider that the real test of economy and efficiency of the Corporation would be to increase the business without a corresponding increase in operational cost. The Committee feel that once the Corporation has established its network of organisation it should be possible to exercise more economy in the number of staff employed and the existing organisation should be able to take care of additional business to a large extent. They recommend that the staff position in the various categories of the different zones may be constantly reviewed with reference to the work-loads which should be uniform for all zones and efforts made henceforth to secure additional business without a corresponding increase in staff.

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(ii) The immediate attempt should be to approximate the ratio of the strength in the other zones to that of the Western Zone at last and see to the elimination of the wide disparities between the zones.

In the opinion of the Committee the salaries of officers in the Corporation should not be so fixed as to bear no reasonable proportion to the salaries drawn by them for discharge of similar duties prior to nationalisation. Such a treatment may create dissatisfaction among others not equally fortunate, The Committee suggest an examination by Government of such cases if not for the purpose of disturbing the existing order at last as a guidance for the future, though the cases that may arise hereafter may not be many.

43. The liability incurred by the Corporation in the defamation case against one of its officers is obviously far in excess of the financial assistance which a similar Government servant could have obtained in similar circumstances; nor is it contemplated to recover any portion of this expenditure.

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The Committee are firmly of the view that the principles and rules to be followed in this respect by the L.I.C. or any Public Undertaking in such a case should be the same as prescribed by Government for its Officers. A direction to this effect may be issued by Government to L.I.C. and to all other public undertakings.

49. The Committee feel that since the Field Officers are expected to guide, supervise and direct the activities of agents and to recruit, train and motivate them for insurance work, recruitment to this category of officers should as a rule be made from among successful whole-time agents of at least 5 years' standing. Such a provision might be attractive to good agents who after obtaining an assured renewal commission might feel encouraged to work as field officers.

50. Part-time agents cannot devote themselves whole-heartedly to securing business; nor can they render efficient service to the policy-holders. For better business and proper servicing it would be desirable to appoint more and more whole-time agents.

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There may be exceptions in the case of rural areas where part-time agents may have to continue for some time more as insurance business is not so widely spread and popular in such areas and the commission earned may not be sufficient. The Committee suggest that in order to attract young and energetic men to the insurance profession, the Corporation should consider restriction of the number of agents in urban areas and encouraging the appointment of whole-time professional agents.

51. The Committee suggest that the Corporation may take effective steps to eliminate benami agents.
52. The Committee suggest that the feasibility of spreading the payment of first year's commission to Agents over a period of 3 to 4 years may be examined.
53. The Committee trust that necessary action would be taken by Government to ensure expeditious payment of commission to agents.
54. The Committee hope that necessary action would be taken at an early date in the matter of permitting the agents to nominate the beneficiaries to their renewal commission.

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55. The Committee do not appreciate why it should not be possible for the corporation to follow the general policy of Government in the matter of reserving certain posts for candidates belonging to scheduled castes/tribes. They suggest that Government may examine the desirability of issuing a direction prescribing the same reservation as has been made for Government Departments.

56. The Committee consider that, instead of one individual working as an agent, if two or more persons pool their resources, they could (as partnerships or co-operative venture) render continuous and better service to the policyholders. In view of these advantages, the Committee suggest that the feasibility of granting licences to cooperative bodies and partnerships might be considered.

57. The Committee appreciate the various steps taken to encourage the spread of insurance in rural areas by utilising the agency of the Panchayats. In view of the doubts expressed that the proposed

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arrangement of requiring the Panchayats to collect the premia and payment of service-cum-collection charges to them is not in conformity with the spirit of Insurance Act, 1938, it would be desirable to have the matter examined and if necessary action taken to modify the existing statutory provisions to remove any doubts in the matter.

53. The Committee consider that investigation of individual complaints to the effect that premium notices were not issued by the Corporation regularly and when any premium was not paid in time copies of default notices were not endorsed to the Agents through whom the particular policy was issued so that the agent could follow it up though certainly desirable, may not be enough remedy for the state of affairs that is indicated by the complaints made to them from many quarters. Further, not all such cases will be brought to the notice of the Corporation through written complaints. The ordinary man will judge the performance of the LIC by the efficiency and promptness

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of service to the policyholders. It is, therefore, essential that the Corporation should take special and effective steps to improve its servicing so that there may be no room for any such complaints.

59. At present payment of premia is accepted only at the Branch Offices of the Corporation where the relevant policy records are maintained. The earlier practice of accepting premium in any of its offices has been discontinued. The withdrawal of this facility has caused much inconvenience and hardship to the policyholders. The Committee suggest that the feasibility of reverting to the earlier practice may be reconsidered.

60. It appears to the Committee that the difficulties of accounting stated to be the reason for not providing the facility of deduction of premia at source are not insurmountable. They recommend that the matter may be considered by Government to enable deduction of premia at source to be made in respect of its employees and employees of the public undertakings insured with the L.I.C. Apart from the

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advantages pointed out in this paragraph, this measure is certain to improve LIC's business. In this connection, they also invite attention to the recommendation of the Public Accounts Committee contained in paragraph 68 of their 34th Report (2nd Lok Sabha) urging extension of the facility of deduction of premia from monthly salary of all the constituents of the L.I.C. The Committee also feel that it would be desirable to extend the same facility to employees of State Governments in due course who may insure with L.I.C.

The procedure for grant of loans to policyholders seems to be far from simple. The Committee consider that delays in the grant of loans defeat the very object for which loans are applied for by the policyholders. They trust that immediate attention would be paid to these matters and action taken to simplify the procedure for disposal of loan applications by empowering the Branches to grant loans upto a specific amount which should be disposed of within a time-limit to be fixed for the

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purpose. The Committee would further suggest that the desirability of charging a lower rate of interest on such loans may also be examined. It should also be possible for the LIC to accept repayment of loans (1) within 6 months of the loan giving proportionate rebate of interest taken in advance and (2) in instalments the minimum of which may be prescribed.

52. The Committee suggest that the feasibility of granting loans on the security of policies against stamped receipts may be examined.

53. The surrender values on the LIC policies are extremely low. Since the amount of loan to the policyholder depends upon the surrender values, the Committee recommend that the matter may be examined so as to bring the surrender value of LIC policies on par with the leading insurance companies abroad.

54. (i) The Committee feel that delay in the settlement of claims is very undesirable and results in unnecessary hardship to the claimants. Particularly, when government has guaranteed the payment of sum assured

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to policy-holders, such delays also tend to expose Government itself to criticism. The Committee suggest that Government should call for periodical returns of outstanding claims and ensure that their settlement is not delayed.

(ii) A time-limit may be laid for the settlement of both death and maturity claims.

(iii) Investigations into early death claims about whose settlement there are many complaints may be specially conducted by senior officers.

67. (i) It has been suggested to the Committee that apart from administrative measures, it would be desirable to levy an interest on delayed payment of claims, say after a period of three months. This suggestion may be examined.

(ii) The Committee also recommend that to enable a correct appreciation of the position of each Zone, and from year to year, the figures of outstanding claims, classified into maturity and death claims zone-wise, their value, period for which they are outstanding etc. may be published in the Annual Reports of the Corporation.

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66. The servicing of policies by LIC leaves much to be desired. The Committee consider that under the nationalised set up, the service offered by the Corporation should not only be as good as rendered by the erstwhile insurers but very much better. They suggest that effective steps should be taken to improve the position in this regard. One way of doing so may be to make the Branch Offices responsible for all types of services, for which they have no responsibility at present.
67. The Committee would suggest that an analysis of complaints received by the Corporation during a year from each Zone, should be published in its Annual reports.
68. (i) While the Corporation may have its own buildings to house its offices wherever justified, it does not appear necessary to possess such a large number of buildings for renting out, particularly when the net return does not exceed 3% on the capital invested. The Committee recommend that the Corporation may examine the desirability of disposing of its unwanted or surplus buildings gradually for reasonable prices.

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(11) Special efforts may be made to gain occupation of the buildings rented out wherever it would be economical to use them for Corporation's own offices at present housed in rented buildings.

69. (i) Obviously the scheme for the grant of loans on mortgages of property, if it is to be continued, has to be extended to places other than the few important cities to which it is at present restricted. The Committee Hope that the experience gained by Corporation so far would enable such a relaxation to be made.

(ii) The Committee further suggest that the desirability of decentralising this work by delegating appropriate powers for grant of such loans at least upto certain limits to the Zonal Managers may also be considered. It is a moot point, however, whether the L.I.C. should engage itself in such an activity, where again the cause of social advancement may not be the primary guidw.

70. The Committee hope that sufficient information about the working of the Corporation would be published in future

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in the Insurance Year Books to serve as a book of reference on life insurance matters, as of general insurance.

71. The Committee regret to observe that the annual reports etc. of the subsidiaries of the Corporation were furnished to them late on the 13th December, 1960, despite reminders. The Sub-Committee on Public Undertakings had by then completed their examination of the LIC, including the evidence of its officials. As such, it has not been possible for the Committee to examine the working of these subsidiaries.

Summary of Conclusions and Recommendations
Contained in the Fourth Report of the Committee
on Public Undertakings (Third Lok Sabha).

Sl.No.	Summary of Conclusions/Recommendations
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1. The Committee feel that although the appointment of the Chairman as the Chief Executive may not be illegal, there has been a departure from the management pattern envisaged in the Life Insurance Corporation Act, 1956 viz. the Executive Committee being incharge of the general superintendence and direction of the affairs of the Corporation and the Managing Directors being the whole-time executives of the Corporation. Under the circumstances the Committee feel that the matter needs to be reviewed in the light of the provisions of the Act.

2. Since the establishment of the Corporation there have been five changes in the incumbency of the post of Chairman and three changes in the incumbency of the post of the Managing Director. The Committee hope that to ensure continuity of management, Government would see to it that the Chairman and Managing Director of the Corporation are not changed so frequently.

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3. None of the present Members of the Corporation had any experience in insurance. While appreciating the difficulty to secure suitable men with insurance experience to serve on the Board of the Corporation, the Committee recommend that the Corporation should secure some persons with sufficient knowledge and experience of insurance so that the Board plays a more useful role.
4. The Public Relations Committee at the Centre and the Employees and Agents Relations Committees and the Zonal Advisory Boards in each zone, though they had important functions assigned to them, had met infrequently. The Committee desire that these ^{statutory} bodies should be taken more seriously.
5. The Committee were surprised to find that the Policy Holders Council contemplated under Section 49(g) of the Life Insurance Corporation Act, 1956 and Regulation 43 of the L.I.C. Regulations, 1959, had not been set up by the Corporation. They are of the view that although the functions of the Zonal Advisory Boards have been enlarged by the Corporation, the Boards are able to look after the interests of the policy

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holders only to a limited extent, because it is a small part of their total responsibilities. Therefore it is not only necessary to constitute Policy Holders Councils contemplated in the Act and the Regulations but it would also have been advantageous to do so. The Committee strongly feel that at present the viewpoint of the policy-holders goes largely unrepresented before the management. They, therefore, recommend that immediate steps should be taken to set up Policy Holders' Council in each Divisional Office so that the management might acquaint itself first hand with the problems and difficulties of the policy-holders.

6. The Committee attach great importance to the inspection work and hope that the Inspection Organisation of the Corporation would undertake an early inspection of the Central Office and the Zonal Offices.

7. While the Committee realise that it may not be possible to lay down every instruction issued to a public undertaking in the shape of a direction, it is at the same time necessary that clear principles should be laid down in writing specifying

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the occasions when it should take the form of an instruction rather than a directive. The representative of the Ministry conceded that the principles governing the relationship between the public undertakings and the concerned Ministry which had evolved over a period of time could be codified, if an attempt was made. The Committee, therefore, recommend that the Government should clearly lay down principles for guiding the relationship between the public undertakings and concerned Ministries.

8. In the Committee's view there seems to be no valid ground for making an exception in the case of the Corporation from the decision of the Government on the Krishna Menon Committee Report that appointments to posts carrying an initial or ultimate salary exceeding Rs2,250 should be subject to the approval of Government. The Committee trust that the Government would issue suitable directives to the Corporation requiring the latter to seek the approval of the Government for creation of posts carrying salary exceeding Rs. 2,250 p.m.

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9. The Committee are constrained to observe that the Corporation has not been fixing its targets on a scientific basis. There is immense potential for expansion of the life insurance business, if one compares the ratio of the life insurance business to national income in India with the other countries. The Corporation should, while fixing the targets for a year, not only take the past performance into account but also examine what has been the rise in the savings of the people and what proportion thereof ought to be aimed at.
10. The non-achievement of even the modest annual targets of business fixed by the corporation during the last 4 years in the opinion of the Committee, a clear evidence of lack of vigour in the present organisation of the Corporation. It is also an indication that the business offered by the Corporation needs to be made more attractive. The organisational changes suggested in Chapter IX and certain other suggestions made in Chapter IV should enable the Corporation to procure more business than hitherto. But at the same time, Corporation should also

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review the manner in which the business is canvassed with a view to effecting improvements therein.

11. In the Committee's view drawing up of a suitable plan by the Corporation is absolutely essential for a proper and purposeful development of its business. They, therefore, hope that the Corporation would draw up a Five Year Plan of development of its business commencing from the 1st April, 1965.
12. It was the declared objective of the Corporation to spread insurance as widely as possible and in particular to rural areas. The Committee would, therefore, strongly urge that the Corporation should lay much more emphasis on popularising insurance in rural areas than they do to-day.
13. The Committee feel that the fixation of targets for rural areas is a sine qua non for spreading rural business and the corporation should do it in the future years.
14. Extension of the facility of collection of premia through post offices seems to be a desirable step for the expansion of rural

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business, and the Committee would urge that the Corporation should explore the possibility of extending the arrangement in the remaining States also as early as possible.

15. The Committee feel that the efforts made by the Corporation to secure more business under the Group Insurance Scheme have not yet shown worthwhile results. They suggest that the Corporation should take more energetic measures to popularise this type of insurance both in the public and the private sectors. The Committee would also suggest laying down of suitable targets for the Group Insurance Scheme.

16. The Committee are not convinced by the arguments put forward by the Government for not introducing the Salary Savings Scheme in all the Central Government Departments, Public Undertakings and certain Governments viz., that of Central Government Departments/Public Undertaking and certain Governments viz., that of Rajasthan, Punjab, Orissa and Kerala whose accounts are also maintained by the Comptroller and

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Auditor General have with advantage introduced this scheme. They recommend that Government should re-examine the entire question of introducing Salary Savings Scheme in the Central Government Departments/ Public Undertakings. The Government should also urge upon the remaining State Governments to introduce the Salary Savings Scheme.

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At present the policyholder under the Salary Savings Scheme is entitled for a discount of 75 Paise per thousand of sum assured per annum and the Corporation does not charge any extra for monthly payment of premiums which is usually charged in other cases. Since the chances of lapses under this scheme are very little, the Committee feel there is a case for giving a further incentive to the policyholders to avail of the insurance policy, without detriment to the Corporation. They would therefore, recommend that the feasibility of giving a higher discount might also be considered by the Corporation.

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A certain rush of business towards the end of the year is perhaps inevitable but it appears to the Committee that the rush

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towards the end at present is more than what can be considered healthy. The Committee suggest that the Corporation should devise ways and means to see that Development Officers procure business evenly throughout the year and the chances of unsound business are reduced to the minimum. The Committee would also like the targets of new business to be procured by Development Officers to be fixed on a quarterly basis instead of the present annual one.

19. The lapse ratio of the Corporation has been going up since 1960 so much so that the ratio for 1963-64 is higher than the year 1955, the year immediately preceding nationalisation. The Committee view the rise in the lapse ratio with alarm. They are left with the impression that although the Corporation is enthusiastic about writing new business not sufficient follow up work is being done. They therefore, suggest that the Corporation should take urgent steps not only to arrest further rise in the lapse ratio but also to bring it down to a lower level. In this connection

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they feel that there is also a case for providing suitable incentives to the agents for bringing in sound business.

20. The Committee consider it regrettable that the recommendation of the Estimates Committee made in 1961 and reiterated in 1963 that the premium rates should be reviewed remains unimplemented. They feel that the premium rates which were fixed in 1956 are on the high side and call for an immediate revision. As for the Corporation's stand that they were awaiting the results of mortality investigations, the Committee feel that there was enough evidence to believe that the mortality rate has gone down. The raising of age of retirement of the Central and State Government servants is an indication of this fact. They, therefore, recommend that the Corporation should immediately appoint a Committee of Experts consisting of Controller of Insurance, representatives of the Corporation and independent actuaries to review the rates of premium offered by the Corporation with a view to bringing them down.

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21. The Committee are sorry to find that the actual surrender value of the Corporation is still much lower than that of some leading insurance companies. They would emphasise that as low surrender values adversely affect the limits to which loans can be given to the policyholders against their policies, no time should be lost by the Corporation to raise the surrender values of the Corporation's policies.

22. The Committee no doubt appreciate that investment in Government and other approved securities is necessary, but it does not mean that the funds of the Corporation which are in the nature of trust money should be invested in them beyond the statutory minimum of 50 per cent., which has not been raised by Government itself. The Committee would like to point out that the Corporation is expected to work on business principles and further the interests of its policyholders. They would, therefore, recommend that consistent with social objectives the Corporation should so direct its investments that it earns a higher return on them.

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23. 83. Taken as a percentage of the total investments during 1963-64, the investment in Housing Schemes amounted to 22.5 per cent only. The committee, therefore, urge that the Corporation should follow a more vigorous policy of investing in housing schemes. The observations made by the Committee in para 86 would also enable the Corporation to achieve this objective.
24. The Committee regret to note that the statutory requirements regarding the venue of the meetings of the Investment Committee have not been hitherto observed by the Corporation. They hope that the Corporation would in future adhere to them.
25. The Committee note that agenda papers on a good number of points during 1963-64 were not circulated well in advance to the Investment Committee. They need hardly emphasise that if the Investment Committee is to play an effective role it should not be treated in a casual way and barring such occasions where the offers themselves are received just a day or two in advance, in other cases, the Committee should be given sufficient time to consider each proposal.

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26. The Committee notice that a suggestion made by the Estimates Committee in 1960 that the Corporation should collect the various minutes relating to the procedure of the Investment Committee to serve as a ready guide to the Members of the Committee has not yet been implemented. The Committee would urge that the Corporation should at least collect the aforesaid minutes and frame the Rules of Procedure for the investment Committee as required under Regulation 23 (ii) of the Regulations.
27. The Committee feel that it should be possible to devise ways and means whereby the purchase of securities from the Reserve Bank of India by the Corporation could be effected directly and not through a broker thereby saving the Commission payable to the brokers. They trust that this matter would be looked into.
28. It appears to the Committee that the increase in the number of Class I officers is very high. Moreover, whereas in other categories in earlier years, the number of officers has remained more or less at the level of the previous year or has even

shown a decline, in the case of Class I Officers it has been constantly on the increase. The Committee deprecate such disproportionate rise in the number of Class I Officers and the high ratio obtaining between them and the Class II and III Officers and recommend the Corporation should urgently review the staff structure which seems to have become top heavy.

22. The Committee think that the economy and efficiency of the Corporation lies in increasing the business without proportionate increase in the operational cost. They would, therefore, urge that while reviewing the staff structure of the Corporation as suggested in para 108 ante the total strength that may be necessary for a certain quantum of business may also be worked out.

30. While the considerations pointed out by the Secretary, Ministry of Finance are no doubt important, the Committee feel that an unduly long time has been taken for the consideration of the proposal which affects the core of the organisation of the Corporation. Such delays also effect the satisfactory working of the whole organisation.

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31. The Committee would urge that the heirarchical system of officers, obtaining in the Corporation should be reviewed early and suitable reduction in the senior managerial posts effected.
32. The Committee feel that if the Development Officers were to exist as an agency for scrutinising the proposals brought by the agents, they must also ensure that the business brought is sound.

In the rules of the Corporation at present there was a provision for new business bonus being paid to the Development Officers, if they brought business above a certain quota. But there was no corresponding disincentive against bad business. The rate of lapses clearly indicates that a good deal of poor business was brought in yearly. In such cases the Development Officer or the agent was the only gainer. The Committee, therefore, feel that the Corporation should work out some formula or device by which some deduction should be made from the New Business Bonus paid to the Development Officers for being set off against policies that

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might lapse.

33. The Committee are not clear as to why the Corporation has not so far complied with the statutory requirement of framing regulations governing the terms and conditions of service of the Agents and the method of their recruitment. The Committee urge that these should be framed at an early date.
34. The Committee are inclined to believe that the benami system still prevails and that the Corporation has not fully succeeded in eliminating the evil. The Committee, therefore recommend that the Corporation should take energetic steps to (i) weed out the existing benami agents and (ii) to properly screen the new agents at the time of their recruitment.
35. The Committee have noted earlier that the lapse ratio of the Corporation is rising and the service to the policyholders is also poor. In the opinion of the Committee this appears to reflect the unsound procurement of business and unsatisfactory after sale service on the part of the agents. The Committee understand that the better

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managed insurance companies in the past used to depend a great deal on professional agents whom they used to properly select and build up by training. The Committee therefore recommend that the Corporation should endeavour to develop a stable agency force built on a nucleus of whole time professional agents not only by exercising care in their proper selection but also by imparting them suitable training which would equip them better for the task.

36. The bonus declared by the Corporation in 1963 on the policies issued by it was lower than the bonus declared on the policies issued by Oriental, New India etc. The representative of the Corporation was of the view that the Corporation bonus should be stepped up further and it should certainly come up to about Rs. 18 per thousand. The Committee hope that the Corporation would make earnest endeavours to enhance the rates of bonus.

37. That the renewal expense ratio of the Corporation during the last few years should have remained between 12.42 per cent to

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12.92 per cent shows that the organisation does not reflect economies of the scale.

The representative of the Ministry of Finance had told the Estimates Committee, when they examined the Corporation in 1960 that the corporation should attempt to bring the ratio down to 8 or 9 per cent. The Committee, therefore, feel that earnest steps should be taken by the Corporation to reduce its expense ratio.

33. The Committee hope that Government would review the time limit prescribed for submission of the valuation reports to the Controller of Insurance, so that these reports can be submitted to Parliament early.

39. The figures of complaints are a sad reflection on the state of service rendered by the Corporation. The Committee were surprised to learn that no disciplinary action was taken against any employee of the Corporation for the aforesaid inadequate follow up or accumulation of arrears. The Committee urge that the Corporation should take adequate measures to tone up its administration, so that the causes of complaints from its policy holders are removed.

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40. In spite of the steps said to have been taken by the Corporation and the appointment of a Special Officer, death and maturity claims to the tune of about Rs. 15 crores were outstanding. The Committee need hardly point out that if a claim is paid promptly it creates a fund of goodwill and opens out further prospects of securing business. They, therefore, recommend that much more vigorous and concerted efforts should be made by the Corporation to settle the outstanding claims without further delay.

41. The Committee recommend that where payments of maturity claims are withheld for want of proof of age at least 90 per cent of the insured amount should be paid on maturity and the balance on the proof of age forthcoming.

42. The committee feel that the corporation has not set that importance to the question of prompt payment of money due under its policies as it ought to. It is significant that there has been no enquiry in any case of delay whether the delay was avoidable. There has been no case of disciplinary

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action against any officer or other employee of the Corporation for delaying settlement of claims. It cannot be that all the cases of delay referred to in para 153 arose out of default on the part of the policyholders or their heirs. The Committee are of the view that a policy maturing be it by efflux of time or by the death of the policyholder, the money payable in terms of the policy becomes the property of the policyholder or his heir or assignee as the case may be and since the Corporation has the use of that money and earns interest on it, the amount under the policy should be paid to the policyholder, his heir or assignee as the case may be with interest at an appropriate rate.

43. The Committee are surprised to find that the Inspection Organisation of the Corporation had also not looked into the delays in sanctioning loans and disbursing the same during their inspections.

44. The grant of loans is one of the accepted services offered by the insurance companies to their clients all the world over. This benefit in turn is known to bring more business for the insurers. The advantage of

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this benefit can however be lost if there are delays in sanctioning of loans. The Committee regret to note that there is delay in the Corporation sanctioning loans. They recommend that the Corporation should grant loans expeditiously.

46. The nationalisation of life insurance business in India was resorted to for the benefit of the masses. It was, therefore, of prime importance that various loans schemes of the Corporation should more and more cater for weaker sections of society. The Committee hope that the Corporation would take suitable steps in this direction.

46. The grant of a loan on the security of a policy does not entail any risk to the Corporation. The Committee, therefore, feel that there is no reason why the procedure for the granting of a loan should be complicated. They recommend that the procedure should be simplified and liberalised and the Branch Offices empowered to sanction loans.

47. The Committee hope that receipts to policy-holders for policies deposited

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with the Corporation as security for loans would be given by the Corporation as a matter of routine irrespective of requests.

43. The Committee would suggest that a study should be made of the loan agreement form of other companies to find out the most practicable but short and simple form in consultation with their solicitors.

44. The service rendered by the Corporation to its policyholders is far from satisfactory. The Committee feel that if the Corporation is to earn the good will of the insuring public and gain its confidence it will have to ensure greatly improved service to policyholders.

53. The Committee are convinced that the tardy growth of business, and deterioration of service to the policyholders which have been brought out in Chapters IV and VIII are ascribable to the present size and centralised organisation of the Corporation.

The Committee feel that if the standard of efficiency in the Corporation is to be improved, with better service to the policyholders, and the Corporation is to expand its business on a massive scale, its present

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zones must be constituted into completely independent Corporations.

Such a major reorganisation would involve the amendment of the statute and may take some time. They, therefore, suggest that in the meanwhile the present zones should be made fully autonomous not merely by delegating more powers to the Zonal Managers but by setting up separate Boards of Management and making each Zonal Manager the Chief Executive Officer of his Zone. The Committee hope that by this process overall business will expand, rural business would significantly increase and the service to the policyholders would also improve.

So far as investments are concerned, during the transitional period, the Central Board of the Corporation should look after this work, but even after formation of five independent Corporations it would be necessary in the national interest that the investments are equitably distributed throughout the country. A practical approach to this

APPENDIX III.

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should be would be that a major portion of the investment of any Zonal Corporation should earmarked for the zone itself. The balance be left at the disposal of a central authority, to be created for the purpose for meeting also the needs of the backward areas of the Country.

The details of reorganisation suggested in para 197 above will have to be worked out by an Expert Committee. The Committee, therefore, suggest that an expert committee may soon be appointed for the purpose.

QUESTIONNAIRE ISSUED BY THE WORKING GROUP ON LIFE INSURANCE ADMINISTRATION APPOINTED BY THE ADMINISTRATIVE REFORMS COMMISSION.

Dt. 26th Sept. 1967.

1. Having regard to the declared objectives of nationalisation of Life Insurance, viz., carrying the message of life insurance to every nook and corner of the country; effective mobilisation of savings of the people for national development; complete security to every policyholder; maximum efficiency and efficient service to the policyholders; economy in expenditure and economic premium rates, what, according to your experience and knowledge, is the extent to which Life Insurance Corporation of India has succeeded?
2. Do you think that the management, organisation and the administrative set up are correct in pattern and are adequately harnessed to carry the benefits of life insurance to every insurable person in India?
3. What, according to you, is the contribution of life insurance in the strengthening of National economy?
4. Do you consider the present expense ratio of the L.I.C., reasonable or excessive?
5. What is your opinion with regard to the investment policies as regards the direction in which investments are being made?
6. To what extent, in your opinion, is the business of the Corporation being conducted on business principles?
7. What is your experience or opinion with regard to the service provided to the policyholders and what are the deficiencies, if any?
8. Have you got any suggestions with regard to the administrative structure of the Corporation with a view to recommend for the purpose of dividing or decentralising the responsibility consistent with efficiency and economy to give greater satisfaction to the policyholders?

9. Have you got any suggestions or recommendation with regard to the administration?
10. Do you think that in the relations, functions and powers between the Central and Zonal Office and Divisional Offices, between the Divisional office and the Branch Offices, between the Branch Office and Development Officers, between Development Officer and Agents, between Agent and the insured persons any change is required in order to simplify service, make it more effective, without duplication and reduce lines of communications to the extent possible.
11. Have you got any suggestions to make to build up a special Department to provide correctives in methods and the rationalised procedures from time to time.
12. Do you consider the cost of life insurance in India on high side? If so, has it undermined the faster growth of life insurance.

APPENDIX V

Questionnaire to the Life Insurance Corporation of India and its replies.

I. Spreading the message of Life Insurance to every nook and corner of the country.

Part I - Question No.1.

- (a) LIC has been vested with the responsibility of carrying the message of life insurance to 10 crore families in India. To what extent has the LIC achieved this objective?
- (b) The number of policies on the books of the Corporation is 1.20 crores. What is the percentage of families covered by these? Would it be correct to say that over 90% of the families in India are not on the books of the LIC?

Answer: (a) & (b)

In the Statement of the Objectives and Reasons of the LIC Act 1956, it is made clear that Government decided to nationalise life insurance business in India "to spread insurance more widely and in particular to rural areas and as a further step in the direction of effective mobilisation of public savings". This may, therefore, be considered as one of the primary objectives of the LIC. It would, however, be unrealistic to assume that even with the most effective sales effort, insurance could be extended to every household in the country. There are bound to be large sections of households who are not in a position to save enough to pay insurance premiums and others who find it more advantageous to direct their savings into channels other than life insurance.

Some light on the position in this regard is thrown by the results of surveys of income, savings and asset-formation of urban households (reference period 1960) and rural households (reference period 1962) recently carried out by the National Council of Applied Economic Research (NCAER). These surveys disclosed that 42.5% of urban households had annual incomes below-Rs.1,000/- and 46.6% of rural households had annual incomes below Rs.900/-. These sectors of households must be considered as living below the margin of subsistence; and as they would be incapable of making any saving out of their current incomes to provide for future needs, they should be treated as falling outside the scope of voluntary life insurance. Even among the remaining households, it was found that in the lower income brackets there was a large proportion of households who did not make any positive saving during the years of reference. In urban areas, the proportion of such households was 55% in the income bracket Rs.1,000/- to Rs.3,000/- and 30% in the income bracket Rs.3,000/- to Rs.8,000/-

In rural areas, the need for life insurance protection is not as basic as in the urban areas and the habits of savings and asset information are also much less conducive to the growth of life insurance

than in urban areas. A farmer leaves at his death a means of livelihood to his survivors in the form of land and his dependants are taken care of under the joint family system. It is natural that many cultivators in utilising such savings as they make should give priority to financing their family business and many of them do not have any balance left for purchasing life insurance protection. Also, the agriculturist still continues to be at the mercy of the vagaries of weather and there are wide variations in his income from year to year. These circumstances give rise to a tendency on his part to hold his savings in assets having a large measure of liquidity. Life insurance has limited attraction from this point of view. The NCAER surveys showed that net savings represented a much smaller percentage of income in the rural areas (8.5% than in the urban areas (13.9%). The proportion of investment in financial assets was also much lower in rural areas than in urban areas. In the rural areas, the net investment in physical assets (i.e. farm assets, buildings, live-stock, land, etc.) was Rs.514 crores and the net investment in the financial assets Rs.213 crores. In the urban areas, the net investment in physical assets was Rs.232 crores as against Rs.341 crores in

APPENDIX V

financial assets.

It is difficult to ascertain from the LIC's records the number of individuals or families who hold life insurance policies. Some useful information on this point was brought out by the NCAER surveys referred to above. These surveys showed that during the respective reference years 15.6% of urban households and 1.6% of rural households paid life insurance premiums. In urban areas, the proportions of insured households were 16.2% in the income bracket Rs.1,000/- to Rs.3,000/-, 51.1% in the income bracket Rs.3,000/- to Rs.8,000; 72.9% in the income bracket Rs.8,000/- to 15,000/- and 87.1% in the income bracket Rs.15,000/- and above. In rural areas, the proportion of insured households was 1.4% in the income bracket Rs.901/- to Rs.2,400/-, 6.4% in the income bracket Rs.2,400/- to Rs.7,200/- and 22.1% in the income bracket over Rs.7,200/-. It may be expected that the proportions of insured households would have increased appreciably during the period which has elapsed since the dates of the surveys. It is probable however that while in urban areas the proportion of insured households is much higher than 10% in the rural areas it is still less than 10%.

That the wide disparity between insurance coverage in rural and urban areas is attributable to a considerable extent to the differential pattern of savings and asset-formation is indicated by the fact that while life insurance premiums represented 10.3% of the total new investments in financial assets by rural households the corresponding proportion for urban households was 16.8%. It will be seen that the disparity between these proportions is much less pronounced than that between the proportions of insured households in rural and urban areas.

It must be remembered that since the objective of the LIC is to mobilise savings effectively, out of the 10 crores of households in the country, a large section who do not make any savings out of their current incomes cannot come within the scope of its activity. Further, even out of those who are in a position to save, some may find it more advantageous to direct their savings into media other than life insurance. From this point of view, it is interesting to compare the figures of insurance coverage in different income brackets in the urban areas in this country, which are given above, with

similar data relating to the U.S.A. In the U.S.A., among husband-wife families in which the age of the husband was less than 65, the distribution of insurance coverage (including Group Insurance) was found to be as follows:-

<u>Husband's income</u>	<u>Percentage of husbands insured</u>
Less than \$ 3,000	71%
\$ 3,000 - 5,000	87%
\$ 5,000 - 9,000	96%
\$ 9,000- 15,000	95%
\$ 15,000 & over	94%

It will be seen that the insurance coverage in households with annual incomes in excess of Rs.8,000 in the urban areas in this country is almost comparable with that in the U.S.A. In the lower income brackets in this country, as stated above, a considerable proportion of households do not make any positive savings; and this no doubt accounts for the lower levels of insurance coverage in those income brackets.

In rural areas not only is the proportion of households who do not make any savings larger but a large proportion find it more advantageous to invest their savings in physical assets. The income of an agriculturist comes from productive assets like land and other equipment used by him for developing land and cultivation; and the death of the head of the

family does not deprive the family of these productive assets. It is natural, therefore, that the tendency of the rural population should be to channelise a greater proportion of their savings into purchasing additional land or equipment. This further reduces to a substantial extent the proportion of rural households who can be brought within the scope of life insurance. In the circumstances, the proportion of rural savings which can be directed into life insurance is bound to be much smaller than in urban areas.

The NCAER survey disclosed that an appreciable proportion of the new financial assets built up by the rural sector was represented by life insurance premiums.

Part I - Q.No.1

(c) Is the present set up of the sales organisation so designed and channalised as to achieve the object of reaching the 10 crore families and bringing them on the books of the Corporation in the shortest possible time?

Answer: (c)

The basic pattern of the sales organisation built up by the LIC can be considered as adequate for the task of development of life insurance business throughout the country.

The entire country has been divided into 36

Divisions, in each of which a Divisional Office has been given the responsibility of planning and implementing the sales activity and servicing the business within its jurisdiction. Within each Division, a number of Branch Offices, Sub-Offices and Development Centres have been set up. In rural areas, these offices have been allotted exclusive territories for development, but in larger cities where more than one office operate, this has not been possible. As at the end of March 1967, there were 414 Branch Offices, 135 Sub-Offices and 162 Development Centres. At the outset, the LIC had offices in only 167 centres. This number has steadily increased and as at the end of March 1967, there were offices in 411 centres. At present, there is a Branch Office, Sub-Office or Development Centre in 283 out of 326 districts of various States and 6 out of 9 Union territories. The districts where no office exists lie in sparsely populated, backward regions and forest and tribal areas, where the scope for insurance business is exceedingly limited.

Keeping in view the objective of spreading insurance throughout the length and breadth of the country in a planned manner, the sectorwise method of planning and operation of the sales organisation has

~~1954~~ accepted. In areas where exclusive territories have been allotted to each Branch for development, the territory of each Branch is demarcated into sectors and a Development Officer given exclusive authority to operate in each sector. It has been laid down that each sector should further be divided into agency blocks, each such block having adequate population and potential of business to support an active agent. It is the responsibility of the Development Officer to ensure that in the area allotted to him each agency block is represented by an active agent and in reviewing his work, the Branch Officials are required to review the agency organisation in rural blocks as well as the development of business through such an organisation. The sector-wise pattern of operation ensures that the poorer or less developed areas are not ignored, eliminates wasteful competition and saves time and expense involved in travelling.

The growth of life insurance depends to a large extent on the strength and capacity of the agency force. The task of recruiting and developing agents is primarily the responsibility of the Development Officers. The number and distribution of Development Officers in the LIC's organisation is considered adequate and acceleration of the pace

of development of business will have to depend on the one hand, on increasing the effectiveness of the Development Officers in discharging their duties and, on the other, on the increase in the potential for life insurance business through improvement in incomes, savings and education.

PART I - QUESTION No.2

Has the LIC considered any scheme to meet the needs of about 60% of the population living in villages and whose income is irregular and dependent upon crop years?

ANSWER:

A large variety of schemes offered by LIC give wide choice to all sections of the population whether living in urban or rural areas. In particular LIC's Non-medical (General) Scheme is basically intended to cater to the needs of the population living in villages. Policies under this Scheme can be taken upto Rs.4,000/- sum assured under Endowment Assurance, Double Endowment, Fixed Term, Educational Annuity and Anticipated Endowment Plans. The scheme for collection of premiums through selected Post Offices in rural areas where banking facilities do not exist is now operating in the States of Andhra Pradesh, Bihar, Haryana, Himachal Pradesh, Kerala, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal.

In case of crop failures and subsequent inability to pay premiums on the due date, the policy lapses but it can be revived under the usual ordinary or special revival scheme of the Corporation. With the facility of revival scheme of lapsed policies offered by the Corporation, LIC's Non-medical (General) Scheme would suit the needs of the rural population.

Part I - Question No.3:

In the context of the present economic conditions of the agriculturists, has the LIC considered any scheme of tying up a small Term Insurance premium with ordinary insurance, and permitting them the facility of paying their premium at their convenience?

No scheme of tying up small Term Insurance premiums with ordinary insurance for any section of the community is provided by the Corporation.

2. Where areas are notified by the State Governments as drought or flood affected, certain concessions are given to the policyholders who are not able to pay the premiums during the periods:

- (a) late fee or interest on premiums paid late is condoned up to a period of six months from the due date of the premiums;
- (b) in the event of the death of the assured during the period of such concession, the

- Subject to the deduction of the unpaid premiums with interest, and
- (c) policies under all the plans lapsing during this period may be revived on the strength of a satisfactory personal statement on health after six months from the due date of the first unpaid premium but before one year from the date of lapse.
3. All policies, urban and rural, which have been at least three years in force, are kept in force for the full sum assured for six months after the date of the first unpaid premium.

Part I - Question No. 4:

Do you consider that in view of the difficulty of securing business in rural areas, it is necessary to give special incentives to agents to do rural business exclusively? If so, what incentives would you recommend? What type of agency force would you consider suitable for work in rural areas having regard to the present state of literacy and the economic conditions and distances involved?

Answer:

The Corporation does not consider it desirable to give special incentives to the agents in the rural areas or to make any difference in the matter of remuneration of the agents in the urban and the rural areas. It may be added in this connection that an agent of the Corporation can procure business anywhere in India.

One of the methods adopted by the Corporation for developing the business in rural areas is by what is known as "sector-wide planning". The areas are divided into compact groups and one or two agents are given the responsibility of developing intensively one such compact-group.

No special qualifications are required for becoming agents in the rural areas. The educational qualifications have already been relaxed in respect of rural agents. An agent who has lived with the masses and who has got an aptitude for selling life insurance business will be able to develop rural business.

Part I - Question No.5:

What arrangement has the Corporation made for the collection of premia of rural policy-holders in view of the distance of the villages from the collecting agencies of the Corporation? Do you consider it desirable to authorise Agents and Development Officers to collect the premia and transmit the same to the Branch Offices provided fidelity guarantee policy is taken?

Answer: 8

Corporation has made the following arrangements for collection of premia from rural policyholders :-

- i) Wherever possible co-operative banks in rural areas are authorised to collect premia
- ii) A scheme for collection of premiums through selected Post Offices in rural areas where

APPENDIX I

banking facilities do not exist is now operating in the States of Andhra Pradesh, Himachal Pradesh, Kerala, Madras, Mysore, Orissa, Bihar, Punjab, Haryana, Rajasthan, Uttar Pradesh and West Bengal.

In selected cases agents as also Development Officers are authorised to collect premiums. However the granting of authority to the agents for collection of premia in rural areas on a mass scale is not considered necessary nor desirable at this stage.

Part I - Question Nos:

- (6) Do you consider that it would build up rural economy and increase food production and accelerate the growth of life insurance among the rural masses if they are given long term loans against the security of immovable property or other enforceable collateral security?
- (7) Do you consider that it would popularise insurance among the rural masses if the Corporation is to finance rural electrification and housing schemes in a big way against the guarantee of State Governments and Electricity Boards?
- (8) It has been suggested that for increasing food production, the Corporation should advance loans to agriculturists for irrigation purposes, digging tubewells, purchasing tractors and other agricultural implements etc. Would the creation of a subsidiary wing of Corporation in the nature of Rural Development Corporation with membership open to all the policy holders in the rural areas help fulfil the above objectives?

- (9) LIC has to establish intimate contact with every family. Has L.I.C. considered a scheme under proper safeguards to finance the good cultivator for the sole purpose of improving his farm by providing him with medium term loan for irrigation and other facilities for modern cultivation to make his farm risk-proof, and thus to enable him to take 2½ to 3 crops a year instead of one poor crop?
- (10) Is it possible for L.I.C. to organise such a plan effectively which would substantially increase the net income of the farmers 3 to 4 fold, generating tremendous potential for life insurance? Will you spell out the difficulties envisaged?

Answers: 6 to 10

There is no doubt that rural development will raise increased incomes, savings and standards of living of the rural population and incidentally lead to an increase of the potential for life insurance in rural areas. In pursuance of its social objectives, the LIC has already orientated its investment policy in such a manner as to promote rural development.

Agricultural credit requires a great deal of specialised expertise. It also calls for local knowledge for assessing the credit worthiness and productive potential of the borrower and the prospects of his securing timely access to the various inputs necessary for crop production, prior to the grant of the loan; and thereafter, a good deal of local supervision to ensure that the loan is utilised for

productive purposes and that the repayment schedule is adhered to. If these are not forthcoming in adequate measure, there is a fear that easy credit might only increase the burden of indebtedness of the cultivator, and prove a curse rather than a blessing. It is because of this inherent characteristics of agricultural credit that it has been considered as a specialized specialized field for co-operative enterprise and even commercial banks have been hesitating to enter the field directly. Since the management of the LIC does not possess the specialised know-how necessary for operation in this field and its widespread field organisation is manned by personnel who specialise in selling life insurance and not in agricultural credit, there would be no special advantages in the LIC attempting to enter this field of activity directly. It must be remembered also that by the very nature of its business, the LIC is primarily a long-term investor and, being the de-facto trustee of the policyholders' funds, it has to see that all its investments satisfy the criterion of security and earn a good net return, after deducting related expenses and taxes. The bulk of the cultivators in this country being small producers, with as many as 2/3rds having holdings of less than 5 acres, their ability to use borrowed

funds for productive purposes has been in doubt and their primary need is for cheap credit of moderate amounts. Experience of co-operative organisations shows that in a large proportion of cases considerable difficulties are experienced in making regular recoveries. Having regard to inadequate security, cost of an extensive local administrative organisation, difficulties in recoveries and the small size of loans a high rate of interest will be necessary if the scheme is to yield adequate returns on investments, and in the absence of an element of subsidy it may be difficult to bring credit within the capacity of the small cultivator. In the circumstances, the conclusion appears irresistible that the LIC cannot enter this field directly.

As stated above, the LIC has already made a substantial contribution to rural development by financing the programmes of other specialised organisations. Perhaps, the most important part of this is in the field of land development through land mortgage banks. During recent years, the LIC has been helping these institutions on an increasingly large scale and at present its contribution is well over Rs.10 crores a year. On March 31, 1967, the Corporation held land

mortgage banks' debentures of the face value of Rs. 40.36 crores as against Rs. 3.96 crores 10 years ago, an increase of 900%.

Electricity Boards originally confined their activities mainly to urban and semi-urban areas, but rural electrification is now being taken up on a large scale. The LIC's contribution to the bonds floated by them, which was only Rs. 66 lakhs in 1957, increased progressively to Rs. 7.39 crores in 1961. Since then there has been a decline in the annual contribution in this form, as the LIC decided to change over to giving loans instead of subscribing to bonds. The total amount of the Electricity Boards' bonds held by the LIC on 31.3.1967 was Rs. 18.48 crores as against a token figure of Rs. 0.34 crore 10 years earlier. In 1964, the LIC started giving loans to the Electricity Boards on a large scale. The amount has increased from Rs. 14.25 crores in 1964-65 to Rs. 23.55 crores in 1966-67. The total of these amounts as at 31.3.1967 was Rs. 42.90 crores. The estimated investment in 1967-68 is about Rs. 26 crores. In giving assistance during the last few years the LIC has requested the State Governments to see that their expenditure on rural electrification should be commensurate with the assistance they receive from the

Corporation. This assistance is greatly appreciated by the rural population, as they see transmission lines, electric power, tube wells, etc., growing in the country side.

The LIC invests a substantial portion of its funds in central and state government loans and such investments have increased by 127% during last decade. The Governments use this money for meeting normal as well as developmental expenditure. A good deal of governmental expenditure these days is on agricultural development under various schemes and, to that extent, the beneficiaries are primarily the rural population.

The Industrial Finance Corporation and the State Financial Corporations, to whom assistance is directly given by the LIC, to some extent, help the industrial sector and the benefit from such assistance goes both to the urban and rural areas. The LIC also grants loans to Co-operative Sugar Factories. The amount of such loans as at March 31, 1967 was Rs. 1.75 crores.

Rural housing is a problem of colossal dimensions, which has remained practically untouched so far. It has been estimated that the cities require 11 million

and villages 63 million new houses; and that to provide these would call for an outlay of over Rs. 30,000 crores. Even the very modest targets set by the First Three Plans have not been reached and at a conference of Housing Ministers recently held in Madras, the poor performance was attributed to the tendency among the states to divert central allocations and LIC advances earmarked for housing to other projects. This indicates the formidable difficulties in the way of progress even in the field of urban housing. One of the major difficulties is the acute shortage of building materials, which is likely to continue for many years to come. The question of freezing land prices in urban areas so as to bring housing within the means of low and middle income groups also remains unsolved. The difficulties are likely to be much more formidable in the field of rural housing and it has been stated that unless progress is made in developing low-cost building materials and architectural designs so as to bring down costs substantially, progress may be impossible to achieve without a substantial subsidy. It is clear, therefore, that this too is a specialised field of activity, requiring active assistance from Government and a solution of numerous problems,

which it would not be desirable for the LIC to enter directly. Co-operative Housing Finance Societies have done good work and there has been a suggestion that a Central Housing Finance Corporation with powers to raise funds through bonds and debentures should be established. The proper way for the LIC to help rural housing would be to provide finances to such specialised agencies if and when they extend their activities to rural housing.

As explained above, there would be no special advantages in setting up a Rural Development Corporation as a separate wing of the LIC, rather than as an independent organisation. There would also be no particular advantage in limiting the scope of such an institution only to the policyholders of the LIC.

Part I - Question No.11

What percentage of the employed population is covered under Life Insurance at present?

Answer:

According to a study by the National Council of Applied Economic Research based on the data collected by a countrywide urban savings survey in October-December 1960, the percentage of

insured urban households according to the employment status of the head of the household are as under:

Employment status of the head of the household	Percentage of insured households
Self-employed	11.1
Government employee	27.0
Private employee	14.7

Source: NCAER Publication
'Contractual Saving in Urban India'
(Table 11, Page 30)

Part I - Question No.12

What plans has the LIC made to bring all the employed population under Life Insurance?

Answer:

The Group Insurance Scheme and Salary Savings Scheme were specially introduced by L.I.C. with the intention of providing Life insurance protection for all the employed population.

The following plans are offered under Group Insurance Scheme:

Permanent Plans - Whole Life Limited Payment
endowment Assurance
Fixed Term (Marriage) Endowment
Educational Annuity
Pure Endowment

- Temporary Assurance Plans))
1. Level Premium Temporary Assurance
 2. One Year Renewable Group Term Assurance

Practically all plans offered by the Corporation could be taken under Salary Savings Scheme where not only the usual additional charge of 5% for monthly mode of premium is waived but a reduction of 75 P. or 37 P. per thousand sum assured per annum as may be available for the yearly mode of payment having regard to the plan of assurance is also allowed.

Rates under Group Insurance are substantially low allowing for economies resulting from issue of a group policy.

Part V - Question No.13.

What are the loadings contained in Group Life Insurance premium rates? Can you give us specimen group rates charged by the L.I.C. and comparative group rates charged by one or two representative British Life Offices?

Answer:

In case of Whole Life Limited Payment and Endowment Assurances under group insurance the group premium is derived by deducting 8-1/3% of the corresponding tabular premium for ordinary business where the premium paying term is 15 years and above. For lower terms the deduction is as follows:

<u>Terms</u>	
10 - 14 years	7½%
5 - 9 years	5%
2 - 4 years	2%

In case of fixed Term (Marriage) Endowment and Educational Annuity the group premiums are obtained by deduction of 5% from the corresponding tabular rates.

The loadings in the tabular premiums are given in the annexed statement at Annexure-1.

In case of scheme (group) Pure Endowment Plan the loadings for first year and renewal expenses are 10% and ½% of the premium.

In case of Level Temporary Assurance the first year and renewal expense loading is 5% of the premium in addition to constant expense loading of Rs.1.50 per thousand sum assured.

Under One Year Renewable Group Term Insurance Scheme, 5 sets of tables are used ^{depending} upon the category of employees to be covered. The expense loadings are 10% of the premium plus Rs.2/- per thousand sum assured.

Specimen rates under Select and Standard Tables of the One Year Renewable Group Term Assurance Plan for ages 30, 35 and 40 are given below:

<u>Age at entry</u>	<u>Premium per thousand sum insured</u>	
	<u>Select</u>	<u>Standard</u>
30	Rs. 6.40	Rs. 7.40
35	Rs. 7.15	Rs. 8.35
40	Rs. 9.05	Rs. 10.75

Select rates are normally used for officers drawing a basic salary of Rs.500/- p.m. and above and standard rates are used for clerical staff.

The corresponding tables of British Offices are not available.

Part I - Question No.14.

- (a) What would be the minimum average income which would induce an agent to take his agency work on a full-time basis?
- (b) What is your estimate of the potential of annual new life business for a well trained agent in various sections of the population?
- (c) What is the number of families which you would assign exclusively to an agent in order to achieve the objective of intensive development and servicing of the insured families at their door?

Answer :

(a) At present, a clerical assistant in the L.I.C, gets a total monthly income of about Rs. 275/- at the start of his career. A young man wishing to take up insurance salesmanship as a career on a full-time basis in an urban centre may expect to secure a comparable income, plus a margin to cover travelling and entertainment expenses; say, a total monthly income of about Rs. 325/-. To secure an income of this size solely out of first year's commission, he may have to secure a new business of the order of Rs. 2,50,000/-. If he continues to do a steady business of this size, even assuming that 20% of the business lapses, he would secure annual increases in remuneration of the order of Rs. 450/-. For many years, this would be substantially higher than the annual increments in the remuneration secured by a clerical assistant. Even an individual doing a steady business of about Rs. 1,50,000/- would reach a monthly income of the order of Rs. 300/- at the end of five years and thereafter annual increments of the order of Rs. 275/-. In some cases, even these prospects may suffice to attract a young man to take up life insurance agency on a full-time basis.

In urban areas, at present, the average size of a policy is about Rs. 6,000/- and in rural areas about Rs. 4,250/-. A business of about Rs. 2,50,000/- would thus mean about 42 new policies in an year, i.e., less than 1 policy a week. In rural areas, the living costs would be appreciably lower and if an individual can hope to secure 40 to 50 policies per year, the resulting income by way of commission may suffice to attract him to life insurance agency as a full-time career.

(b) A broad idea of the potential for life insurance in different income brackets may be obtained from the figures of (i) proportion of insured households, and (ii) average premium per insured household in different income brackets as brought out by the NCAER surveys referred to in reply to question 1 of Part I above which are summarised in the following table. (Households with annual incomes less than Rs. 1,000/- in urban areas and Rs. 900/- in rural areas are excluded).

Answer :

(a) At present, a clerical assistant in the L.I.C. gets a total monthly income of about Rs. 275/- at the start of his career. A young man wishing to take up insurance salesmanship as a career on a full-time basis in an urban centre may expect to secure a comparable income, plus a margin to cover travelling and entertainment expenses; say, a total monthly income of about Rs. 325/-. To secure an income of this size solely out of first year's commission, he may have to secure a new business of the order of Rs. 2,50,000/-. If he continues to do a steady business of this size, even assuming that 20% of the business lapses, he would secure annual increases in remuneration of the order of Rs. 450/-. For many years, this would be substantially higher than the annual increments in the remuneration secured by a clerical assistant. Even an individual doing a steady business of about Rs. 1,50,000/- would reach a monthly income of the order of Rs. 300/- at the end of five years and thereafter annual increments of the order of Rs. 270/-. In some cases, even these prospects may suffice to attract a young man to take up life insurance agency on a full-time basis.

In urban areas, at present, the average size of a policy is about Rs. 6,000/- and in rural areas about Rs. 4,250/-. A business of about Rs. 2,50,000/- would thus mean about 42 new policies in an year, i.e., less than 1 policy a week. In rural areas, the living costs would be appreciably lower and if an individual can hope to secure 40 to 50 policies per year, the resulting income by way of commission may suffice to attract him to life insurance agency as a full-time career.

(b) A broad idea of the potential for life insurance in different income brackets may be obtained from the figures of (i) proportion of insured households, and (ii) average premium per insured household in different income brackets as brought out by the NCAER surveys referred to in reply to question 1 of Part I above which are summarised in the following table. (Households with annual incomes less than Rs. 1,000/- in urban areas and Rs. 900/- in rural areas are excluded).

T a b l e .

Distribution of Life Insurance Ownership
according to Household Income

Household Income Range	No. of house- holds in the class as per- centage of all households considered %	Proportion of households in the class who paid life insurance premiums %	Average annual premium paid per insured household in the class. Rs.
A. URBAN HOUSEHOLDS (1960)			
1,000-2,999	74.9	16.2	101
3,000-7,999	21.1	51.1	265
8,000-14,999	2.8	72.9	632
15,000- & above	1.2	87.1	1,833
	100.0	25.0	292
B. RURAL HOUSEHOLDS (1962)			
901-2,400	81.0	1.4	130
2,401-7,200	17.4	6.4	229
7,201 & over	1.6	22.1	539
	100.0	2.6	229

It will be seen that the proportions of insured households, as well as the average premium paid per insured household, increase with the level of income. These figures may be considered as reflecting the potential for insurance in different sections of the population.

A moment's thought will show that this information is likely to prove of limited practical value to the insurance salesman. What is relevant for his purpose is not so much the total potential, ^{for life insurance as the untapped potential.}

The figures in the above Table indicate that the efforts required to effect a sale in the upper income brackets of the population would be less and the size of the unit of sale would be larger, provided the prospect is insuring for the first time, but it will be found at the same time that large proportions of households in this section of the population are already insured and in their case, though it may be relatively easy to convince them of the advantages of taking out additional insurance, the amount of insurance sold may be much less than the average. In the lower income brackets, there would be a much larger proportion of uninsured households but the capacity of many of them to purchase insurance would be limited and the average size of the unit of a sale would be smaller.

(c) In assigning households exclusively to an agent, the following considerations should be borne in mind :-

(i) Most of the households having incomes below certain minimum levels will not be in a

position to save enough to pay insurance premiums.

- (ii) Even among the remainder, a proportion of households in the middle income brackets may not have the capacity to pay insurance premiums.
- (iii) The potential for life insurance is likely to be substantially less in rural areas.
- (iv) A full-time career agent may be expected to introduce 40 to 50 new policies per year.

Having regard to these considerations, a full-time agent may be assigned about 500 households in larger cities and about 1,200 households in rural areas. The number of households may be varied between these two figures in towns of intermediary size.

II. Effective Mobilisation of the Savings of the People for National Development

Part II - Question No.1:

What is the L.I.C.'s contribution to the country's needs of long term capital during the last five years? Has it been adequate? How does it compare with other countries like U.K. and U.S.A.?

Answer:

The LIC's contribution to the country's needs of long term capital can be measured in terms of the increase in the life fund. Additions to the life fund

during the last 5 years are as under:-

1962-63	89.11 crores
1963-64	87.66 "
1964-65	93.25 "
1965-66	75.95 "
1966-67	146.34 "

The Life Fund, during the period, increased from Rs.631.59 Crores as on 31st December 1961 to Rs.1123.90 Crores as on 31st March 1967, showing an increase of 77.95%.

Considering that the national income has risen by 101% between 1955 and 1964 and the total premium income of the LIC has risen by 176% during the same period, it would appear that the LIC has been able to mobilise a larger proportion of the national income over the period. From that point of view, the contribution of the LIC can be said to be adequate.

Life Insurance in a developing country like India, where large masses of the people do not yet have the minimum needs for a decent living, cannot bear comparison to that in industrially advanced countries like the U.K. and the U.S.A.

Part II - Question No.2 :

Is Life Insurance being propogated intensively enough? What steps would you propose for intensification of business so as to build up Life Fund at the rate of about 1,000 crores of rupees per annum?

Answer :

To judge whether the pace of growth of life insurance in a country is satisfactory, the following criteria have been used:

- (a) Comparison between the growth of life insurance premium income and life fund with the growth of national income and household sector's savings.
- (b) Comparison between the growth of life insurance and that of other savings media.
- (c) Comparison with growth of life insurance in other countries.

The performance of the L.I.C. may be examined in the light of these criteria as follows:

- (a) Estimates of the savings of the various sectors of the Indian economy have been published by the Reserve Bank of India for the period 1950-51 to 1962-63 and by the NCAER for the period 1950-51 to 1964-65. Though the savings of the public sector show a rising trend, there are wide fluctuations over shorter periods. Hence, to bring

out the relationship clearly, it is useful to compare the average savings through life insurance with the average savings of the household sector during each plan period. The NCAER estimates have been utilized, as they are available for more recent years. Results of the comparison are shown in the following table.

Savings through Life Insurance in India
(1950-51 to 1964-65) (Annual Averages)

(Rs. crores at current prices)

	Second Plan Period (1956-57 to 1960-61)	Third Plan Period (First 4 years) (1961-62 to 1964-65)
(1) National Income	12,478.00	16,855.00
(2)(a) Household Sector's Savings	947.00	1,074.48
(b) Proportion to (1)	7.59%	6.37%
(3)(a) Average Life Insurance Premium Income	78.78	144.90
(b) Proportion to (1)	0.63%	0.86%
(c) Proportion to 2(a)	8.32%	13.49%
(4)(a) Increase in Life Fund	43.46	80.86
(b) Proportion to (1)	0.35%	0.48%
(c) Proportion to 2(a)	4.59%	7.53%

As is well-known, during the Third Plan period, the growth of national income fell considerably short

of the target. Further, the household sector's savings were equivalent to a smaller proportion of the national income during this period than during the Second Plan period. The table shows that during the last two Plan periods, the growth of life insurance in this country has been significantly faster than that of the national income as a whole; between the Second Plan period and the first four years of the Third Plan period, the proportion of annual life insurance premium income to the average national income increased from 0.63% to 0.85% and the proportion of the average increase in the life fund to the average household sector's savings from 4.59% to 7.53%.

(b) There is a keen competition between the various savings institutions for increasing their respective shares of individual savings. Life insurance in this country is predominantly a part of the small savings movement. Apart from the L.I.C., three of the small savings institutions, viz., the Employees' Provident Fund, the Small Savings Organisations, and the Unit Trust of India form part of the public sector. Since provident fund is compulsory in the case of employees covered by the scheme, the problems of its development

are not comparable to those of voluntary life insurance. The Unit Trust of India is of recent origin and has so far made only limited progress. The Small Savings Schemes have had a considerable impact both in urban and rural areas. The net receipts from small savings increased from Rs.402 crores during the Second Plan period to Rs.555 crores during the Third Plan period, an increase of 38%. In the same period, the life insurance premium income increased from Rs.394 crores to Rs.724 crores, an increase of about 80%.

(c) The ratio of per capita life insurance to per capita national income is widely used for comparing the level of development of life insurance between different countries and in the same country at different points of time. The potential for life insurance in a developing country like India, where the bulk of the population is concentrated in the lower income brackets, a substantial fraction actually lives below the level of subsistence and the extent of industrialisation is limited, cannot bear comparison with that in industrially advanced countries like the U.S.A. and the U.K. This index cannot, therefore, be used to make meaningful

comparisons between countries at different stages of economic development. However, it can provide a useful basis for assessing the development of life insurance in the same country at different points of time and comparing the extent of development between different countries during the same period. The values of the index for the U.S.A., the U.K. and India were respectively 126, 63 and 13 in 1957, and 160, 81 and 21 in 1965; the percentage increases during this period of 8 years were respectively 27, 29 and 62.

Foregoing comparisons indicate that the rate of growth of life insurance during recent years in this country can be considered as satisfactory.

Having regard to the present stage of development of the national economy and the life insurance industry in this country, the target of an annual increase in the life fund of the order of Rs. 1,000 crores appears grossly unrealistic.

The national income during 1965-66 was about Rs. 20,000 crores. In the draft Fourth Plan (which was based on assumptions which are now admitted as over-optimistic) it was envisaged that during the period of that Plan, the national income would grow at the rate of 5.5% p.a. and reach the level of

Rs. 29,500 crores in 1970-71. It will be seen from the table above that during the first four years of the Third Plan, the average household sector's savings were of the order of Rs. 1,074 crores. In the draft Fourth Plan, it was estimated that the domestic savings during the period of that Plan would be 10.7 of the national income, of which the shares of the household sector, the public sector and the corporate sector would be respectively 5.3%, 3.4% and 1.0%. This would mean that even according to the unrealistic estimates of the draft Fourth Plan, the household sector's total savings by 1970-71 would be of the order of Rs. 1,850 crores. An increase in the life fund of the order of Rs. 1,000 crores would mean that the savings through life insurance would be practically equal to the average household sector's savings during the first four years of the Third Plan period and to 55% of the household sector's savings in 1970-71 as estimated in the draft Fourth Plan. During the first four years of the Third Plan period, this ratio was only 7.5%. It does not appear likely that the share of the household sector's savings represented by the savings through life insurance could exceed

50% in the foreseeable future. It may be mentioned that even in the U.S.A., savings through life insurance amount only to about 25% of the household sector's savings (in 1962 it was 22%). Also, a sudden jump in the rate of growth of life insurance of this magnitude does not appear to be within the bounds of feasibility.

An increase in the life fund of Rs. 1,000 crores would normally require a premium income appreciably larger than that figure. Even a premium income of Rs. 1,000 crores would mean a sum assured in force of about Rs. 25,000 crores. The proposed target would, therefore, mean that the total sum assured in force may be of the same order as the national income likely to be achieved in 1970-71. As mentioned earlier, even in the U.K. in 1965, life insurance in force equalled only 87% of the national income. In the U.S.A., it was 160% of the national income of that year, but in that country the average premium per thousand sum assured is less than 20. It is difficult to imagine that insurance in an underdeveloped country like India could attain this stage of development in the near future.

A similar conclusion emerges if one views the suggested target from the point of view of the

development of the sales and servicing organisation of the L.I.C. One of the limiting factors on the expansion of life insurance business in this country is the difficulty experienced in increasing the efficiency and effectiveness of the agency force, which arises mainly from the fact that young men with the necessary aptitude and calibre are unwilling to take up life insurance agency as a career. It appears unlikely that in the immediate future an agency force with the capacity to cope with a volume of business of this magnitude could be built up.

Question No. 3 :

Do you think that the cost of Life Insurance in India is high compared to other countries? Do you agree that this factor, combined with ineffective selling techniques and poor servicing is responsible for the slow growth of the Life Fund?

Answer:

As the conditions under which policies are issued in various countries differ very widely, it is not correct to compare the cost of life insurance in one country with that in another without taking into account the effect of the prevailing conditions. As compared with the Western countries like the U.S.A. and U.K., there are significant variations in the

basic elements, namely, mortality, interest and expenses of management all resulting in the cost of life insurance in India being heavier than in U.S.A. and U.K. The average sum assured is lower and the agency remuneration higher in India than in those countries. The services rendered by the agent to the insurer in selection of lives and to the insured in selecting policies to suit his needs and keeping them in force are poor in comparison. Career agents are few and intermediaries for supervision many. The vastness of the country, the general low level of education and lack of insurance-consciousness also add up to increase the cost of servicing the policies in India.

While there is considerable room for improvement, it is not felt that in the prevailing circumstances, the selling techniques are entirely ineffective or that the servicing is very poor. As a matter of fact, the business in force of the Corporation has increased from Rs.1,220 crores as at 31-12-1955 to Rs.4,736 crores as at 31-3-1967 - an increase of about 300% or 12.8% per annum compound. The premium income of Rs.88 crores for the 16-month

period ending 31st December 1957 has increased to Rs.195 crores for the year ending 31st March 1967 or 11% per annum compound. The Life Fund has grown from Rs.410/- crores as at 31.12.1957 to Rs. 1,124 crores as at 31st March 1967 or 11.5% per annum compound. During this period, the respective rates of growth in U.S.A. and U.K. were:

	Rate of growth per annum compound	
	U.S.A. %	U.K. %
Business in force	9.5	10.9
Premium income	6.0	8.7
Life Fund	5.4	9.8
	(1956-66 period)	(1954-61 period)

Having regard to the general conditions prevailing in the country, the above growth of life insurance business in India can be regarded as not unsatisfactory.

III. COMPLETE SECURITY TO EVERY POLICYHOLDER.

Part III - Question No.1

Having regard to the favourable experience in interest yields and mortality rates, do you think that the return on policies in terms of bonus is commensurate with the bonus loadings charged? Will you please give for some specimen policies premium payable and estimates of benefits accruable on maturity?

Answer:

The basis used in the periodical valuations takes into account, among other factors, the favourable experience regarding interest and mortality and the scheme of Section 28 of the Life Insurance Corporation Act, 1956, for the disposal of the resulting surplus enables equitable return being given to the with-profit policyholders for the premiums paid by them. Therefore, the bonuses declared by the LIC are not only commensurate with the premiums paid by the with-profit policyholders, but are also significantly higher than the bonus loadings contained in the premium.

Specimen values of premiums paid till maturity and the benefits available at maturity for endowment assurance with profits for ages.

APPENDIX V

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at entry 30, 35 and 40 years and for a term of 20, 25 and 30 years are given below:

Age at entry	Term	Total Premiums paid till maturity		Sum Assured including vested bonuses @16% sum assured per annum at maturity	
		Rs.	P.	Rs.	P.
30	20	1,063.	80	1,320.	00
35	20	1,087.	40	1,320.	00
40	20	1,131.	20	1,320.	00
30	25	1,064.	00	1,400.	00
35	25	1,106.	25	1,400.	00
40	25	1,179.	75	1,400.	00
30	30	1,078.	20	1,480.	00
35	30	1,145.	70	1,480.	00
40	30	1,260.	00	1,480.	00

It is hardly necessary to add that in comparing the last two columns it should be borne in mind that the risk of death during the term of insurance has been fully covered.

Part III - Question No. 2:

Please give a statement showing the bonus declared by the L.I.C. and a few representative Life Assurance Companies in the U.K.

Answer :

Bonus declared by the Life Insurance Corporation at its ^{last} valuation was Rs. 16% Sum Assured - Simple

Reversionary - for Endowment Assurances and
 20% Sum Assured - Simple Reversionary - for
 Whole Life Assurances.

The bonuses declared as a result of a
 recent valuation by some companies in U.K.
 are given below :

S.No.	Name of the Company	Date of valuation	Rate of Reversionary Bonus declared	Remarks
1.	Prudential Assce. Co. Ltd.	31-12-66	31% Simple	Excluding the final bonus
2.	Legal & General Society	31-12-65	30% Compound	Excluding the special bonus
3.	Norwich Union Life Insurance Society	31-12-66	Whole Life 43.75% Simple Endowment 38.75% Simple 28.75% Compound	)For policies with simple bonus (Series closed Dec. 31st, 1964)))) For policies with Compound Bonus (Series opened Jan. 1, 1965)
4.	Commercial Union Assurance Co.Ltd.	31-12-66	32.5% Compound	
5.	Eagle Star Insce. Co. Ltd.	31.12.66	30.0% Compound	

*

*

In making a comparison of the bonuses declared by U.K. Companies with that of LIC different conditions of working between the two countries including certain statutory restrictions regarding investment of funds, should be borne in mind. If this is done, LIC's bonuses can be considered as being not unsatisfactory.

Part III - Question No. 3:

Do you agree that the rates of Surrender and Loan Values on policies are an indication of the quality of the security offered by a policy?

Answer :

The security offered by the insurance policy of the Corporation is excellent; not only are the contractual obligations of the L.I.C. well covered by the funds built by the L.I.C. but the ultimate guarantee is provided by the Government under Section 14 of the L.I.C. Act.

In general, loans are offered equal to 90% of surrender value of the policy. Though the security offered by a policy is excellent, the surrender value or cash value of the policy takes into account the premiums charged, the actual experience regarding mortality, interest and expenses, and the practical need for keeping these values stable for a long time, so as to avoid frequent revisions.

The surrender values are deliberately kept low to discourage surrenders and to afford to the beneficiary the full protection intended at the time the assurance was taken.

Part III - Question No. 4:

Do you think that the present Surrender and Loan Values are reasonable? Please give a few specimen Surrender and Loan Values.

Answer :

Yes, the present Surrender and Loan Values are reasonable. However, the review of Surrender Values will be taken up after the report of Committee of Actuaries appointed by the Corporation for review of premium rates is received.

Specimen Surrender and Loan Values

Endowment Assurance Policy - Without Profits.

Age at entry : 30 years
 Endowment Term : 25 years
 Sum Assured : Rs. 1,000/-

Tabular Annual Premium : Rs. 36.75

<u>Duration</u>	<u>Specimen. Surrender Value</u>	<u>Loan Value</u>
Years	Rs.	Rs.
5	71	65
10	183	155
15	353	320
20	609	550

Part III - Question No.5:

Do you consider that the time lags in paying surrender values, granting loans and settling claims are important criteria in assessing the quality of the security offered by a policy?

Answer:

The time lags referred to in the question are criteria for measuring the efficiency of service to the policyholders. The quality of the security offered is not reduced in any way. Efforts are constantly made to improve the quality of service to the insured.

Part III - Question No.6:

Please give a random sample study of 100 transactions, each of surrender values, loans and claims by death and maturity with reference to the time taken in their disposal and reasons for delay, if any?

Answer:

Surrender Values & Loans:

As desired a random sample study of 100 transactions each of surrender values and loans relating to Bombay Divisional Office is given at Annexures 2 and 3 respectively.

Claims by Death and Maturity:

In the course of inspection of Divisional Offices and IHO Units, the Inspection Officers take

Take a sample of claim cases dealt with in the six months preceding the date of inspection. The sample for each office consists of about 50 death claims and 25 maturity claims to be selected at random.

During the year 1966-67, the samples selected by the Inspection Officers consisted of 1,435 cases of death claims and 927 cases of maturity claims in 35 offices. The following are the results of the sample study:

Death Claims:

The average time taken for settlement of a death claim in 199 days made up as follows:-

Average period between the date of receipt of intimation of death and the date of calling for the requirements from the claimant: 1 0 days

Average period between the date of calling for the requirements from the claimant and the date of receipt of requirements: 139 days

Average period between the completion of all requirements and the date of issue of the Discharge Voucher: 13 days

Average period between the date of issue of the Discharge voucher to the claimant and the date of receipt of the completed discharge voucher 28 days

Average period between the date of receipt of the Discharge voucher from the claimant and the date of payment. 9 days

199 days

Note: The number of cases included in the sample which had to be investigated before admitting the claim was 200. The average time taken for investigation was 144 days and so average time taken for settlement of investigated claims is $199 + 144 = 343$ days.

The percentage of death claims that are settled within one month of the receipt of intimation of death of the policyholder is 3.2 according to the sample study.

Maturity Claims:

Out of the 927 cases, the maturity claims were settled in 339 cases on or before the date of maturity. In respect of the remaining 588 cases the average time taken for settlement was as under:-

From the date of maturity to the date of receipt of requirements: 85 days.

From the date of receipt of requirements to the date of settlement: 11 days.

96 days.

Part III - Question No. 7:

Have the rules for sanction of loans been simplified and liberalised as recommended by the Committee of Public Undertakings vide paragraphs 184 to 186 of

their 4th Report? If this has been done, has there been any improvement, and has the time taken for grant of loans been minimised; and if so, to what extent?

Answer:

An entire revision of the loan procedure, with a view to simplifying them and to reducing the cost of stamp duty to the policyholders has been undertaken and the new procedures are expected to be shortly finalised. For the facility of policyholders nearly one third of our Branches have been empowered to grant loans and the position is being reviewed from time to time.

Part III - Question No.8 (a):

Can you give the extent of depreciation in the value of the rupee during the last 15 years at various stages?

Answer:

The cost of living index and the all India wholesale price index for the last 15 years are given below. The variation in the indices reflects the fluctuations in the value of Rupee at various stages.

Year	All India Consumer Price Index Numbers- Working Class (1948-49 - 100)	Index Numbers of Whole Sale Prices - All Commodities (1952-53 = 100)
1952-53	104	100.0
1953-54	106	104.6
1954-55	99	97.4
1955-56	96	92.5
1956-57	107	105.3
1957-58	112	108.4
1958-59	118	112.9
1959-60	123	117.1
1960-61	124	124.9
1961-62	127	125.1
1962-63	131	127.9
1963-64	137	125.3
1964-65	157	152.7
1965-66	169	155.1
1966-67	191	191.2

(Source: Reserve Bank of India Bulletins)

Part III - Question No: 8 (b):

What steps have you taken to protect the policyholder against the depreciating value of the rupee?

Answer:

Insurance is basically in monetary terms and does not allow for provision against depreciating value of the currency. The bonuses declared under with profit policies has the effect of neutralising to some extent the change in the value of the rupee.

IV MAXIMUM EFFICIENCY AND EFFICIENT SERVICE TO THE POLICYHOLDERS.

Part IV - Question No.1:

- (a) Are you satisfied with the service rendered by the LIC to the Policyholders?
- (b) Has the LIC made a random sample survey from the life policyholders to find the quality of service and the difficulties they experienced?

Answer: 1 (a)

Service to the policyholders is rendered by the L.I.C. through its Branch and Divisional Offices, Centralised Cash Collection Centres and Centralised Claims Departments. Every office is given suitable financial powers and staff for rendering these services. The standard of service performed by them is not uniform, as evidenced by the number of complaints from policyholders and Inspection and Internal Audit Reports. The Corporation is constantly making efforts to improve its service to the policyholders. We are also making suitable changes in our procedures from time to time towards this end.

Answer: 1(b)

The Corporation has not made so far any such random sample survey. We have recently asked our Divisional and Branch Offices to seek the cooperation of the policyholders and agents to help us improve our services

to policyholders. A copy of the letter being issued to policyholders is attached at Annexure-4.

Part IV- Question No.2:

Is the administrative pattern of the L.I.C. efficient, economical and satisfying to the insured?

Answer:

The policyholders are serviced by the Life Insurance Corporation through its Branches and Divisional Offices, Centralised Cash Collection Centres and Centralised Claims Departments. Any complaints by them against the services are attended to promptly at these places as also the Zonal and Central Offices of the Corporation. Further, utmost vigilance is exercised in checking upon the efficiency of the offices through Inspection and Internal Audit Reports.

The Corporation is always alive to the need for improving its services to the Insured. It is also aware that there is considerable scope for improvement in its efficiency. Further, every effort is made to secure economy and to satisfy the insured.

Part IV - Question No 3.

LIC has an army of 2,22,000 including agency force. Is this manpower being harnessed in the best interest of the insured and the national economy?

ANSWER:

As regards Class I, Class III and Class IV staff the Corporation exercises utmost economy in sanctioning staff to its Offices. The Corporation has evolved comprehensive formulae for evaluating the needs of staff belonging to these classes taking into account the work-load in the Offices. No Office is allowed more staff than is yielded on the basis of the said formulae. Further, utmost vigilance is exercised in checking upon efficiency of our various Offices through our Inspection and Internal Audit Departments. A watch over complaints received from the insured public is kept at the Central Office for pursuing the matter with our Offices for taking effective action to redress the grievances of the complainants.

There are about 8500 Development Officers and about 1,44,000 agents and to the extent we can we are utilising them in the best interest

of the insured and the national economy.
Efforts are also made from time to time to make
improvements.

Part IV - Question No.4:

What are the functions of the agent? In what respects is he wanting in rendering efficient service to the policyholder? Can steps be taken to harness him to render more effective and efficient service at the door of the insured?

Answer:

The functions of agents are bringing new business, servicing policy-holders, keeping business in force and propagating the message of insurance to people. Efforts are made to train them to maintain policy records by maintaining Policy-holders' Register. Various leaflets for policyholders servicing are prepared in different languages and distributed freely among agents. They are also supplied with Agents' Manual and Agents' Training course on payment of Rs.2/-.

The Corporation is contemplating the creation of a cadre of Senior Agents by offering certain fringe benefits.

Part IV - Question No.5:

What are the functions of the Development Officers? What do you consider are his weaknesses and what steps do you propose to take to harness him so that he will be a dynamic force for building his agency force and cultivating better public relationship and rendering greater service to the insured?

Answer:

The functions of a Development Officer are given below:

- i) to develop and increase the production of new life insurance business in a planned way as far as may be practicable in the area allotted to him or in which he is allowed to work through the agents placed under his supervision by the Corporation;
- ii) to guide, supervise and direct the activities of all such agents;
- iii) to recruit and train new agents so as to develop a stable agency force;
- iv) to act generally in such a way as to activate existing agents and motivate new agents;
- v) to render all such services to policyholders as conduce to better policy servicing;
- vi) to work in the area allotted to him as a representative of the Corporation in that area and perform as such representative such other duties as the Corporation may call upon him to do.

It may be seen from the duties of the Development Officers that their primary duty is to develop and increase the production of new business through agents, allotted to them by the

It is, therefore, essential that the agency force is of good calibre. Corporation or recruited newly by them. It is, however, noticed that the number of agents going out of the registers of the Corporation every year is almost equal to the number of new agents recruited and about 80% of the agents do not continue for more than 5 years. The Corporation is concerned about this and remedial measures therefor are under active consideration. Further, the Corporation depends mainly on the efforts of the Development Officers for its new business. Development Officers are, therefore, required to be more than normally active as any slackness on their part is likely to affect the new business of the Corporation.

As regards servicing to the policyholders this should normally be done by the agents and Development Officers.

Part IV - Question No.6:

Has the top management in the LIC considered any project of radically simplifying the paper work between the public and the Corporation and rationalising the administrative procedures, record-keeping and its operations to enable the management of the business most efficiently and at the same time to deploy the administrative staff to more creative work as against more record keeping and routine functions?

Answer:

The Corporation has not considered as such any project of simplifying the paper work between the insured public and the Corporation. The Corporation has standardised the various forms used in rendering service to the insured; procedural changes have helped in avoiding unnecessary correspondence with the policyholders.

2. The following are some of the simplifications effected:

(i) The First Premium instalment is now collected along with a proposal, unlike in the past when a proposal was registered on receipt of an initial deposit only and the balance of the first premium instalment was collected after issue of the Acceptance Letter. This change has enabled the the first premium receipt to be issued straightaway at the Divisional Office reducing correspondence with the proposer from the Branch and Divisional Offices.

(ii) Arrangements have been made for the collection of premiums through simple challans at the Branch Post Offices in rural areas where no banking facilities exist at present. These

arrangements now exist in twelve States.

(iii) Centralised Cash Collection Centres have been established at Divisional Headquarters and other Centres for collection of premiums etc.

(iv) Acceptance of premiums only at the offices where the policy records are maintained ensures prompt issue of receipts and accounting of moneys received.

(v) With the practice of sending the Loan Bonds to the policyholders duly completed in all respects, the policyholders now have only to sign the Bonds and return them after getting them witnessed. Further simplification of loan procedures is under consideration.

(vi) The number of forms required to be completed in death claims has been reduced in the case of policies more than 10 years in force.

3. Most of the jobs to be performed by the Branch and Divisional Offices are naturally of a routine and/or repetitive nature. Mechanisation has been effected to a large extent so that less and less repetitive jobs are handled manually. Otherwise the staff is deployed in as efficient a manner as possible.

4. The LIC's decision to install electronic computers in its Bombay and Calcutta Offices as a pilot project is a step in the direction of improving its record keeping and maintenance operations with a view to enabling quick and efficient service to the policyholders.

PART IV- Question No.7:

Give details of the Reorganisation Scheme of the L.I.C. and the progress made so far in decentralisation of policies of the integrated units. When is the reorganisation likely to be completed and how will it improve the L.I.C.'s business and the service to policyholders?

ANSWER:

On the reading of the question as a whole, it is presumed that what is intended to be conveyed by "Reorganisation Scheme" is "Scheme of Decentralisation" of policies of erstwhile insurers whose business was taken over by the Corporation. The nomenclature used by the Corporation for an erstwhile insurer is "Integrated Head Office Unit" or an 'I.H.O. Unit'.

2. To start with, the various small I.H.O. Units were grouped together or grouped with a large sized I.H.O. Unit as far as possible, and accommodated in the same office premises. The decentralisation of policies of the I.H.O. Units was then

taken up in a phased programme. The first phase covered small Units with business in force not exceeding 10,000 policies each as at the end of 1955. The next phase covered Units with business in force exceeding 10,000 policies but not exceeding 25,000 policies each. Both the phases excluded the Units where business was exclusively from Government, or Quasi-Government employees with premiums collected by way of deductions from salaries. The last phase was to cover the larger I.H.O. Units but before this phase could be reached a decision was taken in 1961 to stop further decentralisation of policies. It was found that the records at the receiving end were not complete in many respects and consequently presented considerable difficulty in servicing. Even with extreme care, the transfer of records with complete details had not been found satisfactory in practice. Further in a large number of Branch Offices of the Corporation, the staff were not sufficiently conversant with the policy conditions of the different I.H.O.s as was required for the servicing of such policies. While stopping further decentralisation it was

decided that wherever possible the records of the bigger Units be transferred to the Branches of those units, to be called 'upgraded I.H.O.s'. The considerations for this step were (i) the I.B.O. staff being already acquainted with the peculiar features of the Unit was able to handle the servicing better than the staff in the Divisional and Branch Offices; (ii) the I.B.O.s were already having some basic records which provided useful check over the records transferred to them by the I.H.O. Units; (iii) Policyholders who were already accustomed to deal with the I.B.O. Units continued to deal with the same office; and (iv) the labour of standardisation of records was avoided.

3. Of the 246 I.H.O. Units taken over by the Corporation, 192 Units have been completely decentralised and 35 have been partially decentralised, including u-grading of I.B.O. Units. The number of policies remaining to be decentralised was nearly 15.5 lakhs as at 31.3.1967. This does not include 19 Units having nearly 1.5 lakh policies in force, where business was exclusively from Government or Quasi-Government employees with

premiums collected by way of deduction from salaries. As stated in paragraph 2 above, the decentralisation has not so far been applied to these units.

4. I.H.O. Units and upgraded I.B.O. Units have been grouped together and each group is housed in the same premises. All the I.H.O. Units at Delhi are housed in one building. So is the case of the I.H.O. Units at Madras. The I.H.O. Units at Bombay are working in four groups while at Calcutta the I.H.O. Units are functioning from 10 offices but there also grouping has been done quite substantially. The question of grouping of the I.H.O. Units at other centres does not arise as at each centre there is only one I.H.O.

5. The Corporation has recently decided to accelerate the process of decentralisation, or regrouping of remaining I.H.O. Units. I.H.O. Units which continue to be large enough and are considered viable from the cost point of view will be taken last. The decentralisation of all the Units is expected to be completed in 4 or 5 years time.

6. So long as a policy is not decentralised, the policyholder continues to get the service from

the I.H.C. Unit with whom he had contracted. After the decentralisation, the policy records are sent to the respective divisional and branch offices in whose area the policyholder resides and the policyholder gets service nearer home. The decentralisation of policies cannot be considered to have any impact on the procurement of new business, except that in some cases it may lead to more efficient services.

Part IV - Question No. 8:

Please furnish a note about the installation of electronic computers by the LIC at Bombay and Calcutta with special reference to the improvement in the service to policyholders and their effect on employment potential?

Answer:

We are attaching at Annexure 5 copies of the following:-

- i) Booklet entitled "Installation of Electronic Computers in LIC" issued by the Chairman of the LIC to all employees in October 1964.
- ii) A printed letter being issued to the holders of policies records of which are converted to the Computerised system at the time of issue of the first premium notice on the computer.
- iii) Three advertisements which appeared in leading national dailies in July/August 1966.

iv) Two letters dated 8th March 1966 addressed by the Executive Director (Personnel) to all Divisional Managers.

This material gives the information relating to the installation of Electronic Computers at Bombay and Calcutta dealing, inter alia, with the improvement in the service to policyholders and their effect on employment potential.

Part IV - Question No.9

When were plans for computerising finalised?

ANSWER:

The decision to install computers in LIC's Divisional Offices at Bombay and Calcutta was taken by the LIC's Board at its meeting held on 26th August 1963.

Part IV - Question No. 10.

What procedures are proposed to be put on the computer?

ANSWER:

The first priority jobs to be computerised cover (i) File Maintenance (ii) Premium and Loan interest billing (iii) Renewal Commission and Bonus Commission Billing (iv) Premium Loan and Commission Accounting (v) Generation of Status reports, i.e., forms giving full information on policies for policy servicing. Barring job (iii), all other jobs have been computerised for the policies converted. (75000 to date).

Part IV - Question No. 11

L.I.C. has 52,000 employees. If the Agent is made to render all the services at the door of the insured including premium collection obviating the need for premium notices and premium receipts and all other services, how many of the 52,000 employees will be rendered surplus;

- a) with administration fully computerised
- b) with administration mechanised but not computerised?

ANSWER: What is
 Policyholders Service"?

The term "Policyholders' Service" can be said to cover (1) activity which is advisory or of the nature of counselling and (2) activity which constitutes action at the Office on specific requests from policyholders in relation to their policies.

Service "at the door step"

2. Where is this advisory and counselling service rendered? It is rendered at the door step of the policyholder. Who are the advisers & counsellors? Agents and Development Officers are, of course, the first line advisers. It is their duty to provide immediate post-sales advice. This advice covers, inter alia, the area of age admission, nomination, assignment. The aim is to ensure that policyholders take all steps to complete the performance of the contract and also to confer title to the policy moneys on the person or persons near and dear to them, so that payment of the claim amount is not delayed by virtue of having to settle such questions after the death of the life assured. The objective and nature of this service calls for

personalized service by the agent and the Development Officer.

3. Upto now we have dealt with advisory service triggered by the Agent or the Development Officer himself, through the conscious planning of the Branch Manager. This takes us to the service which is of the nature of counselling service. The motivation for this comes from the policyholder himself. He has a problem before him; he needs a loan, or wishes to change the nomination or assignment, or changes in his family circumstances call for a re-adjustment of the policy contract. In these circumstances, policyholders in all countries first take counsel with the Agent. This is a natural corollary to the close relations built up between client and salesman during the period before, in the course of an after the sale. Here also the Agent and the Development Officer have a valuable role to play in counselling on problems which they can solve on their own. Where the policyholders' problems call for more mature advice, they can seek the guidance of the Branch Manager. This counselling service again must be predominantly personalized service.

Service at the Office and its many-sidings:

4. Let us now turn to the other aspect of policyholders' service, viz., activity which constitutes action at the office on specific requests from policyholders in relation to their policies.

5. The expression "Policyholders' Service" includes everything that may have to be done in respect of a policy from the time it is issued to the time it goes off the books of the Corporation as a claim or a surrendered policy, or a lapsed policy. The following is an array of the functions which fall within the concept of service representing action at the Office:

- (1) Issue of Premium Notices;
- (2) Collection of renewal premiums as and when they fall due and issue of receipts therefor;
- (3) Issue of Default Notices when premiums remain unpaid for specific periods after due dates;
- (4) Maintenance of individual policyholders' premium accounts to show up to date position of the policies;
- (5) Keeping in deposit amounts received which cannot be immediately adjusted towards renewal premiums and adjusting such deposits later on when the conditions for accepting them as premiums have been fulfilled;
- (6) Revival of lapsed policies;

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- (7) Conversion of policies into reduced paid-up policies;
- (8) Other alterations (within permissible limits) in the terms of the policy contracts;
- (9) Age admission;
- (10) Registration of nominations and assignments;
- (11) Grant of loans and surrender values;
- (12) Taking note of changes of address of policyholders and transfer of policies from one Divisional Office to another at the policyholders' request;
- (13) Settlement of claims;
- (14) Advice to policyholders and legal interpretation of the terms of policy contracts and a variety of other miscellaneous work of an intricate nature.

6. The nature of policy servicing work is obviously linked with the nature of the contract of life insurance, its terms and conditions, the premises on which it is based, viz., that it is a contract entered into utmost good faith on either side, it is a contract which is affected by several different pieces of legislation and so on. The majority of cases that arise day-to-day are no doubt simple in nature and such as can be dealt with in a routine manner by staff on the basis of the guidance provided in the Administrative Manuals of the Corporation.

At the same time, one would expect that the various factors which influence the entering into and the ultimate performance of the contract do make for complexities. These complexities call for expertise in dealing with difficult problems that arise from time to time in the course of policy servicing work.

7. This discussion will clarify why the service to policyholders necessarily divides itself into two areas, (i) service at the door step and (ii) service at the office. It will also explain how the complexities of policy servicing limit its decentralization to Branches to comparatively simple functions.

Therefore, it will be agreed that the idea of the Agents being made to render all the services at the door of the insured is not a feasible proposition. Incidentally, under the Janata Policies (policies for less than Rs.1,000/-), at one time issued by the LIC, premiums were being collected through the Agents at the door of the insured. That experience was not a happy one, apart from the fact that it was costly. Any attempt to collect premiums through Agents on a large scale, it is feared, would raise problems of control and might also open the flood gates for fraud.

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9. Finally, if premium notices are not issued and the premiums are collected through Agents, the only saving that might result at the Office might be savings of paper and postage required for sending premium notices. All other work such as file maintenance, would be necessary for checking and validating of premiums collected by the Agents. Therefore, there is no possibility of rendering any of the 52,000 employees surplus; on the contrary, it is quite likely that more people may have to be employed to deal with the correspondence that would inevitably arise as a result of mistakes made by Agents in collecting premiums, failure on the part of the Agents to call on the policyholders promptly and so on. Computerization would not preclude the confusion arising from the failure of the Agents to do the work of premium collection promptly and efficiently and, therefore, this forecast would apply to a computerized administration as fully as to a non-computerized administration.

Part IV - Question No. 12:

When do you expect to implement the whole plan of computerization?

Answer:

The changeover to computer operations would be made by conversion of the existing records in blocks of about 25 to 50 thousand policies each. In conversion of each block, parallel running of the old and new system on that block would continue for some time, thereafter production would commence and the first phase of computerisation of that block of policies would be completed. It would be 3-4 years from 17th July, 1967 when production on the first block of policies was commenced before the first priority jobs (enumerated in reply to Question No.10) in respect of the last block of policies issued by Bombay Divisional Office is computerised. Bombay Divisional Office has now about 10 lakhs of policies on its books.

The Computer System at Calcutta has not yet been installed. There also the above process of conversion would take a period of 3 - 4 years from the time the first block gets into production.

Part IV - Question No.13:

What are the measures being taken by the L.I.C. in the matter of planning for a steady flow of new business, controlling the quality of business in all aspects of the working of the Development Offices?

Answer:

By staggering the agency year and by staggering the increment dates of the Development Officers throughout the year, the Corporation has sought to regulate the flow of business. In the periodical reviews of the work of the Development Officers this aspect is also stressed and some positive inducement is given for regular flow of business in the scheme of incentives.

Part IV - Question No.14:

Please furnish a statement showing number of outstanding claims both death and maturity of more than 3, 6 and 12 months as on 31st March, 1967 and the amount involved in each category.

Answer:

The statement is given below:

Period	Death Claims		Maturity Claims	
	No.	Sum Assured (Amount in thousands of Rs.)	No.	Sum Assured (Amount in thousands Rs.)
1. More than 3 months but less than 6 months:	5,391	1,87,45	9,938	1,41,95
2. More than 6 months but less than 12 months	6,048	1,95,06	7,164	93,42
3. More than 12 months:	15,868	3,94,10	36,925	3,17,64

Part IV - Question No.15.

What is the average time taken for settlement of Maturity/Death Claims? What are the difficulties in paying maturity claims on the date of maturity? What is the percentage of death claims which are not settled within a month of intimation of the death of the policyholder?

Answer:

1. MATURITY CLAIMS:

The sample study referred to in reply to Question No.6 under Part III covered a sample of 927 cases of maturity claims settled by the Corporation. In 339 cases the payment was made on or before the date of maturity. In respect of the remaining 588 cases the average time taken for settlement was as under:-

From the date of maturity to the date of receipt of requirements:	85 days.
From the date of receipt of requirements to the date of settlement	11 days.
	<hr/>
	96 days
	<hr/>

Reasons for all maturity claims not being paid on their respective due dates are:-

- a) Discharge Vouchers and other requirements are returned by the policyholders very late. This accounts for about 68% of the outstanding maturity claims.

- b) About 15% of the outstanding maturity claims are on account of the policyholders being not traceable; most of these claims are under paid-up policies.
- c) About 5% of the outstanding maturity claims are for want of age proof.
- d) About 7% of the outstanding maturity claims are due to Exchange Control requirements, etc. to be complied with.
- e) Remaining 5% are on account of other reasons.

2. DEATH CLAIMS:

(i) According to the sample study, referred to in reply to Question No.6 under Part III, the average time taken for settlement of a death claim is 199 days as under:

Average period between the date of receipt of intimation of death and the date of calling for the requirements from the claimant. 10 days

Average period between the date of calling for the requirements from the claimant and the date of receipt of requirements 139 days

Average period between the completion of all requirements and the date of issue of the Discharge Voucher. 13 days

Average period between the date of issue of the Discharge Voucher to the claimant and the date of receipt of the completed Discharge Voucher. 28 days

Average period between the date of receipt of the Discharge Voucher from the claimant and the date of payment 9 days

Total 199 days

(ii) The percentage of death claims that are settled within one month of the receipt of intimation of death of the policyholder is 3.2 according to the sample study.

Part-IV - Question No.16.

From the Revenue Accounts, it appears that about Rs 50 lakhs per annum is being written back in respect of old outstanding claims and about Rs 50 lakhs from old outstanding and unclaimed deposits. What efforts are being made to trace these claimants?

Answer:

The claims outstanding for a period of more than five years are written off if the requirements for payment of claims are not made available to the Corporation. If the whereabouts of the claimants are not known inspite of our efforts to trace them the claims are written off after a period of three years.

A written back claim is reinstated if the claimant subsequently complies with the necessary requirements.

Efforts made to trace the claimants are:

(a) The work of contacting claimants is allotted to the respective Branch Managers and Assistant Branch Managers (Development) on the basis of the last address registered with us. A Claim Particulars Sheet containing the particulars of claims in the cases specified below is furnished to these officials:

- (i) At the end of three months after despatch of claim forms in Death Claim cases, if the claim forms have not been received till then; and
- (ii) At the end of one month after the date of maturity in Maturity Claim cases, if the Discharge Voucher or other requirements called for have not been received till then.

The Branch Officials are required to contact the Claimants personally and submit their reports.

(b) At the end of six months from the date of despatch of Discharge voucher, a registered A/d letter is sent to the Policyholder and if the same is returned undelivered by the Postal Authorities on the ground that the addressee could not be traced, the Branch Officials are asked to make thorough enquiries to ascertain the present whereabouts of the claimants.

As regards old outstanding and unclaimed deposits and other amounts, the adjustment of deposits is a continuous process of correspondence with the constituents who have remitted the money until the money is either adjusted towards the account for which the remittance was made or refunded. It is only when this has not been possible and the amounts remain unadjusted for a period of five years that they are written back to the Revenue Account. If, however,

the amount is claimed at a later date with satisfactory evidence, the refund or adjustment is allowed by the Corporation. The above item also includes other liabilities for which provision is made but where the payments can be made only when the person entitled actually makes a claim, e.g., cheques issued by the Corporation not presented by the claimant and therefore cancelled. These liabilities are written off if no claim is made within a reasonable period.

Part-IV - Question No. 17.

Para 92 of the Annual Report of the Corporation for 1966-67 refers to the complaint received at the Central Office during the year 1966-67 16,295 complaints, representing 1.37 per 1000 of the mean number of policies in force, is very much on the high side. About 45.5% of the complaints, totalling 7,414 pertain to the Eastern Zone. How far has this large number of complaints adversely affected the business in the Eastern Zone? What steps have been taken to remedy this state of affairs?

ANSWER:

Index of New Business for the last four years, taking 1963-64 as the base year, Zonewise is given below:

Zones	<u>SUM ASSURED INDEX</u>			
	1963-64	1964-65	1965-66	1966-67
Northern	100.00	90.85	103.47	94.67
Central	100.00	94.98	106.11	101.45
Southern	100.00	98.85	113.41	113.13
Western	100.00	104.44	119.43	113.02

Total:	100.00	98.47	112.22	108.05

	<u>EASTERN ZONE</u>			
	100.00	104.43	121.13	115.14

It will be seen that the trend of new business in the Eastern Zone compares favourably with that in the other Zones. It would appear therefore that the relatively larger number of complaints in the Eastern Zone did not have any adverse effect on its business.

Part IV-- Question No. 18:

Please indicate the number of complaints received during the last three years at the respective Zonal, Divisional and Branch Offices and furnish an analysis according to the nature of complaints?

Answer:

A statement at Annexure 6 gives the number of complaints received at the respective Zonal and Divisional Offices during the year 1965-66 and 1966-67, analysed according to the nature of complaints.

The information for the year 1964-65* is not available at the Central Office and is being collected from the respective offices. Branch Offices are not required to send any return regarding the complaints received at their end and the information is not available.

Part IV - Question No. 19:

The lapse ratio of 7.4% in 1966-67 appears to be high. What is the reason for the high rate of unsound business and what action have you taken against Development Officers who are responsible for this state of affairs?

Answer:

Perhaps the most important reason for lapses is the deterioration in general economic conditions.

*Since received and added.

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The other reasons for lapses of life insurance policies are:

- (1) Inability of the policyholder to continue the assurance;
- (2) forgetting to pay premiums in time;
- (3) dissatisfaction with the services of the insurer;
- (4) inadequate facilities for payment of premium, and
- (5) alterations desired in the policy.

2. When a policy is sold, the LIC agent is required to give a report based on his knowledge of the proponent on the income, employment and factors bearing on the risk. Proper initial selection of the proponents by the agents should not normally give rise to changes in his economic conditions leading to discontinuance of policies at early durations.

3. Every LIC agent is sent the policy completion advice and is required to maintain a Policyholders' service Register showing the due date of the premium. A premium notice is also sent to the policyholder direct by the Corporation. The agent is remunerated both for procuring the policy and for maintaining the policy in force with certain percentages of the First Year and subsequent premiums. Notices of default in premium payments after the expiry of the days of grace and of lapse of policies are also sent to the agents, so that they may contact the policholders for payment of premiums with nominal interest and for revivals of policies respectively.

4. We receive a large number of complaints from policy-holders dissatisfied with the service of the Corporation, particularly in regard to adjustment of premiums paid and held in deposit, alterations in policies, changes in the address, non-payment of loans and surrenders promptly, etc. We are taking steps to improve our services.

5. The Corporation and the agents are at the service of the policholders to effect alterations when desired by them. However, a policy properly sold and serviced would need alterations only in exceptional circumstances.

In addition, we would like to mention the following factors:

- (i) The proportion of policies through Salary Savings Scheme has increased in recent years. The deduction and remittance of premiums by the employers is often slack and contributes to the lapse of policies.
- (ii) Errors and delays are noticed in our office procedures. These are largely due to the concentration of new business in the closing months of the calendar and financial years. This sets in train other difficulties, such as, delay in issue of policies, failure to include policies in the premium invoices for the next quarter and in the premium invoices sent to the

employers under the Salary Savings Scheme, failure to employers under the Salary Savings Scheme, failure to send default and lapse notices to the policyholder and the agent, etc.

(iii) With a view to reducing lapsation and stimulate revivals, the Corporation has introduced the following measure, viz.,

Not to issue a policy to a proponent unless the policies lapsed by him in the three preceding years, if any, are revived.

(iv) Measures to improve and sales and service efficiency with a view to minimising lapses are under consideration.

If it is noticed that the lapse ratio of a Development Officer is unduly high and he is responsible for introducing spurious business, necessary action under Regulation 39 of LIC (Staff) Regulations, 1960 is taken. If it is noticed that a Development Officer has earned his promotion as an Assistant Branch Manager on the basis of such spurious business, he is reverted as a Development Officer.

Part IV - Question No. 20:

Please give Zone-wise and Division-wise distribution of overall lapse ration year-wise from 1956 onwards. The reasons for variations in the above ratios may please be indicated.

Answer:

The overall lapse ratio for every Zone and Division is not compiled. The overall lapse ratio,

for the Corporation as a whole, is as under:

Lapses during	Lapse %	Lapses during	Lapse %
1956	9.1	1.1.62 to 31.3.63	8.1*
1957	6.4	1963-64	8.2
1958	5.1	1964-65	7.5
1959	6.0	1965-66	7.2
1960	6.6	1966-67	7.4
1961	7.0		

=====

* Annual Rate.

However, as lapses are maximum at early durations, the duration-wise analysis of lapses for the various Zones and Divisions is normally made and the statements summarising the position are attached at Annexure-7. It would be seen therefrom that lapses vary according to the region, due to difference in the literacy standards, economic factors like per capita income, etc. between one region and another.

Part IV - Question No.21:

It is reported that in some Divisions, the lapse ratio is as high as 60-70 per cent. Has the Corporation ascertained the reasons for this high ratio and has it made any efforts to minimise such lapses?

Only in the case of a very few Divisions the lapse ratio has been very high. For instance, in Ajmer in respect of policies issued during 1962-63, the total

Lapses for 4 durations are 55%. Next year it has come down to 50.8%. In Muzaffarpur, during 1962-63 it was 62.1% and it came down to 46.2%. In Patna, the figures are 51.9% and 49.8% respectively. The lapse ratio in the case of Divisions which are predominantly rural will be higher than in the case of other Divisions. In addition, in Rajasthan and Bihar, there was continuous draught with consequent failure of crops.

Part IV - Question No. 22:

It is understood that there are huge amounts of unadjusted premiums held under suspense with the result that revival of policies is being delayed indefinitely. Please furnish a statement of unadjusted premiums held in deposit Division wise indicating reasons therefor. What efforts are being made to adjust these deposits and what is the time-lag between the receipt of such deposits and their final adjustment?

Answer:

The amounts lying unadjusted under premiums and other deposits stood at Rs 19.60 crores as on 31.3.1967 as compared to Rs 17.89 crores as on 31.3.1966. The increase in figure works out to Rs 1.71 crores. On the total premium income of Rs 194.86 crores, received by the Corporation during the year, the ratio works out to .88%. Reasons for amounts lying unadjusted and the efforts taken by the Corporation are given below:

Reasons for amounts remaining unadjusted:

Steps taken.

- | | |
|---|--|
| (a) Short remittances of premia by policyholders. | Letters and reminders are sent to the policyholders to remit the shortage of premium on receipt of which the deposit amounts are adjusted. |
|---|--|

- | | |
|--|---|
| (b) Remittances received with incorrect policy number: | (b) Efforts are made to trace the correct Policy No. from the Index of Policyholders maintained by the Corporation. |
| (c) Premia received after expiry of Days of Grace without payment of "Late Fee". | (c) Letters and frequent reminders are sent to the policyholders calling on them to remit the late fee. |
| (d) Deposits towards Medical and other expenses and first premia received along with proposals have to remain necessarily unadjusted until the proposals are accepted. | (d) All possible measures are taken to issue Acceptance Letters expeditiously. |
| (e) Delay in adjustment of amounts received from employers and Governments under Salary Savings Scheme pending scrutiny and reconciliations. | (e) All measures are taken to adjust these amounts expeditiously. |

Further, the consolidation of records under the computerised system enables linking up of deposits as and when raised with the premium instalments outstanding under the Policy. Each such deposit is examined for adequacy to meet the premiums outstanding under the policy in the computerised system and adjustment made wherever the amount is sufficient to meet one or more instalment of premium. The balance amount left over after such adjustment is taken into account while billing for the next instalment of premium.

We give a statement of unadjusted Deposits (proposal and Policies) as at 31.3.1967 division-wise in Annexure-7(A).

Part-IV Question No.23:

Please furnish a statement in respect of each of the Corporation's loan schemes separately giving the following information for the last three years :-

- (1) Number of applications received,
- (2) Amount of loans asked,
- (3) Number of applications accepted
 - (a) within one month,
 - (b) between one and two months,
 - (c) between two and three months,
 - (d) more than three months.

- (4) Total number of applications sanctioned,
- (5) Amount sanctioned,
- (6) Amount actually disbursed.

Please give random sample study of applications sanctioned and time taken to disburse.

Answer:

A statement giving the receipt, sanction and disbursement of loan applications under the various mortgage schemes for the period 1-4-1964 to 31-3-1967 is given at Annexure-I. The information regarding the number of applications accepted indicating the time-lag therein is not readily available. A circular calling for these data is under issue and as soon as the information is received from the various Zonal and Divisional Offices, the same will be submitted.

We have also prepared a random sample of cases where loans have been disbursed. Information regarding time-lag in these cases is being called for and as soon as the same is received an analysis will be prepared.

As indicated in our answer to question No.23 of Part IV of the questionnaire - Supplement to Volumes I & II... we have carried out a random sample study of cases where loans have been disbursed. A sample of 644 cases was taken and analysed by us. Out of these, in 45 cases, the disbursement of the first instalment was made within one month from the date of sanction. In 102 cases disbursement was made after one month and before two months from the date of decision. In 105 cases, disbursement was made after two months but within three months of the date of sanction. In respect of 392 cases, the disbursement was made after three months from the date of sanction.

Once the loan is sanctioned, the loan offer is communicated to the applicant for his acceptance for which the applicant is given a time of 15 days which is extended in some cases at the applicant's request. On his accepting the terms and conditions of loan offer and depositing the fees for Legal Advisers and Valuers, we call for the Title and Valuer reports. Our Legal Adviser scrutinises the title of the applicant to the property proposed to be mortgaged and traces the same for the period of 30 years or more. Once he is satisfied that the applicant has a clear and marketable title to the property proposed to be mortgaged to the Corporation, he gives a certificate to that effect. Simultaneously, we expect the applicant

to invest his share of the cost of the project. Once he informs that he has invested his share in the project we ask our Valuer to value the property. On receipt of a satisfactory Report from the Legal Adviser as well as the Valuer, the Draft Mortgage Deed is prepared which is approved by the Mortgagor as well as by the competent authority. Then the Mortgage Deed is executed and registered and the payment is made. Under the procedure as described above, the normal time taken according to the Corporation would be about two to three months. Hence, we consider those cases where time-lag is more than three months as involving delay. As per the above standards, it may be observed that in 6.9% of the total cases, disbursements have been made within one month. In 15.8% of the cases, disbursements have been made within two months and 16.3% of the cases, disbursements have been made within three months. Hence, in 61% of the total cases, there has been delay in disbursing the first instalment. This delay might be either due to the concerned office of the Corporation, or due to third party-Legal Adviser, Valuer, or in some cases due to the applicant's lessor

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or due to the applicant himself. On this basis, a further study of the cases where delay has occurred was undertaken. It was noticed in 242 cases representing 63.3% of the cases where delay has occurred and 38.5% of the total number of the cases under study, that the delay was due to the applicants themselves. In 107 cases representing 27.3% of the cases where delay has occurred and 16.6% of the total cases studied by us, the delay was due to third parties. In respect of 37 cases, representing 9.4% of the cases where delay has occurred and 5.6% of the total number of cases, the delay was due to the concerned office of the Corporation.

Hence, it may be observed that delay in disbursing the instalment of the loan is mainly due to the applicant's non-compliance with the requirements of the provisions under the Scheme.

The Corporation has got an O. & M. Department. Please give a brief outline of the work studies conducted by the Corporation. Have any new studies been conducted by the Corporation?

Statement showing the 'Applications received, sanctioned and disbursements made' under various different Mortgage Loan Schemes from 1/1/1964 to 31/3/1967.

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Scheme	No. of applications received.	Amount applied (in lakhs of rupees).	No. of applications sanctioned.	Amount sanctioned (in lakhs of Rupees.)	Amount disbursed (in lakhs of Rupees).
1. Property Mortgage Scheme (M-1)	3525	4087.18	1410	1058.88	821.84
2. 'Own Your Home' Scheme (OYES)	6968	1995.55	3267	922.62	630.53
3. Individual Employees' Housing Scheme (IHES)	328	53.41	224	36.40	24.59
4. Scheme for grant of loans to Co-operative Societies formed by the employees of the Corpn.	31	214.67	31	214.67	119.28
5. Scheme for grant of loans to Public Ltd. Companies for construction of houses for their employees (PLCHS)	23	235.16	15	152.75	8.50
6. Scheme for grant of loans to Co-operative Housing Societies formed by the employees of Public Ltd. Companies. (PLCHS)	4	34.00	3	22.49	9.00
	10379	6649.97	4950	2107.81	1613.77

1) Total Number of applications Accepted between 1.4.1964 and 31.3.1967.

- i) Under Property Mortgage Scheme (M-1) - 1410
- ii) Under 'Own Your Home' Scheme (OYHS). - 3267
- iii) Under 'Scheme for grant of loans to Public Limited Companies for construction of Houses for their Employees' (PLCHS) - 13
- iv) Under 'Scheme for grant of loans to Coop. Housing Societies formed by Employees of Public Limited Companies (PLHCS) - 3

0 (1) above.

	M-I		OYHS		PLCHS		PLHCS	
	No.	%to the Total	No.	%to the Total	No.	%to the Total	No.	%to the Total
(a) Accepted within 1 month	171	12.13	144	4.41	2	15.38	-	-
(b) Accepted between one and two months	407	28.87	491	15.03	-	-	-	-
(c) Accepted between two and three months.	314	22.27	677	20.72	1	7.69	-	-
(d) Accepted more than three months.	518	36.73	1955	59.84	10	76.93	3	100.00
2) In case of (d) above,								
(i) Delay due to the applicant	363	70.08	1211	61.95	10	100.0	3	100.00
(ii) Delay due to Corporation	137	26.45	471	24.09	-	-	-	-
(iii) Delay due to third parties.	18	3.47	273	13.96	-	-	-	-

In respect of our 'Scheme for grant of loans to Co-operative Housing Societies formed by employees of the Corporation' (ECHS), it is our experience that all loans are sanctioned within a period of 1 and 3 months. Hence the question of delay in these cases does not arise.

Part IV - Question No.24:

The Corporation has got an O. & M. Department. Please give a brief outline of the work studies conducted by this Department so far. Have any norms of work been fixed by the Department for the Officers and staff of the Corporation and if so, give details?

Answer:

The nature of work done in the O&M Department is as follows:

- i) Simplification and improvement of office procedures;
- ii) Preparation of workflow charts;
- iii) Forms design and forms control;
- iv) Procedures for retention and disposal of records;
- v) To review from time to time the basis on which staff strength of various offices is to be fixed.
- vi) To formulate work norms for all measurable jobs.

2. Reports submitted by the Department:

- (i) The Statistical and Machine Department Manual for Divisional Offices, which had been prepared originally at the commencement of the Corporation, was revised extensively and a new Manual was issued in April 1965. The extensive revision of the Manual was done with a view to streamline the working of Statistical and Machine Departments of the Divisional Offices and also to enable the Divisional Offices to mechanise more jobs depending upon the availability of machines time. The Manual states in detail the procedures, checks and controls in respect of each job dealt therein, so that mechanisation is effective.

- (ii) The basis that was in use for determining the strength of Class III staff (excluding Superintendents) in the Divisional and Branch Offices of the Corporation was reviewed in 1966 and a new basis was provided. The staff strength of various offices is now determined on the basis of the number of proposals received, number of policies serviced, number of collections received and other measurable items of work, taking the work of the office or department as a whole.
- (iii) Studies have been made into the working of
- (a) Establishment Department of Bombay Divisional Office,
 - (b) PHS Department of Ahmedabad Divisional Office and
 - (c) Mysore Government Insurance Department, Bangalore.
- These reports contained useful suggestions to improve the efficiency of the respective departments.
- (iv) Some other jobs such as procedure for maintenance of Inward Mail Register, organisation of PHS Department - Functionwise or Blockwise destruction of records, etc. have also been handled by this Department.
- (v) Job-break down and work flow charts are under preparation for the New Business Department in the Branch, Divisional, Zonal and Central Offices of the Corporation and of Salary

Savings Scheme Account in the Divisional Offices. This has to be followed up by time studies, which can only be done with the co-operation of the staff unions, which have so far not taken kindly to this type of study. Only after this study is made can the staff requirements be properly assessed.

(vi) Elimination of redundant periodical returns from one office to another is being examined. The work is nearing completion.

(vii) The work relating to payment of renewal commission has been studied with a view to avoid delays in Divisional Offices.

3. Allied to the work of the O & M Department are the investigation into (a) delays in payment of claims, (b) lapses, (c) efficiency of sales performance of Divisional Offices and Development personnel. This work was done by an Officer in Development Research Department.

4. The Corporation has not fixed any norms of work as such for the officers and staff.

V. ECONOMY IN EXPENDITURE

Part V - Question No.1:

a) At the time of nationalisation, the then Finance Minister had indicated an ideal of 15% for overall expense ratio. Please give the annual figures for the overall expense ratio during the last ten years and where it has exceeded 15%, please furnish reasons.

b) What is your opinion should be the L.I.C's expense ratios on first year and renewal premiums so as to approximate the overall expense ratio to 15% when a stationary position is reached in the growth of new business?

Answer:

a) We are not aware of any such indication by the then Finance Minister fixing the ideal overall expense ratio at 15%.

Figures for overall expense ratio of the LIC for the last ten years is noted under: -

<u>Year</u>	<u>Overall Expense Ratio %</u>
(16 1957 months)	27.20
1958	29.01
1959	28.68
1960	28.45
1961	27.97
(15 1962-63 months)	29.31
1963-64	27.46
1964-65	27.55
1965-66	27.55
1966-67	27.72

The overall expense ratio of the Corporation has been well above 15% in every year and therefore no reasons are offered.

b) A stationary position with regard to growth of new business would not result in a stationary position with regard to overall expense ratio even if expense ratios on first year and renewal premiums are stationary.

An overall expense ratio of 15% can result from several different sets of expense ratios on first year and renewal premiums. For example, a first year cost ratio of 51% and a renewal cost ratio of 12% will result in overall expense ratio of 15% if the renewal premium income is 12 times the first year premium income. If, however, the first year cost ratio is assumed to be 75% instead of 51% and the renewal cost ratio is 12%, the renewal premium will have to be 20 times the first year premium income in order to result in an overall expense ratio of 15%.

These figures are given on a hypothetical basis purely as illustrations.

Part V - Question No.2: Will you please give us the cost break-up of First Year's expense ratio under various heads of expenses on various category of offices, viz. Agent, Development Officer, Branch Office, Divisional Office, Zonal Office and Central Office?

Answer :

The cost break-up of 1st year expense ratio shown below is based on the method of allocation of expenses indicated herein :

	1964-65	1965-66	1966-67
	<u>% to first year premium</u>		
A. Agents 1st year commission	<u>29.33</u>	<u>29.02</u>	<u>29.35</u>
B. Development Officers :			
Bonus Commission	0.80	0.81	0.72
Salaries to D.O.	12.41	13.46	15.23
Conveyance Allowance	4.41.	4.27	4.27
Travelling Expense	<u>2.22</u>	<u>2.17</u>	<u>2.35</u>
Total:	<u>19.84</u>	<u>20.71</u>	<u>22.57</u>
C. Expenses			
(i) Directly related to New Business :			
Medical fees	3.26	3.27	2.88
Advertisement	0.96	0.79	0.77
Policy stamps	0.98	1.03	0.97
Motorcar expense	<u>0.62</u>	<u>0.70</u>	<u>0.72</u>
Total:	<u>5.82</u>	<u>5.79</u>	<u>5.34</u>
(ii) Other expenses as per separate statement at annexure-8.	<u>11.61</u>	<u>12.03</u>	<u>12.11</u>
Total of (i) & (ii)	<u>17.43</u>	<u>17.82</u>	<u>17.45</u>
A+B+C New Business Cost Ratio of Division	<u>66.60</u>	<u>67.55</u>	<u>69.37</u>
Incidence of Z.O. expenses	1.46	1.62	1.71
Incidence of C.O. expenses	<u>1.10*</u>	<u>0.79</u>	<u>1.05 **</u>
New Business Cost Ratio of the Corporation.	69.16	69.96	72.13

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* Includes provision of Rs.55 lakhs in 1964-65 on account of revision of salaries of Class I & Class II Officers.

** Includes provision of Rs.49 lakhs in 1966-67 on account of contribution towards deficit of LIC (Oriental) Pension Fund.

Expenses at Branch Level are not separately available.

Part V - Question No. 3:

Please also give the cost break-up of the Renewal Expense ratio under various Heads of expenses on various category of offices viz. Agent, Development Officer, Branch Office, Divisional Office, Zonal Office and Central Office.

Answer :

COST BREAK-UP OF RENEWAL EXPENSE RATIO
(Allocation of expenses as set out herein)

	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>
	<u>Percentage</u>	<u>Renewal</u>	<u>premium</u>
A.			
Renewal Commission (Agents)	4.39	4.39	4.49
Compensation to Chief and Special Agents:	0.02	0.02	---

Total of A:	4.41	4.41	4.49

.....

	(1)	(2)	(3)
B. Other Management Expenses as per statement at Annexure -8.	11.61	12.03	12.11
A+B Renewal Cost Ratio of the Division.	16.02	16.44	16.60
Incidence of Z.O.	1.46	1.62	1.71
Incidence of C.O.	1.10*	0.79	1.05
Renewal cost ratio of the Division.	18.58	18.85	19.36

* Includes provision of Rs 55 lakhs in 1964-65 on account of revision of salaries of Class I and Class II Officers.

** Includes provision of Rs 49 lakhs in 1966-67 on account of contribution towards deficit of LIC(Oriental) Pension Fund.

Expenses at Branch Level are not separately available.

Part V - Question No.4:

- Will you please give the Renewal Expense ratio of L.I.C. on the basis of First Year's cost of 75% and give a comparative statement of First Year and Renewal cost of representative British Companies?
- From the costing given in 2 & 3 above, what simple adjustments and nationalisation would you suggest to effect reductions in the First Year's and Renewal Expense ratios?

Answer:

4(a)	1964-65	1965-66	1966-67
	<u>In crores of rupees</u>		
1st Year Premium income	29.41	31.36	32.03
Renewal Premium Income.	131.09	146.29	162.64
Expenses of Management	44.70	49.53	54.61
Renewal expense ratio after allowing 75% of first year premium.	17.27%	17.73%	18.81%

The published accounts of British Companies do not state first year's premium separately as such we are not in a position to furnish any comparative figures for representative British Companies.

4(b) The figures in 2 & 3 do not readily suggest any possibilities of reduction in the First Year and Renewal expense ratios by any simple adjustment and/or rationalisations.

Part 7 - Question No.5:

If the L.I.C. had no alternative but to reduce their expense ratio to 75% on First Year's and 7½% to 8% on Renewal Premium, what steps would you suggest to achieve these expense ratios?

Answer:

It is not practicable to reduce the expenses so as to attain the expense ratio indicated above. As per the actuals of 1966-67, 30.1% of the first year's premiums constitute commission payable to agents including bonus commission to agents and Development Officers. In the present context, there is a need to strengthen the Development force and induce the agents for greater productive efforts. It is impossible to think of reducing the rate of commission and consequent expenditure on that account. Also renewal commission amounts to 4.5% of the renewal premiums which also for the reasons cited above cannot be reduced.

The staff salaries and current commitments of the organisation also do not admit any reduction. As per 1966-67 figures salaries and other allowances to Development Officers constituted 16.25% of the first year's

premiums and salaries including allowances to Class I, Class III and Class IV constituted 11.6% of the total premiums, i.e. 11.6% of the first year premiums and 11.6% of the renewal premiums. Therefore the question of reducing the renewal expense ratio to the level of .8% is hypothetical and impracticable."

Part V - Question No.6:

Please furnish a statement indicating overall and renewal expense ratio in respect of life business done by the Corporation in its foreign branches during the last five years. Please give details of the staff employed in the offices abroad and the yardstick adopted for employment of staff in these offices.

ANSWER:

Renewal & Overall Expense Ratio

	1962-63 (15 months) %	1963-64 %	1964-65 %	1965-66 %	1966-67 %
Renewal Expense ratio	17.11	16.16	16.18	17.17	18.83
Overall Expense ratio	23.45	23.63	23.92	24.36	27.04

These ratios are arrived at on the basis of the expenses and income shown in the revenue account.

Number of employees as on 31.3. 1967.

Class I	-	33
Class II (Development Officers)	-	4
Class III	-	263
Class IV	-	<u>58</u>
Total..		<u>368</u>

As regards the yardstick adopted for determining the requirement of staff for these offices, generally, the same yardstick that is applied for our offices in

India is adopted for the offices in the foreign territories also if these offices perform more or less the same functions as are performed by their counterparts in India. However, in sanctioning staff to our offices in foreign countries the following points are also considered in sanctioning slightly increased strength:

- (1) Additional work done by the foreign offices for submission of statutory returns to the local Governments;
- (2) Paucity of candidates with requisite minimum qualifications;
- (3) Additional work handled by the offices as a result of a different mode of premium payment such as by a Banker's Order, every month, etc. or additional work consequent upon the devaluation of the Indian Rupee, resulting into Rupee Policies and Shilling Policies, etc.

Part V- Question No. 7:

171.

Please give a classification of all the employees of the Corporation class-wise, sub-classified according to age groups and the total expenses incurred on them annually.

Answer :

A statement giving classification of the employees of the Corporation sub-classified into various age groups is attached at Annexure - 9. In the statement is also shown the total expenses incurred on each class annually for 1966-67.

Part V - Question No. 8:

Have you fixed limits as percentage of premiums or of sum assured or as a constant per policy for the various heads of expenses? What efforts are being made to control the expenses within these limits? Will you please give the actual data in respect of various heads of expenditure for the last 3 years?

Answer:

No such limit either as a percentage of the premium or of sum assured or as a constant per policy can be fixed for the various heads of expenditure shown in the printed accounts, except in a very arbitrary manner. Such limits have not therefore been fixed. The expenses are now scrutinised when the budgets are sanctioned. Expenses under the various heads of expenditure for the last three accounting years are given in Annexure-10.

Part V - Question No.9:

173.

What is your rating of the efficiency and performance standards of the administrative staff and the development staff? If their performances are under-average, what steps should be taken to ensure at least the normal performance standards for both?

Answer:

The Corporation has not laid down any norms of performance standards of the administrative staff; in the absence of these, no objective rating of the efficiency is possible.

Class I personnel are reported upon with reference to their general ability and character, manner of discharging duties, fitness for more responsible work and promotion.

The reporting Officers for Class III and Class IV personnel are asked to indicate their assessment of the employees as "Poor", "Below Average", "Average", "Above Average" and "Out-standing", with respect to various characteristics of their work.

If performance of any member of the staff is reported as "under average", he should be informed about his deficiency, if remediable, guided by his immediate supervisor and, if necessary, given fresh training on the job and watched for improvement in his standard of performance.

The efficiency and performance of a Development Officer is measured by the strength of his organisation in terms of the number of qualified agents working under him, the volume of business and the scheduled premium

Annexure V

income brought in by him. When the Development Officer is in a position to have the necessary number of such working agents, it is our experience that the scheduled premium income brought in by them would not be less than six times the total emoluments of the Development Officer. Such a performance of a Development Officer, as a rough and ready method could be considered satisfactory. When the performance is not upto the requisite standard, periodical reviews are made and his attention is drawn to the poor performance in the matter of recruitment of agents or motivating them and he is asked to take remedial measures. The Branch Manager and Assistant Branch Manager also help him in this work. Where the performance is consistently poor, action under the Staff Regulations is taken.

Annexure - VPart V - Question No. 10 :

The Revenue Accounts give an item "Salaries etc. including Allowances". Please give for each of the accounting periods the amount which the L.I.C. had to pay by way of overtime allowances to its staff, and the reasons therefor.

Answer:

The amount of overtime paid during the relevant accounting years are given below:

<u>Year</u>	<u>Amount in thousands of Rupees.</u>
1964-65	26,76
1965-66	31,44
1966-67	33,11

Occasions arise when members of the Staff are required to work overtime for the purpose of clearing a particular item and quantum of work. It is only in exceptional cases that arrangements for overtime work are made and even in such cases the officer concerned is to satisfy himself that the quantum and nature of work is such that overtime work is essential and unavoidable.

Annexure - VVI. INVESTMENTS AND HIGHEST POSSIBLE YIELDPart VI - question No. 1:

Will you please give the percentage reduction in premium for a 1% and 1½% increase in the interest yield for a person aged 30 for an endowment assurance maturing at age 65 and for a Whole Life 35 years term limited payment policy?

Answer :

The desired information is given below on the basis of the Mortality Table A (1949-52), which is quite close to the experience of the Indian assured lives' mortality as revealed by the LIC's 1961 Table.

Plan of Assurance	Net Annum Premium per 1000 S.A.			Percentage reduction in premium for an increase of	
	3%	4¼	4½%	1%	1½%
				$\frac{(2)-(3)}{(2)} \times 100$	$\frac{(2)-(4)}{(2)} \times 100$
1.	2.	3.	4.	5.	6.
Endowment Assurance) Age - 30) Term: 35)	@17.97	15.00@	13.70@	16.50	23.30
Whole Life) Limited) Payment) Age - 30) Term: 35)	13.83*	10.91*	9.72*	21.40	30.00

@ $\Pi(30)$: 35I

* 35II (30)

Part VI - Question No.2:

Has the L.I.C. followed a policy of earning the highest rate of interest consistent with security of capital disregarding other considerations?

Answer:

The L.I.C. has followed the policy of earning the highest rate of interest consistent with security within the framework of the statute governing its investments.

Annexure - VPart VI - Question No.3:

Under the Insurance Act, the L.I.C. has the responsibility to invest 50% of the controlled funds in Govt. and approved securities and 50% in other investments fulfilling certain prescribed conditions. Will you please give a statement of L.I.C. investments classified into investments made in first category and also in second category at intervals of 3 years since inception and of the last 3 years?

Answer:

A Statement, as desired, is given at Annexure-II.

Part VI - Question No.4:

Are you satisfied that within the categories prescribed by the Insurance Act investments were made to earn the highest possible rate of interest consistent with security of capital?

Answer:

Yes, please.

Part VI - question No.5:

The interest yields (gross) of L.I.C. over the last 5 years have been as follows. The interest rates of Prudential and Legal and General have also been shown for comparison. Despite the restrictions are you satisfied that within the framework of present restrictions L.I.C. could not have done better in the interest yield and be practically equal to "Legal and General" and "Prudential"?

<u>Year</u>	<u>L.I.C.</u>	<u>Legal & General</u>	<u>Prudential</u>
1961	4.80	6.03	6.53
1962-63	4.76	5.96	6.65
1963-64	5.11	6.08	6.65
1964-65	5.27	6.30	6.87
1965-66	5.51	6.51	7.13

Answer:

We are satisfied that, within the framework of the present restrictions and in the economic conditions prevailing in the country, the L.I.C. could not have done

Part VI - Question No.6:

181

Will you please give the interest yield earned by the L.I.C. on its investments in various classes of investments?

Answer:

A Statement is given at Annexure-III.

Annexure - V

Part - VI, question No. 7(a)

Please furnish a note about the activities of the Buildings Department of the Corporation. A statement indicating the expenditure incurred yearwise on the Department may also be given. What are the standards for employment of the staff for the work in the Department.

Answer:

A note on the activities of the Buildings Department is attached at Annexure - IV. A statement indicating the expenditure incurred yearwise on the Department is also attached at Annexure -V. However, with regard to the standards for employment of staff, it may be stated that the staff position in the Department is considered from year to year in relation to the construction work and maintenance work in hand and the programme of construction and maintenance work to be undertaken in the following year.

Annexure - V

Part VI - Question No.7(b):

What is the rate of return giving the break-up of income and outgo on the Corporation's investments in land and building. Has the L.I.C. investigated into the possibilities of developing the existing properties and enhancing their yields by maximum possible expansion?

Answer:

A statement giving the details of house property income on the Corporation's investment in land and buildings is enclosed herewith at Annexure-VI. When developing properties, investment angle is considered in detail. We aim at generating the maximum permissible space utilising whatever we can for our own needs and offering the balance for investment purposes. However, the investment possibilities in the particular locality have to be carefully examined before hand. A feasibility report is prepared and doubtful investments are discarded. In a number of cases, it is better to wait till the locality develops further.

At present a Committee is going into the possibilities and economics of putting up a multi-storeyed building in Connaught Place, New Delhi.

Annexure - V

Part-VI, Question No.7(c):

How many sites in terms of area and value are waiting to be developed?

Answer:

The number of vacant plots, at present, is 42, 18 of them are expected to be developed in a year or two. Most of these plots have remained vacant so far; either due to some sort of legal difficulty or difficulty in obtaining the expected minimum return as in the case of plots earmarked for construction of staff quarters. It may also be stated that in a few cases where the plots have been inherited from the erstwhile insurers, the circumstances prevailing at the time of their purchase have vastly changed with the result their development, at present, is expected to be covered by a phased programme of 5 to 10 years.

The total area admeasuring the above referred 42 vacant plots is 6.87 lakhs square yards and their aggregate book-value is of the order of Rs 103.44 lakhs.

Part VI - Question No.8:

Annexure - V

Has the Corporation considered the feasibility of introducing rural housing scheme under which houses will be constructed by the Corporation and sold to the rural public on instalment basis as an inducement for taking up more life insurance?

Answer:

As has been pointed out in our answers to questions 6 to 10 under Part I, that there is a dearth of 11 million houses in cities and 63 million in villages, and to build these, there would be a requirement of an outlay of thirty thousand crores. The prime role of this Corporation is insurance business and not housing or investment in housing. We attempt to invest in housing schemes through the State Co-operative Housing Societies to meet a social end. With the same end in view, we provide facilities under the OYH Scheme, but clearly assuming a major role in house construction will not be appropriate for the Corporation. There can, however, be no doubt that construction and sale of houses on instalment basis will provide a strong inducement for purchasing insurance but to what extent the limited capacity of the Buildings Department which has been created and organised solely to meet the domestic needs of this Corporation can be stretched for housing for policyholders has yet to be examined.

Part VI - Question No.9:

What is the criterion for investment of the controlled funds in investments 'other than approved investments'? What was the rate of interest earned by the Corporation on such investments during the last five years? Have any such investments resulted in losses to the Corporation and if so the extent of losses suffered on this account during the last 5 years may please be stated.

Answer:

A reference to Section 27A(1) of the Insurance Act, 1938, as modified in its application to the LIC would indicate that investments satisfying the conditions prescribed therein in respect of shares and debentures would not necessarily be sound. For example, a company, which has paid 4% dividend on its equity shares for the last 5 years, may not be financially as sound as a company which might have paid 10% dividend for the last 2 years only. Further, in the scheme of the said Section, it will be noticed that debentures of a company, whose equity shares are approved investments, could be unapproved investments, if such debentures were issued by a prosperous company for the first time and were not covered three times by its net block, whereas debentures issued by a decaying company but covered three times by its net block, would be approved investments.

The first category of unapproved investments therefore, is these types of investments which are essentially sound, but technically unapproved.

The second category of unapproved investments is of the types of most of the foreign investments, including investments in the shares of companies whose factories are situated in India but whose registered offices are situated abroad. The third category of unapproved investments is of the types of investments in the shares of new companies or any loans to such companies. Investments in the first two categories are made on merits and are no more risky than approved investments. Investments in the third category are made after detailed examination of the expected profitability of the company. Further, care is taken to see that such investments do not exceed about 2% of the controlled fund.

The yields earned on unapproved investments of all the three categories, during the last 5 years, was as under:-

<u>Year.</u>	<u>In India</u> %	<u>Out of India</u> %
1962-63	4.38	4.08
1963-64	4.82	4.24
1964-65	4.84	4.29
1965-66	5.18	4.43
1966-67	4.94	4.57

The aggregate book value of unapproved investments as at 31st March, 1967 was Rs 51.65 crores and their market value as at that date was Rs 48.27 crores. It may

therefore, be said that, as at 31st March, 1967, the Corporation suffered a loss of Rs 3.33 crores over the whole period, on its Rs 51.65 crores unapproved investments, many of which are inherited investments and also included approved investments which subsequently became unapproved.

Part VI - Question No.10:

What are the total investments of the L.I.C. in foreign countries? What is the return earned by the L.I.C. on foreign investments and how does the return compare with investments in India?

Answer:

The following Table gives the desired information:

TABLE

Total Investments in foreign countries.

As at end of the year:	Investments:	Yield on average Book Value:	Yield on average Book Value of Invest- ments in India:
	Rs. in crores	%	%
1962-63	15.71	4.08	4.45
1963-64	15.97	4.25	4.70
1964-65	16.86	4.29	4.90
1965-66	15.93*	4.46	5.07
1966-67	25.04**	4.62	5.22

* Investments in Pakistan excluded.

** Increase on account of devaluation -
Rs 8.99 crores.

Part - VI, Question No.11:

Please give the amounts of investments made by the Corporation during the last five years in the various housing schemes and the rate of return on such investments.

Answer:

The table below gives the amounts of investment made by the Corporation by way of loans in various housing schemes, such as of State Governments, Co-operative Housing Finance Societies and the Corporation's mortgage schemes during the last five years. The rate of interest earned during the period is also shown in the table:

Table

Year	State Governments		Co-operative Housing Finance Societies		Corporation's Mortgage Schemes	
	Amount invested (Rs. in crores)	Rate of interest earned	Amount invested (Rs. in crores)	Rate of interest earned	Amount invested (Rs. in crores)	Rate of interest earned
		%		%		%
1962-63	11.35	5.50	1.50	5.00	1.74	6.31
1963-64	12.68	5.50	7.10	5.50 to 6.50	1.79	5.35
1964-65	15.00	5.50	2.00	6.50	2.25	5.78
1965-66	15.00	6.25	7.30	6.50	5.14	5.14
1966-67	12.00	6.25	13.65	6.50	5.75	6.11

Part VI - Question No.12:

1971.

Does the Corporation earmark specific funds for investment in rural housing schemes?

Answer:

The Corporation does not earmark any funds for investment in rural housing schemes. It, however, grants loans to State Governments for their various housing schemes. which include village housing scheme.

Part VI - Question No. 13:

In paragraph 183 of their 4th Report, the Committee on Public Undertakings stressed the importance of catering to the weaker sections of the society through the loan schemes of the Corporation. please furnish a note indicating how this recommendation has been implemented during the last two years?

Answer:

The Own Your Home Scheme is at present in operation in 118 centres in India covering all towns with a population of 1 lakh and above, as per 1961 Census. Under this Scheme, Rs 10.27 crores have been sanctioned upto the end of August 1967 to 3,638 applicants out of which 7.59 crores have been disbursed by 31st August, 1967.

We shall take up the question of extension of the scheme to additional centres at the appropriate time, so as to assist the weaker section of the society in smaller towns also.

Under the scheme for grant of loans to Co-operative Housing Societies of the employees of the Corporation, Rs 3.51 crores have been sanctioned to 61 societies upto the end of August 1967. Out of these, Rs 2.04 crores have been disbursed to 53 societies.

We have also sanctioned Rs 22.49 lakhs to 3 Co-operative Societies of the employees of Public Limited Companies.

We also advance loans to Public Limited Companies for construction of staff quarters. Upto 31st August, 1967, we have advanced Rs 152.75 lakhs to 10 Public Limited Companies for construction of staff quarters. Under this scheme, we are also prepared to entertain applications from acceptable Private Limited Companies for construction of quarters for their staff.

It was observed by the Corporation that in many cases people were getting plots from Co-operative Housing Societies since the cost of land in such cases was less. Such allotment of plots by the Co-operative Societies contain restrictive conditions on transfer. Hence, the Corporation was not able to sanction loans on the security of such plots. This question was considered by us and we have now decided that if the Society passes a Bye-law removing the restrictions and gets it approved by the Registrar of Co-operative Societies, the Corporation would be in a position to entertain applications for loan on the security of such plots subject to certain conditions.

The Corporation is always trying to keep the expenses like payment of fees to Legal Advisers and Valuers as low as possible, since

the Own Your Home Scheme is meant to assist people belonging to the middle class to have houses of their own.

It is uneconomical to reduce the minimum loan available under the scheme and hence the poorer sections may not be able to avail themselves of the facility of loans under the scheme. Further, the Corporation has to look into the security aspect as well as the repaying capacity of the applicant in sanctioning loans under any of its mortgage schemes,

Primarily, anybody who wants to have a house of his own must have the necessary saving capacity and in case of the poorer sections of the community where saving capacity is negligible or practically nil, it

is possible for the Corporation to come to their assistance.

Part VI - Question No. 14:

195.

It has been suggested that the stamp duty for loans against house property is very high on account of Corporation's insistence on legal mortgage. Is it not possible to substitute legal mortgage by equitable mortgage to reduce the expenses incurred by the loanees under the Own Your Home and mortgage loan schemes of the Corporation?

Answer:

The Corporation has been advised by its Solicitors to adopt only the legal form of mortgage, although the stamp duty thereon is comparatively high varying from State to State. The standard form of mortgage prepared by the Solicitors is English mortgage whereunder our remedy against a defaulting mortgagor will be quicker and less expenses as we can sell the mortgaged property without the intervention of the Court, wherever section 69A of the Transfer of Property Act is applicable. The various stipulations which we find it necessary to incorporate in the documents to be executed by the mortgagor (such as assignment of life policies, undertaking on the part of the borrower to pay us his retirement benefits towards the liquidation of the loan, the particular mode of repayment, inclusion of guarantor, etc.) can be appropriately included only in the form that we have adopted.

The equitable form of mortgage is permissible under the Transfer of Property Act in about 30 towns

whereas our Own Your Home Scheme is operated in 113 centres. The Corporation would prefer to have uniform type of mortgages in all the centres where its mortgage schemes are operated at present or are to be operated hereafter.

Generally under equitable mortgage the period of loan is short whereas under the Own Your Home Scheme the period may extend beyond 20 or even 30 years.

Part VI - Question No. 15:

It is understood that the Corporation has its own Architects and legal advisers. Why are separate charges collected from the loanees on account of fees of architects and legal advisers? The quantum of fees charged may be indicated.

ANSWER:

At the outset, it may be pointed out that the Corporation does not employ full time legal advisers or Valuers. The Corporation takes the help of its Executive Engineers for initial survey of the property at the few centres where their services are available, but it has to depend on leading local architects/engineers for expert and independent valuation on the basis of which disbursement can be made. It is always advisable to have independent valuation done by qualified Valuers not in the employment of the Corporation.

At all the centres, where one of our mortgage schemes is in operation, we have appointed a panel of Legal Advisers and Valuers. These persons are not in the full-time employment of the Corporation. They are given cases for investigation of title to the property or valuation as the case may be as and when loans are sanctioned. The fees payable to them are collected from the borrowers and paid to them. Hence, it will be observed that no separate charges are collected from the Mortgagors.

Annexure-V

Two tables showing the scale of fees payable to Legal Advisers and Valuers as fixed by the Corporation under the Property Mortgage Scheme and the Own Your Home Scheme are attached at Annexures 11 & 12. To help our policyholders, who take mortgage loans under Own Your Home Scheme, we have kept the fees under Own Your Home Scheme slightly lower than that under the Property Mortgage Scheme. Further, in some places, our Divisional Managers have been able to persuade the Legal Advisers and Valuers to accept a lower scale of fees than that prescribed by us. However, Solicitors in Bombay and Calcutta charge fees for investigation of title according to the work involved in each case and not as per its scale.

Part VI - Question No 16:

In respect of the underwriting activity of the L.I.C., to what extent is it at the sacrifice of the interests of the policyholders?

ANSWER:

The underwriting activity of the LIC consists of underwriting:

- (i) Bonds & debentures of Statutory Corporations, Electricity Boards and Central Land Mortgage Banks,
- (ii) debenture issues of existing companies,
- (iii) shares of existing companies and
- (iv) shares of new companies.

The first three categories do not involve any sacrifice. On the contrary, the cost of investment is reduced to the extent of the underwriting commissions earned. As regards the third category, as has been pointed out in reply to question 9 of Part VI, the volume of such investment, as a result of underwriting activity, is so small in relation to the total investments as not to cause any appreciable effect on the current yields. These investments may, however, produce on the whole satisfactory results in years to come and, to that extent, it can be said that the underwriting activity of the LIC not only does not sacrifice the interests of the policyholders, but serves their interests, better.

VII. ECONOMIC PREMIUM RATES

Part VII - Question No.1

There has been no revision in premium rates by the LIC during the last 10 years, whereas life insurers in U.K. and other countries have made substantial reductions in premium rates as well as substantial increase in bonuses? On what grounds does LIC justify its stagnant position in this respect?

Answer:

It is the general practice of the insurers that the with-profit premiums are not frequently revised and the bonuses declared as a result of the periodical valuations take into account any favourable experience in the basic elements and the future expectations. Broad equity is aimed at in the bonus declarations so that every generation of policyholders. However, in the case of non-profit premiums, there is a case for changing the premium rate structure, if there is a corresponding change in the experience with regard to mortality, interest and expenses. In the statement at Annexure-13 a comparative study of premium rates for some of the U.K. Companies under Whole Life Assurance, is given. It will be seen therefrom that while without profit premiums have been revised thrice over this period, with profit premiums have been revised

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any other. Also there is more substantial reduction in without-profit premiums, compared to the reduction in with-profit premiums. The comparison of with-profit premiums should take into account the bonus declared at the periodical valuations of the company. The point is that whereas with-profit premiums were more or less the same or even slightly higher, the without-profit premiums show a progressive reduction.

As far as the Corporation is concerned, at the time of its formation, the known improvement in mortality made it possible for an ad-hoc reduction of premium per 1000 sum assured by an amount of Rs.1/- or 5% of the premium, whichever was lower. About 95% of Corporation's new policies are under with-profit plans. The bonus declared by the Corporation at its periodical valuations and the gross interest yield and the renewal expense ratio for the various years are given in the following table:

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Period	Simple Revisionary bonus(per 1000 SA) <u>Endowment Whole Life</u>	Gross interest yield (per cent)	Renewal Expense Ratio (per cent)
1957 (16 mths.)	)	4.58	15.89
1958	)	4.52	15.46
1959	) 12.80 16.00	4.54	12.92
1960	)	4.58	12.90
1961	)	4.80	12.42
1962-63 (15 mths.)	) 14.00 17.50	4.76	14.13
1963-64	)	5.11	12.46
1964-65	) 16.00 20.00	5.27	14.09
1965-66	)	5.51	14.69

Part VII - Question No.2:

Do you agree that the non-revision in premium rates for a long time, particularly when there have been radical changes in the interest and mortality experience, results in unfairness between with-profit policyholders inter se?
Do you agree that the non-revision in non-profit premium rates has been responsible for the unpopularity of this class of business?

Answer:

Please refer answer to Question No.4 of Part VII.

Part VII - Question No.3 :

Are you satisfied that in the rating of Group Life Policies, L.I.C. is showing initiative and dynamism that is necessary for the fast development of this class of business?

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Answer:

In 1961 the I.I.C. had reviewed the one year term life Term Insurance plan (group) and introduced in the scheme certain features by adopting some of the practices of the Life Insurance Companies in U.S.A. and U.K. with suitable modifications for Indian conditions. The introduction of these features had removed many of the barriers present in underwriting of each proposal and the administrative work and cost involved.

Under this plan, there are five sets of tables and these are used according to the category of employees covered. The distinctive feature of this plan is the application of group underwriting principle to large groups by which each member is covered upto a certain amount on satisfying certain simple conditions of insurability. In April 1966 the scheme of profit sharing and rate adjustment was also introduced under this plan subject to the group satisfying certain minimum membership.

Part VII - Question No.4

To promote an active and energetic growth of life insurance, premium rates should be attractive in yield vis-a-vis other forms of investment. The premium rates should be no higher than are warranted by strict actuarial considerations. Can the LIC

justify the charging of present rates of premiums on strict actuarial considerations? Please give a detailed note in reply to this question. It should take into account the LIC experience in regard to mortality, interest and expenses?

ANSWER:

The premium rates are generally calculated on an interest basis, which can be maintained over the long duration of the policy contract and therefore, have to be conservatively on the low side. The question of yield on the premium rates is not understood. Life insurance premiums contain an element, varying according to the age of the insured and other factors, for covering the risk of mortality and cannot be compared with banking transactions where only the element of interest is involved.

The premium rates are calculated on actuarial basis which ensure equity between different plans and terms of assurances and classes of policyholders. It is inevitable that current experience diverges from the assumptions in varying degrees resulting in distortions from the original conception of equity. It is not practicable to alter the premium rates with every change of experience, as no sooner such alteration is made, fresh

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divergence set in. Administratively, frequent changes in premium rates would throw life insurance selling and servicing into confusion, as, along with the rates, surrender and loan values, terms of alterations of policies and bonus rates would also have to undergo changes.

While the mortality experience of the Corporation relative to its premium bases, viz., Modified Oriental 25-35 Table, has stabilised at about 50% of the expected deaths and at about 45% of the expected death strain, wide variations have occurred in the interest and expense basis. The present yield on the Corporation's investments is significantly higher than the rate of interest, 3%, used in the premium structure. Further, the expense experience of the Corporation is altogether different from the experience assumptions in the premiums, the incidence of divergence from assumptions being widely different for different plans of policies. The cumulative effect of these divergences has been to introduce a certain amount of inequity in the current premium rates inter-se various plans terms and ages.

Any inequity in the premium structure is mitigated to some extent by the distribution of bonuses on with profit policies which constitute about 85% of the business in force.

Part VII - Question No.5 :

In para 74 of their 4th Report the Committee on Public Undertakings have recommended appointment of an Expert Committee to review the rates of premium with a view to bring them down. What steps if any have been taken by the Corporation in this direction? If the recommendation has not been implemented the reasons therefor may please be indicated.

Answer :

The Corporation appointed in November 1966 a Committee of Actuaries with the following members to study the results of the investigation into the mortality of assured lives during the period 1961-64 and advise the Corporation on the question of premium rates:

Shri D.D. Marhan	.....	Chairman
Shri S.D. Srinivasan	..	Member
Shri K.R. Srinivasan	..	Member
Shri V.H. Vera	.....	Member
Shri M.V. Schonie	....	Member
A representative of the Controller of Insurance, Simla.		
Shri A.S. Raghavan	...	Secretary

Shri A. Rajagopalan of the Ministry of Finance is also associating himself in the deliberations of the Committee.

The report of the Committee is awaited.

VIII. INSPECTION AND CONTROL,

Part VIII - Question No 1 :

The Committee on Public Undertakings in their 4th Report have commented that none of the Members of the Corporation had any experience of insurance and have recommended (para 15) that the Government should secure some persons with sufficient knowledge and experience of insurance so that the Board plays a more useful role. What are the Corporation's views in this matter and what steps have been taken to implement the recommendation of the Committee?

Answer :

In reply to this recommendation of the Committee on Public Undertakings the Government have already replied as follows:

" Noted. Apart from the fact that experience of life insurance business would now be available only in the Life Insurance Corporation and, to some extent, in the office of the Controller of Insurance, there is also the possibility that persons having such experience and knowledge would have vested interest in it. It may, therefore, be difficult to find such persons to serve on the Board and Committees of the Corporation on this basis. The recommendation has, however, been noted and will be kept in view."

Since the matter is one entirely within the purview of the Government, the Corporation has no comments to offer.

Part VIII - Question No. 2:

What are the functions of the Executive Committee and what are the powers of the Chairman and Managing Director vis-a-vis the Executive Committee?

Answer :

The functions of the Executive Committee are as envisaged in Section 19 (1) of the Life Insurance Corporation Act and specified in the Life Insurance Corporation Regulations (vide Regulation Nos. 17 and 18).

The Chairman is the Chief Executive of the Corporation. He presides over the meetings of the Corporation and its Committees. The functions and the powers of the Chairman are laid down in Regulations 32 and 33. In terms of Regulation 32, the Chairman may exercise all such powers as may be exercised and do such acts and things as may be done by any of the Committees of the Corporation appointed under Sub-Sections (1) and (3) of Section 19 of the Act, subject to such general or special directions as the Corporation or any of the Committee may from time to time give. The Chairman has also powers and

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functions under the Life Insurance Corporation of India (S.I.F) Regulations, 1960. The Chairman constitutes the liaison between the Government and the Corporation in matters of policy.

The Managing Directors assist the Chairman in deciding on policy matters etc. and in short, act as a sort of deputy to the Chairman and afford the assistance which the Chairman needs in the discharge of his onerous and varied responsibilities. In addition the Managing Directors exercise such powers and perform such duties as may be entrusted or delegated to them by the Executive Committee or the Corporation (vide Section 20 of the Act).

Part VIII - Question No. 3 :

What is the frequency of the meetings of the Executive Committee and of the Corporation's Board? What subjects are especially reserved for the Corporation's Board? What type of decisions of the Executive Committee are submitted to the Board for ratification?

Answer :

The meetings of the Executive Committee and of the Corporation's Board are normally

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held once in a month.

Matters of policy which have not been delegated and matters in respect of which power is vested in the Board of the Corporation in terms of the L.I.C. Act, L.I.C. Rules and L.I.C. Regulations are referred to the Board.

The decisions of the Executive Committee involving policy matters and financial sanction for which the Board is the competent authority are referred to the Board for ratification.

Part VIII - Question No.4 :

Under Regulation 19 of the LIC Regulations, 1959, the Investment Committee is to consist of the Chairman and not more than 6 other members of whom not less than 2 shall be Members of the Corporation. Please give the composition of the Investment Committee from time to time. What criteria, if any, has been adopted by the Corporation in selecting persons other than Members of the Corporation for appointment to the Investment Committee? To what extent does the Corporation consider the nomination of non-members to the Investment Committee desirable?

Answer:

The composition of the Investment Committee, in each of the years 1-1-1962 to 31-3-1963, 1963/64, 1964/65, 1965/66 and 1966/67, was as per the statement at Annexure - VII. The criteria for selecting persons other than Members of

the Corporation for appointment to the Investment Committee are that they have special knowledge and experience in financial matters, particularly matters relating to investment of funds. Nomination of non-Members to the Investment Committee has been found very useful.

Part VIII - Question No.5 :

To what extent the constitution of the Executive Committee, Investment Committee, Services and Budget Committee, Public Relations Committee and Building Committee have resulted in the efficient functioning of the Corporation?

Answer:

These Committees constituted in terms of Section 19 of the Life Insurance Corporation Act have certainly contributed to the efficient functioning of the Corporation. The allocation of specific powers and functions to each Committee of the Board may be said to have achieved its purpose in enabling detailed and expert scrutiny of all matters relating to the management of the affairs of the Corporation coming up before each Committee.

Part VIII - Question No. 6 :

What are the functions of the Zonal Advisory Boards and to what extent the Zonal Advisory Boards help the various Zones in the matter of development of business?

Answer :

The functions of the Zonal Advisory Boards are as given in the Annexure 14. The Zonal Advisory Boards make a tangible contribution in the matter of development of business in the Zones.

Part VIII - Question No.7

The L.I.C. had six Chairmen within a period of 11 years. Do you consider frequent changes in the Chairmanship of the Corporation a desirable phenomenon in the context of statutory requirement that L.I.C. shall in the discharge of its functions act so far as may be on business principles?

Answer:

The appointment of L.I.C.'s Chairman is the prerogative of the Central Government. The Parliamentary Committee on Public Undertakings had made a recommendation that Government should ensure that there is continuity of management and that the Chairman is not changed very frequently. This recommendation has been accepted by the Government.

Part IX - Question No.1 :

213.

With reference to your organisational chart of the Corporation at the Central Office, Zonal Office, Divisional Office and Branch Office etc., do you consider that large number of operations are repeated at various levels? If so, with effective controls at the lower levels, do you consider it advisable to eliminate such repetitions at intermediate levels wherever possible?

Answer :

The operations that are repeated at various levels, in terms of the organisational chart of the Corporation, are listed below:

<u>Sr. No.</u>	<u>Operation</u>	<u>Levels at which repeated</u>
1.	Organisational cost control over Development Officers and Branch Offices,	Z.O. & D.O.
2.	Arrangement of publicity in the Zone.	C.O. & B.O.
3.i)	Maintenance of service records of all employees in the Branch Office.	D.O., D.O. & B.O.
ii)	Maintenance of service records of all employees in the Divisional Office.	Z.O. & D.O.
4.	Scrutiny of proposals for mortgages to be submitted to the Central Office.	C.O. & Z.O.
5.	Follow-up of pending proposals	D.O. & B.O.
6.	Maintenance of premium ledger sheets, policy files and index cards, etc.	D.O. & B.O.
7.	Maintenance of business records of agents and Development Officers.	D.O. & B.O.
8.	Review of Development Officers' work	B.O. & B.C.

Our comments on each of the above items are given below:-

1. Although this function is described in practically identical terms with respect to the Zonal Office and the Divisional Office, the work of each office relating to this function is different. The Divisional Office collects statistics for the purpose of arriving at the cost of each Development Officer and each Branch Office and initiates action, if any, with respect to cost control. The work at the Zonal Office is of a supervisory nature and includes taking final decisions in respect of unsatisfactory performance.
2. The publicity at all India level is handled by the Central Office whereas the Zonal Office attends to such items of publicity as are confined to the Zone such as participation in exhibitions, hearings, slides, neon signs, house magazine, etc. from the total budget allocated to them.
3. As the Divisional Office handles almost all the matters relating to Class III and Class IV employees, it is necessary to maintain at the Divisional Office the service records of the employees in the Branch Offices.

The service records of Higher Grade Assistants, and Superintendents are maintained at the Zonal Office

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as the Zonal Manager is the Appointing
Authority in these cases. Otherwise only
a basic staff record sheet of an employee
belonging to Class III and Class IV are kept
at the Zonal Office. The Confidential reports
of Class III employees (excluding Superintendents,
Higher Grade Assistants and Class IV
staff) are also kept at the Divisional Office.

4. Initial scrutiny of the proposals for mortgages at the Zonal Office is necessary in order to eliminate those cases which are prima facie not acceptable, or otherwise incomplete.
5. Follow-up of pending proposals is done at the Branch level. The Divisional Office follows up the incomplete proposals with the Branch Offices by sending reminders.
6. The non-vital Branch Offices collect premiums and issue renewal premium receipts. They also have to issue default notices and take follow-up action on amounts kept in deposit. Simple queries from policyholders on premiums etc. are also attended to by the Branch Office. The other PHS Servicing is done from the Divisional Office. Both the Offices have, therefore, to maintain records for rendering service to the policyholders.

7. The detailed records are kept at the Branch Office. The Branch Office sends to the Divisional Office a summary of the performance of Agents and Development Officers. The work of appraisal, removal of efficiency bar, etc., is the responsibility of the Divisional Office. Consequently, they have also to review the work of Development Officers periodically from their end. It is, therefore, necessary to have detailed records at the Divisional level.
8. Primarily it is the Branch Office which reviews the work of a Development Officer, Divisional Office does it only occasionally.

Part XX - Question No. 2 :

Does the Corporation consider the present organisational set up as economic and conducive to quick disposal? If not, what changes do you consider necessary?

Answer :

The functions of the various offices of the Corporation have been indicated in the Note on the organisational set up of the Corporation, copies of which have been supplied to the Working Group.

The Corporation is always considering and taking decisions on steps conducive to economic and quick disposal of its work in its various offices.

Part- IX , Question No.3 :

In view of effective control at Central Office and in view of demand for decentralisation at lower levels, do you consider that the functions of the Zonal Offices can be substantially reduced, or even the Zonal Offices can be completely abolished?

Answer:

The functions of the Zonal Offices are indicated in the Note on the organisational set up of the Corporation, copies of which have been supplied to the Working Group.

The Zonal Offices must continue. They cannot be possibly abolished. There is scope for reduction of some of their minor functions but by and large there is no scope for any substantial reduction in their functions.

Part IX - Question No.4

How many branches, Sub-Offices and Development Centres have been opened in the rural areas during the last five years and what was the amount of business completed by each year-wise? (Rural areas being those which have a population of 5,000 and below a definition adopted in the 1961 Census).

Answer :

One of the conditions for classifying a place, as rural is that the population must be not more than 5,000. It is uneconomical for the Corporation to open a branch in such a place. The Corporation opens branches in the nearby urban centres,

Part IX • Question No.5 :

218.

There are frequent changes in the executives at different levels. Does it lead to greater efficiency and effectiveness in the development and servicing of the business? Do you consider these frequent changes are in consonance with statutory requirement that the Corporation in the discharge of its function shall act so far as may be on business principles?

Answer:

It is not correct to say that there are frequent changes in the executives at different levels.

The objective of rotation of executive personnel is to enable them to have all-round experience in the working of the offices which improves their versatility and usefulness and leads to increased efficiency not only at the individual level but also for the organisation as a whole and is, therefore, in consonance with the requirement that the Corporation should function on business principles. It is also enables the Corporation to post officers in various departments with greater ease. Too frequent changes are, however, avoided as these might disrupt the smooth functioning of the office besides causing hardship to the officers.

X. PERSONNEL - ADMINISTRATIONPart X - Question No. 1:

Please furnish a statement showing the new staff employed categorywise during the last five years and the pay and allowances given to them. How does the expenditure compare with the growth of the Corporation's Life business in each year?

Answer:

A statement showing the new recruitments of the staff categorywise during the years 1962-63 to 1966-67 and also the approximate additional cost incurred on them during the years together with comparative figures of increase in business in force, first year premium income and renewal premium income is attached at Annexure - 15.

Part X - Question No. 2

Please give a detailed note on the recruitment policy followed by the Corporation in the matter of recruitment of officers and staff.

Answer:

Recruitment of the Class I Officers of the Corporation is partly through the medium of competitive examinations, partly by interviews restricted to Actuaries, Accountants and Engineers and partly, so far as the Assistant Administrative Officers' category is concerned,

by promoting from Class III employees of the Corporation.

The Corporation considers it necessary to recruit directly, officers in the cadre of Assistant Administrative Officers from Amongst highly qualified graduates besides those who are promoted to this cadre from amongst its existing employees. For this purpose the Corporation holds competitive examinations. So far, the Corporation has held 7 competitive examinations during the years 1960-1967. The procedure for recruitment is as follows:-

An Employment Notice is issued in the leading newspapers all over India inviting applications in the prescribed form from the intending candidates. Competitive examinations are held at all the Zonal Centres, viz., Bombay, Calcutta, Delhi, Madras and Kanpur and at Gauhati and consist of three papers, viz., (1) English Essay, (2) General Knowledge and (3) One Optional Subject out of the 17 specified subjects. Emergency Commissioned Officers/Short Service Regular Commissioned Officers released on or before 30th September, 1967 will be exempted

from the optional paper at the Competitive Examination to be held in January, 1968.

Candidates in the age group 21-25 are eligible to apply for admission to the competitive Examinations. Relaxation in the upper age limit is granted to (1) employees of the Corporation and its subsidiaries (2) candidates belonging to Scheduled Caste/Tribes and (3) ECOs/SSRCOs recruited during the Emergency period for the Armed Forces. The extent of relaxation in age for the first two categories of candidates is 3 years and 5 years respectively and in the case of the third category the number of years spent in the Armed Forces at the time of release.

Only those applicants are admitted to the competitive Examination who have secured at least 55% marks in any degree examination in faculties of Arts, Science, Commerce or Law. The qualifying marks are relaxed by 5% in the case of Scheduled Caste/Tribes candidates. ECOs/SSRCOs securing 45% marks in the aggregate at any of the above degree examinations are also admitted to the Examination.

12½ per cent and 5 per cent of vacancies are reserved for candidates belonging to

Scheduled castes and Scheduled Tribes respectively. 10 per cent of the vacancies are reserved for EOCs/SSRCCs released from the Armed Forces and another 10 per cent for EOCs/SSRCCs who have been L.I.C. employees.

Candidates who qualify at the competitive examination are called for an Interview. The Interview Board consists of Chairman, a Member of the Board, Executive Director (Personnel) and the Zonal Manager of the Centre at which the Interview is held. Candidates selected by the Interview Board, if found medically fit, are offered appointment as Apprentice-Officers.

The period of Apprenticeship is one year. After serving the apprenticeship period, they are appointed as Assistant Administrative Officers on probation for a period of one year and are confirmed in the regular grade on successful completion of the probationary period.

Associates of the Institute of Actuaries are, if found fit for appointment, generally appointed as Assistant Administrative Officers and Fellows as Administrative Officers.

Chartered Accountants are appointed as Assistant Administrative Officers and B.Ds with a minimum of three years' experience as Assistant Engineers (in the Assistant Administrative Officers' cadre. For higher posts in the Engineering Department, which are few, a greater length of experience and of varied types is prescribed). Recruitment of Chartered Accountants and Engineers are for predetermined posts. Applications are invited by advertisement in the leading newspapers in the country and selection is made on an all India basis. Eligible candidates are interviewed by a Committee consisting of senior officers and selection made therefrom. Care is taken to see that only the best available material is selected.

While what is stated above is the general policy, as a result of the decision to underwrite general insurance business and the consequent need for equipping the Corporation's offices with personnel experienced in general insurance work, recruitment of officers at different levels had to be resorted to in 1964.

As far as Development Officers are concerned, we have recently decided that there should be no

more recruitment to this cadre. In the past most of the appointments were made out of successful agents, who had put in good business and who had five years' agency experience. A salary ranging between Rs.130/- and Rs.200/- plus other allowances was offered to them depending upon the average commission earned by them on their business as agents. Candidates from outside the agency force were also considered for being appointed as Development Officers provided they had good social connections, etc. and provided they fulfilled the following educational qualifications:-

1. Cities with population of over one lakh - Graduate
2. Cities with population of less than one lakh - Intermediate
3. In the mofussil areas - Matriculate

All posts in Class IV (other than Head Peons which are filled by promotions from within the ranks) and Class III (other than Record Clerks, Higher Grade Assistants and other supervisory personnel who are generally promoted from within the ranks) are filled by recruitment from the open market. With a view to selecting the best talent available in the country, the Corporation has laid down minimum qualifications, maximum age at entry, etc. for recruitment to the different

posts in Class III and Class IV. A detailed recruitment procedure has been laid down specifying the mode of inviting applications, holding of recruitment tests and interviews preliminary to selecting the required number of candidates which ensures fair, just and objective selection of candidates. Further, candidates selected for appointment as Assistants are given intensive theoretical and practical training for three months and they are absorbed on permanent basis only on their completing the training successfully.

Recruitment to both Class III and Class IV is made generally in conformity with the procedure laid down in the Recruitment Procedure. Relaxations in minimum qualifications and/or maximum age at entry etc. are made in respect of Scheduled Castes/Tribes candidates, displaced goldsmiths, displaced persons from East Pakistan and demobilised Defence Personnel in terms of the Central Government's advices on these subjects.

Part X - Question No.3 :

What arrangements have been made by the Corporation for the training of new recruits to the Officers and Assistants cadres?

Answer:

226.

Training of Directly recruited Apprentice-Officers:

The Corporation has set up an Officers' Training College at Nagpur. Besides looking after the training needs of the existing Officers, the College holds special training sessions for Apprentice-Officers directly recruited through open Competitive Examinations. Except for special categories like Scheduled Castes only persons who have secured at least 55% marks in a degree examination in the faculties of Science, Arts, Commerce or Law are eligible to take the examination.

The Apprentice Officers are required to undergo theoretical training at the College for a period of six months. The theoretical training course designed for them covers (1) Personnel Management, Administration, Supervision, Co-ordination and Control, (2) Practice of Life Insurance from Proposal to Claim, (3) Accounts, (4) Marketing and Insurance and (5) Principles of Insurance and Management.

The theoretical training is followed by practical training at Branch/Divisional Offices of the Corporation. The duration of the practical training is 16 months. During this period the Apprentice Officers have opportunity to see

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closely the actual functioning of the various Departments and the working of the offices as a whole. Finally, the Apprentice Officers undergo a Refresher Course of 2 months' duration at the College. The refresher course is intended to sum up all that they learn during their theoretical and practical training and also to remove their doubts and difficulties which they might have come across particularly during their practical training.

Training of newly recruited Clerical Assistants:

Arrangements for training the newly recruited clerical assistants are made at Divisional level in consultation with the Zonal Manager. Trainees for the posts of Clerical Assistants are selected from amongst persons who have passed the Matriculation or equivalent examination or Intermediate examination with High second class or degree examination. The training of new recruits lasts for 3 months. During the first two weeks full-day theoretical training is imparted. During the next one month theoretical training is imparted for half day and for half day they receive practical training in the offices of the Corporation. During the next one and a half months whole day is devoted to

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practical training. The training course covers
(1) Principles of Insurance, (2) Insurance Arithmetic,
(3) Practice of Life Insurance From Proposal to Claim,
(4) Insurance Accounting and (5) Letter Writing.
At the end of the three months the trainees are given
a test. Those who are successful in the test are
appointed on probation as Assistants.

Part X - Question No 4:

Are there any schemes for holding refresher
courses for L.I.C. Officers?

Answer:

The Officers' Training College at Nagpur,
in addition to holding Special Training Sessions
for directly recruited Apprentice-Officers, arranges
for normal training sessions for existing Officers
in the cadres of Assistant Administrative Officers,
Administrative Officers, Assistant Branch Managers
(Development) and Branch Managers and also for
Superintendents. These normal training sessions
are virtually Refresher Courses for existing Officers,
who before joining a training session, already have
had experience of working in various Offices. The
training affords them an opportunity to see the
inter-relations of various jobs performed, rationale
behind administrative procedure and the relation of
theory to the practice of insurance.

A normal training session for existing Officers usually lasts for six weeks. The course covered in such a session consists of Administrative Procedures, Theory of Management, Supervision and Control, Principles of Insurance and Underwriting and Accountanting, etc.

The Officers' Training College, also holds Seminars, usually of 2 weeks' duration for Officers of the rank of Assistant Divisional Manager. In such Seminars higher executive problems are discussed and advanced techniques of management are taken up for study and discussion.

Part X - Question Nos. 5 & 6.

5. Please refer to the recommendations contained in paragraph 108 of the 4th Report of the Committee on Public Undertakings and indicate whether any review of the Corporation's staff structure was undertaken by the Corporation and if so with what results? What were the economies effected in 1965-66 and 1966-67?

6. In Paragraph 112 of the 4th Report, the Committee on Public Undertakings urged that while reviewing the staff structure as suggested in paragraph 108 the total strength that may be necessary for a certain quantum of business may also be worked out. Please furnish a detailed note regarding the manner and the extent to which this recommendation has been implemented.

Answers 5 & 6:

The review of the strength of Class I Officers at all levels is a continuous process and the need for utmost economy in this regard, consistent

with the requirements of work, is always borne in mind. At the beginning of each year such a review is made and, as a result, while certain additional posts are sanctioned to cope with the increase in work, some are downgraded or abolished if the nature and quantum of work does not justify the post. It may be added that the number of posts of officers at various levels is determined strictly according to the volume of work arising and the degree of responsibility involved in its disposal and that the Corporation has been ensuring that no unnecessary recruitment is made. Officer force has been growing broadly in line with the growth of business. A copy of the cadre strength formula is attached at Annexure 16.

Requirements of staff belonging to Classes III and IV in the Branch Offices and Divisional Offices are determined on the basis of the findings of studies made by the Organisation & Methods Department, the various factors being number of proposals, number of policies in force, number of receipts issued, number of collecting banks, number of Branch Offices in a Division, number of Development Officers, etc. The formulae currently in use are as set out in Annexure 17. The bases for determining the

requirements of Class III Staff (excluding Superintendents) for Branch Offices and Divisional Offices were revised last in 1966. No standards have, however, been proscribed for determining the staff strength of Central and Zonal Offices except for Class IV staff. The work handled in the Central Office and the Zonal Offices does not easily lend itself to a precise quantitative measurement. The staff of the IHO/IBO Units is not determined departmentwise but on the basis of roughly 1.5 Assistant per thousand policies in force.

A review of the staff position in all the offices is made every year.

It may be added that during 3 years ended 31st March, 1967, increase in the number of staff was of the order of 5% against an increase of 18% in the number of policies in force.

Part X - Question No.7:

Please give a note about the Corporation's relations with Class I Officers. If there is any recognised Association of Class I Officers, the names and addresses of the Office bearers may please be indicated. It is understood that a settlement was made with the Class I Officers in 1965. Please furnish a note regarding the terms of settlement and its financial effect. Is the increased expenditure on the salary and allowances of Class I Officers commensurate with the growth of business? Are there any outstanding issues between the Corporation and the Association yet to be settled?

Answer:

Except for a period of a few months preceding the settlement arrived at with the Federation representing the Class I Officers referred to hereafter, when the Class I Officers were resorting to agitational methods for securing improved terms, the Corporation's relation with its Class I Officers has been cordial. The Corporation had, even before the agitation commenced, recognised the need for improving the terms of its Class I Officers, but some delay occurred in finalising the revised proposals. The Federation later agreed to settle all their demands by negotiations and not to resort to agitations.

Although not specifically recognised, the Corporation has been dealing with the Federation of L.I.C. of India Class I Officers' Associations in matters relating to changes in the terms and conditions of service of Class I Officers. The office-bearers are:-

President:	Smt. Tarkeshwari Sinha, M.P., Group VIII, LIC of India, Asian Buildings, Nicol Road, Ballard Estate, Bombay-1.
Vice- Presidents:	1) Shri Tulsi Boda, 179, South Avenue, New Delhi.

- 2) Shri S.P. Nanda,
LIC of India,
Divisional Office,
"Yogakshema",
Bombay-1.

General Secretary: Shri Ashok H. Kaji,
Group VIII,
LIC of India,
Asian Buildings,
Nicol Road,
Ballard Estate,
Bombay-1.

Although the first settlement with the Class I Officers' Federation took place in July, 1965, since then as a result of further negotiations, agreements on a number of other outstanding issues have been arrived at. The settlements covered revisions in the salary scales, dearness allowance, gratuity and other retirement benefits, leave rules, transfer travelling allowances including incidentals on transfer, etc. and the introduction of House Rent Allowance, City Compensatory Allowance, Hill Allowance, Leave Travel and Holiday Travel Concessions, Medical Benefits, Insurance Scheme, Bonus and a new scheme of Conveyance Allowance to Development officials. Barring some items, the cost of which could not be estimated, the immediate annual increase in expenditure as a result of the revised terms worked out to Rs.1.05 crores.

A revision in the terms of Class I Officers

should not be considered in isolation having regard for any growth in the Corporation's business alone. While considering any such proposal, the Corporation has necessarily to

*in other

take into account the terms applicable to similar comparable instts., those applicable to its own employees* employees in other/Classes and various other factors including, of course, its own capacity to bear the burden of the revisions. Taking all things into account, the revisions effected were considered justifiable and adequate.

The undermentioned are the outstanding issues yet to be settled:-

- 1) Linking of Dearness Allowance to the cost of living index.
- 2) Certain anomalies in the cases of Assistant Administrative Officers/ Assistant Branch Managers.
- 3) Payment of Bonus at 8% of annual pay for the year 1965-67.
- 4) Payment of House Rent Allowance without verification of rent receipts (for those drawing Rs.500/- and over).

It may be added that the Class I Officers' Federation has recently submitted a fresh Charter of demands, which includes a large number of items like revision in pay scales, etc. This is under examination.

Part X - Question No.8 :

Please give a classification of (a) Staff and (b) Officers according to the type of work which they are required to handle at Branch Offices, Divisional Offices, Zonal Offices and Central Office. If possible, also give the cost of salaries and other emoluments in each of the classified categories.

Answer:

A statement showing the approximate number of Class III employees including Superintendents and Section Heads working in the different departments of the Central Office, Zonal Offices and Divisional Offices is attached as Annexure - 18. In the Branch Office, generally, there is no clear cut allocation of staff departmentwise and the total number of Class III employees in the Branch Offices has been indicated separately in the statement.

Details of the Class I Officers in the different cadres (as at 31st March, 1967) are given below. The nature of work they perform is also indicated.

	<u>Classification</u>	<u>No. of Officers</u>
i)	Assistant Branch Managers (Dev)	659
ii)	Branch Managers	366
iii)	Senior Branch Managers	27
iv)	Assistant Divisional Managers (Development)	51

v)	Assistant Administrative Officers/ Assistant Branch Managers(Admn.)	1171
vi)	Administrative Officers	407
vii)	Asstt. Divisional Managers (Admn.)	204
viii)	Divisional Managers	64
ix)	Senior Divisional Managers/ Deputy Zonal Managers .	33
x)	Zonal Managers/Executive Directors	12
xi)	Managing Directors.	2

Officers under (v) to (xi) above have administrative duties, the nature of work depending upon the departments and offices to which they are posted and the level of responsibility, on their cadre. Further, classification according to each type of work performed is not available.

Information regarding the cost of salaries and emoluments in respect of the staff working in the different departments and/or offices is not readily available.

Part: X - Question No.9:

What is the calibre of new recruits to staff and officers? Is the calibre comparable to what is generally available to other employers or is it that because of unattractive terms offered by LIC vis-a-vis the terms available elsewhere the LIC is able to recruit staff and officers of inadequate calibre?

Answer:

So far, we have not experienced any difficulty • in attracting candidates of good calibre for recruitment in the Corporation for posts in Classes III and IV and by and large it has not been necessary to dilute our requirements in the matter of recruitment of staff except in one or two divisions situated in comparatively backward areas where because of paucity of qualified candidates in the field some relaxations in educational qualifications were made with a view to attracting local talent for employment in our offices there. The terms offered by the LIC currently cannot be called unattractive as compared to other employers especially in many of our offices situated in mofussil areas and it will not be correct to say that "because of unattractive terms offered LIC is able to recruit staff and officers of inadequate calibre". As a matter of fact, LIC is perhaps the only one amongst the Public Sector Undertakings providing uniform scales for its Class III and Class IV employees in all its offices throughout the country. Leaving aside big cities, the LIC's scales show off to a much better advantage when compared with scales of pay etc. in similar other undertakings.

The institution of Development Officers is peculiar to the Corporation. It is not, therefore,

and Accountants are utilised in all branches of administration and Development . The distribution of these officers according to the posts held is given below:-

	<u>Actuaries FISs & FIAS</u>	<u>Accountants</u>
Managing Directors	2	-
Executive Directors	2	1
Zonal Managers	5	1
Deputy Zonal Managers/ Senior Divisional Managers	11	2
Divisional Managers/ Internal Auditors/Accountants	15	11
Assistant Divisional Managers	32	41
Administrative Officers	8	83
Assistant Administrative Officers .	10	113
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
Total:	85	252
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

Part X - Question No.12 :

How do you ensure that there are sufficient number of suitable persons at lower and middle levels who got the necessary scope for experience in different fields of work so as to be sufficiently mature to take up the responsible places of the seniors in the organisation when they retire?

ANSWER:

We recruit by open competition brilliant University Graduates as Apprentices for the posts of

Assistant Administrative Officers and give them training, both theoretical and practical, for a period of two years. By working in different Departments later, they enrich their knowledge and experience and get ready to shoulder higher responsibilities. Similarly, employees in lower cadres who have had sufficient experience or have qualified themselves technically by passing actuarial, insurance, account and similar other examinations are promoted to the cadre of Assistant Administrative Officer and provided opportunities for gaining experience of the working of different departments so that they too are fit to hold higher responsibilities. Theoretical training also is imparted to them at our training college. Employees at lower levels are encouraged to take up actuarial and insurance examinations through grant of advance increments for passing these examinations accelerated promotions, etc.

Theoretical training given at the Officers' Training College and the practical experience they gain by working in different Departments for which opportunities are provided should make them adequately fit to hold posts of higher responsibilities in course of time. Considering that the Corporation has taken over a large band of experienced

employees from the erstwhile insurers and continue to employ qualified persons, all of whom are also given proper training and opportunities for gaining experience, no dearth of employees suitable to hold higher positions is likely to arise in the future.

X.A. AGENCY FORCE & DEVELOPMENT FORCE

AGENCY FORCE:

Part XA-Question No.1:

What should be the qualifications and training arrangements of Agents? What are the present arrangements for imparting training?

Answer:

The new agents to be appointed by the Corporation are expected to have the minimum educational qualification of at least Seventh Standard in the rural areas and at least Matriculation in the urban areas. Wherever persons with the requisite qualifications are not available, relaxations may be made.

Development Officers do the job of primary trainers of agents to begin with. Arrangements are made to train agents at the Branches and Development Centres by deputing Divisional Instructors of the rank of Assistant Branch Manager (Dev.). Sessions for training agents are conducted at Branch Headquarters or at such places

where the agents could meet. The agents are familiarised with the Agents' Manual and Agent's Training Course with a view to making them understand the principles and problems of salesmanship and service.

Part KA - Question No.2:

What structural and functional changes would you suggest to do away with the evil of rebating?

Answer:

The main difficulty in the way of devising measures for the control of rebating lies in the fact that it is practically impossible to obtain tangible evidence of its occurrence, as rebating takes place with the mutual consent of the agent and the prospect both of whom are generally aware that it is illegal to give and take a rebate.

The problem was considered by the Estimates Committee in the 134th Report on the Ministry of Finance. The Committee suggested that "if the first year's commission is spread over the first 3 or 4 years it would not only reduce the evil of rebating but also help to ensure that the business secured is sound."

A reduction in the first year's commission may reduce the amount of the rebate but it need not stop the practice of rebating. The remedy

suggested by the Estimates Committee is by no means novel, but the life insurance industry has been reluctant to accept it for fear that it might have adverse repercussions on the growth of business. Although the suggestion does not envisage any reduction in the total commission received over the first three years of the policy, from the point of view of a recent recruit to the agency force a substantial commission confined to the first year tends to have a much greater attraction and ~~acts~~ as a much greater incentive for effort on his part to secure new business. As, unfortunately, the turnover of agents in India continues to be large and the agency force includes a large proportion of recent recruits, a weakening of incentive may be expected to have a much greater effect on the growth of new business in this country than in countries like the U.S.A., where the agency organisation is much stabler and special schemes for financing agents during early years following recruitment are in force.

Though the evil of rebating would appear to be still persisting, it is believed that its scope and extent is fairly limited and that it is confined to agents working among the higher income brackets in the urban areas.

In the circumstances there is a fear that the effect of the remedial measure suggested by the Estimates Committee on the development of business might prove to be much more serious than that of the continuation of the evil itself.

Part KA - Question No.3:

In paragraph 135 of the 4th Report the Committee on Public Undertakings has recommended that the Corporation should endeavour to develop a stable agency force built on a nucleus of whole time professional agents not only by exercising care in their proper selection but also by imparting them suitable training which would equip them better for their task. Please furnish a note as to the manner and extent this recommendation has been implemented. How many whole time professional agents have been appointed by the Corporation during the last two years?

Answer:

In the social valuations of the middle class in this country, sufficient prestige does not attach to salesmanship as an occupation and considerable difficulty is experienced in attracting young men of requisite aptitude, calibre and qualifications to the profession of insurance salesmanship. The problem has grown more difficult to-day than in the past as under the impact of the national development plans a number of new employment opportunities have opened up to young men. A large majority of recruits to the agency force, therefore, take

up an insurance agency only as a subsidiary occupation and in some cases only as a temporary expedient to occupy their time while they are looking for a more acceptable occupation.

Further, insurance salesmanship is a fairly difficult profession and it is only by actual trial that a young man can find out if he is likely to succeed therein. In the circumstances, not many young men are willing to take the risk of taking it up as a full-time occupation and out of those who take it up as a full-time or part-time job, only a small proportion make a success of it. The experience of the LIC has been that a large proportion of full-time agents on its books started as part-time agents. It is to be expected that even if a scheme of financing full-time agents by providing full training and paying a regular stipend during the initial period is started, only a small fraction of such financed agents would prove successful.

A career agent need not necessarily be a full-time agent. There are a large number of part-time agents who put in a steady amount of business from year to year and render effective after-sales service to their clients. It would

appear that, in the circumstances obtaining in this country, it is neither possible nor necessary to insist that every career agent should be a full-time agent from the outset.

Selection of agents on the scale required by the Corporation cannot be effected through the usual process of advertisement or dissemination of literature describing the prospects available in the occupation. Suitable recruits have to be sought out and they have to be given theoretical and practical training. The responsibility of selecting and training agents has been assigned primarily to Development Officers; but at present, as the agency force includes a large proportion of casual agents these officers have to spend a good deal of time in activising and assisting existing agents. Moreover, the prospects of the Development Officers depend to a large extent on the business production of their organisation. In a situation where, it is difficult to find young men willing to act as agents, the Development Officers have limited time available to look out for new recruits and there is a temptation to increase production by accepting a new recruit who is likely to bring some new business, without regard to his interest in salesmanship, aptitude or capacity, it is natural that efforts to improve the

standard of selection should not prove very effective. The Branch Manager is required to screen the new recruits carefully before selection, but this safeguard has also not proved very effective as he is also under pressure to maximise the volume of business and often does not like to stand in the way of advancement of the Development Officer.

In the present circumstances, all that can be done to tighten up selection is to educate the Development Officer to see that it is in his own long-term interest to recruit only such recruits as are likely to develop into career agents and give sufficient weight to his performance in recruiting and building up career agents in the evaluation of his work. Of course, at the same time the aspects of keeping up the tempo of production and keeping down costs will also have to be emphasised. This question is receiving attention.

In addition to the training which the Development Officers are expected to impart to the agents selected by them, specially trained Instructors are attached to each Division, who go round the Branch Offices according to a pre-planned programme and impart training to

those of the agents who can be persuaded to join the sessions. Each session is of two-weeks duration and covers both practical and theoretical aspects of an agent's work, including after-sales service and on-the-job training in the field. The total number of agents trained under this scheme upto 31st March, 1967 is 32,434.

Statistics of agents working on a full-time basis are not available.

Part X-A - Question No.4:

Please give the number of agents appointed in the rural areas during the last five years and the average quantum of business procured by an agent in the rural area. Has any attempt been made to demarcate areas for their operations? (For this purpose also the definition of rural areas as adopted in the 1961 census should be followed).

Answer:

An agent can work anywhere in India. In view of this, we do not collect statistics of the kind asked for.

Part X-A - Question No.5:

Do co-operative societies and panchayats play any agency role in the procurement of rural business? Do you consider this desirable? Please give amounts of business procured through these agencies State-wise during the last three years.

Answer:

Efforts are made to popularise appointment of co-operative societies and panchayats as agents. 34 such appointments have so far been made and further efforts are made to popularise such

appointments. Statistics of business secured through such agencies are not collected but the progress in the direction of production is not found satisfactory.

Part KA - Question No.6(a):

In view of the admitted delay in payment of commission in a large number of cases, what are the measures you have in view to eliminate the delays? What measures have you taken to give more incentives to the Agents and facilities like conveyance advances, reading room facilities, house building advances, etc.?

Answer:

Commission on the first instalment of premium is settled promptly by the Branches. As regards renewal commission procedure laid down by the Corporation visualises payment to Agents accruing in respect of the premiums received in a particular month before the end of the subsequent month. This procedure has been adopted considering the work involved in the preparation of the bills. By and large the Corporation's offices have been able to adhere to the time-schedule indicated above. Delays some times occur but the same may be restricted to some particular months of a year due to uneven incidence of premium income which is inevitable or may otherwise be due to causes which are beyond the Corporation's control, viz.,

variation in voltage, power failure and break-down of machines, etc.

The Corporation has introduced a scheme of payment of monthly advances to agents against their renewal commission earnings under certain conditions and this will benefit a large number of active agents.

The Corporation is also periodically reviewing its procedure regarding payment of commission with a view to more expeditious payment.

Interest for loans for the purchase of cycles, Scooters and motor cars are given to agents on the basis of their renewal commission in the previous year provided they fulfil certain business requirements. Lump sum Advances are also granted to agents within their renewal commission as under:-

<u>Advances which bear interest charge:</u>	<u>Advance without interest:</u>
i) Repairs to vehicles	i) Purchase of vehicles (New or Secondhand)
ii) Payment of income tax	ii) Purchase of Typewriter
iii) Medical treatment of self or members of family.	iii) Installation of Telephones.
iv) Daughter's/Son's marriage	iv) Purchase of other equipment.
v) Building or purchasing a house or a site (if not otherwise eligible under O.Y.H. Scheme).	

The maximum rate of commission as permissible under the Insurance Act is now being paid to agents and no additional benefits could be granted within the framework of the Act. With a view to encouraging good career agents, the Corporation is now considering the creation of a cadre of Senior Agents who would be entitled to certain fringe benefits.

Part KA - Question No.6(b)

Is it a fact that a large number of employees of the Corporation are also appointed as Agents? What is the volume of business done by them in each Zone?

Answer:

Class III employees (excluding Superintendents) and Class IV employees are permitted to have an agency. The Zonewise statement is attached at Annexure -19.

DEVELOPMENT FORCE

Part KA - Question No.11

Has every Development Officer a clear-cut area to operate in?

Answer:

In big cities, the area of Development Officers is common, i.e., they can procure business in any area bounded by these cities. In the mofussil areas it has been possible to assign particular areas such as Talukas, etc., exclusively

to the Development Officers. It also happens that Development Officers have also got some common area and some exclusive area.

Part X-A - Question No.2:

Is he expected to secure a minimum increase in his Agency Force annually and also secure an increase in the average new Life business secured by his agents?

Answer:

Although no hard and fast rules are laid down in this behalf, a Development Officer is expected to recruit and train new agents every year. While judging his overall performance for the year, this factor, viz., the number of new agents he has added to his organisation and the business that he has produced through them is taken into account.

Part X-A - Question 3(a):

What are the present functions of the Development Officers? Are they adequately serving the objective of carrying the message of Insurance to every nook and corner? Having regard to the above, what qualifications and further training have to be given to the Development Officers?

Answer:

The following are the functions of the Development Officers as laid down in the Blue Order dated 30th December, 1967:

- (1) To develop and increase the production of new life insurance business in a planned way as far as may be practicable in the area allotted to him or in which he is allowed to work through the agents

placed under his supervision by the Corporation;

- (ii) To guide, supervise and direct the activities of all such agents;
- (iii) To recruit and train new agents so as to develop a stable agency force;
- (iv) To act generally in such a way as to activate existing agents and motivate new agents;
- (v) To render all such services to policy-holders as conduce to better policy servicing;
- (vi) To work in the area allotted to him as a representative of the Corporation in that area and perform as such representative such other duties as the Corporation may call upon him to do.

The Corporation has appointed a good number of Development Officers in the various mofussil areas with a view to spreading the message of insurance to every nook and corner and the business from rural areas has gone up which would go to show that they are adequately serving the aforesaid objective.

The Development Officers have been given training after their appointment and by now most of the existing Development Officers have been trained. As stated under answer to Question No.2 (Part X), we insist on candidates fulfilling certain educational qualifications before they are appointed as Development Officers.

Part X-A - Question No.3(b)

Do you have any system of classifying the Development Officers according to the Agency Force per Development Officer and the work turned out by them? If so, please give the necessary relevant classification and figures.

Answer:

We have no such system of classifying the Development Officers.

Part X-A - Question No.3(c) :

What are the functions assigned to the Development Officers in regard to the servicing of policies? Do you consider it necessary to confer more powers on Development Officers to facilitate more expeditious and effective service to the policyholders?

Answer:

The Development Officers are expected to render all services to the policyholders as conduce to better policy servicing. We do not consider it necessary to confer more powers on Development Officers.

Part X-A - Question No.4:

Please give the total number of Development Officers posted in the rural areas during the last five years and the relationship of the number of Development Officers with the growth of business in rural areas. Also furnish details of business done year-wise by the Development Officers in rural areas and the expenses incurred on them. (Rural areas being those which have a population of 5,000 and below a definition adopted in the 1961 Census).

Answer:

As stated in reply to Question 4 of Part IX, it may not always be practicable to post a

Development Officer in rural area. Generally he lives in a nearby urban locality. Mostly the rural area is attached exclusively to some Development Officer. In view of the fact that the Development Officers are not posted in rural areas proper, it is not possible to give the statistics asked for.

Part X-A - Question No.5:

What is the percentage cost incurred on the development officers for the development and procurement of new business, cost to include all direct and indirect expenses incurred on them? What steps, both functional and organisational, would you suggest to reduce this percentage cost substantially?

Answer:

direct

The total cost of Development Officers during the year 1966-67 amounted to Rs.6,17,97,000/=. This includes only the basic salary, house rent allowance, dearness allowance, conveyance allowance and entertainment allowance payable to them and Corporation's contribution to Provident Fund and does not include other indirect expenses such as travelling expenses for the tours undertaken by them. The total first year premium income for the year 1966-67 amounted to Rs.32.03 crores which includes the premium income on the business done by 8971 staff and direct agents. The percentage cost on Development Officers on the aforesaid premium income inclusive of the premium income

given by the direct agents comes to 19.3%.

As mentioned in reply to another question, it has been decided not to recruit any more Development Officers but to increase the average production per Development Officer. These organisational steps would help the Corporation in reducing the percentage cost to certain extent.

Part K-A - Question No.6 :

From Appendix VI, Statement 1, of the Corporation's Report for the year ended 31st March, 1967, it is observed that the number of Development Officers in position was 8,530. Will the Corporation furnish a statement indicating the number and categories of Development Officers posted in (i) metropolitan towns, (ii) urban areas, (iii) rural area? While indicating the number for the rural area, it should be specifically stated how many of Development Officers have their headquarters actually in rural areas and not in towns and cities. (Rural areas being those which have a population of 5,000 and below a definition adopted in the 1961 Census).

Answer:

Already explained in reply to Question No.4.

Part K-A - Question No.7

It is understood that some Agents are appointed as Development Officers. What is the percentage of such Development Officers and the criteria adopted for selection?

Answer:

As stated in answer to Question No.2 of Part K successful agents with good business performance and atleast 5 years' standing have been appointed as Development Officers. The total

number of Development Officers recruited from amongst the agents for the last 5 years showing their percentage to the total Development Officers recruited is as follows:-

Year	Total No. of Dev. Officers recruited	Active Agents promoted as Dev. Officers	Percentage of No. recruited. (3)/(2)
(1)	(2)	(3)	(4)
1962-63 (12 months)	1966	1504	76.5
1963-64	942	842	89.4
1964-65	514	446	86.8
1965-66	203	185	91.1
1966-67	198	172	86.9

The criteria adopted for the purpose of recruitment is that the agents must have agency experience for atleast 5 years and done good business. While we insist on fulfilling the educational qualifications as stated in answer to Question No.2 of Part X exception to this educational qualification is made with the permission of the Chairman. Such successful agents are interviewed by the Selection Committee and if found fit are recommended to the Divisional Manager for his final approval.

XI . PUBLIC RELATIONSHIP AND PUBLICITY

Part XI - Question No.1:

Please give details about the publicity budget of the Corporation during the last 5 years .

Answers:

Statements giving details about the publicity budget of the Corporation for the last five years are attached at Annexure -20 .

XII . PLANNING OF BUSINESS

Part XII - Question No.1:

Please refer to para 44 of the Report of the Committee on Public Undertakings and state whether the Corporation has drawn up a five year plan of developing its business commencing from 1st April 1965 . If so, a copy of the plan may please be furnished . It may also please be stated whether the targets fixed in the plan for the years 1965-66 and 1966-67 have been achieved . If not, the reasons for not fulfilling the targets may be stated . What steps, if any, the Corporation have taken to achieve the targets in future years and whether there is any prospect of the short-fall being made good during the currency of the plan .

Answer:

It is natural that life insurance sales at any time, which reflect the capacity and willingness to save of a large number of individuals, a large majority of them persons of modest means, should be highly sensitive to changes in the economic climate in the country . At the time of

fixing of the targets in the Corporation's first 5-year Plan (1959-63) due weight was given to the prospects of economic development during the period of that Plan to the extent that they could then be assessed. Unfortunately, the later half of the Third Five-Year Plan period witnessed a distinct deceleration in the pace of economic development in the country. During the period of that Plan, not only did the national income fail to rise at the pace envisaged by the planners but the savings of the household sector also could not keep pace even with the depleted national income. As a consequence of this deterioration in the economic conditions, it was not possible for the Corporation to raise the new business target to Rs. 1,000 crores in 1963 as originally envisaged in its first Plan. It was felt that until the economic conditions in the country attain a measure of stability and it is possible to form an idea of the future trend of economic development with a reasonable measure of confidence, it would be futile to plan the future development of life insurance business in advance over a period of years. The Parliamentary Committee on Public Undertakings was accordingly informed that it was the intention of the Corporation to prepare estimates

of business for a period commencing from 1st April, 1965, co-terminous with the Fourth Five-Year Plan period. However, the economic conditions in the country still continue to be unsettled and recently Government has decided to give up for the time being the idea of formulating a plan for 5 years and to prepare plans on a year to year basis. In the circumstances, it is our view that the conditions are not yet propitious for the formulation of new business targets for the Corporation over a period of 5 years; and, in the meanwhile, the practice of fixing year-to-year targets of new business is being continued.

The annual targets for the year 1965-66, 1966-67 and 1967-68 and the actual new business secured during the first two of these years are shown below:-

YEAR	<u>Annual New Business Targets</u> Rs. (in Crores)	<u>Business Actually secured</u> Rs. (in Crores)
1965-66	839.40	797.79
1966-67	850.00	770.27
1967-68	800.00	

The inability to achieve the target during 1965-67 can be attributed to the economic conditions, natural calamities like drought and famine and a spell of agitation by the Development Officers.

Part XII - Question No 2:

The Committee on Public Undertakings (para 50) felt that the fixation of targets for rural areas is sine qua non for spreading rural business and the Corporation should do it in the future years. What steps have been taken by the Corporation for fixation of targets of business in the rural area and the results achieved.

Answer:

So far, separate new business targets for rural areas have not been fixed. It is, however, understood that about 30% of the new business envisaged in the annual target for the Corporation would be derived from rural areas.

As explained in the answer to question No.5 of this Part, as a first step to the formation of the annual new business target, an estimate of the new business prospects within each Branch area is obtained, taking into account past sales performance in respect of both rural and urban areas and the capacity of the Branch to improve upon it. As a consequence, the share

of the annual new business target of the Corporation, which is ultimately assigned to each Branch, can be said to be based on the assumption that it will put forth maximum efforts both in rural and urban areas. It appears unlikely that prescribing a maximum target for rural business of the Corporation as a whole would be particularly helpful to improving the new business production in rural areas. Especially during the recent years, when owing to unfavourable economic conditions which had impaired the people's capacity to save, Branches had to strain their resources to the utmost to reach the target set, both in rural and urban areas, separate targets for rural business would have hardly improved the actual performance.

Part XII - Question Nos. 3 & 4 :

- (3) It is noticed from the Statement I of Appendix II of the Corporation's Annual Report for the year ended 31st March, 1966, that there is a wide disparity in the new business secured in various Zones. The reasons for the disparity may please be explained and how the Corporation proposes to make leeway in the business in the Zones which are lagging behind.
- (4) From Statement I in Appendix II of the Corporation's Annual Report for the year ended 31st March, 1967, it has been noticed that there is wide disparity in the business secured Divisionwise. If the Corporation has made any analytical study of Division-wise business and the factors contributing to these disparities, the same may please be furnished.

It is true that considerable disparities exist between the volumes of new business in different Zones and Divisions. Since there are wide variations in the population of various Zones and Divisions, to obtain a correct idea of the position in this regard, it is necessary to compare the new business per household rather than the total volumes of new business directly. Also since, as explained in reply to question 1 of Part I there is a wide disparity between the potential for insurance in urban and rural areas, it is useful to consider the position in the urban sector and rural sector separately. The figures of average sum assured per household in urban and rural sectors of various Divisions and Zones are shown in Table I in the Annexure 21. It will be seen that this shows a considerable similarity in the new business production of the Divisions in each Zone and this similarity is increased if only the Divisions within each State are compared.

Prior to nationalisation, insurance in certain areas had developed much more intensively than in others. But at present, there is reason to believe that the disparity between the Zones and Divisions in many cases reflects not so much differential

effectiveness of the sales effort on the part of the L.I.C., as real differences in the potential for life insurance. A sales organisation of adequate size has been set up in most areas and efforts to improve its effectiveness are continuing.

An idea of the development of the organisation in the various Zones may be obtained by comparing the number of centres in which one or more of the erstwhile insurers had offices prior to nationalisation with the number of centres in which the L.I.C., at present has established offices.

<u>Z O N E</u>	<u>No. of centres where erstwhile insurers had offices prior to January, 1956.</u>	<u>No. of centres which the LIC had offices on 31.3.1967</u>
Southern	12	55
Central	13	72
Eastern	27	83
Southern	29	137
Western	15	80
	<u>96</u>	<u>427</u>

Indications that the variations in the new business performance are attributable to a considerable extent to differential potential for life insurance are provided by the fact that there is a measure of correlation between the new business

production and various economic and demographic factors which may be expected to influence potential for life insurance.

A recent investigation showed that two such factors are:

- (i) Percentage of literates in the population.
- (ii) Average income per household.

The literacy percentage in a community provides a broad index of its social dynamism and progressive outlook. It is reasonable to expect that the index would reflect the development of life insurance, which involves directing the savings of a community in a non-traditional channel. Table II in the Annexure 21 shows that when Divisional Offices are grouped according to the level of literacy percentage, the average number of policies per thousand households was found to show a smooth progression, increasing with the level of literacy percentage. It may be mentioned that the wide discrepancy between conditions in urban and rural areas is reflected in the fact that whereas the lowest value of literacy percentage among urban sectors of different Divisions was 37.4%, the highest value among the rural sectors (excluding Trivandrum Division) was only 28.6%.

The level of household income is also known to be one of the major determinants of the development of life insurance, but income statistics in a form suitable for bringing out in full measure the correlation between income and volume of business are not available. From available figures, it was possible to estimate only the average income per household in individual Divisions, separately for urban and rural sectors. These were obtained by utilising information available in the NCAER publications "The Distribution of National Income by States 1960-61" and "Inter-district and Inter-State Income Differentials 1955-56". As the bulk of the households are concentrated in the lower income brackets, while the percentage of the insured households is negligible in the lowest income brackets and increases as the level of income rises, the overall average income per household is not sufficiently sensitive to variations in insurance potential in different areas. Even then, Table III in the Annexure 21 shows that when the Divisional Offices are grouped according to the level of income, the average new sum assured per thousand households shows a broad tendency to rise with the level of income.

Part VII - Question No.5:

It is understood that the target for the overall business of the Corporation is fixed by the Central Office at Bombay. The basis on which this target is determined may kindly be explained.

Answer:

Though the annual new business target for the Corporation is finalised at the Central Office, it is based on a consideration of the estimates formulated at each lower organisation level. Estimates are first obtained for each Branch taking into account its past sales performance, organisational resources likely to be available and the prospects of development within the respective areas. The Branch estimates are scrutinized, co-ordinated and consolidated at Divisional Office level. The Divisional estimates pass through a similar process at the Zonal Office level and the Zonal estimates at the Central Office level. For the purpose of formulation of the plan at each level, conferences of all officials concerned at that and the next lower level are held. It can, therefore, be said that the annual target is built up from bottom upwards.

Part XII - Question No.6:

Has the LIC any Research Division to ascertain the insurance potential in the various parts of the country where the Corporation is doing business? If not, does the Corporation consider it desirable to start such a Division?

Answer:

The Corporation has set up a small Research Section in the Development Department at the Central Office, which is expected, inter alia, to undertake studies and investigations bearing on the potential for life insurance in different areas.

In this connection, it may be useful to add a few observations on the problem of estimation of the potential for life insurance.

It is sometimes suggested that sample surveys may be carried out to ascertain the potential for life insurance in different areas. It is important to bear in mind the difficulties and limitations of this approach. A survey can disclose the patterns of income and savings of households in an area; it can also give an indication of the quantum of savings at present invested in life insurance and in other savings media. However, the potential for life insurance means the maximum quantum of savings which can be directed into life insurance, given the most effective sales effort. The difficulty of arriving at an estimate of this can easily be imagined. It would be unrealistic to assume that the entire savings of a household or even the entire portion thereof which is utilised to build up financial assets could be directed into life insurance. This is particularly

so in the rural sector where the 1962 NCAER Survey showed that the proportion of new investments in physical assets was only 40% and that life insurance premiums represented only 10% of the total new investment in financial assets. To assess the potential for life insurance by means of a sample survey, it will thus be necessary to guess whether and to what extent the proportion of savings invested in financial assets and the proportion of new financial assets represented by life insurance premiums could be increased. This exercise would involve such a large measure of speculation as to render the estimate of little practical value.

Even if an estimate of the ultimate potential for life insurance in an area can be arrived at, this may by itself prove of limited usefulness in planning the stages by which such potential could be tapped. An estimate of the total untapped potential may at best provide an idea of the order of magnitude of the new business targets and it

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Even if an estimate of the ultimate potential for life insurance in an area can be arrived at, this may by itself prove of limited usefulness in planning the stages by which such potential could be tapped. An estimate of the total untapped potential may at best provide an idea of the order of magnitude of the new business targets and it may also help to locate areas in which investment of resources may prove relatively more fruitful.

Another important consideration is that of the cost involved in surveys in relation to the utility of the information disclosed by them. If estimates of potential are to serve as a basis for planning of development of business, since potential varies widely from one region to another, estimates of potential will have to be obtained separately for each representative region. This would involve sampling on an extensive scale and the heavy cost of the surveys is unlikely to be commensurate with their practical utility.

At present, the pace of growth of life insurance in this country is determined, less by the extent of untapped potential than by the size and capacity of the available agency force and the possibility of increasing them; and this position is likely to continue for sometime.

In advanced countries, indirect estimates of business potential are frequently utilised for long-term planning of sales. These are obtained on the basis of "external forecasting" i.e., "forecasting sales by looking at figures of other kinds, such as those of the industry of which the company is part, anticipated activity of those industries making up the major customers of the company, anticipated gross national product or the volume of one of its major sectors," depending upon the nature of the company's business and clientele and extent of its operations. Having regard to the nature of the LICICI business and the extent of its operations, figures of national income, or the savings of the household sector or the part of such savings which is directed into financial assets may serve as an appropriate basis for external forecasting; provided forecasts of the trend of the basic series become available. After fixing the new business target on an overall basis it becomes necessary to break it down on an year to year basis. The method generally adopted by business concerns as the first step in the determination of the relative market potential of various

areas, is to select some general index which would reflect the importance of various areas. In the U.S.A., the Sales Management Inc. has constructed an index of potential based on population, retail sales and family income or buying power. For life insurance business, an index of this type was discussed by C.F.B. Richardson in a paper submitted to the Society of Actuaries in 1949. In India neither a standard index like the Sales Management index nor series of data similar to all ^{of} these which have gone into the building of that index are available. Nevertheless, the approach of correlating the new business of the LIC with such of the demographic and economic factors as appear likely to have some relation to the new business, may prove useful for the purpose in view.

XIII. SCHEMES OF INSURANCEPart XIII - Question No.1

Has the Corporation analysed the shift in the preference of policyholders in the plans of insurance offered by the Corporation and if so with what results? Have any modifications to any of the plans been effected as a result of the review?

Answer

Corporation publishes in its Annual Reports plan-wise new business distribution for the accounting period to which the Report relates. No significant shift in the preference of policyholders in the Plans of insurance has been noticed; it is felt that it should be left to the preference of the policyholders to take any of the standard plans offered by the Corporation. The most popular plans are :-

1. Endowment assurance;
2. Anticipated Endowment Assurance;
3. Convertible Whole Life Assurance;
4. Children's Deferred Assurance; &
5. Multi-purpose Assurance.

Plan-wise distribution for three preceding years is given in the statement attached at Annexure 22 Statistics relating to the popular plans are given below :

PLAN	Percentage to total New Business(In India Ordinary Business)									
	Based on No.of Policies.					Based on Sum Assured.				
	16 mths. ending 31.12.57	1961	1964-	1965-	1966-	16 mths. ending 31.12.57.	1961	1964-	1965-	1966-67
Endowment	83.41	76.36	74.63	74.88	75.35	74.42	64.87	65.85	64.88	65.08
Anticipated Endowment.	2.05	5.94	9.94	10.60	11.40	2.83	7.60	12.48	13.75	14.79
Convertible Whole Life	3.50	5.90	5.09	5.23	4.83	5.62	10.28	7.42	7.56	7.03
Children's Deferred Assce.	1.23	2.38	2.46	2.55	2.43	2.92	6.09	4.52	4.65	4.80
Multi-purpose	1.89	3.49	2.26	1.84	1.53	3.40	5.22	2.98	2.46	2.11

Part XIII - Question No.2

Please furnish a note about the non-medical schemes of the Corporation. It is observed from Statement 6 of Appendix II of the Corporation's report for the year 1966-67 that Southern Zone accounted for nearly 33% of the total non-medical new business. What are the reasons for the lower percentage in other Zones? Are the Schemes not popular in other Zones?

Answer:

With the formation of the Corporation, a non-medical Scheme applicable to male employees of Government, Quasi-Government service or reputed commercial firms was introduced for a maximum sum assured of Rs.2,000/- (including previous policies under Non-medical Schemes). Under this Scheme, now called Non-medical (Special) Scheme, insurance is offered without medical examination to male lives. The maximum age at entry is 45 years.

The scope of the Scheme was enlarged in May 1960 to selected rural areas upto a maximum sum assured of Rs.2000/- applicable to all male lives. It was called Non-medical (General) Scheme to distinguish it from the other scheme applicable to selected lives. The Non-medical (General) Scheme was subsequently extended to urban areas also upto the same limit as in rural areas..

Women and minor children are not eligible for insurance under any of the Non-medical Schemes.

The maximum limits of sum assured have been raised from time to time as per details given below:-

Period	Maximum limit of sum assured under	
	<u>Non-medical(Special)</u> Rs.	<u>Non-Medical(Gen.)</u> Rs.
1) Sept.'56 to May '60:	3,000	2,000 (selected rural areas)
2) May,'60 to Dec.'60:	5,000	2,000 (selected rural areas)
3) Dec.'60 to Aug.'61	5,000	2,000 (all areas)
4) Aug.'61 to Jan.'62:	a) 10,000 (Defence Forces Officers up to age 45 - med.category A-I)	2,000 (all areas)
	b) 5,000 (others up to age 45)	
5) Jan.'62 to Oct.'66:	a) 10,000 (Defence Forces Officers as above)	2,000 (all areas)
	b) 10,000 (to employees of well-established institutions, aged 30 years and below)	
	c) 5,000 (for other persons up to age 45)	
6) October 1966:	a) as in 5(a) above	4,000 (all areas)
	b) as in 5(b) above.	
	c) 7,500 (for the remaining, up to age 45).	

It would be seen from the Statement No.6 of Appendix II referred to in the question that the percentage of the Non-Medical business to the total new business of Southern Zone is 27.6. In the case of Central Zone, this percentage is 29.7 and for the Eastern Zone, it is 23.2. These figures do not show any significant difference. In the case of Northern and Western Zones, predominate urban business accounts for relatively lower business under Non-Medical Schemes.

Part XIV - Question No. 2:

Please give the names of the States in which the scheme of collection of premium through selected rural post-offices is being followed. If the scheme is not operative in all the states in the country, please indicate the programme of extension of the scheme to the remaining areas and also the progress made so far.

Answer:

The Scheme for collection of premium through selected rural Post Offices is now operating in the States of Andhra Pradesh, Bihar, Haryana, Himachal Pradesh, Kerala, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal. As regards other States, the matter is being pursued with the State authorities.

XV. GENERAL INSURANCE BUSINESS.Part XV - Question No.1

Please furnish a note regarding the Corporation's operations in the general insurance field. Have any targets been fixed for such business by the Corporation?

ANSWER:

The Corporation commenced General Insurance business from 1st April, 1964. In the beginning the administrative work relating to Underwriting and Claims of General Insurance business was confined to 19 Divisional Offices only. Subsequently, however, the work was decentralised to all the 36 Divisional Offices of the Corporation. The Corporation Branch Offices are authorised to issue cover notes (or insurance certificates) in respect of Fire, Motor and Miscellaneous business. Specialised classes of business like Marine Hull, Aviation Hull, Guarantee, etc., are handled by the Central Office.

From 1st January 1966 in accordance with the directive issued by the Government of India, the insurance of properties or goods under the direct or indirect control of Government is required to be placed with the Corporation only. A special discount of 15% in respect of Fire and Miscellaneous and 10% in respect of Marine is to be allowed for all such risks under the control of Government.

The premium written by the Corporation since 1st April 1967 is stated in reply to Question No.2. The Corporation sets annual targets for General Insurance business. The current year's target is Rs.10 crores.

Part XV - Question No.2

Please indicate separately general insurance business written by the Corporation year-wise from the Public and Private sectors.

Answer:

The General Insurance business written by the Corporation from Public and Private sectors during the last three years has been as follows:-

Year	<u>Gross Premium income(in lakhs of rupees)</u>	
	From Public Sector	From Private Sector
1964-65	Negligible	46.52
1965-66	157.16	90.88
1966-67	544.89	154.78

Part XV - Question No.3

Since the Oriental Fire & General Insurance Co.Ltd., a subsidiary of the Corporation, is operating in the general insurance field, has the Corporation demarcated the areas or spheres for the operation of its subsidiary? Is there any competition for business between the Corporation and its subsidiary?

Answer :

In Insurance Business it is not the practice for a parent company to demarcate the area of operation for its subsidiary or subsidiaries. Each company has its own development force and functions as an independent institution in the competitive market. This is more so in the case of general insurance companies world over.

Except for Public Sector business which comes exclusively to L.I.C. the relations of L.I.C. vis-a-vis the Oriental Fire & General Insurance Co. are the same as between L.I.C. and any other General insurer.

Part XV - Question No.4

The expenses for all class of general branch business was as follows :

<u>Year</u>	<u>Amount (Rs.lakhs)</u>	<u>Percentage of net premium.</u>
1964-65	24.69	63.5
1965-66	49.71	27.4
1966-67	24.62	7.8

What are the reasons for the expenses going up by Rs.25.02 lakhs in 1965-66 and going down by Rs.25.09 lakhs in 1966-67?

Answer :

The figures quoted in the question represent the total of (i) Expenses of management and (ii) Commission on direct business including Commission on reinsurance accepted minus Commission on reinsurance ceded.

The statement attached at Annexure-23 will show that the expenses of management have increased corresponding to the increase in Premium Income.

Part XV - Question No. 5:

Is there an allocation of staff both administrative and development as between Life business and General Insurance business? If the same development staff is required to look after general insurance business and life business, how is their performance judged and how are the costs incurred on them apportioned?

Answer:

Separate Departments for performing administrative work for the General Insurance business have been set up. Since it is desirable and economical to use Life department workers for general business too, no separate organisation has been set up for General Business.

In regard to development work, the staff (Development Officers) are working primarily for the Life side, and from the service point of view, their performances are mainly judged on the basis of what they do on the Life side. For the work they do on the General side, they are remunerated separately.

In regard to the Senior Officers who are common to both Life and General business, their salaries are apportioned between the two Departments. The general principles followed in the allocation are set out in the circular Ref: EDA /166/1 dated 5th January, 1966, a copy of which is attached at Annexure-24.

XVI REORGANISATION OF THE CORPORATION TO ACHIEVE
THE OBJECTIVE AND FUTURE POLICIES:

Part XVI - Question No.1:

Please refer to recommendation No.50 regarding re-organisation contained in para 196-200 of the Fourth Report of the Committee on Public Undertakings. What are the Corporation's view in this matter ?

ANSWER :

The Branch Offices and Divisional Offices are the primary actual selling and servicing units of the Corporation and they have all the powers necessary for developing business and rendering service in their respective territories. The pace of growth of business and the quality of service to policy-holders depend, therefore, partly on the efforts put in by these units and their capabilities and partly on extraneous, economic and other, factors operating in the country. The actual record and progress of life insurance since nationalisation does not indicate that the single Corporation has not justified itself.

2. With regard to the Committee's reference to the Centralised Organisation' of the Corporation, it would be helpful to refer to the historical background. On Nationalisation of life insurance business in 1956, when about 250 separate insurance companies had to be integrated, centralisation to a considerable extent was essential and inescapable particularly in order to ensure standardisation of methods of work and proper utilisation of the personnel of the different companies, which were of widely varying calibres. all these had to be moulded to conform to certain common standards. Subsequently, there has been a large measure of decentralisation and delegation of powers and this process is continuing and could be continued further. Among measures of further decentralisation we could

also consider entrusting the Zonal Advisory Boards, which are at present purely advisory in character, with certain executive powers.

3. The fact that the single Corporation is operating all over the country does not preclude initiative being taken at the appropriate levels for experimentation on a local basis for improvement in methods of procurement of business, methods of work, etc.

Insurance is an industry where, because of its very nature, a large organisation is bound to function better than a smaller one and a monolithic structure is an advantage and not a disadvantage. Setting up of five independent Corporations would, in fact, be harmful to the industry. It would mean going back on nationalisation. If we have five independent territorial Corporations, one of the social objectives of nationalisation, namely, the spreading of insurance to all parts of the country and particularly to rural areas would become difficult of achievement on an economical basis as different areas of the country do not have the same potentiality of business and require different levels of expenditure and effort for development. Splitting up of the Corporation will also make it difficult to realise another social objective of nationalisation, namely, to secure that the funds derived from life insurance business in different regions of the country are not only equitably invested in the different regions but economically backward areas also get a reasonable share of the investments for their development.

5. It is not clear whether the recommendation visualises five completely independent Corporations operating all over the country or five Corporations

operating within their respective territorial limits. If each of the five Corporations is to operate all over the country, it would lead to unhealthy competition of the kind that was obtaining before nationalisation and would also add considerably to the cost of conducting the business. On the other hand, if it is envisaged that the five Corporations will operate within their respective territorial limits, the important question will arise whether they should be allowed to operate with different sets of premium rates and policy conditions or should be required to adopt uniform rates and conditions. Whatever be the decision on this question, their functioning will be affected greatly by the inherent variations between their respective territories in several factors affecting the business such as the extent of industrial development, the proportions of rural and urban areas, the distribution of disposable income above the level of subsistence, the level of mortality, extent of literacy, availability of experienced staff, etc., and it is not at all certain that the position would be better than at present.

6. It is the view of the Corporation that the setting up of five independent Corporations, whether operating all over the country or only within their respective territorial limits, would not cure any of the present deficiencies, permanent or temporary. They may in fact create more problems and difficulties. The solution in its opinion lies in continuous improvement in operating efficiency and such appropriate delegations and decentralisation as may be called for from time to time.

XVII. MISCELLANEOUS

Part XVII - Question No.1:

What are the terms and conditions on which the Government have provided the Corporation with capital of Rs.5 crores? Please see in this connection Section 5(1) of the LIC Act,1956.

Answer:

The Government has not specified any terms or conditions while providing the Corporation with capital of Rs.5 crores under Section 5(1) of the LIC Act,1956.

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APPENDIX V

Part XVII -. Question No.2:

286.

Please furnish a note indicating the progress made by nationalised Insurance Undertakings in foreign countries.

Answer:

Insurance Corporation of Ceylon commenced transacting new business from 1st January 1962. Particulars relating to progress of new business, business in force, Life Fund, expense ratio and yield are given below :-

In millions of Rupees.

Year	<u>New Business</u> Sum Assured	<u>First</u> Year's premium income.	<u>Business</u> in force at the end of the year.	<u>Life Fund</u> at the end of the year.	<u>Yield</u> %	<u>Overall</u> Expense Ratio. %
1962	139.8	3.4	142.7	0.8	4.67	94.1
1963	162.0	6.9	236.4	5.0	7.83	58.2
1964	144.2	7.1	323.5	14.1	4.23	45.3

We have no information regarding the nationalised Insurance Undertakings in other foreign countries.

Part XVII - Question No.3:

287.

Is the Corporation furnishing any monthly or quarterly reports or reviews to Government? Copies of such reports/reviews furnished to Government during the last one year may please be furnished.

Answer:

The Corporation has no general practice of submitting to the Government monthly or quarterly reports as such; the Chairman writes at a personal level to the Secretary of the Department of Revenue and Insurance periodically, to keep the latter informed on matters of special interest.

Part XVII - Question No.4:

Please furnish copies of reports of any enquiry or investigation conducted by Government and/or the Corporation itself in the working of the Corporation.

Answer:

On the 21st July, 1967 the Government have set up a Committee under the chairmanship of Shri R.R. Morarka to investigate into the question of the expenses of management of the Corporation. The Committee is to submit its report within a period of six months from the date of its appointment. Apart from this Committee, there has been no enquiry or investigation conducted by the Government or the Corporation specifically into the working of the Corporation as such.

APPENDIX V

289.

Part XVII - Question No.8:

Please furnish copies of agreements between the Corporation on the one hand and (a) Development Officers, (b) Recognised Association of Class III and Class IV employees, (c) any recognised associations of Agents, on the other. Please mention outstanding problems still awaiting solution.

Answer:

Copies of Agreements between the Corporation and the National Federation of Insurance Field Workers of India, i.e., Development Officers are attached at Annexure-25. The outstanding problems relate mainly to dearness allowance and in respect of Development Officers drawing a basic pay of over Rs.500/- house rent allowances. These are being negotiated with the Federation.

Copies of Agreements entered into with Class III and Class IV employees Association are attached at Annexure-26. The recognised Union of Class III and Class IV employees have submitted a Charter of Demands for revision of pay scales, etc., and currently negotiations are being conducted with the said Union.

There are no Agreements with the Federation of Agents.

Part XVII - Question No.6

The Policyholders' Councils have been functioning in the Divisional Offices for two years now. How many meetings of the Councils have been held so far Division-wise? In what manner and to what extent have the deliberations of these Councils helped to improve the relations between the Corporation and the Policyholders? Please furnish a statement giving the recommendations made by these Councils and the steps taken by the Corporation towards the implementations thereof ?

Answer :

A statement giving the number of meetings of the Councils held so far Division-wise is attached at Annexure-27.

It is too early to assess the working of the Councils. It is, however, proposed to take up a review after some time.

The items normally referred to the Councils for discussion and/or information are as under :

- 1) Service to Policyholders.
- 2) Outstanding Claims.
- 3) Opening of new Branch Offices/Sub-Offices/ Development Centres and upgrading or downgrading of existing offices.
- 4) Loans under 'OYH' Scheme - Cases which have been rejected and/or granted.
- 5) Progress of New Business in the Division.
- 6) Progress of General Insurance Business.
- 7) Publicity activities.
- 8) Important building activities such as acquisition of lands, constructions, etc.

Suggestions made by the Councils on matters affecting the policy of the Corporation are communicated by the Divisional Offices to the respective

Zonal Offices and/or to the Central Office for necessary action. Where policy matters are not involved and action is needed at the Divisional Office level, for removing irregularities or effecting improvement and better efficiency in the working, such matters are attended to by the Divisional Offices concerned. Action taken on the suggestions is reported to the Council concerned at the subsequent meetings.

Besides the matters referred to above, the Councils in almost all the Divisions have discussed the issue of Automation and greatly appreciated its introduction in the LIC in the interests of prompt and efficient service to the policyholders, agents, etc.

Overseas business

292.

Part XVII - Question No.7:

(i) The Corporation transacts new business in a number of foreign territories. Please give the amount of new business, the total business in force. First Year's and Renewal premium and expenses incurred for the last 5 years and the Life Fund as at the end of each of the last 5 years in respect of each foreign territory where the Corporation transacts its life business.

(ii) Is the business in each of these territories self-supporting or has it to be subsidised by Indian business?

(iii) Since nationalisation, which are the foreign territories where L.I.C. started its operations for the first time? Has L.I.C. any plans to extend in the near future its operations to any more foreign territories?

Answer:

- (i) Statement at -
- | | |
|---------------|---|
| Annexure VIII | gives particulars of New Business; |
| Annexure IX | gives particulars of First Year and Renewal Premiums; |
| Annexure X | gives particulars of Expenses of Management; |

for the last five years in respect of each of the foreign territories where the Corporation transacts life business.

The particulars regarding Total Business in force are available territorywise only as at the valuation date. These are given in the statement at Annexure XI. Figures as at 31st March, 1967, are not yet ready.

Separate figures of Life Fund in respect of each foreign territory are not available. However, the Life Fund as at the end of each of the last five years in respect of Out of India Business is given in the statement at Annexure XI.

(ii) Taking into account the bonuses declared to Corporation's with-profit policyholders pertaining to

its outside India business, the foreign business of the Corporation cannot be regarded as self-supporting in any of the territories. The subsidy by Indian business to its foreign business is estimated at about 9% of the premium income in the foreign territories.

(iii) The Corporation started its operation for the first time in Aden and London in April 1957 and November 1960 respectively. There is no proposal to open or to extend its operation to any more foreign country at present.

Annexure - 1
Q.No.I(13)

(1) Whole Life Assurance Limited Payment

- First Year's expenses: (i) 6.5 per cent of Annual Premium with an addition (Where the Tabular Premium is less than 19% S.A.) of $(1-P/19)$ where P is the Tabular Premium.
- (ii) 36.565 per thousand Sum Assured.

- Renewal Expenses: (i) 6.5 per cent of Annual premium with an addition (where the Tabular Premium is less than 19% S.A.) of $(1-P/19)$ where P is the Tabular Premium.
- (ii) 1.565 per thousand Sum Assured during Premium paying period and 2.5 per thousand Sum Assured thereafter.

(2) Endowment Assurance

- First Year's Expenses: (i) 7.5 per cent of Annual Premium with an addition (where the Tabular Premiums is less than 19% S.A.) of $(1-P/19)$ where P is the Tabular Premium.
- (ii) 49.075 per thousand Sum Assured.

- Renewal Expenses: (i) 7.5 per cent of Annual Premium with an addition where the Tabular Premium is less than 19% S.A.) of $(1-P/19)$ where P is the Tabular Premium.
- (ii) 1.575 per thousand Sum Assured.

(3) The Fixed Term (Marriage) Endowment

- First Year's Expenses: (1) 7.5 per cent of Annual

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Appendix-V

995.

Annexure - 1 (contd.)
C. No. 1 (13) (contd.)

Premium the resultant figure being reduced by 0.925 per ‰ S.A.

(ii) 22.5 per thousand Sum Assured.

Renewal Expenses: (i) 7.5 per cent of Annual premium the resultant figure being reduced by 0.925 ‰ Sum Assured.

(4) The Educational Annuity Policy

First Year's Expenses: (i) 7.5 per cent of Annual premium the resultant figure being reduced by 0.925

(ii) 21-061 per thousand Sum Assured.

Renewal Expenses: (i) 7.5 per cent of Annual premium the resultant figure being reduced by 0.925

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
25	13177078	30-3	19-4	20	30-3	19-4	20	5-6	7-6	2	67	29		
26	13221475	22-4	12-5	20	22-4	12-5	20	22-6	15-7	23	83	43		
27	13185377	13-7	22-7	9	13-7	22-7	9	4-8	11-9	7	28	16		
28	13173517	26-3	2-9	7	26-8	2-9	7	14-9	21-9	7	25	14		
29	13218979	23-3	21-9	28	23-8	21-9	28	9-10	14-10	5	50	33		
30	13202855	13-4	25-4	12	13-4	25-4	12	11-5	22-5	11	39	23		
31	13225385	17-10	17-10	-	17-10	19-10	1	21-10	26-10	5	9	6		
32	13237331	3-10	4-10	1	16-10	16-10	-	17-10	20-10	3	4	3		
33	13215839	31-8	5-9	5	31-8	5-9	5	22-9	14-9	22	52	27		Policy document was not submitted along with the discharge form. It was called and received on 9.10.1967.
34	13245853	29-11	2-12	3	10-9	14-9	4	19-9	22-9	3	12	7		
35	13246330	27-9	27-9	-	27-9	29-9	2	29-9	30-9	1	3	3		
36	13263636	17-8	17-8	-	17-8	17-8	-	21-8	2-9	9	15	9		
37	13259060	24-10	24-10	-	24-10	24-10	-	26-10	31-10	5	7	5		
38	13259780	15-9	19-9	4	15-9	19-9	4	28-9	29-9	1	14	5		
39	13280351	17-10	17-10	-	17-10	17-10	-	17-10	21-10	4	4	4		
40	13272270	13-9	13-9	-	13-9	13-9	-	13-9	13-9	-	-	-		
41	13303385	28-9	3-10	5	23-9	3-10	5	9-10	14-10	5	16	10		
42	13317916	23-4-65	5-5-65	12	4-7-67	6-7-67	2	8-7	11-7	3	7	5		
43	13321060	10-3	13-3	3	10-3	13-3	3	17-3	21-3	4	11	7		
44	13337103	15-5	17-5	2	5-9	5-9	-	5-9	9-9	4	4	4		
45	13338611	11-9	14-9	3	11-9	14-9	3	3-10	23-10	25	47	28		Discharge Form had to be returned for vernacular declaration.
46	13350792	24-7	27-7	3	24-7	27-7	3	27-7	31-7	4	7	7		
47	13365747	5-4	18-4	13	22-4	15-5	23	24-5	2-6	9	40	32		Pressure of work (Arrears in Dent)
48	18102830	14-3	17-3	3	14-3	17-3	3	17-3	23-3	6	9	9		
49	18106442	27-9	29-9	2	27-9	29-9	2	19-10	26-10	7	30	9		
50	18113072	20-6	23-6	3	20-6	23-6	3	23-6	29-6	6	9	9		
51	13378549	3-8	5-8	2	3-8	5-8	2	17-8	24-8	7	21	9		
52	13380272/3/4	18-10	21-10	3	18-10	21-10	3	27-10	1-11	4	14	7		
53	13386783	23-3	2-9	4	23-8	2-9	4	14-9	20-9	6	22	10		
54	13407645	30-8	30-8	-	30-8	30-8	-	30-8	2-9	2	2	2		

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
55.	13417180	18-7	20-7	2	18-7	20-7	2	10-8	17-8	7	30	9			
56	13420786	18-7	19-7	-	18-7	18-7	-	20-7	21-7	1	3	1			
57	13400226	2-6	13-6	11	27-6	29-6	2	4-7	5-7	1	33	3			
58	13441792	22-9	23-9	1	22-9	23-9	1	26-10	31-10	5	39	6			
59	13430103	10-10	20-10	10.	10-10	20-10	10	30-10	2-11	3	22	13			Delay due to absences and pressure of work.
60	13446123	18-8	25-8	7	18-8	25-8	7	19-9	26-9	7	38	14			Discharge Form received 5.9.67 was returned for declaration for vernacular signature by attesting witness.
61	13455763	2-9	9-9	7	2-9	9-9	7	30-9	8-10	8	36	15			While applying he had put wrong Post.No.
62	13465144	16-10	17-10	1	16-10	17-8	1	19-10	25-10	6	3	7			
63	13516832	16-8	17-8	1	16-8	17-8	1	24-10	31-10	7	74	8			Discharge Form was completed very late.
64	13505675	30-3	4-4	5	30-3	4-4	5	13-4	16-4	3	17	8			
65	13575834	1-2	6-2	5	1-2	6-2	5	13-2	23-2	5	23	10			
66	13496114	3-6	6-6	3	3-6	6-6	3	3-6	13-6	5	10	3			
67	13455731	11-2	19-2	4	6-3	7-3	1	27-3	8-4	12	33	13			
68	13455713	31-10	2-11	2	31-10	2-11	2	3-11	7-11	4	7	6			
69	13578554/5/6	23-10	24-10	1	27-10	30-10	3	31-10	6-11	6	10	7			
70	13457072	6-10	9-10	3	6-10	9-10	3	27-10	2-11	5	26	8			
71	13527236	30-6	5-7	5	30-6	5-7	5	10-7	14-7	4	14	7			
72	13528470	10-7	14-7	4	10-7	14-7	4	14-7	18-7	4	8	8			
73	13543627	14-7	20-7	6	14-7	20-7	6	24-7	26-7	2	12	8			
74	13573406	17-8	17-8	-	17-8	17-8	-	19-8	23-8	4	6	4			
75	13572334	14-8	19-8	5	14-8	19-8	5	19-8	22-8	3	8	8			
76	13563373	16-8	16-8	-	16-8	16-8	-	16-8	19-8	3	3	3			
77	13590292	7-8	9-8	2	7-8	9-8	2	23-8	1-9	3	24	5			Delay in submitting completed Discharge Form.
78	13530393	22-9	25-9	3	22-9	25-9	3	29-9	30-9	2	8	5			
79	13576320	13-8	24-8	6	13-8	24-8	6	16-10	24-10	8	66	14			Delay in submitting completed Discharge Form.
80	13577017	28-9	30-9	2	28-9	30-9	2	20-10	26-10	6	23	8			-do-
81	16762602	25-2	3-3	6	25-2	3-3	6	8-3	17-3	9	20	15			
82	16763463	11-4	17-4	6	11-4	17-4	6	13-5	15-5	2	32	8			
83	16771303	15-2	20-2	5	15-2	20-2	5	25-2	3-3	6	16	11			

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1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
31	16971503	26-3	29-3	3	26-8	27-8	3	31-8	2-9	2	7	5			
35	16981334	21-9	23-9	2	21-9	23-9	2	14-10	22-10	3	29	10			
36	16993300	2-3	3-3	1	2-3	3-3	1	17-3	25-3	8	23	9			
37	16995971	2-6	7-6	5	3-7	5-7	2	11-7	14-7	3	11	5			
83	17036071	3-9	7-9	4	3-9	7-9	4	12-9	14-9	2	11	6			
89	17021473	6-10	7-10	1	6-10	7-10	1	15-10	13-10	3	12	4			
90	17022463	9-6	12-6	3	9-6	12-6	3	15-7	27-7	12	39	15			MYP Act policy discharge required to be signed by trustees etc.
91	17039374	20-4	25-4	5	23-7	25-7	3	3-3	2-3	5	13	3			
92	17032973	-	-	3	21-9	24-9	3	30-9	6-10	6	15	9			
93	17037035	-	-	-	3-12	3-12	-	12-12	17-12	5	14	5			
94	17044933	-	-	3	19-9	22-9	3	1-10	5-10	4	16	7			
95	17053793	-	-	4	5-9	9-9	4	9-9	13-9	4	3	3			
96	17082033	-	-	3	23-6	1-7	3	1-7	4-7	3	6	6			
97	17039534	-	-	3	9-4	12-4	3	18-4	20-4	2	11	5			
98	17092341	-	-	3	23-3	31-3	3	17-6	30-6	13	92	16			Vernacular declaration was required. Discharge Form had to be sent back.
99	17093920	-	-	4	6-5	10-5	4	25-5	31-5	6	25	10			
100	17096619	23-9	1-10	3	3-5	6-5	3	11-5	14-5	3	11	6			
Average time taken per transaction.					5-11			4.52			5.37	22.56	10.39		

STATEMENT OF RANDOM SAMPLE STUDY OF 100 TRANSACTIONS OF LOAN

ANNEXURE - 3
Q.No. III(5) 300:

Sr. No.	Policy No.	Date of receipt of loan application.	Date of furnishing loan quotation.	Time lag between 3&4.	Date of receipt of requirement as called in 4.	Date of despatching Loan Bond/Reply to 6.	Time lag between 6 & 7.	Date of receipt of completed Loan Bond.	Date of final settlement of Loan.	Time lag between 9 & 10.	Time lag between 3 & 10.	Actual time taken by Office in settling loan i.e. 5+8+11	Time lag due to non-compliance with our requirements with reasons.	Reason for delay if any at any stage.	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
1.	13008275	10-10	13-10	3	---	---	---	15-10	12-10	4	0	7		Loan Bond at the time he came for quotation.	
2.	13013200	23-5	24-5	1	---	---	---	26-5	23-5	2	5	3			
3.	13017440	13-5	24-5	12	---	---	---	23-9	11-10	13	150	25	2 1/2 months, signature did not tally.	After getting loan quotation he collected L.R. himself, submitted L.R. not signed properly: 20.7.67. Duly signed L.R. received on 23.9.1967.	
4.	13029475	12-9	21-9	2	---	---	---	9-10	13-10	4	22	6	L.R. was not submitted for 16 days.		
5.	13030077	5-4	5-4	---	---	---	---	8-4	12-4	4	7	4			
6.	13037959	6-9	13-9	7	---	---	---	16-9	20-9	4	14	11			
7.	13044350	31-3	2-9	2	---	---	---	12-10	24-10	5	55	7			
8.	13044919	6-5	10-5	4	---	---	---	16-5	19-5	3	13	7			
9.	13047055	31-10	2-11	2	---	---	---	7-11	8-11	1	8	3			
10.	13073315	3-9	9-9	1	---	---	---	12-9	14-9	2	6	3			
11.	13076547	5-11	6-11	1	3-11	3-11	--	3-11	13-11	5	8	6		Delay because of delay in receipt of cheque.	
12.	13080017	9-11	9-11	--	9-11	9-11	---	9-11	14-11	5	5	5			
13.	13075231	26-7	27-7	1	7-11	7-11	--	7-11	10-11	3	104	4		L.R. did not turn up for 3 months with completed L.R.	
14.	13104477	11-10	18-10	7	7-11	7-11	---	7-11	10-11	3	30	10		As in (13)	

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
15.	13070353	5-10	5-10	--	6-10	6-10	--	6-10	9-10	3	4	3		
16.	13095712	13-10	19-10	1	25-10	25-10	--	30-10	7-11	3	21	9		
17.	13031774	3-10	4-10	1	5-10	5-10	---	5-10	7-10	2	4	3		
18.	13101313	3-10	4-10	1	5-10	5-10	---	5-10	7-10	2	4	3		
19.	13080873	3-10	4-10	1	5-10	5-10	---	5-10	7-10	2	4	3		
20.	13103635	7-10	7-10	--	6-11	6-11	---	6-11	9-11	3	33	3		
21.	13150934	23-4	4-5	6	9-5	9-5	---	9-5	15-5	6	17	12		
22.	13161325	4-1	9-1	5	12-1	12-1	---	12-1	14-1	2	10	7		
23.	13165153	2-1	5-1	3	11-1	11-1	---	11-1	12-1	1	10	4		
24.	13157057	30-6	1-7	1	14-7	14-7	----	14-7	17-7	3	17	4		
25.	13167532	22-7	26-7	4	4-8	4-8	---	4-8	8-8	4	17	8		
26.	13189874	1-4	3-4	5	11-4	11-4	---	11-4	17-4	6	16	11		
27.	13163000	9-2	9-2	7	14-2	14-2	---	14-2	15-2	1	13	8		
28.	13191949	6-1	6-1	-	11-1	11-1	---	11-1	16-1	5	10	5		
29.	13207566	5-1	7-1	2	13-2	13-2	--	13-2	15-2	2	40	4	4	Loan Bond submitted late by L.A.
30.	13168924	12-8	14-8	2	11-9	11-9	---	11-9	16-9	5	34	7	7	L.A. completed L.B. after 27 days.
31.	13239736	3-3	4-3	1	---	---	---	4-10	11-10	7	63	8	8	Loan Bond was submitted by L.A. after 2 months from the date of purchase.
32.	13270651	17-1	20-4	3	---	---	---	7-9	3-9	1	140	4	4	Loan Bond was submitted after 4½ months.
33.	13291996	16-10	13-10	2	---	---	---	24-10	23-10	4	12	6		
34.	13246548	9-9	11-9	3	--	--	--	14-9	13-9	4	9	6		
35.	13272376	21-8	21-8	-	---	---	---	31-8	1-9	1	11	1		
36.	13231534	19-8	21-8	2	--	--	--	21-9	11-10	20	52	22	22	Due to difference in signature.
37.	13295161	2-9	5-9	3	--	--	--	12-10	14-10	2	42	5	5	L.B. submitted to the Dentt. very late.
38.	13244576	19-10	20-10	1	---	--	--	22-10	23-10	1	4	2		
39.	13241766	11-9	12-9	1	--	--	--	21-9	26-9	5	115	6		
40.	13246953	19-7	22-7	3	--	--	--	5-9	3-9	3	50	6	6	L.B. submitted late by policyholder.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
41	13311713	13-7	19-7	1	27-7	27-7	-	27-7	2-3	4	15	5	L.R.obtained late by solicitor		
42	13343702	2-11	2-11	-	2-11	2-11	-	2-11	10-11	1	1	1			
43	13338501	14-2	18-9	5	25-2	25-2	-	3-10	2-10	6	25	11	Delay in obtaining and submitt the L.R. & obtaining full sig. natures of trustees.		
44	13349617	20-2	22-2	2	25-2	25-2	-	25-2	27-2	4	9	6			
45	13327621	3-6	8-6	5	22-6	22-6	-	23-6	27-6	4	24	2	Delay in obtaining documents.		
46	13337053	25-4	27-4	4	4-5	4-5	-	6-5	10-5	4	15	8			
47	13352141	4-11	6-11	2	2-11	2-11	-	2-11	13-11	4	2	6			
48	13301521	22-3	23-8	6	25-10	25-10	-	25-10	31-10	6	62	12	Delay in obtaining document from us.		
49	13314066	1-7	3-7	2	26-2	26-2	-	26-2	27-2	3	23	5	-do-		
50	13331771	4-4	6-4	2	23-8	23-8	-	23-8	23-8	5	122	7	-do-		
51	13380151	24-5	25-5	1	2-6	8-6	-	2-6	2-6	1	16	2			
52	13381002	22-3	30-3	1	31-3	31-3	-	31-3	5-6	65	67	66	A case of Loan-cum-revival the strength of extract of fresh proposal. Delay in call ing extract, putting up, and writing, calling balance of arrears, etc., which was paid 24.5.67.		
53	13382163	13-6	17-6	4	22-6	22-6	-	22-6	5-7	12	22	17			
54	13382194	6-10	6-10	-	6-10	7-10	1	7-10	13-10	6	7	7			
55	13395118	14-3	19-8	5	19-8	19-8	-	19-8	21-8	2	7	7			
56	13413617	13-3	21-8	3	6-2	6-2	-	6-2	8-2	2	21	5			
57	13424400	17-7	13-7	1	26-7	26-7	-	27-7	2-8	3	15	4			
58	13440923	6-10	6-10	-	6-10	6-10	-	6-10	21-10	15	15	15	No reason delay in ment.		
59	13447804	26-7	27-7	1	2-8	2-8	-	2-8	2-8	-	6	1			
60	13502375	15-6	16-5	1	16-5	16-5	-	16-5	17-5	1	2	2			
61	135088030	25-3	23-3	3	30-3	30-3	-	30-3	4-4	5	10	3			
62	13461773	16-3	17-3	1	17-3	17-3	-	17-3	12-3	2	3	3			

Dear Policyholder,

Policy No.	Name
_____	_____
Sum Assured	_____

The L.I.C. values your connection and wishes to serve you better. To assist us improve our services, we request you to answer the following questions:

(i) Do we have your correct address:

Please state -	Yes	No
If incorrect, please give your correct address here:	_____	

(ii)(a) Do you have other Life Insurance Policies? - Please give Policy Nos. _____

(b) Do you like your policies in other Divisions/IBO Units, if any, to be transferred to this Division.	Yes:	No:
---	------	-----

(iii)(a) Has the Agent through whom this policy was taken, contacted you after the issue of the policy?	Yes:	No:
---	------	-----

(b) Are you satisfied with the Agent's service?	Yes:	No:
---	------	-----

(iv) Your above policy is serviced by _____ Branch/Division/I.H.O./I.B.C.Unit. Do you receive periodical reminders/answers to your queries/from that office.	Yes:	No:
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If answer is qualified, please state:

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Annexure 4(contd.)
O.No.IV(1)

(v) According to our records, your premiums have been paid upto _____ and your policy is fully paid up partially paid up for Rs. _____ fully in force/in force, subject to a charge of Rs. _____, towards unpaid premiums and/or loan.

Will you please check if the information is correct?

If answer is qualified, please state:

Yes: No:

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(vi) According to our records, your age has been admitted/not admitted. Would you be good enough to send proof of age to us for admission of your age?

(vii) According to our records the benefits under your policy have/ have not been assigned/nominated under the Insurance Act. If not assigned/nominated, would you consider making an assignment/nomination now.

Yes: No:

If yes, our agent/Development officer/Branch Office will be glad to assist you.

(iii) It is likely that your life insurance needs have increased and other members of our family/friends need insurance. Please write to us how we can be of service to you; or may we ask our representative to call on you.

Yes: No:

(iv) It is likely that you require fire, marine, motorcar etc. insurances on your properties/motor car or in connection with your business. L.I.C.transacts all forms of insurance business and can meet all your needs. Please write to us about your requirements; or may we ask our representative to call on you:

Yes: No:

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Annexure 4(contd.)
Q.No.IV(1)

- (x) Have you any suggestions to offer us for improvement in our services? Please feel free to state them.

Your answers may please be posted to us in the enclosed pre-paid envelope.

Assuring you of our services in fulfilling all your insurance needs.

Yours faithfully,

Divisional Manager/IHO Manager

Annexure-5
Q.No.IV(8)

Installation of Electronic Computers in LIC

By B.K. Kaul, ICS

The LIC's decision to install Computers at Bombay and Calcutta seems to have created a lot of misgivings in the minds of employees regarding the effects of Electronic Data Processing Systems on personnel. Highly colourful reports are being circulated; one report says that the change over to the Computer operations would result in retrenchment of all but 2,500 employees out of a total of 50,000 employees. This conjuring up of a phantom of the imagination is symptomatic of a trend calculated to seriously harm the LIC's proposals for improving efficiency, reducing unit costs of operation, providing better service to policyholders and satisfaction to Agents and last but not the least providing better employee benefits. Here is a remarkably close parallel of a similar distortion in another country - and the truth as it was.

"In a foam rubber mattress plant....displacement was quoted in the trade press as being 50 per cent of the working force. However, on checking the figures closely, I found that displacement amounted to 45 per cent of the people in the pouring operation only. They represented just 16 per cent of the total employed on the foam rubber mattress line. Further, this production line was only a piece of the entire plant's activities, and the number of displaced people amount to about 1½ per cent of the total working force! (Absorbed,

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incidentally, in other operations) (James R. Bright, "Myths and Fallacies of Automation", a paper presented before the Society of Automotive Engineers, Inc., New York, January 14, 1957, p.3.)

The LIC in the course of a discussion with the Office-bearers of an Association of its employees held on 16th August, 1964, had assured them that automation will not lead to retrenchment; yet a countrywide agitation was started thereafter against the introduction of Electronic Computers in the LIC. It is not known what lingering doubts, if any, employees continue to have. I should like to categorically assure them that the introduction of Computers will not lead to retrenchment of even a single employee.

LIC's imperative need for change over to Computer Operations:

2. Prior to nationalization of life insurance, the business passed through the usual phase of operation by manual methods and operation on Punched Card Machines. Manual methods were quite appropriate for small organizations; they could function efficiently even with manual methods because of their small size. The bigger insurers, as they grew in size, soon found the limitations of manual methods and introduced mechanization on Punched Card Machinery. Punched Card Machinery has its own limitations and these become more and more pronounced

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as the size of the insurer keeps on growing. However, by the time of nationalisation, no big insurer had yet reached a size where these limitations could be seen glaringly. The LIC has today reached a size which is over nine times that of the biggest insurer in the pre-nationalisation days. Its present size is comparable with the "Metropolitan Life" and "Prudential", the giants of U.S.life insurance. The limitations of Punched Card Machinery are proving a hurdle in the effort put in by the Corporation for improving the efficiency of its administrative operations. A stage has thus been reached where it is now advisable to pass on to a higher form of mechanization, viz., mechanization by Electronic Computers.

3. The costs of management are on the rise again. The ever-increasing costs are eating into the Corporation's resources and making it more and more difficult to give a fair and adequate return to policyholders, improve employee benefits and find funds for various other activities that every progressive insurer must undertake in fulfilment of his duty to policyholders, Agents, employees and the community at large. It is, therefore, imperative that the Corporation must do everything to secure a more effective utilization of existing manpower and a greater husbanding of its resources by intensive and extensive control on costs, in other words, to reduce unit costs of its various opera-

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tions. It need not be stated here that a reduction in unit costs does not spell a reduction in overall costs, a step which can only inhibit the growth of business; what is aimed at is to see that every rupee currently spent results in improved output.

4. Current unit costs represent the cost of output with the help of current manpower and current office systems. There is no question of reduction in manpower. But more effective office systems and better utilization of manpower resulting therefrom can reduce unit costs. Thus, the on-slaught on rising costs is possible only through modernization of office systems and methods of work. A conscious and dedicated application by everyone in the organization of his or her abilities to the duties prescribed would act as an additional fillip. Briefly, modernization of external aids and full utilization of internal compulsions, both are necessary. With all the will on the part of employees to perform their work more efficiently, the limitations of existing Office systems must necessarily act as a restraint on output.

5. Computers provide an efficient tool in the application of the science of information technology to Office systems and thus provide a means of modernizing them. They offer a system of mechanization which is efficient, accurate and calculated to significantly reduce unit costs.

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Computers and employment opportunities: .

6. The US experience has been that in a growing business like the business of life insurance automation poses no problem; not only there is no reduction in the staff but more people are required to be hired. Here are a few excerpts which highlight the experience of the life insurance-industry in the U.S.A.

"The official American view is that it does not necessarily reduce the demand for clerical labour. Giving evidence before the Congressional Sub-committee, Mr. James P. Mitchell, U.S. Secretary for Labour, quoted the instance of an insurance company which, after installation of electric data machines continued to face a clerical labour shortage, because of the ever-expanding volume of business. And Mr. Robert W. Burgess, Director of the Department of Commerce Bureau of Census, stated that, on the basis of past experience, there is every reason to believe that the development of cheap and versatile electronic data processing machines will not be accompanied by a major reduction, if any, in the number of office jobs. He believed that 'the lower costs and increased possibilities for timely information has made it possible to meet more of the demand for increased facts to guide decisions by American businessmen and Governments'. Instead of causing unemployment among office workers, automation tends to increase the requirements of better service, which necessitates large office staff side by side with electronic Computers." (Paul Einsig, "The Economic Consequences of Automation, 1956").

"The evidence given before the Congressional Subcommittee on Automation contains a very large number of examples showing that automated industries, so far from reducing the number of their employees, actually increase them. Moreover, since a large proportion of their employees are upgraded, automation in prevailing circumstances tends to increase incomes rather than reduce them. It is true that Trade Union leaders, when giving evidence, quoted a number of instances in which automation was followed by reductions in the number of employees. The fact that both in the United States and Britain automation was accompanied by an increase in total employment and in national income shows, however, that in existing circumstances the danger of deflation through automation is not serious." (Ibid, pp.82-83).

"A survey of companies now using integrated data processing shows that to date there has been no loss of employee security due directly to integration. Modernization and mechanization have resulted in some displacements - the transfer of workers from one unnecessary routine activity to another position in data processing where further labour was needed. But the company-by-company survey reveals 'not one case of employee dismissal chargeable to the installation of new office equipment.' In more than 90 per cent of the instances in which employees were transferred to other jobs, they moved to a type of work which would eventually result in upgrading in both position and pay." (American Management Association, Special Report No.11, Establishing an Integrated Data-Processing System (1956).)

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"I well recall, too, that one thing we used to discuss very intensively back in those days was whether or not the use of electronic equipment and systems was going to have any major effect on our personnel. It was feared that we were going to have to go through extensive retraining programs, and that people would be displaced. There was even concern about whether we were going to have to lay people off. Fortunately, the growth of our industry has been so dynamic in that period of time that it seems clear that we have not only not decreased our staffs, but have even found it necessary to hire more people. So here again is another fear that has been eliminated completely - and this, I might add, in the face of having achieved substantially lower operating costs in general through the use of electronic equipment." (Charles B. Laing, President, Life Office Management Association, Automation Forum, 1962).

The business of the LIC has been growing at a pace even more rapid than that of the life insurance business in the U.S.A. and the LIC is thus in a more advantageous position. It is, therefore, convinced that no question of surplus usage would arise at any time.

Will installation of Computers slow down creation of new jobs in the LIC?

7. There seems to be a feeling that while there may not be any retrenchment as such, it would not be necessary to make any recruitment for years to come in the future.

This feeling too is unwarranted. The growth of LIC's

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O.No.IV(8)

business, both in volume and in scope, would be continually opening up new jobs. If it is assumed that the LIC's activities would remain the same as before, though the processing would be by Computers, then it may be that there would be a little slowing down of the creation of new jobs. But any such slowing down can never be large enough to make its effect felt on the totality of new jobs created in the country. But then the LIC's activities would not remain the same but would, in fact, expand themselves. The constraints which operate on the existing Office systems lead to various results; statistics cannot be obtained in time, the exercise of financial and managerial controls on various financial and other processes of business keeps on becoming more and more difficult with the continued growth in business, current level of costs of operations precludes research and other activities directed towards scientific development and administration of business, and so on. Computer-orientated operations would free the constraints operating on existing office activities and the result would be enlargement of office activities. Such office activities would require additional staff. Installation of Computers thus would in course of time create additional jobs. Secondly, Computer-orientated operations would ensure prompt and efficient service to policyholders;

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this must necessarily create wide satisfaction, reduce sales resistance and thereby enlarge opportunities for development of business. This could well result in a quickening of business activity and larger new business with creation of many new jobs which would not be there if the LIC continues to operate on existing system.

Automation and Personnel:

8. The experience and knowledge of the employees regarding the LIC's business, its traditions and its practices would continue to be as valuable as ever, even though the methods of getting the work done would be changed. As a matter of fact, employees would have better opportunities to employ their skills in their day-to-day work and obtain job satisfaction on a higher level. Also the possibility of generating a large variety of statistics for use in the management of the business would provide for these employees an area in which they can perform more interesting and more skilled work. Briefly, automation would provide an opportunity for raising the job-content at various levels of the employees.

In tune with National Policy:

9. A Resolution adopted by the Lok Sabha relating to the subject of rationalization states that "Rationalization of the Textile and Jute Industries, where necessary in the interests of the country, must be encouraged but the imple-

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mentation should be so regulated as to cause the least amount of displacement of labour" The late Prime Minister

India. Shri Jawaharlal Nehru, in a speech on the 31st May, 1955, defined the scope of rationalisation in Indian conditions in the following words

"We want higher techniques, greater efficiency, a more rationalised system of work, but we certainly do not want people to be thrown out of work. Therefore, the broad policy the Government have adopted is that where any rationalisation takes place, the people must be guaranteed work, i.e., no one should be thrown out. Also broadly speaking our approach is this. All new plants that we put in must be of the latest techniques, the newest type and generally speaking we should throw in our resources on additional production units which necessarily give additional employment rather than improving an old unit which might create unemployment. We do the latter only when we can provide employment for those who might become unemployed. That is the broad approach.

These views of the Prime Minister found echo in the Second Five Year Plan in terms following:

"....to freeze the existing techniques of production is not in the larger interests of a developing economy. Rationalisation should, therefore, be attempted when it does not lead to unemployment,....."

10. The Labour Policy envisaged in the Third Five Year Plan also pointed out as follows :

.. .. .

"Industry is being called upon to meet, as rapidly as possible, the claims on behalf of the workers for a living wage, better living and working conditions, the needed volume of employment opportunities and a fuller measure of social security. It must yield a reasonable return on capital and provide for capital formation on an adequate scale. Neither the exercise of their organised strength in industrial conflicts, nor laws and the intervention of the State can help the workers much in realising their aspirations. Their gains can arise only out of the strength and dynamism of the economy, the only enduring basis of which is a rising level of productivity. No increase in profits which does not come out of improvement in productivity but has its origin in current scarcity and the stresses of development, can be regarded as a sign of prosperity."

"Rationalisation of effort in every direction is the true basis of productivity. The term has often been wrongly associated with increase in work-loads and added strain on workers in order to swell the volume of private gains."

"The vicious circle of poverty and unemployment and low productivity can be broken only by a tremendous stress on the maximum possible contribution being made by all the participants in the processes of production. For the workers no real advance in their standard of living is possible without a steady increase in productivity, because any increase in wages generally beyond certain narrow limits, would otherwise be nullified by a rise in prices. Workers have, therefore, to insist on and not resist the progress of rationalisation in their own interest and in the larger interest of the country."

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Automation is thus not against national policy and the LIC's decision to install Computers is in the right direction.

Automation in under-developed countries:

11. In the literature on automation, one finds an occasional reference to its possible effect on under-developed countries. The following excerpt would be found interesting in this connection:

"According to some opinions, underdeveloped countries are at a great advantage compared with advanced countries, because there is no need for them to scrap obsolete plant in order to be able to proceed with automation. In an article appearing in the September 1952 issue of "Scientific American", Professor Leontieff goes so far as to say that industrially backward countries can solve their problem of industrialisation by taking the dramatic short cut of building a few large automatic plants, instead of trying to progress by the slow and painful methods of the past. In other words, he expects backward countries to skip the phases of pre-automatic industrialisation and, benefiting by the knowledge accumulated by the advanced countries, to catch up with them - indeed to cut ahead of them, unencumbered by costly plant, all of which the older industrial countries cannot afford to scrap immediately." (Paul Einzig, "The Economic Consequences of Automation", p.182.)

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Are Computers more expensive than Punched Card Machinery?

12. Computers are not more expensive than Punched Card Machinery. Currently the mechanization on Punched Card Machinery for servicing 10 lakhs policies involves payment of an annual rental of about Rs.11 lakhs. The corresponding rental for Computer processing would be about Rs.5½ lakhs. There would thus be a saving in rentals alone, not to speak of other savings through better management control of the day-to-day operations.

13. It has been said that installation of Computers would involve waste of foreign exchange which can be utilised for better purpose. The truth is that no foreign exchange is involved in the import of the Computer Systems proposed to be installed by the LIC.

Does installation of a Computer lead to centralization?

14. Because a Computer can serve several Offices it is said that installation of a Computer would lead to centralization. This view is not correct. The Computer does not inhibit the policy regarding decentralization. If anything, it can serve such a policy. Centralization of machine activity does not mean centralization of authority. It does not also mean centralization of service to policyholders. Computers can make it possible to decentralise executive authority and also service to policyholders on a scale far greater than the maximum that may be permissible with

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present day systems of operation. Whether to pursue a policy of greater or lesser decentralization is a question which has relevance to the quantum of decentralization necessary in a given situation and the cost of such decentralization. That, however, is a subject outside the scope of this discussion.

Concluding remarks:

15 I would make an appeal to the employees to ponder over all I have said. A dispassionate examination of the case for modernizing through the use of Computers should convince employees at all levels that this is a step in the right direction and would benefit employees, Agents and policyholders alike. The progress of this mighty organization depends upon the co-operation of all who have the privilege of belonging to it, and I seek the co-operation of every employee, wherever placed, in implementation of the decision to install Computers in the LIC, a decision which I earnestly hope will enable us to discharge the trust placed on us by the people of this country.

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322.

LIFE INSURANCE CORPORATION OF INDIA

Bombay Divisional Office 'YOGAKSHEMA'
 Madame Cama Rd., Bombay-1.
 Tel:214371
 Telegrams: 'BIMAVIBHAG'

Ref:

Dear Policyholder,

We take pleasure to announce that your policy will hereafter be serviced by our Computer System in Bombay.

New Premium Notice - A real bill of accounts:

The Premium Notice in respect of the next instalment of premium on your policy is enclosed. Prepared on the computer, it is a real bill of accounts as explained overleaf. The earlier notice in respect of this premium or any other earlier notice will stand cancelled.

Pay in full and keep your policy in force:

It will be in your interest to pay the full amount shown in the premium notice. If, however, for any unavoidable reason, you wish to make only part payment, you may do so. But, in that event, the amount paid by you would be kept in deposit and a deposit receipt would be issued to you at the Cash Collecting Counter. Later on, the amount would be adjusted towards one or more instalments of premium or interest on loan, etc., if possible, and the official receipt would follow by post.

Service at the Centralised Cash Collection Centre:

Should you require any elucidation, please do not hesitate to consult us at the Centre where special assistance will be available.

Check your address:

Please check your address as shown for accuracy in the notice and do write to us if any change or correction is necessary.

Transfer of Policy Records out of Bombay Divisional Office:

If you move out of Bombay and your policy has to be transferred to any of our Divisional Offices, your policy would revert to the earlier method of service since no

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Computer has so far been installed at any other Office.

Correspondence with us:

PLEASE ADDRESS AL INQUIRIES PERTAINING TO YOUR POLICY TO
BOMBAY DIVISIONAL OFFICE, JEEVAN PRAKASH, SIR P.M. ROAD,
FCRI, BOMBAY-1.

Assuring you of our best services at all times.

Yours faithfully,

Sd/

Sr. Divisional Manager.

Annexure-5(contd.)
Q.No.IV(8)

324.

ELECTRONIC COMPUTERS IN LIC

Computer ushers in an efficient Record Maintenance System with improved and extended service to policyholders.

Current Policy Records - A Multi-file System.

By taking out a policy of Life Insurance, you establish a long-term relationship with the LIC. During the long period of the existence of the policy we offer you service to meet your various needs. For this purpose, we maintain various records of your policy and endeavour to keep them accurate and upto date.

2. When Life Insurance Companies were small, it was possible to keep manual records with only one record for one policy such as ledger sheet or a "visual card". This simple record system was efficient and served well the needs of a small business operated on manual methods.

3. As the size of the business grew, it became increasingly difficult to operate efficiently with manual methods. Adrema Machines (i.e. addressing machines) and Punched Card Machines were introduced and some jobs were mechanised. This was in 1924. Now an address plate or a punched card can carry limited information. So, the earlier system of one record for one policy had to be replaced by a system of 'many records for one policy'. Thus, a record of life insurance policy is now spread over an adrema plate, several punch

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Q.No.IV(8)

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cards and also manual records. Today we have several files with lakhs of records in each file.

In Bombay Division alone, there are nearly ten lakhs of policies. Every day we have to make thousands of changes in each of the files of records. A tremendous effort has to be put in to maintain the accuracy of the records in each file and also consistency between different files in respect of the same policy record. This results in time lags. It would be a great help if these multiple files could be consolidated into one single file.

Consolidated Records in Computer System.

5. The Computer System installed in Bombay will help us to consolidate all record files into one single record file on magnetic tape. The records for all ten lakhs policies will be consolidated and stored on 30 tape reels occupying half the space of a standard steel almirah. We shall thus have one single policy master record for each policy and also effect large savings in space.

Computer Service in Bombay Division.

6. The Computer Service was started in July 1967 with conversion of a block of 50,000 policies. The entire conversion programme will take 3 or 4 years. In the meanwhile policies whose records are consolidated and stored on tape reels will be serviced by the new Computer System; the non-converted policies will continue to be

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Annexure-5(contd.)
P.NO.IV(8)

serviced by the old system.

More Efficient File Maintenance on Policies by the Computer System.

7. The Computer will daily give effect to changes in the policy records of converted policies of which your policy is one. Time-lags in processing would be materially reduced; the difficulties of dealing with several files of records would ^{be} eliminated. Totals of deposits, loans, outstanding interest, sum assured, premiums etc., would be daily balanced against pre-recorded totals on the magnetic tape.

New Premium Notice - A Real Bill of Accounts.

8. In the old System, premium notices are prepared on Punched Card Machines. A Punched Card can store limited information and hence the premium notice on your policy showed upto now information only on the latest premium. What about the previous premium if it had not been paid? What if you had made a partial payment? We could not give this information in the previous premium notice because of limitations of Punched Card Machines.

9. The computer enables us to prepare premium notices really of the nature of a bill of accounts. The new premium notices will show the current premium, arrear premium, if any, and interest on arrear premium. Any amount lying to your credit would be accounted for. Upto now we used to

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327.

send separate notices for interest on loan. In the computerized system, interest on loan and arrear interest on loan will also be shown in the premium notice.

10. Thus the exact amount you have to pay to keep your policy upto date would be shown in ONE premium notice.

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Q.No.IV(8)

328.

COMPUTER SERIES - 1

ELECTRONIC COMPUTERS IN LIC

For better service to policyholders and not for retrenchment.

Mechanisation is not new to life insurance business. Everytime it was introduced, it was only to improve the efficiency and render better service to policyholders; never to reduce employment.

Installation of Adrema machines for premium billing in 1924 and Punch Card machines in 1928 have been notable landmarks. Since then Indian Insurance industry has made growing use of the Punch Card machines. Growth in size led to a need for better and better machines. Now the LIC's size is so large that the need for efficient operation has resulted in the decision to install computers which are more versatile machines. Throughout the various stages of mechanisation, service to policyholders has improved but there never has been any reduction in staff: on the contrary, there has been continued growth in new employment in the life insurance industry. The LIC has taken this decision solely to strengthen its services to the policyholders and agents after satisfying itself that there would be no retrenchment whatsoever.

Repeated assurances have been given to the LIC employees not only by the management but even by the Finance Minister to allay their fears as to retrenchment on account of introduction of computers.

16th August,1964:

The Office bearers of the All India Insurance Employees' Association (AIIEA) were assured that automation would not lead to retrenchment.

21st October,1964:

The then Chairman of the Corporation, Shri B.K.Kaul categorically assured the employees that introduction of computers would not lead to retrenchment of even a single employee.

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17/18th September,1965:

The Executive Director(Personnel) reiterated this assurance in a letter addressed to the AIIEA.

25th February,1966:

Shri B.D.Farde, the present Chairman of the Corporation, declared at a Press Conference: Repeated assurances to remove the fears have been given to the employees both by the LIC and the Government; the LIC stands by the assurances that there will be no retrenchment whatsoever as a result of the installation of computers. The result of an analysis made by the LIC showed that far from there being any retrenchment, new recruitment would continue to be required to be made almost at the same rate as at present, the reduction in the new intake on account of the installation of computers as such being only marginal; the question of redundancy of the existing staff did not arise. There would be neither retrenchment nor loss of earnings of the existing employees owing to installation of computers.

The Chairman reiterated the above assurances to the various delegations of Anti-Automation Committees that have met him.

The Finance Minister^a as also the other Govt. spokesmen have assured on the floor of the Parliament on various occasions during the last years that there would be no retrenchment as a result of installation of computers in the LIC.

Having given these guarantees against retrenchment, the LIC has more than once invited the employees to come for a joint discussion to examine the problems arising out of automation with a view to working out proper solutions in the interest of all concerned. The invitation still stands.

LIFE INSURANCE CORPORATION OF INDIA.

This is a reprint of an advertisement which appeared in leading national dailies during July,1966.

COMPUTER SERIES - 2

ELECTRIC COMPUTERS IN LIC

How many men would the LIC computer displace?

A legitimate question and a serious one too, where a Computer is being installed in an Office run exclusively on manual operating systems.

SUT we in the life insurance business have been using Adrema Machines and Punched Card Machines for nearly 40 years. Experience elsewhere indicates that a change over from purely manual operations to a Computer might result in large redundancies; but that where Computers take over from Punched Card Systems, the problem of redundancies does not arise because much of the impact of mechanisation had been absorbed previously.

Our Computers in Bombay and Calcutta would (in a period of three years) take over from 300 Adrema and Punched Card Machines. That is the reason why in our case the displacement of men is so small - 383 employees out of a total of 6,600 employees in the Bombay and Calcutta Divisions or out of a total of 51,000 employees in the LIC. These men would be displaced - Not Retrenched.

Creation of New Jobs:

Computerisation makes some jobs surplus but it creates others. In the LIC while 383 current jobs would disappear, 225 new jobs for Class III employees would be created because of increase in card punching work, work of control on flow of data to and from the Computer area, etc. The net surplus jobs would thus be reduced to 158 - over the entire three-year period.

No Retrenchment: No Loss of Earnings:

These 158 employees would not have to face unemployment. They would be absorbed in the new recruitment that would have to be continued to be made even after Computerisation. Further there would not be any transfer of these employees from Bombay or Calcutta; they would be posted in the same or some other office in the same city.

There would also be no loss of earnings of these employees as a result of computerisation.

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No reduction in new employment:

The period since 1963 has been a trying period for all. Yet, even in 1963-1965 the LIC created about 1,500 new jobs per year. Continued growth in new business and business in force would open up new job all the time.

Full utilisation of displaced Punched Card Machines.

The existing Punched Card Equipment at Bombay and Calcutta would be progressively released to meet the growing needs of other Divisional Offices. Thus, the existing machines would be fully utilised for their life time and not discarded. In other words, the replacement of the existing Punched Card Machines by a Computer does not involve any capital loss on the existing machines.

LIFE INSURANCE CORPORATION OF INDIA

This is a reprint of an advertisement which appeared in leading national dailies during July, 1966.

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COMPUTER SERIES - 3

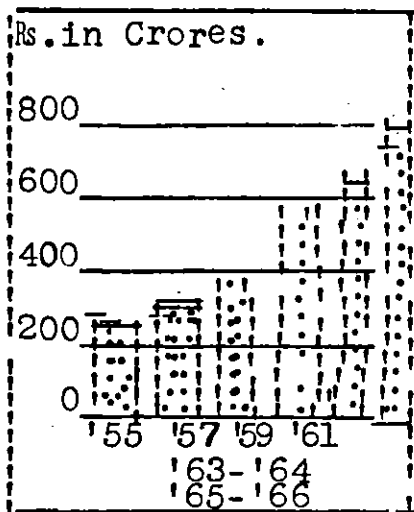
ELECTRONIC COMPUTERS IN LIC

Computer ushers in an efficient Record Maintenance System with improved and extended service to policyholders and Agents.

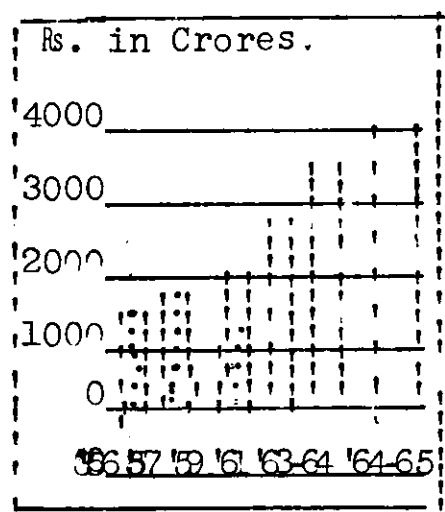
CURRENT POLICY RECORDS - A MULTI-FILE SYSTEM:

TODAY our policy records are spread over a number of files - Adrema Plates Files, Punched Card Files, Manual Files. Each file runs into lakhs and lakhs of records.

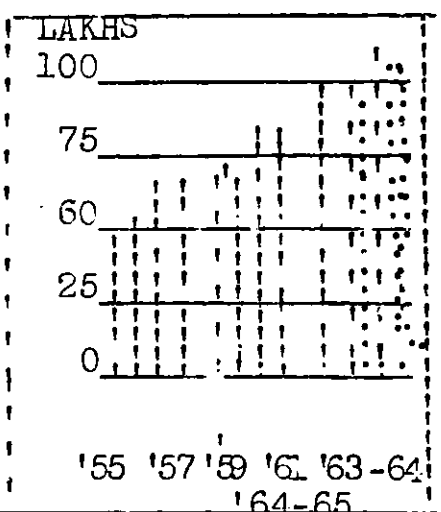
At the same time our business has been expanding at a very fast pace resulting in over 10 million policies with a total business in force of over Rs.3,774 crores. To service this increasing body of policyholders, more so in the leading Divisions of Bombay and Calcutta where the rate of growth is maximum, we have got to think in terms of speedier machines to render better and more compact service.



NEW BUSINESS IN INDIA



BUSINESS IN FORCE



TOTAL NO. OF policies.

Each day we have to make thousands of changes to each of the files maintained in the Bombay and Calcutta Divisions alone. Tremendous effort has to be put in to maintain the accuracy of the files and also consistency between the different files in respect of same policy records. This results in time lags. It would

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Annexure-5 (contd.)
Q.No. IV (8)

be a great help if these multiple files could be consolidated into one.

CONSOLIDATED RECORDS IN THE COMPUTER SYSTEM:

Computer will help us consolidate these into one single record file on Magnetic Tape. The records for all the 8 lakhs policies in each of the Bombay or Calcutta Divisional Offices will be consolidated and stored on 30 Tape Reels occupying half the space of a standard Steel Almirah! We shall thus have one single Policy Master Record and also effect large saving in space.

MORE EFFICIENT FILE MAINTENANCE BY COMPUTER:

The Computer will daily give effect to changes in the policy records; time-lags in processing would be materially reduced; the difficulties of dealing with several files would be eliminated. Totals of deposits, loans, outstanding, interest, sum assured, premiums, etc., would be available daily for control of the record of the transactions of the day by the computer and balanced.

NEW PREMIUM NOTICE - A REAL BILL OF ACCOUNTS:

We prepare premium notices on Punched Card Machines. A Punched Card can store limited information and hence today's premium notice shows information only on the latest premium. What about the previous premium if it has not been paid? What if you have made a partial payment? We cannot give this information in today's premium notice because of limitations of Punched Card Machines.

The Computer enables us to prepare premium notices really of the nature of a bill of accounts. The new premium notices will show the current premium, arrear premium, if any, and interest on arrear premium. Any amount lying to the credit of the policyholder would be accounted. Today we send separate notice for interest on loan. In the computerised system, interest on loan and arrear interest on loan will also be shown in the premium notice.

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Thus the exact amount you have to pay to keep your policy upto date would be shown in ONE premium notice.

MORE EFFICIENT SERVICE:

The computer will help more effective control on the issue of maturity intimations to policyholders. Missing punched cards in the present system create difficulties; these will be obviated.

Computer will provide a regular system of sending reminders to policyholders who have not got their age admitted or who have not effected assignments or nominations under their policies, thus reducing time for settlement of claims.

AGENTS' COMMISSION BILLS:

Agents' commission bills would be more informative than those currently prepared on Punched Card Machines. Renewal commission and bonus commission would be calculated in one single computer run. One consolidated bill, instead of two as at present, would be issued. Time-lags in preparing commission bills would be reduced.

Computers bring improved service to policyholders and to the agents diminished sales resistance through satisfied clientele and, therefore, increased business.

LIFE INSURANCE CORPORATION OF INDIA.

This is a reprint of an advertisement which appeared in leading national dailies during the first week of August, 1966.

3. A copy of the Press Release is enclosed for your information together with a copy of the Booklet entitled "Installation of Electronic Computers in LIC".

4. In the Press Conference, the Chairman reviewed the background of the decision to introduce automation in LIC and repeated the assurances that not one single employee would be retrenched as a result of the introduction of the Computers. He also stated that this assurance had been affirmed by the Government on the floor of the House. Further, quoting American Statistics, the Chairman pointed out that, despite automation, the rate of growth in employment has been maintained there and added that our analysis also indicated that the rate of new intake was not at all likely to be adversely affected as a result of the introduction of computers in the LIC. Pointing out that quite a number of jobs had already been mechanised even before the introduction of computers, the Chairman emphasised that what was now being done was only a replacement of the existing machinery by more sophisticated machines. Concluding, he alluded to the decisions of the 15th Indian Labour Conference and the acceptance of the Code of Discipline by the employees' Associations and categorically stated that the Corporation would abide by these decisions and there would be no retrenchment as a result of automation.

5. By our letter dated the 9th February 1966 addressed to the General Secretary of the All India Insurance Employees' Association (copy enclosed), we have reiterated the assurances given earlier that not a single employee who is in the employ now will face retrenchment because of installation of computers. We have also expressed our willingness to the All India Insurance Employees' Association that if, despite the categorical assurances given to the employees, they still had any apprehensions regarding the consequences of installation of electronic computers vis-a-vis the staff of the Corporation, we would be willing to examine the problem jointly with them with a view to working out proper solutions in the interests of all.

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Annexure-5(contd.)
Q.No.IV(8)

335.

LIFE INSURANCE CORPORATION OF INDIA

CENTRAL OFFICE: 'YOGAKSHEMA'
MADAME CAMA ROAD, BOMBAY-1.

Tele: 246211 * Telegrams: 'BIMAKENDRA'

Ref: 8.3.66

Dear Shri

Re: Installation of electronic
computers at Bombay and Calcutta.

AS you are aware, our employees' Associations have, through their various resolutions and individual letters sent to us, protested against the decision of the Corporation to install electronic computers at Bombay and Calcutta. The All India Insurance Employees' Association has taken the lead in the matter of organising protest demonstrations and it has also directed its various Units to organise demonstrations and mass campaigns against the introduction of computers in LIC in particular and automation in general. This Association has joined hands with other employees' organisations to oppose automation in industry in India on a national plane on the grounds, among other things, that it would lead to retrenchment and in the alternative reduction in the employment opportunities.

2. In a Press Conference held on the 25th February 1966, our Chairman has explained the need for installing computers in LIC and he has also made it clear that the employees' apprehensions that the installation of computers in Bombay and Calcutta would lead to retrenchment or slowing down the pace of recruitment, were misconceived. The Chairman told the Press Conference that far from there being any retrenchment, new recruitment would continue to be made almost at the same rate as at present, the reduction on account of installation of computers as such being only marginal. Actually, in the light of a study of the impact of computers on the displacement of staff made by us, the Chairman clarified that hardly a couple of hundred employees each in Bombay and Calcutta would be affected by the computers and that, too, over a period of about 3 years, and further that retraining and retention of those staff members would not present any problems or difficulties in a growing organisation like ours. He reiterated that none of these employees would be retrenched.

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Annexure-5(contd.)
Q.No.IV(8)

337.

6. In the light of what is stated above and the material enclosed, I trust you will be able effectively to counter the propaganda carried on by the Associations against automation and repel the arguments they may advance raising the spectre of retrenchment in LIC or allay their unwarranted fears.

7. Kindly acknowledge the receipt of this letter. If you have suggestions to make as to other steps we should take to explain the position to the employees directly and/or through their Associations, they may be made to me and we shall be happy to have them and to examine them for further action.

Yours sincerely,

Sd, -.....
(M.V. Sohoni)

Copy

LIFE INSURANCE CORPORATION OF INDIA

CENTRAL OFFICE

Personnel/A

'Yogakshema',
Foreshore Road, BOMBAY 1.

February 9, 1966.

The General Secretary,
All India Insc. Employees' Asscn.,
24, Chittaranjan Avenue (Top Floor),
CALCUTTA-12.

Dear Sir,

Re: Installation of Electronic Computers.

This to acknowledge receipt of your letter dated the 13th January 1966 on the above subject, addressed to the Chairman.

2. The decision to install Electronic Computers at Bombay and Calcutta was taken quite some time ago. The reasons which necessitated installation of these Computers were fully explained to all the employees through a booklet "Installation of Electronic Computers in LIC", issued in October 1964. Thereafter, the employees have been given full and un-reserved assurance that the installation of the Computers would not lead to any retrenchment. This assurance was also reiterated by the Hon-Finance Minister on the floor of the Lok Sabha when he stated that no person who was already employed would be dismissed or retrenched as a result of the installation of the Computers or the implementation of any other scheme of mechanisation.

3. The Computers are, in fact, expected to step up our efficiency, help in improving the entire working conditions in the Corporation and enable us to render better service to the insuring public. We trust that this aspect of the question will be as dear to you as it is to us as it is concerned with the rendering of better service and more efficient working of this nationalised institution.

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4. Despite such categorical assurances, if you still have any apprehensions regarding the consequences of the installation of the Electronic Computers vis-a-vis the staff of the Corporation, we would be willing to examine those problems jointly with you with a view to working out proper solutions for them in the interest of all.

Yours faithfully,

Sd/- M.V.Schorie
Executive Director(P)

PRESS RELEASE

We believe that the news contained in this release is of value to your readers. While we would thank you to publish it as soon as possible, we also readily recognize that the decision to do so rests entirely with you.

Introduction of Automation in LIC

There have been several protests organised over the past few weeks against automation in the Life Insurance Corporation of India, which have created public interest. Several enquiries have also been made and it is to elucidate these and place them in their correct perspective that the following information is provided.

On behalf of the LIC employees it is said that they entertain serious fears about automation and its effect on their job security and, therefore, oppose it. These fears have no basis. Repeatedly, assurances to remove the fears have been given to the employees both by the Corporation and the Government. These are reiterated. The LIC stands by the assurance that there will be no retrenchment whatever as a result of the installation of Computers. It is said that 40,000 out of the 50,000 employees of the LIC would be rendered surplus by this installation. This conclusion appears to have been arrived at on the basis of inapplicable data, incorrect reasoning and without relevance to conditions here. No detailed analysis and basis for projections into the future to arrive at these figures of redundancy of staff have been presented. The LIC however, has done this. Its analysis takes into account the various operations to be computerised, viz., File Maintenance, Premium Billing, Premium Accounting, Commission Billing, Issue of Lapse Notices etc. The result shows that, far from there being any retrenchment, new recruitment would continue to be required to be made almost at the same rate as at present; the reduction in new intake on account of the installation of Computers as such being only marginal. The question of redundancy of the existing staff does not arise.

The LIC believes that Computer-orientated operations would improve efficiency, lead to greater satisfaction both of policyholders and agents, reduce

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sales resistance and thereby enlarge opportunities for development of business. This, in turn, would result in an accelerated growth of business leading to creation of new jobs.

The Code of Discipline in Industry evolved by the Indian Labour Conference has been accepted by the LIC and the employees' organisations. The LIC will fully observe the criteria laid down by the Conference for rationalisation, the main ones being that there should be neither retrenchment nor loss of earnings of the existing employees due to rationalisation. This has been elucidated by Shri B.R. Bhagat, Minister of State for Finance, recently. On 17th February 1966, he told the Lok Sabha that "so far as the present employment is concerned, it is our duty to see that there is no retrenchment but we cannot accept the policy that there should not be mechanisation in order to ensure employment potential."

The question whether developing countries should go in for automation is receiving increasing attention. In a paper presented to the Meeting of Experts on Automation organised by the U.N. in Geneva in March 1964 on the subject "Automation in developing countries", Mr. Gabriel, Inspector General of Finance, Paris, expressed the opinion that "Contrary to widely held opinion, the policy of automation in developing countries which is usually raised as a means of solving the problem of under-employment, should be rejected as a means of saving".

Annexure-5(contd.)
Q.No.IV(8)

LIFE INSURANCE CORPORATION OF INDIA

CENTRAL OFFICE : YOGAKSHEMA'
MADAME CAMA ROAD, BOMBAY 1
Tele:246211 * Telegrams:
'BIMAKENDRA'

8th March,1966.

"SECRET"

Dear Shri

Re: Installation of Electronic Computers
at Bombay and Calcutta.

Further to my letter of today's date on the above subject, I thought I should follow it up with details Chairman gave to the press to bring out that there would be no retrenchment whatsoever; not only that, the intake of new employees is likely to continue to be almost the same as before, i.e., the effect is likely to be, if at all, only a marginal one on new recruitment.

2. The employees' case has been presented by them through the Booklets issued by the All India Insurance Employees' Association. The Employees' Association have said that 40,000 out of the 50,000 employees in the LIC would be rendered surplus as a result of the installation of Computers. They argue that in USA there are 27 crores of life insurance policies and 2.19 lakhs employees, i.e., 1,233 policies per employee. In India, there are 120 lakhs policies with 50,000 employees, i.e., 240 policies per employee. They say that the difference in the policies per employee between USA and India reflects the computerization of US life insurance business on the one hand and the non-computerization of the LIC's business on the other. Therefore, they seem to conclude that, on computerization of the LIC's Business, the proportion of number of policies per employee in India will reach the US proportion and, in consequence, only 8,000 employee would be required where 50,000 work today. This is not so. Firstly, such comparisons of output per employee are fallacious as they take no account of differing conditions of work and secondly, and more importantly, in 1950 the number of persons employed in US life industry

.....

(comparable to the figures given/are available, in the 2.20 lakhs. (Source Life Insurance Fact Book, 1963). It is to be noted that while in the USA most companies had installed them by 1960, yet during this period total employment in the life insurance business had increased.

3. The actual US experience in respect of displacements as a result of computerization, to quote from the speech of Charles B. Laing, President, Life Office Management Association delivered at the time of the Automation Forum in 1962, is as follows :-

"I well recall, too, that one thing we used to discuss very intensively back in those days was whether or not the use of electronic equipment and systems was going to have any major effect on our personnel. It was feared that we were going to have to go through extensive retraining programmes, and that people would be displaced. There was even concern about whether we were going to have to lay people off. Fortunately the growth of our industry has been so dynamic in that period of time that it seems clear that we have not only not decreased our staff, but have even found it necessary to hire more people. So here again is another fear that has been eliminated completely and this, I might add in the face of having achieved substantially lower operating costs in general through the use of electronic equipment."

4. An analysis has been made by the LIC and it takes into account the various operations to be computerised, viz., File Maintenance, Premium Billing, Premium Accounting, Commission Billing, Issue of Lapse Notices, etc. The result shows that, far from there being any retrenchment, new recruitment would continue to be required to be made almost at the same rate as at present; the reduction in the new intake on account of the installation of computers as such being only marginal. Therefore, the question of the redundancy of existing staff does not even arise.

The detailed analysis is given below :-

∠ by the employees) were 2.09 lakhs, this rose to 2.50 lakhs in 1960 and in 1963, the year for which the latest figures...

Annexure-5(contd.)

Q.No.IV(8)

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- (i) The total number of LIC employees (Classes I to IV) is ... 51,000
- (ii) Of these, Class I employees are (They would hardly be affected by automation). ... 2,800
- (iii) Again, the number of Class II employees is (They would remain unaffected by automation). ... 8,700
- (iv) The balance of employees are
- | | | | |
|-----------|--------|-----|--------|
| Class III | 32,500 | | |
| Class IV | 7,000 | ... | 39,500 |
- (v) The number of Class III & IV employees in the Central, Zonal, I.H.O., I.B.O., Offices is (These employees are not likely to be affected). ... 8,000
- (vi) The number of Class III & IV employees at Branch & Sub-Offices is (These employees would not be affected). 13,500
- (vii) Thus, the number of employees in Class III and IV in the Divisional Offices who could feel the effect of Computerization is, i.e. (i) - (ii) - (iii) - (iv) - (v) - (vi). 18,000
- (viii) All the employees referred to in (vii) would not, however, be affected. The areas of operations affected by computerization would be Policyholders' service, Accounts, Development, Establishment, Punched Card Machines, Salary Savings and Cash Collection. The employees engaged in these activities contribute only about 12½% of the Divisional Office strength. Thus, the number of Class III & IV employees of all Divisional Offices would be affected on the assumption that the business of all Divisional Offices is straightaway computerised is ... 2,250

Annexure-5(contd.)
Q.No.IV(8)

345.

- (ix) But in fact only Bombay & Calcutta Divisions are involved. The number of Class III & IV employees in Bombay and Calcutta D.Os. is ... 2,000
(This works out to 17% of the total number of Class III & IV employees in all the D.Os.)
- (x) Therefore, the number of employees of Bombay & Calcutta D.Os., who may have to be (a) transferred to other activities in the D.O. plus (b) retrained in the D.O. is $(0.17 \times 2,250)$. 383
- (xi) Percentage of (x) to the total employees in the LIC, i.e., (i) is only 0.75%
- (xii) Computerization in Bombay & Calcutta D.Os. would be applied in stages by blocks of policies of 50,000 to 1,00,000 each. The number of policies in these two D.Os. is. 15 lakhs.
- (xiii) The number of employees who may have to be (a) transferred to other activities in the D.O. plus (b) retrained in the D.O. is $(383 \times 1/15)$. 25
- (xiv) The computerization of Bombay & Calcutta D.Os. would be spread over 3 years and the business converted would be on the following scale:-

First year	-	25%
Second year	-	35%
Third year	-	<u>40%</u>
		<u>100%</u>

The Class III & IV employees who may have to be (a) transferred to other activities in the D.O. plus (b) retrained in the D.O. year by year would thus be

First year (25% of 383)	96
Second year (35% of 383)	135
Third year (40% of 383)	<u>152</u>
	<u>383</u>

.....

Annexure-5(contd.)
Q.NO.IV(8)

346.

- (xv) Computer operations call for immediate increase in punching work. Also new items of work like control section work, control on input & output from computers will have to be undertaken. The additional Class III & IV requirement on account of these new activities at Bombay & Calcutta D.Os. is broadly estimated at 225
- (xvi) The number displaced, vide (x) would be 383
- (xvii) The balance would be (383 - 225) and this would easily fit into the new recruitment. 158

On the other hand, as business improves, the requirements of staff will correspondingly increase.

5. The decision of the 15th Session of the Indian Labour Conference held at New Delhi in 1957 emphasised that there should be no retrenchment or loss of earnings of the existing employees, i.e., the full complement required for the operations before rationalisation should be maintained except for cases of natural separation or wastage. Workers could, however, be provided with suitable alternative jobs in the same establishment or under the same employer, subject to agreement between the employer and his workers; there should be an equitable sharing of benefits of rationalization as between the community, the employer and the worker.

6. Consequent upon acceptance of the Code of Discipline in industry by the Associations of Life Insurance Employees and the LIC, the Code was made applicable to the Life Insurance industry in India on 4th March 1965. During the Tripartite Meeting held in March 1965 between Government, the Insurance Employers and the Insurance Employees' Associations to discuss the Code of Discipline in Industry, the question of introduction of Computers in LIC was raised by the Employees' Associations in the context of a clarification given to LIC on the Clause in the Code which enjoins on the Management "not to increase work loads unless agreed upon or settled otherwise". Government had then clarified that rationalization was very much in the picture

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Annexure-5(contd.)
Q.No.IV(8)

347.

and that it would not be for any party to dispute the resolution passed by the 15th Labour Conference and do anything that runs counter to the provision of that resolution. The participants in the Meeting were reminded that the Tripartite recommendations, including the Resolution of the 15th Labour Conference on rationalization, were as binding as any provisions of the Code under discussion.

7. The LIC would fully abide by its obligations under the Code and any benefits following from improved efficiency would be shared with the employees.

8. You may make the maximum use of the above information for the purpose of elucidating the LIC's stand in regard to introduction of Computers in the LIC and their effect on employment, present and future, in the various forums such as the Zonal Advisory Boards, Policyholders' Councils, Employees' & Agents' Relations Committee, etc. The material can be used also in your talks with any employees and agents who may call on you seeking information on this subject. You would, however, appreciate that your talks with any employees should not take the form of a discussion, formal or informal, with the Union as such. We are entering this caveat because, as you are aware, all subjects of all-India importance are discussed with the All-India representatives of the Associations at the Central Office only.

9. My previous letter, the enclosures thereto, viz., (a) copy of the Press Release and (b) copy of the Booklet entitled "Installation of Electronic Computers in LIC", issued by the Corporation in October 1964, and the material given hereinabove represent the complete material for your use.

10. Kindly acknowledge receipt of this letter.

Yours sincerely,

Sd/-
(M.V.Sohonie)

Divisional Manager,

STATEMENT OF COMPLAINTS, ANALYSED NATURWISE, RECEIVED
BY ZONAL AND VISIONAL OFFICES DURING THE YEAR
1965 - 1966 - NORTHERN ZONE

Annexure - 6
Q.No. IV(18)

Appendix

346.

Nature of Complaints.	Zonal and Divisional Offices				
	Zonal Office	Ajmer	Chandigarh	Delhi	Jullundur
1. Delay or mistake in issue of A/Ls. *F.P.R. or Policy for proposals submitted.	38	3	40	8	-
2. Delay or mistake in issue of premium receipt or notices etc.	74	5	87	28	-
3. Delay or mistake in supplying claim forms/settlement of claim.	43	13	13	3	-
4. Delay or mistake in loan quotation and/or granting loan.	21	-	21	3	1
5. Delay or mistake in paid-up or surrender quotation and/or making paid-up endorsement or surrender payments or age admission.	30	3	13	1	-
6. Delay or mistake in commission payment.	177	14	59	29	4
7. Failure to acknowledge or reply to letters not covered by 1-6 above and 9 below.	-	-	11	1	-
8. Miscellaneous complaints not covered by 1-7 above and 9 below.	217	84	187	32	-
9. Delay in revival of policy or giving revival quotation etc.	66	3	52	-	-
TOTAL:	502	107	483	72	5

*A/Ls.-Acceptance Letters;
F.P.R.-First Premium Receipt.

STATEMENT OF COMPLAINTS, ANALYSED NATUREWISE, RECEIVED
BY ZONAL AND DIVISIONAL OFFICES DURING THE YEAR
1965 - 1966 - GENERAL ZONE.

Annexure-6(contd.)
O.No.IV(18)

Appendix
34

Nature of Complaints.	Zonal Office	Divisional Offices						
		Agra	Indore	Jabalpur	Kanpur	Lucknow	Varanasi	Meerut
1. Delay or mistake in issue of A/Is. *F.P.R. or Policy for proposals submitted.	157	21	82	35	27	8	87	21
2. Delay or mistake in issue of premium receipt or notices, etc.	1073	76	211	387	41	19	115	127
3. Delay or mistake in supplying claim forms or settlement of claims.	145	6	45	65	12	7	31	16
4. Delay or mistake in loan quotation and/or granting loan.	191	8	47	58	12	7	50	24
5. Delay or mistake in paid-up or surrender quotation and for making paid-up endorsement or surrender payments or age admission.	106	12	6	23	13	1	13	15
6. Delay or mistake in commission payment.	812	17	140	282	62	33	565	84
7. Failure to acknowledge or reply to complaints covered by 1-6 above.	20	19	26	1	-	1	-	-
8. Complaints not covered by 1-6 above and 8 below.	935	73	314	215	10	1	400	10

STATEMENT OF COMPLAINTS, ANALYSED NATUREWISE,
RECEIVED BY ZONAL AND DIVISIONAL OFFICES
DURING THE YEAR 1965-1966 - EASTERN ZONE.

Annexure - 6(contd.)
Q.NO.IV(18)

Appendix
5.5.

Nature of Complaints.	Zonal Office.	Divisional Offices							
		Asansol	Calcutta	Cuttack	Gauhati	Jaipalguri	Jamshedpur	Muzaffarpur	
1. Delay or mistake in issue * of A/Ls.F.P.R.or Policy for proposals submitted.	231	23	243	87	40	-	2	19	59
2. Delay or mistake in issue of premium receipt or notices etc.	839	62	601	36	18	1	17	201	43
3. Delay or mistake in supply- ing claim forms or settle- ment of claim.	233	18	225	32	38	-	4	26	4
4. Delay or mistake in loan quotation and/or granting loan.	139	5	233	10	23	-	-	35	4
5. Delay or mistake in paid-up or surrender quotation and for making paid-up endorse- ment or surrender payments or age admission.	132	9	204	3	8	-	2	7	
6. Delay or mistake in commission payment.	548	31	1224	134	73	-	13	120	25
7. Failure to acknowledge or reply to policies not covered by 1-6 above and 9 below.	135	2	259	-	44	-	5		
8. Misc.Compl. data not covered by 1-7 above and 9 below.	591	39	549	133	70	12	18		
9. Delay in receipt of policy or issuing valid quotation etc.	264	20	143	1	19	1	1		

* /Is - Acceptance Letters; F.P.R - First Premium Receipt.

STATEMENT OF COMPLAINTS, ANALYSED NATUREWISE, RECEIVED
BY ZONAL AND DIVISIONAL OFFICES DURING THE YEAR
1966 - 1967.

Appendix V
Annexure-5 (contd)
Part IV--Q.No.18

353.

Northern Zone

* V/s. - Acceptance Letters;
N.P.R. - First Premium Receipt.

Nature of complaints.	Zonal Office.	Divisional Offices			
		Ajmer	Chandigarh	Delhi	Jullundur
1. Delay or mistake in issue of A/Is. * N.P.R. or Policy for proposals submitted.	17	13	18	2	4
2. Delay or mistake in issue of premium receipt or notices etc.	68	28	69	5	13
3. Delay or mistake in supplying claim forms/settlement or claim.	43	8	4	2	2
4. Delay or mistake in loan quotation and/or granting loan.	40	10	9	-	2
5. Delay or mistake in paid-up or surrender quotation & for making paid-up endorsement or surrender payments or age admission.	33	2	4	-	1
6. Delay or mistake in commission payment.	158	34	43	13	2
7. Failure to acknowledge or reply to letters not covered by 1-6 above and 9 below.	5	9	1	1	-
8. Misc. Comm. not covered by 1-7 above and 9 below.	246	83	57	48	70
9. Delay in revival of policy or giving revival quotation etc.	75	7	30	3	5
	TOTAL: 685	194	217	77	100

STATEMENT OF COMPLAINTS ANALYSED NATUREWISE, RECEIVED BY ZONAL AND DIVISIONAL OFFICES DURING THE YEAR 1966 - 1967.

Annexure--6(contd.)
Part IV - Q.No.18

Central Zone.

Nature of complaints.	Zonal Office.	Divisional Offices						
		Agra	Indore	Jabalpur	Kanpur	Lucknow	Varanasi	Meerut
1. Delay or mistake in issue of A/Is. F.P.R. or * policy for proposals submitted.	131	16	57	34	20	12	39	39
2. Delay or mistake in issue of premium receipt or notices etc.	684	36	282	263	112	15	45	125
3. Delay or mistake in supplying claim forms/ settlement of claim.	150	2	30	46	135	5	40	18
4. Delay or mistake in loan quotation and/or granting loan.	142	11	85	41	51	21	28	30
5. Delay or mistake in paid-up or surrender quotation & for making paid-up endorsement or surrender payments or age admission.		5	20	21	59	2	8	30
6. Delay or mistake in comm.990 payment.		12	169	314	225	56	107	118
7. Failure to acknowledge	48	5	45	21	-	2	-	1
8. Delay in completion of policy	1034	62	324	359	314	23	237	25
9. Delay in revival of policy or giving revival quotation etc.	330	19	77	312	70	24	55	62
TOTAL	3696	167	1019	1417	1000	117	387	455

*A/Is. - Acceptance Letters;
F.P.R. - First Premium Receipt.

STATEMENT OF COMPLAINTS, ANALYSED NATUREWISE RECEIVED
BY ZONAL AND DIVISIONAL OFFICES DURING THE YEAR 1966 - 1967.

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Eastern Zone.

*A/Ls. - Acceptance Letters;
*P.P.R. - First Premium Receipts

Nature of complaints.	Zonal Office.	Div-isional Offices.							
		Asansol	Calcutta	Cuttack	Gauhati	Jaipalguri	Jamshedpur	Muzaffar Pur.	
1. Delay or mistake in issue of A/Ls. P.P.R. or policy for proposals submitted.	150	8	312	5	114	5	-	29	50
2. Delay or mistake in issue of premium receipt or notices etc.	480	9	1311	4	83	4	-	192	52
3. Delay or mistake in supplying claim forms/ settlement of claim.	220	-	340	3	144	1	-	83	15
4. Delay or mistake in quotation and/or granting loan	125	6	534	2	52	3	-	121	42
5. Delay or mistake in paid-up/surrender quotation and/or making paid-up or assessment or surrender payments or age admission.	109	3	461	-	19	2	-	20	20
6. Delay or mistake in commission payment.	290	21	1361	22	106	7	4	150	141
7. Failure to acknowledge or reply to letters not covered by 1-6 above and 9 below.	229	-	1296	-	50	1	1	15	10
8. Delay or mistake in above 1-7.	415	18	825	12	98	21	5	124	100
9. Delay or mistake in revival quotation etc.	133	5	450	2	43	-	-	109	-
Total:	2163	68	8067	50	809	30	10	243	357

STATEMENT OF COMPLAINTS, ANALYSED NATUREWISE, RECEIVED
BY ZONAL AND DIVISIONAL OFFICES DURING THE YEAR
1966--1967.

Appendix
Annexure-6 (cont'd.)
Part IV-2.No.18
356.
Southern Zone.

*A/Ls. - Acceptance Letters;
F.P.R. - First Premium Receipt.

Nature of complaints.	D i v i s i o n a l O f f i c e s									
	Zonal Office	Bangalore.	Ccimba- tore.	Hyderabad	Madras	Madurai	Masuli- patnam.	Thanjavur	Trivandrum.	
1. Delay or mistake in issue of * A/Ls. F.P.R. or policy for proposals submitted.	54	22	16	34	19	52	15	-	34	19
2. Delay or mistake in issue of premium receipt or notices etc.	213	96	106	225	79	99	150	65	138	71
3. Delay or mistake in supplying claim forms or settlement of claims.	112	51	10	49	7	41	116	21	298	68
4. Delay or mistake in loan application and/or granting loan.	243	363	25	63	195	135	242	43	903	305
5. Delay or mistake in paid-up or surrender quotation and in making paid-up endorsement or surrender payments or age admission.	100	45	3	12	55	42	91	18	167	5
6. Delay or mistake in commission payment.	343	185	17	141	166	130	127	48	207	4
7. Failure to acknowledge or to cover complaints not covered by 1, 2, 3, 4, 5, 6, 7 and 9 below.	29	3	5	41	5	-	-	-	59	-
8. Complaints not covered by 1-7 above and 9 below.	398	282	106	101	172	150	215	14	505	5
9. Delay in revival of policy or in issuing revival quotation etc.	122	49	13	48	66	1	13	23	1	-
TOTAL:	1818	1190	301	704	715	500	715	177	1370	370

STATEMENT OF COMPLAINTS, ANALYSED NATUREWISE, RECEIVED BY
ZONAL AND DIVISIONAL OFFICES DURING THE YEAR 1966 - 1967.

Appendix V 357.
Annexure - 6(contd.)
Part IV - 3.No.18.

Western Zone

Nature of complaints.	D i v i s i o n a l O f f i c e s Western Zone.									
	Zonal Office.	Ahmedabad	Bombay	Nagpur	Nasik	Poona	Rajkot	Satara	Surat	Foreign Dep
1. Delay or mistake in issue of A/Ls.F.P.R.or policy for proposals submitted.	37	23	-	8	1	2	4	11	2	14
2. Delay or mistake in issue of premium receipt or notices etc.	87	33	5	16	3	2	14	9	2	205
3. Delay or mistake in supplying claim forms or settlement of claims.	80	31	1	7	-	-	4	1	8	461
4. Delay or mistake in loan quotation and/or granting loan.	39	46	12	12	-	3	8	3	12	94
5. Delay or mistake in paid-up or surrender quotation and for making paid-up endorsement or surrender payments or age admission.	21	13	2	3	-	2	2	4	1	67
6. Delay or mistake in commission payment.	144	46	10	11	-	4	16	23	1	80
7. Failure to acknowledge or reply to letters not covered by 8 above and 9 below.	36	5	4	2	1	-	-	2	-	49
8. Letters not covered by 8 above and 9 below.	252	185	23	37	2	6	22	23	25	363
9. Failure to issue of policy or quotation for policy.	43	6	-	6	3	1	4	-	-	25
TOTAL:	739	208	7	75	10	20	77	73	26	1343

*A/Ls. - Acceptance Letters; P.P.R. - First Premium Receipt.

Statement of Complaints, analysed naturewise, received by Zonal and Divisional Offices during the year 1964-1965.

Northern Zone.

Nature of Complaints.	Zonal Office.	Divisional Offices			
		Ajmer	Chandigarh	Delhi	Jullundur
1. Delay or mistake in issue of Acceptance Letters, First Premium Receipt or Policy for proposals submitted.	45	2	23	10	1
2. Delay or mistake in issue of premium receipts or notice etc.	46	5	81	56	4
3. Delay or mistake in supplying claim forms or settlement of claims.	30	1	7	3	-
4. Delay or mistake in loan quotation and/or granting loan.	20	-	4	6	-
5. Delay or mistake in paid-up or surrender quotations and for making paid-up endorsements or surrender payments or age admission.	11	9	1	4	1
6. Delay or mistake in Commission payment.	254	7	37	76	3
7. Failure to acknowledge or reply to letters not covered by 1-6 above and 9 below.	-	1	-	-	-
8. Misc Complaints not covered by 1-7 above.	268	115	105	70	20
9. Delay in renewal of policies or giving new quotations etc.	28	-	11	11	-
Total:	702	135	307	236	29

Statement of Complaints, analysed naturewise, received by Zonal and
Divisional Offices during the year 1964-65.

Central Zone

Nature of Complaints.	Zonal	Divisional Offices						
	Offices.	Agra	Indore	Jabalpur	Kanpur	Lucknow	Varanasi	Meerut
1. Delay or mistake in issue of Acceptance Letters, First Premium Receipt or Policy for proposals submitted.	94	-	96	171	3	21	123	
2. Delay or mistake in issue of premium receipts or notice etc.	402	1	127	160	6	92	370	
3. Delay or mistake in supplying claim forms or settlement of claims.	14	1	46	151	3	2	29	
4. Delay or mistake in loan quotation and/or granting loan.	13	2	51	44	-	8	37	
5. Delay or mistake in paid-up or surrender quotations and for making paid-up, endorsement or surrender payments or age admission.	38	1	11	2	2	3	17	
6. Delay or mistake in commission payment.	567	5	163	501	78	130	800	
7. Failure to acknowledge or reply to letters not covered by 1-6 above and 9 below.	27	-	16	28	-	3	-	
8. Misc. Complaints not covered by 1-6 above and 9 below.	620	4	290	846	25	39	843	
9. Delay in revival of policies or giving revival quotation etc.	241	-	14	-	3	52	199	
Total:	2296	14	811	1373	110	350	2421	

* Figures not available

Statement of complaints, analysed nature-wise, received by Zonal and
Divisional Offices during the year 1964-1965.

Eastern Zone:

Nature of complaints.	Zonal Office.	D i v i s i o n a l O f f i c e s						
		Asansol	Cal- cutta.	Cutt- ack.	Gauha- ti.	Jalpai- guri.*	Jam- shed- pur*	Muza- ffar- pur.	Patna.
1. Delay or mistake in issue of acceptance Letters, First Premium Receipt or Policy for proposals submitted.	454	98	257	218	76		2	4
2. Delay or mistake in issue of premium receipts or notice etc.	1162	125	558	212	31		32	239
3. Delay or mistake in supplying claim forms or settlement of claims.	254	45	93	29	12		16	168
4. Delay or mistake in loan quotations and/or granting loan.	267	43	220	53	12		11	74
5. Delay or mistake in paid-up or surrender quotations and for making paid-up endorsements or surrender payments or age admission.	261	24	260	34	8		-	47
6. Delay or mistake in commission payments.	1224	497	1162	112	83		53	254
7. Failure to acknowledge or reply to letters not covered by 1-6 above and below.	35	7	125	2	4		-	-
8. Misc. Complaints not covered by 1-7 above and below.	690	36	129	18	11		72	8
9. Delay in revival of policies or giving revival quotation etc.	512	5	279	133	11		7	
	1050	1239	3042	1100	195		147	360

Statement of complaints, analysed naturewise, received by Zonal and
Divisional Offices during the year 1964-65.

Western Zone:

Nature of complaints.	Zonal Office.	D i v i s i o n a l O f f i c e s .								Foreign Dept.
		Almuda- bad.	Bom- bay.	Nag- pur.	Nasik	Poona	Raj- kot.tara.	Sa- tara.	Surat.	
1. Delay or mistake in issue of Acceptance Letters, First Premium receipt or Policy for proposals submitted.	26	21	-	16	1	4	19	12	33	7
2. Delay or mistake in issue of premium receipts or notice etc.	58	27	1	4	4	5	14	8	45	42
3. Delay or mistake in supplying claim forms or settlement of claims.	24	37	-	1	-	2	7	2	28	176
4. Delay or mistake in loan quotation and/or granting loan.	26	13	-	8	-	2	4	3	21	8
5. Delay or mistake in pay-up or surrender of policies or for making pay-up surrenders or surrender payments or age admission.	14	5	-	-	-	1	8	5	14	9
6. Delay or mistake in commission payment.	74	42	1	4	4	2	26	15	30	11
7. Failure to acknowledge or reply to letters not covered by 1-6 above and 9 below.	64	10	-	10	4	-	8	1	7	
8. Letters not covered by 1-7	184	61	1	13	4	11	32	22	12	10
9. Delay or mistake in giving replies	14	5	-	5	-	-	-	-	-	-
	481	261	3	48	17	27	127	65	197	191

ZONE-WISE LAPSE ANALYSIS

(Based on Sum Assured.)

Zone.	Year of issue.	Percentage of net lapses at mean duration.				Total	
		0	1	2	3	(3) + (5) + (6)	(4) + (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Northern Zone.	1962-63	2.3	26.3	10.6	5.4	44.6	
	1963-64	2.7	23.8	10.1	5.9	42.5	
	1964-65	2.7	22.9	9.8			
	1965-66	2.5	23.6				
	1966-67	2.2					
Central Zone.	1962-63	1.9	24.3	9.6	4.6	40.4	
	1963-64	2.1	24.6	8.9	5.0	40.6	
	1964-65	2.2	22.3	10.4			
	1965-66	2.4	20.9				
	1966-67	1.8					
Eastern Zone.	1962-63	1.2	22.0	11.9	4.1	39.2	
	1963-64	1.8	19.4	15.3	13.1	49.6	
	1964-65	4.0	22.0	18.3			
	1965-66	4.1	16.3				
	1966-67	2.6					
Southern Zone.	1962-63	1.6	20.7	8.4	3.3	34.0	
	1963-64	2.5	21.1	8.5	3.7	35.8	
	1964-65	2.4	21.5	9.9			
	1965-66	1.2	20.3				
	1966-67	1.0					
Western Zone	1962-63	1.0	13.1	7.6	5.0	26.7	
	1963-64	0.7	12.5	7.9	4.8	25.9	
	1964-65	0.8	12.5	7.5			
	1965-66	0.7	12.6				
	1966-67	0.7					

Mean duration is defined as the year of lapse minus the year of issue of the policy.

DIVISION-WISE LAPSE ANALYSIS
(Based on Sum Assured)

Northern Zone.

Division.	Year of Issue	Percentage of net lapses at mean duration.				Total (3)+(4)+ (5)+(6).
		0	1	2	3	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Delhi	1962-63	1.9	19.0	8.2	4.2	33.3
	1963-64	1.8	18.8	7.9	5.3	33.8
	1964-65	1.9	15.3	7.8		
	1965-66	1.4	14.5			
	1966-67	1.4				
Chandigarh	1962-63	3.3	23.9	11.2	5.9	44.3
	1963-64	2.0	27.3	10.4	6.6	46.3
	1964-65	2.6	25.4	10.8		
	1965-66	2.3	26.7			
	1966-67	2.2				
Ajmer	1962-63	0.7	35.1	13.0	6.2	55.0
	1963-64	4.7	26.8	12.4	6.7	50.6
	1964-65	2.7	30.1	11.6		
	1965-66	2.6	31.2			
	1966-67	2.6				
Jullundur	1962-63	3.8	28.2	10.5	5.7	48.2
	1963-64	2.0	24.0	10.0	5.1	41.1
	1964-65	3.9	21.6	9.2		
	1965-66	4.3	23.3			
	1966-67	2.9				

Mean duration is defined as the year of lapse minus the year of issue of the policy.

DIVISION-WISE LAPSE ANALYSIS
(Based on Sum Assured)

365.

CENTRAL ZONE

Division.	Year of Issue.	Percentage of net lapses at mean duration.				Total (3)+(4)+ (5)+(6)
		0	1	2	3	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Agra	1962-63	2.4	26.6	9.6	5.1	43.7
	1963-64	1.2	23.7	10.7	7.1	42.7
	1964-65	1.5	23.5	10.3		
	1965-66	1.2	24.1			
	1966-67	1.3				
Indore	1962-63	1.6	22.6	7.2	6.3	37.7
	1963-64	1.0	21.0	7.3	3.6	32.9
	1964-65	1.3	20.5	8.3		
	1965-66	1.2	11.1			
	1966-67	0.4				
Jabalpur	1962-63	0.7	21.9	12.8	5.8	41.2
	1963-64	1.1	20.3	12.5	5.7	39.6
	1964-65	0.6	26.9	10.5		
	1965-66	1.5	21.5			
	1966-67	0.9				
Kanpur	1962-63	2.6	23.2	8.2	5.0	39.0
	1963-64	1.5	21.5	9.1	5.4	47.5
	1964-65	1.1	22.9	9.7		
	1965-66	1.5	19.1			
	1966-67	1.2				
Lucknow	1962-63	0.3	22.4	11.2	0.8	34.7
	1963-64	4.7	27.6	5.5	2.5	40.3
	1964-65	0.9	17.7	14.0		
	1965-66	4.1	24.9			
	1966-67	1.1				
Meerut	1962-63	2.2	19.2	8.2	4.3	33.9
	1963-64	2.9	20.6	7.3	4.3	35.1
	1964-65	7.0	17.9	9.4		
	1965-66	5.4	19.8			
	1966-67	5.8				
Varanasi	1962-63	3.8	33.3	9.5	5.5	52.1
	1963-64	2.0	27.0	9.8	6.7	45.5
	1964-65	2.8	26.6	10.3		
	1965-66	1.7	26.9			
	1966-67	1.2				

DIVISION-WISE LAPSE ANALYSIS

(Based on Sum Assured)

EASTERN ZONE

Division.	Year of Issue	Percentage of net lapses at mean duration.				Total (3)+(4)+ (5)+(6).
		0	1	2	3	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Asansol	1962-63	1.2	20.3	8.4	4.7	34.6
	1963-64	0.8	19.7	4.7	5.7	30.9
	1964-65	1.2	13.5	15.1		
	1965-66	0.5	5.8			
	1966-67	-				
Calcutta	1962-63	0.4	22.2	12.0	4.0	38.6
	1963-64	1.4	15.2	23.4	25.3	65.3
	1964-65	6.1	38.3	27.9		
	1965-66	6.1	11.5			
	1966-67	0.2				
Cuttack	1962-63	1.4	27.7	11.6	5.2	45.9
	1963-64	3.1	24.4	9.9	4.9	42.3
	1964-65	1.7	16.7	6.7		
	1965-66	0.8	16.9			
	1966-67	0.8				
Gauhati	1962-63	1.8	12.9	6.1	3.2	24.0
	1963-64	4.5	14.3	6.7	3.4	28.9
	1964-65	6.8	17.6	11.0		
	1965-66	6.7	16.6			
	1966-67	11.1				
Jalpaiguri	1962-63	0.3	14.6	20.3	3.0	38.2
	1963-64	0.3	22.4	25.4	3.6	51.7
	1964-65	0.4	19.5	20.8		
	1965-66	0.1	22.0			
	1966-67	0.2				
Jamshedpur	1962-63	1.8	20.0	6.8	3.8	32.4
	1963-64	1.4	21.0	6.6	0.6	29.6
	1964-65	2.1	17.9	10.6		
	1965-66	0.9	25.3			
	1966-67	3.1				
Muzaffarpur	1962-63	0.9	34.5	23.0	3.7	62.1
	1963-64	0.3	35.8	7.8	2.3	46.2
	1964-65	0.6	32.0	7.0		
	1965-66	5.6	18.9			
	1966-67	7.9				
Patna	1962-63	4.2	27.7	13.8	6.2	51.9
	1963-64	2.7	27.7	11.0	8.4	49.8
	1964-65	2.1	28.0	12.8		
	1965-66	1.3	29.9			
	1966-67	2.4				

DIVISION-WISE BRUSH ANALYSIS

(Based on Sum Assured)

SOUTHERN ZONE

367.

Division	Year of issue.	Percentage of net lapses at mean duration.				Total (3)+(4)+(5)+(6) (7)
		0	1	2	3	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bangalore	1962-63	3.1	20.3	7.7	4.3	35.4
	1963-64	1.8	17.4	5.9	4.7	29.8
	1964-65	0.8	19.3	8.7		
	1965-66	1.1	19.6			
	1966-67	1.3				
Coimbatore	1962-63	2.0	19.9	7.3	3.8	33.0
	1963-64	7.5	23.2	7.9	5.4	4.0
	1964-65	1.7	24.7	10.1		
	1965-66	1.7	26.2			
	1966-67	1.9				
Hyderabad	1962-63	1.6	16.4	9.4	3.9	31.3
	1963-64	-	15.6	10.1	4.5	30.2
	1964-65	6.9	19.4	12.2		
	1965-66	1.0	22.1			
	1966-67	1.0				
Madras	1962-63	1.7	21.7	9.3	3.5	36.2
	1963-64	1.5	23.5	8.9	4.3	38.2
	1964-65	1.7	26.5	12.4		
	1965-66	1.2	19.9			
	1966-67	0.7				
Madurai	1962-63	0.6	25.9	10.6	4.9	42.0
	1963-64	0.7	23.2	10.3	4.4	38.6
	1964-65	1.5	24.5	7.0		
	1965-66	0.7	18.9			
	1966-67	0.3				
Machilipatnam	1962-63	1.2	27.1	9.5	(-)1.5	36.3
	1963-64	1.5	23.5	10.1	(-)2.6	32.5
	1964-65	0.8	20.6	11.0		
	1965-66	1.1	12.7			
	1966-67	1.7				
Thanjavur	1962-63	1.9	25.2	8.5	4.9	40.5
	1963-64	-	32.3	10.2	4.3	46.8
	1964-65	-	-			
	1965-66	-	-			
	1966-67	-	-			
Trivandrum	1962-63	1.0	13.1	5.9	3.7	23.7
	1963-64	6.1	17.3	5.7	3.7	32.8
	1964-65	0.2	18.0	6.1		
	1965-66	1.4	19.0			
	1966-67	1.6				
Udipi	1962-63	1.9	23.0	8.9	3.7	37.5
	1963-64	1.0	20.4	9.2	4.9	35.5
	1964-65	1.2	17.6	10.0		
	1965-66	1.0	18.9			
	1966-67	0.9				

Annexure-7(contd.) No. IV(20)
DIVISION-WISE LAPSE ANALYSIS

368.

(Based on Sum Assured)

WESTERN ZONE

Division	Year of issue.	Percentage of net lapses at mean duration.				Total. (3)+(4)+(5)+(6) (7)
		0	1	2	3	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bombay	1962-63	0.9	9.8	5.8	4.4	20.9
	1963-64	0.7	9.9	6.7	3.7	21.0
	1964-65	0.8	9.6	5.3		
	1965-66	0.7	9.3			
	1966-67	0.7				
Gurat	1962-63	0.7	9.7	6.1	5.4	21.9
	1963-64	0.3	10.7	7.8	5.8	24.6
	1964-65	0.3	11.5	7.7		
	1965-66	0.4	12.3			
	1966-67	0.4				
Ahmedabad	1962-63	0.4	13.4	10.6	3.7	28.1
	1963-64	0.4	11.5	7.6	4.2	23.7
	1964-65	0.3	11.5	7.9		
	1965-66	0.3	11.7			
	1966-67	0.3				
Raikot	1962-63	1.0	15.6	8.7	5.8	31.1
	1963-64	0.7	11.8	7.5	6.4	26.4
	1964-65	0.7	13.0	9.9		
	1965-66	0.5	14.6			
	1966-67	0.6				
Poona	1962-63	1.7	19.2	7.6	5.5	34.0
	1963-64	1.1	18.2	8.6	4.4	32.3
	1964-65	1.5	18.8	8.0		
	1965-66	1.2	16.1			
	1966-67	1.0				
Nasik	1962-63	0.9	16.7	10.3	9.5	37.4
	1963-64	0.7	15.1	12.4	9.1	37.3
	1964-65	0.7	18.3	14.1		
	1965-66	0.6	20.9			
	1966-67	1.0				
Satara	1962-63	1.6	21.0	10.6	5.6	38.8
	1963-64	1.0	21.6	10.6	6.2	39.4
	1964-65	1.3	19.6	9.5		
	1965-66	0.6	19.7			
	1966-67	1.3				
Wagpur	1962-63	1.0	17.0	8.9	5.9	32.8
	1963-64	1.2	16.2	9.7	5.9	33.0
	1964-65	1.4	17.5	10.2		
	1965-66	1.1	18.5			
	1966-67	1.0				

Annexure-7(A)
Q. IV(22)

DEPOSITS (PROPOSAL AND POLICIES) AS AT
31-3-1967.

369.

Name of the Office:	Amt.in thousands of Rs.
<u>NORTHERN ZONE:</u>	
Zonal Office, Delhi	4,97
Ajmer D.O.	38,52
Chandigarh D.O.	43,75
Delhi D.O.	60,21
Jullundur D.O.	30,51
<u>SOUTHERN ZONE:</u>	
Zonal Office, Madras	3,07
Bangalore Divisional Office	73,60
Coimbatore Divisional Office	23,60
Hyderabad Divisional Office	60,91
Madras Divisional Office	63,89
Madurai Divisional Office	22,90
Machilipatnam Divisional Office	52,93
Thanjavur Divisional Office.	14,13
Trivandrum Divisional Office.	93,85
Udipi D.O.	21,60
<u>EASTERN ZONE:</u>	
Zonal Office, Calcutta.	--
Asansol Divisional Office	57,44
Calcutta Divisional Office	2,07,11
Cuttack Divisional Office.	44,29
Gauhati Divisional Office.	82,49
Jalpaiguri Divisional Office	23,92
Jamshedpur Divisional Office	33,03
Patna Divisional Office	60,98
Muzaffarpur Divisional Office.	38,37
<u>WESTERN ZONE:</u>	
Zonal Office, Bombay	1,26
Ahmedabad Divisional Office	27,54
Bombay Divisional Office	86,37
Nagpur Divisional Office.	50,14
Nasik Divisional Office	12,86
Poona Divisional Office	24,25
Rajkot Divisional Office	8,85
Satara Divisional Office	23,74
Surat Divisional Office.	10,31
<u>CENTRAL ZONE:</u>	
Zonal Office, Kanpur	2
Agra Divisional Office.	20,40
Indore Divisional Office	39,55
Jabalpur Divisional Office	46,01
Kanpur Divisional Office	36,69
Lucknow Divisional Office	38,14
Meerut Divisional Office	26,69
Varanasi Divisional Office.	38,35

OTHER EXPENSES OF MANAGEMENT -

EXPRESSED AS PERCENTAGE TO PREMIUM

	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>
	<u>%</u>	<u>%</u>	<u>%</u>
1. Salaries including Allowances, P.F.contribution, overtime, etc. to Administrative Staff - Class I	1.93	1.84	1.76
Class III	7.51	7.80	7.89
Class IV	0.86	0.83	0.92
2. Transfer to Oriental Pension Fund	-	-	0.25
3. Bonus	0.65	0.62	0.72
4. Gratuity	0.18	0.23	0.24
5. Law Charges	0.05	0.04	0.04
6. Receipt stamps	0.08	0.08	0.07
7. Bank Charges	0.07	0.07	0.06
8. Printing & Stationery	0.53	0.48	0.46
9. Postage, telegrams, M.O. - commission.	0.56	0.49	0.46
10. Telephone charges	0.11	0.11	0.13
11. Electricity charges	0.09	0.09	0.09
12. Tabulating machines, rental and maintenance.	0.33	0.35	0.38
13. General charges	0.29	0.43	0.45
14. Auditor's remuneration	0.02	0.02	0.02
15. Directors' Fees.	--	--	--
16. Rents of offices belonging to and) occupied by the Corporation.	0.38	0.38	0.37
17. Rents of other offices occupied) by the Corporation.	0.18	0.17	0.16
18. Depreciation on furniture &) Machinery, etc.	0.28	0.27	0.29
19. Buildings Deptt. Revenue expenditure.	<u>0.07</u>	<u>0.09</u>	<u>0.11</u>
TOTAL:	<u>14.17</u>	<u>14.44</u>	<u>14.87</u>
<u>Less</u>			
Incidence of Zonal Office	1.46	1.62	1.71
Incidence of Central Office	<u>1.10</u>	<u>0.79</u>	<u>1.05</u>
EXPENSES PERTAINING TO D.O.	<u>11.61</u>	<u>12.03</u>	<u>12.11</u>

LIFE INSURANCE CORPORATION OF INDIA

ANNEXURE-10
Q.No.7(2)
Appendix K
373.

Premium Income and Expenses

(Amounts in thousands of Rupees)

PREMIUM INCOME :

- First Year Premium
- Renewal Premium
- Single Premium
- Consideration for Annuities granted.

1964-65

1965-66

1966-67

27,40,87
1,31,09,52
1,06,25
69,63
<u>1,62,25,27</u>

31,35,82
1,46,27,27
27,25
1,81,19
<u>1,72,76,22</u>

32,03,32
1,62,64,17
57,44
1,71,22
<u>1,96,28,15</u>

Total:

EXPENSES OF MANAGEMENT :

- (A) First Year's Commission.
Bonus Commission to Development Officers.

8,62,56
23,64
<u>8,86,20</u>

7,07,22
25,50
<u>7,35,42</u>

7,40,50
23,01
<u>7,63,51</u>

Total:

- (B) Salaries (including all allowances, P.F. Contributions, etc. of Development Officers)
Conveyance Allowances to Dev. Officers & others.
Travelling Expenses of Development Officers & others.
Medical Fees
Advertisement
Policy Stamps
Motor Car Expenses

3,65,03
1,27,37
65,21
25,73
28,24
28,73
18,15
<u>7,31,13</u>

4,22,03
1,34,01
63,35
1,02,42
24,87
32,23
21,73
<u>8,05,67</u>

4,83,11
1,36,79
75,25
92,14
24,71
30,77
23,13
<u>8,71,11</u>

Total:

TOTAL - (A+B):

16,17,33

17,41,09

18,34,62

- (C) Renewal Commission
Compensation to Special & Chief Agents

5,74,84
3,26
<u>5,78,10</u>

6,41,37
2,57
<u>6,44,43</u>

7,30,05
68
<u>7,30,73</u>

Total:

- (D) Salaries (including Allowances, P.F. Contributions, Overtime, etc., to Administrative Staff) Class I
Class III
Class IV

3,10,41
12,05,67
1,37,51

3,26,37
13,35,83
1,57,14

3,43,31
15,35,49
1,78,18

- Transfer to Oriental Pension Fund
- Bonus
- Gratuity
- Law Charges
- Receipt Stamps
- Bank Charges
- Printing and Stationery
- Postage, Telegrams & Money Order Commission
- Telephone Charges
- Electricity Charges
- Tabulating Machines - Rental & Maintenance
- General Charges.
- Auditors' Remuneration
- Doctors' Fees
- Rents of Offices belonging to & occupied by the Corporation.
- Rents of Other Offices occupied by the Corporation.
- Depreciation on Furniture and Machinery etc.
- Buildings Department Revenue Expenditure

-
1,04,33
23,32
7,87
12,21
10,86
84,35
87,17
17,46
14,65
53,65
47,06
3,25
22
61,55
27,41
44,53
12,52
<u>22,74,42</u>

-
1,03,76
40,53
7,64
13,53
12,27
36,57
87,87
17,23
15,75
62,24
75,04
3,22
26
67,17
27,87
43,03
17,74
<u>25,67,26</u>

47,36
1,37,47
47,61
7,47
14,10
11,67
90,33
90,09
24,27
18,46
73,56
87,17
4,32
22
72,22
31,33
55,25
21,26
<u>23,25,66</u>

Total:

Total Expenses of Management (A+B+C+D):

44,62,22

47,52,63

54,61,21

Application of Section 27A to the L.I.C. as modified by
Notification dated 23rd August, 1958.

Annexure - II
 Q.No.VI(3)

Appendix V

374.

	<u>December</u> <u>1953</u>	%	<u>December</u> <u>1961</u>	%	<u>March</u> <u>1965</u>	%	<u>March</u> <u>1966</u>	%	<u>March</u> <u>1967.</u>
Controlled Fund:	<u>5,05,53</u>		<u>6,96,15</u>		<u>9,85,04</u>		<u>10,96,58</u>		<u>12,16.44</u>
Government and Other approved Securities:	2,93.31	58.0	4,00.28	57.5	5,26.83	53.5	5,74.47	52.4	6,15.89 50.6
Other Investments:	<u>1,70.25</u>	33.6	<u>2,29.02</u>	32.9	<u>4,02.85</u>	40.9	<u>4,62.23</u>	42.2	<u>5,27.20</u> 43.4
	<u>4,63.56</u>	91.6	<u>6,29.30</u>	90.4	<u>9,29.68</u>	93.4	<u>10,36.70</u>	94.6	<u>11,43.09</u> 94.0

The balance is represented by other assets not of the
 nature of Investments.

Application of Section 27A to the L.I.C. as modified by
Notification dated 23rd August, 1958.

	December <u>1953</u>	%	December <u>1961</u>	%	March <u>1965</u>	%	March <u>1966</u>	%	March <u>1967</u>
Controlled Fund:	<u>5,05,53</u>		<u>6,96,15</u>		<u>9,85,04</u>		<u>10,96,58</u>		<u>12,16,44</u>
Government and Other approved Securities:	2,93.31	58.0	4,00.28	57.5	5,26.83	53.5	5,74.47	52.4	6,15.89 50.6
Other Investments:	<u>1,70.25</u>	33.6	<u>2,29.02</u>	32.9	<u>4,02.85</u>	40.9	<u>4,62.23</u>	42.2	<u>5,27.20</u> 43.4
	<u>4,63.56</u>	91.6	<u>6,29.30</u>	90.4	<u>9,29.68</u>	93.4	<u>10,36.70</u>	94.6	<u>11,43.09</u> 94.0

The balance is represented by other assets not of the
nature of Investments.

Annexure - III
Q.No.VI(6)

375.

Yield earned by the Average Book Value of
Investments of the L.I.C.

	<u>1961-63</u> %	<u>1963-64</u> %	<u>1964-65</u> %	<u>1965-66</u> %	<u>1966-67</u> %
1. Central Govt. Securities:	3.70	3.96	4.02	4.14	4.30
2. State Govt. Securities:	4.56	4.56	4.76	4.82	4.79
3. Shares of Statutory Corporations:	2.63	3.72	3.30	3.33	3.38
4. Other Approved Securities:	4.34	4.26	4.57	4.61	4.85
5. Loans and Deposits - guaranteed by Government:	-	4.89	5.21	5.29	5.64
6. Loans to Electricity Boards:	-	-	6.50	6.50	6.89
7. Loans to Companies:	-	-	-	7.14	7.65
8. Contribution to the Initial Capital of Unit Trust of India:	-	-	-	3.00	4.25
9. Debentures:	5.70	6.06	6.12	6.38	6.67
10. Preference Shares:	6.23	6.54	6.50	6.56	6.93
11. Ordinary Shares:	6.59	6.62	7.20	7.35	6.98

Annexure-IV
Q.No.VI (7-a)

373.

Activities of the Buildings Department

On 1st September 1956, when the Life Insurance Corporation came into existence, immovable properties numbering 541, both in India and abroad, valued at Rs.19.27 crores came into its hands from the erstwhile insurers. A few buildings which were under construction at different places required to be completed. For housing the Corporation's own Divisional, Branch and other offices which had to be set up in smaller cities and towns where the erstwhile insurers had no offices in the past, buildings had to be constructed. In order to meet these demands, a full fledged Buildings Department was set-up.

2. Since the setting up of the Buildings Department, the following new offices, Investment buildings and Staff quarters valued at Rs.973.42 lakhs have been completed.

Description of buildings	Cost Rs. in lakhs
i) New Central Office buildings, Yegakshema.	119.38
(ii) 4 New Zonal Office buildings or extensions to existing ones.	139.74
iii) 21 Divisional Office buildings or extensions to existing ones.	278.40
iv) 24 Branch Office buildings or extensions to existing ones.	66.24
v) 8 Investment buildings.	248.30
vi) Staff Quarters.	119.80
vii) Miscellaneous.	11.56
	973.42

for details please
see Annexure.

3. The following buildings estimated to cost Rs.370.51 lakhs are at present in various stages of construction:-

Buildings for our Divisional Offices. or additions to existing ones at	Estimates cost Rs. in lakhs.
SOUTHERN ZONE	
1. Thanjavur Phase II	9.70
2. Trivandrum.	67.10

NORTHERN ZONE

NIL

.. CENTRAL ZONE

3.	Jabalpur	35.77
4.	Kanpur Phase II-B	13.38
5.	Meerut Phase II	12.65

EASTERN ZONE

6.	Gauhati	34.99
7.	Calcutta (E.D.P.)	14.15
8.	Jalpaiguri	28.26

WESTERN ZONE

9.	Satara	4.17
10.	Surat Phase I	<u>25.17</u>
		<u>245.34</u>

Buildings for our Branch
Offices at _____SOUTHERN ZONE

1.	Erode	2.34
2.	Gulburga	2.09
3.	Davangere	1.99
4.	Pallyamcottai	2.52

NORTHERN ZONE

Nil.

CENTRAL ZONE

Nil.

EASTERN ZONE

5.	Durgapur	5.51
----	----------	------

WESTERN ZONE

6.	Kolhapur	3.43
7.	Halegaon	1.75
8.	Akola	2.21

21.84

Annexure-IV
Q.No.VI(7a) (contd.)

378.

INVESTMENT BUILDING:Estimated cost
Rs. in lakhs

1. Rite Continental, Calcutta

67.00
67.00STAFF QUARTERS:

1. Bandra, Bombay

20.72

2. Bopodi, Poona

15.61
36.33

4. In addition, the undermentioned projects estimated to cost Rs.1,956.23 lakhs are in various stages of planning or are expected to be taken up for planning.

DIVISIONAL OFFICE BUILDINGS.Fig. Rs. in lakhs

1. Masulipatnam (Link building)

3.83

2. Madurai

45.00

3. Masulipatnam (Addl. building)

20.00

4. Hyderabad Divl. Office (Extension)

30.60

5. Jullundur (Extension)

20.00

6. 25, Curzon Road, Delhi.

230.71

7. Phase (II) C Kanpur.

25.00

8. Lucknow (Annexe)

15.00

9. Jamshedpur (Addl. floor)

6.29

10. Calcutta.

350.00

11. Masulipatnam

0.00

12. Patna

13. Vile

14. AMK

	NORTHERN ZONE	
		NIL
1.	CENTRAL ZONE	
3.	Jabalpur	35.77
4.	Kanpur Phase II-B	13.38
5.	Meerut Phase II	12.65
	<u>EASTERN ZONE</u>	
6.	Gauhati	34.99
7.	Calcutta (E.D.P.)	14.15
8.	Jalpaiguri	28.26
	<u>WESTERN ZONE</u>	
9.	Satara	4.17
10.	Surat Phase I	<u>25.17</u>
		<u>245.34</u>
	Buildings for our Branch Offices at _____	
	<u>SOUTHERN ZONE</u>	
1.	Erode	2.34
2.	Gulburga	2.09
3.	Davangere	1.99
4.	Pallyamcottai	2.52
	<u>NORTHERN ZONE</u>	
		Nil.
	<u>CENTRAL ZONE</u>	
		Nil.
	<u>EASTERN ZONE</u>	
5.	Durgapur	5.51
	<u>WESTERN ZONE</u>	
6.	Kolhapur	3.43
7.	Halegaon	1.75
8.	Akola	2.21
		<u>21.84</u>

INVESTMENT BUILDING:Estimated cost
Rs. in lakhs

1. Rite Continental, Calcutta

67.00

67.00STAFF QUARTERS:

1. Bandra, Bombay

20.72

2. Bopodi, Poona

15.6136.33

4. In addition, the undermentioned projects estimated to cost Rs. 1,956.23 lakhs are in various stages of planning or are expected to be taken up for planning.

DIVISIONAL OFFICE BUILDINGS.

Fig. Rs. in lakhs

1. Masulipatnam (Link building)

3.83

2. Madurai

45.00

3. Masulipatnam (Addl. building)

20.00

4. Hyderabad Divl. Office (Extension)

30.60

5. Jullundur (Extension)

20.00

6. 25, Curzon Road, Delhi.

230.71

7. Phase (II) C Kanpur.

25.00

8. Lucknow (Annexe)

15.00

9. Jamshedpur (Addl. floor)

6.29

10. Calcutta.

350.00

11. Masulipatnam

9.00

12. Patna

41.84

13. Vile Parle (Extension)

50.00

14. Ahmedabad.

80.00927.27BRANCH OFFICE BUILDINGS:

II. 1. Cannanore.

2.68

2. Cochin

2.50

3. Ootacamund

3.00

4. Vellore

2.50

5. Udaipur (partly investment)

7.73

6. Kotah

3.00

7. Bhopal

2.44

8. Jhansi

2.44

9. Chaziabad

2.44

Contd. B.O. Bldgs.

10. Sangor	
11. Sindri	.....
12. Cuttack	3.88
13. Ranchi	4.00
14. Yeotmal	2.21
15. Wardha	2.07
16. Ratnagiri	2.50
17. Anand	2.39
18. Porbunder	3.02
19. Bulsar	1.80
20. Pen	1.00
	<hr/>
Total:	56.64

STAFF QUARTERS:

III.1. Vile Parle - Phase III	21.98
2. Shivaji Nagar (Poona)	1.75
3. Raiya Road, Rajkot.	2.02
4. Surat - Phase - II	5.00
5. Forjett Hill, Bombay	10.00
6. Borivli, Bombay	200.00
7. Peder Road, Bombay	10.00
8. 'J' Block, Alipur (Calcutta)	5.60
9. Asansol	20.00
10. Durgapur	8.08
11. Sindri	2.10
12. Cuttack	5.68
13. Gauhati	3.40
14. Baghajatin Road, Calcutta.	3.00
15. Shop-cum-Staff Quarters, Jamshedpur	5.60
16. Behala, Calcutta.	6.04
17. Khoti Property (Phase II)	3.74
18. Pudur (Kodambakkam), Madras.	12.00
	<hr/>
	325.89

INVESTMENT BUILDINGS

IV. 1. 16, Chittaranjan Avenue, Calcutta.	57.00
2. 8, Lord Sinha Road, Calcutta.	60.00
3. National Indian Plot, New Delhi.	9.43
4. New India Complex, Delhi (Tentative)	500.00
5. Bombay Life Plot, Lucknow.	20.00
	<hr/>
	646.43

5. A tentative programme for construction of quarters for all categories of our staff all over the country during the next 5 years in places where sites are available with us and where there is likely to be a demand for such quarters. was drawn up and placed before the Buildings Committee at its meeting held in December, 1966. It is estimated that the construction of these may cost about Rs.6.00 crores.
6. Among the unremunerative properties numbering 80 with a book value of about Rs.88 lakhs, which are still remaining with us, according to a review made by the Corporation recently, 13 with a book value of about Rs.27 lakhs are useful by virtue of their location, soundness of construction, scope for future development, etc. The remaining properties are proposed to be disposed of at as best a price as possible by inviting competitive quotations.
7. Early in 1959, a separate Budget for the Buildings Department was prepared for the first time. The Services & Budget Committee, which scrutinised the Budget, suggested that, before presenting the Budget to the Board, it would be desirable to decide upon the apportionment of the Department's expenditure between the Capital Account and Revenue Account. A conference was, therefore, held with the Controller of Insurance in June 1959 and a ruling was obtained from him on the apportionment of the expenditure between the two accounts. The ruling given by the Controller has been followed since then.
8. The Engineers in the department have also been tendering advice in regard to the suitability or otherwise of the properties proposed to be mortgaged to the Corporation by the borrowers and also conducting the valuation. Moreover, on introduction of the "Own Your Home" Scheme, the responsibility for valuation of the properties constructed and for determining the amounts to be advanced at different stages, has to a large extent, developed on the employees of the department.

Contd. B.O. Bldgs.

10. Sangor	
11. Sindri	5.00
12. Cuttack	3.88
13. Ranchi	4.00
14. Yeotmal	2.21
15. Wardha	2.07
16. Ratnagiri	2.50
17. Anand	2.39
18. Porbunder	3.02
19. Bulsar	1.80
20. Pen	<u>1.00</u>
Total:	<u>56.64</u>

STAFF QUARTERS:

III.1. Vile Parle - Phase III	21.98
2. Shivaji Nagar (Poona)	1.75
3. Raiya Road, Rajkot.	2.02
4. Surat - Phase - II	5.00
5. Forjett Hill, Bombay	10.00
6. Borivli, Bombay	200.00
7. Peder Road, Bombay	10.00
8. 'J' Block, Alipur (Calcutta)	5.60
9. Asansol	20.00
10. Durgapur	8.08
11. Sindri	2.10
12. Cuttack	5.68
13. Gauhati	3.40
14. Baghajatin Road, Calcutta.	3.00
15. Shop-cum-Staff Quarters, Jamshedpur	5.60
16. Behala, Calcutta.	6.04
17. Khoti Property (Phase II)	3.74
18. Pudur (Kodambakkam), Madras.	<u>12.00</u>
	<u>325.89</u>

INVESTMENT BUILDINGS

IV. 1. 16, Chittaranjan Avenue, Calcutta.	57.00
2. 8, Lord Sinha Road, Calcutta.	60.00
3. National Indian Plot, New Delhi.	9.43
4. New India Complex, Delhi (Tentative)	500.00
5. Bombay Life Plot, Lucknow.	<u>20.00</u>
	<u>646.43</u>

Annexure-IV
Q.NO.VI(7a) (contd.)

320.

5. A tentative programme for construction of quarters for all categories of our staff all over the country during the next 5 years in places where sites are available with us and where there is likely to be a demand for such quarters, was drawn up and placed before the Buildings Committee at its meeting held in December, 1966. It is estimated that the construction of these may cost about Rs.6.00 crores.

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8. The Engineers in the department have also been tendering advice in regard to the suitability or otherwise of the properties proposed to be mortgaged to the Corporation by the borrowers and also conducting the valuation. Moreover, on introduction of the "Own Your Home" Scheme, the responsibility for valuation of the properties constructed and for determining the amounts to be advanced at different stages, has to a large extent, devolved on the employees of the department.

Annexure - IV
Q.NO.VI(7-a) (contd.)

Details of buildings completed since nationalisation.

<u>Sr.No.</u>	<u>Name of Project</u>	<u>Location</u>	<u>Cost Rs.in lakhs</u>
I	1. New Central Office Building 'Yogakshema'	Bombay	<u>119.38</u> <u>119.38</u>
II.	<u>ZONAL OFFICES</u>		
	1. LIC Building	Madras	78.57
	2. Universal Building	New Delhi	4.52
	3. LIC Building	Kanpur	14.23
	4. Hindusthan Annexe	Calcutta	<u>42.42</u> <u>139.74</u>
III.	<u>DIVISIONAL OFFICE BUILDINGS AND ADDITIONS THERETO:</u>		
	1. Divisional Office Building	Udipi	7.88
	2. Divisional Office Building	Bangalore	18.65
	3. Divisional Office Building	Hyderabad	16.72
	4. Divisional Office Building	Thanjavur	7.38
	5. Divisional Office Building	Ajmer	15.34
	6. Divisional Office Building	Jullundur	12.95
	7. Oriental Annexe	Chandigarh	11.60
	8. Oriental Annexe, Janpath	New Delhi	5.20
	9. Asian Building	New Delhi	10.32
	10. Extension to Divl. Office	Ajmer	4.47
	11. Divisional Office Building	Indore	16.56
	12. Divisional Office Building	Lucknow	9.78
	13. Divisional Office Building	Varanasi	14.88
	14. Divisional Office Building	Meerut (Phase I)	4.72
	15. Divisional Office Building	Asansol	14.19
	16. Divisional Office Building	Cuttack	15.73
	17. Divisional Office Building	Ahmedabad	7.30
	18. Divisional Office Building	Poona	12.32
	19. Divisional Office Building	Nasik	2.29
	20. Jeevan Bharati	Nairobi	34.00
	21. Divisional Office Building	Rajkot	18.57
	22. Temporary shed	Surat	0.15
	23. Caretaker's quarters	Madras	1.07
	24. Semi-permanent structure	Asansol	0.49
	25. Additions to Divl. Office bldg.	Coimbatore	5.06
	26. Additions to Office Bldg.	Madras	0.37
	27. Lavatory Block	Machilipatnam	0.33
	28. Additions to D.O. Bldg.	Machilipatnam	0.79
	29. Additions to D.O. Bldg.	Bangalore	0.97
	30. Additions to D.O. Bldg.	Madurai	0.19
	31. Additions to D.O. Bldg.	Lucknow	4.92
	32. Additions to D.O. Bldg.	Gauhati	0.90
	33. Additions to D.O. Bldg.	Nagpur	0.82
	34. Record Block at Hindustan Ideal site.	Masulipatnam	<u>1.86</u>
		Total:	<u>278.40</u>

ANNEXURE - IV
Q.No.VI(7a) (contd.)

Sr.No.	Name of Project	Location	Cost Rs.in lakhs
IV. BRANCH OFFICE BUILDINGS AND ADDITIONS THERE TO:			
1.	Branch Office Building	Madras	0.81
2.	Branch Office Building	Hubli	3.45
3.	Branch Office Building	Karur	1.93
4.	Branch Office Building	Tuticorin	2.97
5.	Branch Office Building	Bellary	1.88
6.	Branch Office Building	Palghat	2.06
7.	Branch Office Building	Belgaum	2.43
8.	Branch Office Building	Kakinada	2.52
9.	Branch Office Building	Bhilwara	2.57
10.	Branch Office Building	Hoshiarpur	2.57
11.	Branch Office Building	Raipur	2.50
12.	Branch Office Building	Lucknow	2.90
13.	Branch Office Building	Secni	2.63
14.	Branch Office Building	Jamshedpur	2.60
15.	Branch Office Building	Bhubaneswar	1.52
16.	Branch Office Building	Surat	4.00
17.	Branch Office Building	Aurangabad	1.72
18.	Branch Office Building	Bhavnagar	3.75
19.	Branch Office Building	Enilai	3.27
20.	Branch Office Building	Burdwan	3.25
21.	Branch Office Building	Cooch-Bihar	3.14
22.	Branch Office Building	Rourkela	4.73
23.	Branch Office Building	Rajamundry	2.11
24.	Additions to B.O.Bldg.	Dindigul	0.29
25.	Additions to B.O.Bldg.	Gauhati	1.05
26.	Additions to B.O.Bldg.	Patna	0.50
			<u>66.24</u>

V. INVESTMENT BUILDINGS

1.	Jeevan Vihar	New Delhi	42.52
2.	New India Building	Chandigarh	17.34
3.	Consortium 'Jeevan Deep'	Calcutta	148.01
4.	Shop-cum-office Bldg. Narayan Peth	Poona	9.92
5.	Bombay Mutual Chambers	Bombay	12.00
6.	Building at 75, Apollo St.	Bombay	10.43
7.	Shop-cum-office bldg.	Nagpur	4.10
8.	Business-cum-commercial bldg.	Gauhati	3.23
		Total:	<u>248.30</u>

VI. MISCELLANEOUS

1.	Training Centre	Bombay	11.56
			<u>11.56</u>

VII. STAFF QUARTERS:

1.	Jeevan Vikas	Vile Parle	7.92
2.	Staff quarters(Phase I)	Vile Parle	8.33
3.	Staff quarters (Phase II)	Vile Parle	34.45
4.	Staff quarters & B.O.	Chembur	2.60
5.	Staff quarters	Nairobi	12.50
6.	Staff quarters	Calcutta.	3.38

contd.....

Annexure - IV
Q.NO.VI(7a) (contd...)

Staff Quarters (contd.)

<u>Sr.No.</u>	<u>Name of Project</u>	<u>Location</u>	<u>Cost Rs.in lakhs</u>
7.	Staff Quarters(PhaseI)	Chandigarh	4.25
8.	Staff Quarters (Phase II)	Chandigarh	12.33
9.	Staff Quarters	Ahmedabad	1.45
10.	Addl.floor to Belvedere Court & Oval View	Bombay	2.40
11.	Staff Quarters on Khoti Property Phase I	Calcutta	2.93
12.	Staff Quarters,GiriRd., Madras	Madras	2.45
13.	Staff Quarters	Bilai	5.31
14.	Borivli	Bombay	1.57
15.	Staff Quarters	Surat	1.78
16.	Staff Quarters	Rourkela	6.13.
			<u>109.80</u>

DETAILS OF BUILDINGS EXPENDITURE & SET OFF
THERE TO DURING THE PERIOD FROM 1960 TO
1966-67.

Year	Buildings Department Expenses	Cost of works change- able.	Set off allow- ed.	Balance transferred to Revenue A/c of Corpn.	Remarks.
		<u>R u p e e s</u>	<u>I n</u>	<u>L a k h s</u>	
1960	9.67	72.83	3.29	6.38	
1961	10.42	106.09	5.22	5.20	
1962/63 (15 months)	15.32	113.02	5.64	9.68	
1963/64	14.88	128.34	6.58	8.30	
1964/65	18.87	134.42	7.13	11.74	
1965/66	24.91	153.64	6.17	18.74	
1966/67	28.73	164.16	7.68	21.05	

COMPARATIVE DETAILS OF HOUSE PROPERTY INCOME.

Appendix V
Annexure-VI
Q.NO.VI(7)(b) 385.

Year	Total Value of Property (in Crores)	Cross rent on properties other than self-occupied (in lakhs)	Imputed Rent in lakhs in all self-occupied buildings.	Total Gross Rent in lakhs (sum of 3 plus 4)	Total Gross Rent in lakhs (Sum of 3 plus 4)	Less total of H.P. Expenses (in lakhs)	Net Yield in lakhs (5 minus 6)	Percentage of net yield.
(1)	(2)	(3)	(3)	(4)	(5)	(6)	(7)	(8)
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
1. 1958	22.18	114.53	34.93	139.26	52.99	86.47	3.89%	
2. 1959	23.15	122.26	24.89	155.15	60.73	94.42	4.07%	
3. 1960	26.47	144.87	35.83	180.80	60.96	119.82	4.52%	
4. 1961	27.87	151.63	38.40	190.28	68.47	121.81	4.37%	
5. 1962/63 (15month)	28.99	201.14	52.65	253.79	93.22	159.97	4.41%	
				263.03*	75.06*	127.97*		
6. 1963/64	30.13	191.58	48.45	240.03	82.48	157.56	5.22%	
7. 1964/65	31.76	188.77	51.61	251.38	105.86	145.72	4.58%	
8. 1965/66	32.84	203.10	67.49	270.59	102.10	168.49	5.13%	
9. 1966/67	34.65	216.38	72.46	283.84	107.16	181.68	5.24%	

* Average for 12 months.

SCALE OF FEES TO BE PAID TO THE LEGAL ADVISERS:

Under Property Mortgage Scheme:

Under 'Own Your Home' Scheme

<u>Amount of loan</u> Rs.	<u>Fees</u> Rs.	<u>Amount of Loan.</u>	<u>Fees</u> Rs.
25,000/-	150/-	For a loan of Rs.7,500/-	115/-
50,000/-	200/-	For a loan exceeding Rs.7,500/- but	
75,000/-	250/-	upto Rs.10,000/-	120/-
1,00,000/-	300/-	For a loan exceeding Rs.10,000/- but	
1,25,000/-	345/-	upto Rs.15,000/-	130/-
1,50,000/-	390/-	For a loan exceeding Rs.15,000/- but	
1,75,000/-	435/-	upto Rs.20,000/-	140/-
2,00,000/-	475/-	For a loan exceeding Rs.20,000/- but	
2,25,000/-	520/-	upto Rs.25,000/-	150/-
2,50,000/-	565/-	For a loan exceeding Rs.25,000/- but	
2,75,000/-	610/-	upto Rs.30,000/-	200/-
3,00,000/-	650/-	For a loan exceeding Rs.30,000/- but	
3,25,000/-	695/-	upto Rs.35,000/-	250/- (if this
3,50,000/-	740/-	For a loan exceeding Rs.35,000/- but	is not accepta-
3,75,000/-	785/-	upto Rs.40,000/-	ble a sum upto
4,00,000/-	825/-	For a loan exceeding Rs.40,000/- but	Rs.350/- may
4,25,000/-	870/-	upto Rs.45,000/-	be paid).
4,50,000/-	915/-	For a loan exceeding Rs.45,000/- but	
4,75,000/-	960/-	upto Rs.50,000/-	300/- (if this
5,00,000/-	1000/-	For a loan exceeding Rs.50,000/- but	is not accept-
		upto Rs.55,000/-	able a sum of
			Rs.450/- may
			be paid).

SCALE OF FEES TO BE PAID TO THE LEGAL ADVISERS

Under Property Mortgage Scheme

Under 'Own Your Home' Scheme

<u>Amount of loan</u> Rs.	<u>1984</u> Rs.	<u>Amount of Loan.</u>	<u>Fees</u> Rs.
25,000/-	150/-	For a loan of Rs.7,500/-	115/-
50,000/-	200/-	For a loan exceeding Rs.7,500/- but	
75,000/-	250/-	upto Rs.10,000/-	120/-
1,00,000/-	300/-	For a loan exceeding Rs.10,000/- but	
1,25,000/-	345/-	upto Rs.15,000/-	130/-
1,50,000/-	390/-	For a loan exceeding Rs.15,000/- but	
1,75,000/-	435/-	upto Rs.20,000/-	140/-
2,00,000/-	475/-	For a loan exceeding Rs.20,000/- but	
2,25,000/-	520/-	upto Rs.25,000/-	150/-
2,50,000/-	565/-	For a loan exceeding Rs.25,000/- but	
2,75,000/-	610/-	upto Rs.50,000/-	200/-
3,00,000/-	650/-	For a loan exceeding Rs.50,000/- but	
3,25,000/-	695/-	upto Rs.75,000/-	250/- (if this
3,50,000/-	740/-		is not accepta-
3,75,000/-	785/-		ble a sum upto
4,00,000/-	825/-		Rs.350/- may
4,25,000/-	870/-		be paid).
4,50,000/-	915/-		
4,75,000/-	960/-		
5,00,000/-	1000/-		
		For a loan exceeding Rs.75,000/- but	
		upto Rs.1,00,000/-	300/- (if this
			is not accept-
			able a sum of
			Rs.450/- may
			be paid).

TABLE OF FEES TO BE PAID TO PANEL VALUERS

Under Property Mortgage Scheme

Under 'Own Your Home' Scheme

<u>Value of Property</u>	<u>Fees</u> Rs.	<u>Value of Property</u>	<u>Fees</u> Rs.	<u>Remarks</u>
Upto Rs.50,000/-	150/-	Upto Rs.50,000/-	150/-	
Rs.50,001/- to Rs.1,00,000/-	250/-	Rs.50,001/- to Rs.1,00,000/-	250/-	
Rs.1,00,001/- to Rs.2,00,000/-	375/-	Over Rs.1,00,000/-	375/-	
Rs.2,00,001/- to Rs.3,00,000/-	500/-			up to 28-2-62
Rs.3,00,001/- to Rs.4,00,000/-	625/-			
Rs.4,00,001/- to Rs.5,00,000/-	750/-			
Rs.5,00,001/- to Rs.10,00,000/-	1,000/-			From 1-3-62
Above Rs.10,00,000/-	1,000/- + 1/10% of the value in excess of Rs.10,00,000/-			

(Subject to a minimum of Rs.250/-)

ers

er Remarks

Up to 31-8-62
 Up to 31-3-62
 Up to 31-8-62
 Up to 31-8-62
 From 1-9-62
 From 1-9-62
 From 1-9-62
 From 1-9-62

COMPARATIVE STUDY OF PREMIUM RATES FOR SOME OF THE
LEADING COMPANIES IN U.K.

(WHOLE LIFE ASSURANCES ONLY)

(Figures in £. s. d.)

Source: Post Almanac

Premium rate per £ 100/- S.A.
Age : 40

Insurers	W I T H P R O F I T S					W I T H O U T P R O F I T S					Remarks
	56-57	61-62	62-63	63-64	64-65	56-57	61-62	62-63	63-64	64-65	
1. Commercial Union.	3-6-4	3-6-11	3-6-11	3- 5-11	3- 6-11	2-8-5	2-5- 0	2-3-0-	2- 3-0	2- 3- 0	up to 28-2-62
2. Eagle Star	3-2-2	3-2- 2	3-2- 2	3-19- 2	2-19- 2	2-7-1	2-3- 8	2-2-8	1-18- 1	1-18- 1	From 1-3-62
3. Legal & General	3-4-0	3-5- 8	3-5- 8	*	*	2-8-8	2-6- 4	2-4-4	*	2- 1-11	Up to 31-8-62
4. Norwich Union	3-5-1	3-4- 1	3-5- 4	3- 5- 4	3- 5- 4	2-7-5	2-3-10	2-1-3	2- 1- 3	2- 1- 3	Up to 31-3-62
5. Prudential	3-3-3	3-3- 3	2-19-0	2-19-0	2-19- 0	2-5-10	2-5- 4	2-0-0	2- 0- 0	1-18- 0	Up to 31-8-62

* Not available

Up to 31-8-62

From 1-9-62

From 1-9-62

From 1-9-62

Particulars of Investment Committee Members
(1-1-1962 to 31-3-1963)

<u>Name:</u>	<u>Whether</u> <u>Board Member</u>	<u>Remarks</u>
Shri P.A.Gopalkrishnan, Chairman	Yes	up to 28-2-62
Shri B.V.Kaul, Chairman.	Yes	From 1-3-62
Shri M.R.Mody	Yes	
Shri Amolakh Chand	Yes	
Shri D.V.Dast	No	Up to 31-8-62
Shri K.C.Maitra	No	Up to 31-3-62
Shri C.Ramasubban	No	Up to 31-8-62
Shri A.N. Shah	No	Up to 31-8-62
Shri Dhiren Mitra	No	From 1-9-62
Shri Vadilal L.Mehta	No	From 1-9-62
Shri N.V.Petigara	No	From 1-9-62
Shri B.Venkataratnam	Yes	From 1-9-62

Particulars of Investment Committee Members
(1-4-1963 to 31-3-1964)

Name	Whether Board Member	Remarks
Shri B.K.Kaul, Chairman	Yes	
Shri Amolakh Chand	Yes	Up to 10-11-63
Sir Dhiren Mitra	No	
Shri Vadilal L.Mehta	No	
Shri N.K.Petigara	No	
Shri N.R.Mody	Yes	
Shri B.Venkataratnam	Yes	
Shri ...M.M. Murugappa Chettiar	No	From 25-11-63

Annexure-VII(contd.)

Q.No.VIII(1)

331.

Particulars of Investment Committee Members
(1-4-1964 to 31-3-1965)

Name	Whether Board Member:	Remarks
Shri B.K.Kaul, Chairman.	Yes	Up to 28-2-65
Shri B.D. Pande, Chairman	Yes	From 1-3-65
Sir Dhiren Mitra	No	Up to 31-8-64
Shri Vadilal L.Mehta	No	Up to 31-8-64
Shri N.K.Petigara	No	Up to 31-8-64
Shri N.R. Mody	Yes	Up to 31-8-64
Shri B.Venkataratnam	Yes	Up to 31-8-64
Shri A.M.M.Murugapane Chairman	No	Up to 31-8-64
Smt. Raksha Saran	Yes	From 1-9-64
Raj Amarnath Agarwal	Yes	From 1-9-64
Shri Bhaskar Mitter	Yes	From 1-9-64
Shri V.K.Narasimhan	Yes	From 1-9-64
Prof.D.T.Lakdawala	Yes	From 1-9-64
Shri M.V.Rangachari	Yes	From 1-9-64

,

Particulars of Investment Committee Members

(1-4-1965 to 31-3-1966)

Name	Whether Board Member	Remarks
Shri B.D.Pande, Chairman	Yes	
Smt.Raksha Saran	Yes	
Rai Amarnath Agarwal	Yes	
Shri Bhaskar Mitter	Yes	
Shri V.K.Narasimhan	Yes	
Prof.D.T.Lakdawala	Yes	
Shri M.V.Rangachari	Yes	Up to 28-10-65
Shri B.N.Adarkar	Yes	From 30-11-65

.....

Particulars of Investment Committee Members

(1-4-1966 to 31-3-1967)

Name	Whether Board Member	Remarks
Shri B.D.Pande Chairman.	Yes	Up to 12-1-67
Shri M.R.Bhide, Chairman	Yes	From 12-1-67
Smt.Raksha Saran	Yes	Up to 31-8-66
Rai Amarnath Agarwal	Yes	Up to 31-8-66
Shri Bhaskar Mitter	Yes	
Shri V.K.Narasimhan	Yes	Up to 31-8-66
Prof. D.T.Lakdawala	Yes	
Shri B.N.Adarkar	Yes	Up to 31-8-66
Shri S.N. Desai	Yes	From 1-9-66
Shri N. Ramchand Rao	No	From 1-9-66
Dr.B.K.Madan	Yes	From 1-9-66 to 4-2-67
Shri B.T.Parekh	No	From 1-9-66
Shri A. Bakshi	Yes	From 4-2-67

Functions of the Zonal Advisory Boards

The Zonal Advisory Board shall be competent to discuss and review all matters of policy affecting the proper development of the life insurance business within the territorial limits of the Zone and make recommendations thereon. But only general lines of policy shall be discussed and it shall not be competent for the Zonal Advisory Board to review or discuss matters relating to any individual employee or policyholder of the Corporation.

Note: (1) The Corporation at its meeting held on 23rd August, 1965 decided that the functions of the Zonal Advisory Boards shall be as follows:

- (a) Consistent with the general policy of the Corporation, the Zonal Advisory Board will be consulted in all matters of policy affecting the policy holders or development of business in the Zone and decisions in respect thereof taken fully reflecting the advice tendered by the Zonal Advisory Board.
- (b) The Zonal Manager shall seek the advice of the Zonal Advisory Board among others in the matters listed below:
 - (i) Opening and closing of offices and up-grading or down-grading and territorial adjustments of the offices in the Zone.
 - (ii) Purchase of plots and construction of buildings for staff quarters, and/or office premises in the Zone.
 - (iii) Loans on mortgages under the OYH Scheme and ordinary mortgage loan scheme falling in the range to be specified.
 - (iv) Publicity activities.
- (c) The Zonal Advisory Board should also be informed of and its view sought on the following:
 - (i) New Business programme both Life and General
 - (ii) Progress of New Business (both life and general) in the Zone and its various Divisions and Branches.

- (iii) Statistics relating to:
 - (a) Claims by death and maturities.
 - (b) Complaints.
 - (iv) Progress of various mortgage schemes.
 - (v) Inspection reports of all the offices in the Zone.
 - (vi) Such other matters as may from time to time be considered appropriate.
- (d) In all cases referred to the Board the Zonal Manager would as far as possible act on the advice of the Board.

(2) Pursuant to the powers conferred on the Zonal Advisory Board by clause b(ii) above, the Buildings Committee at its meeting held on the 25th July 1966 resolved that the Zonal Managers shall seek and act on the advice of the Zonal Advisory Boards, within the sanctioned budget, in regard to proposals for construction of Branch Office buildings involving an expenditure not exceeding Rs.2,50,000/-, excluding the cost of land. This decision shall not apply to Branch Offices which include space for letting out.

(3) As regards the powers conferred by clause b (iii) above, it was decided at the meeting of the Executive Committee held on the 29th November 1965 that the Zonal Managers shall seek the advice of the Zonal Advisory Boards in respect of applications exceeding Rs.1,00,000/- but not exceeding Rs.2,50,000/- under the scheme for grant of loans on mortgage of immovable properties and sanction the loan if the Zonal Advisory Board also favours the sanction of the loan. If the Zonal Manager differs from the advice of the Zonal Advisory Board, then the case shall be referred to the Executive Committee for decision.

(4) At the meeting held on the 25th April 1966, the Executive Committee approved that the powers of the Zonal Advisory Board in respect of applications under the scheme for grant of loans on mortgage of immovable properties may be exercised by the Sub-Committees constituted by the Zonal Advisory Boards for the purpose.

Statement showing the new recruitment of staff, approximate additional annual cost of pay and allowances of the new staff, increases in sum assured, first year and renewal premium income for the years 1962-63 to 1966-67.

Annexure - 15
No. X(1)

396.
Appendix V

Year	New Recruitments.	Approximate additional annual cost of pay and allowances on new staff (crores of Rs.)	Percentage of additional cost of new staff on the total salary bill of the Corporation.	Sum assured of in force business.		Net increase in First year premium income.		Renewal premium income.		
				(Crores of Rs.).	Percentage	(Crores of Rs.)	Percentage increase.	(Crores of Rs.)	Percentage increase.	
1962-63*	Class I Class II Class III Class IV	73 1706 4703 1322 <u>7804</u>	0.04 0.153 0.25 0.13 <u>1.72</u>	2.5%	342	12.5%	1.47	6.4%	6.43	7.1%
1963-64	Class I Class II Class III Class IV	75 1049 2427 292 <u>3843</u>	0.05 0.33 0.43 0.13 <u>1.02</u>	5.0%	406	12.3%	4.32	17.6%	21.27	22.4%
1964-65	Class I Class II Class III Class IV	137 541 1525 375 <u>2578</u>	0.09 0.20 0.37 0.03 <u>0.72</u>	3.1%	307	13.6%	0.54	1.0%	14.08	12.7%
1965-66	Class I Class II Class III Class IV	63 213 1275 450 <u>2001</u>	0.04 0.09 0.32 0.03 <u>0.52</u>	2.0%	515	13.3%	1.05	6.6%	15.56	11.7%
1966-67	Class I Class II Class III Class IV	123 196 1026 457 <u>1802</u>	0.09 0.03 0.29 0.02 <u>0.55</u>	1.0%	342	7.8%	0.67	2.1*	16.55	11.2%

* The accounting period 1962-63 consisted of 15 months. However, the figures given herein are adjusted figures corresponding to the period of 12 months.

Note: The new recruitments shown in this statement include recruitments made to fill in replacement vacancies arising from retirements, deaths, promotions, resignations, etc., and do not therefore represent the net increase in staff.

PRESENT CADRE STRENGTH FORMULA
OF A.D.Ms AND A.Os IN DIVISIONS

Department Sanctioned strength

A. Divisions other than Bombay-Calcutta

NEW BUSINESS

New business expectation :

Rs. 11 crores or less

1 A.D.M. only

Above 11 crores

1 A.D.M. & 1 A.O.

(In Bangalore 2nd post of A.O. is allowed as a special case).

P. H. S.

Number of policies:

less than 1 lakh

1 A.O.
(A.D.M. (ND) to hold overall charge of PHS also).

between 1 & 2 lakhs

1 A.D.M. & 1 A.O.

over 2 lakhs

1 A.D.M. & 2 A.Os

(In Trivandrum, as a special case, one more A.D.M. is allowed for P.H.S. Department).

ACCOUNTS:

New business completion:

11 crores and above

1 A.D.M. only

less than 11 crores

1 A.O.

(In addition to A.D.M. (Accounts) a post of A.O. (Accounts) has been provided for Delhi and Gauhati Divisions).

ESTABLISHMENT

1 A.O. only

Annexure - 16 (contd)

Q.No. 7 (5/5)

398.

DEVELOPMENT

Delhi, Jullundur, Gauhati, Ajmer,
Chandigarh, Jabalpur, Coimbatore,
Hyderabad, Madras, Machlipatnam
and Udipi

2 A.D.Ms.

Other Divisions

1 A.D.M.

(For Ahmedabad Division a post of A.O. has been provided
in addition to A.D.M. (Development).

MACHINES

1 A.O. only

B. Bombay and Calcutta Divisions

New Business	2 A.D.Ms	3 A.Os.
P. H. S.	2 A.D.Ms	4 A.Os.
Accounts	1 A.D.M.	2 A.Os.
Establishment	1 A.D.M.	1 A.O.
Development	3 A.D.Ms	2 A.Os.
G & S		1 A.O. & 1 B.M.
Machines	1 A.D.M.	1 A.O.
General Insurance		1 A.O. (Bombay) 2 A.Os (Calcutta)

A.A.O./Supdt.

- of
- One A.A.O./Supdt. in each/the main depts.
 - two, if staff is 32 or over
 - addl. A.A.O./Supdt. for about 20 staff.

General Insurance Deptt.

Delhi	2 A.Os.
Bangalore & Ahmedabad	1 A.O.
Other Divisions	1 or more A.A.Os.

C.A.E. & Legal & Mortgages Deptt:Ajmer, Bangalore, Hyderabad, Ahmedabad
and Poona

1 A.O.

Other Divisions

1 or more A.A.Cs.

Admn. Training

Bombay D.O. only

1 A.O.

Present cadre strength of Sr.B.Ms., B.Ms. and A.B.Ms.(Dev)

Development Centre	1 A.B.M. (D) in-charge	No other staff
Sub Office	1 A.B.M. (D) in-charge	1 Superintendent.
Branch Office	1 Sr.S.M./B.M. in-charge.	
a) which completed a business of over 1.25 crores in the previous financial year	1 A.B.M.(D)	1 A.B.M.(A) if the staff is 25 or less.
b) which completed a business of over 2.50 crores in the previous financial year or with total strength of more than 25 Dev.Officers.	2 A.B.Ms.(D)	1 A.B.M.(A) and 1 Superintendent if the staff is more than 25.
c) Four crores and above (business during the last financial year) and having more than 30 Dev.Officers.	3 A.B.Ms(D)	

BASES FOR DETERMINING STAFF REQUIREMENTS

DIVISIONAL OFFICES

(1) New Business Department: One member of staff per 500 proposals to be received in 8 months of the year excluding April, December, January and March.

NOTE:

Staff provided to any Branch for underwriting non-medical proposals should be set off against the strength of the New Business Department of the Divisional Office.

(2) P.H.S.Department: One member of staff per 1800 policies to be serviced, plus an addition, in respect of Branches not having normal policy servicing functions, at the rate of one member of staff per 9000 policies (excluding S.S.S.Policies) pertaining to the concerned Branches. In applying this formula the actual number of policies may be increased by 30 per cent of the number of S.S.S. Policies.

NOTE:

The number of policies to be serviced is to be calculated as the number of policies in force at the beginning of the year plus new policies expected to be issued in the first 10 months of the year.

(3) Machine Department - A. Adrema Section.

(i) Embossing Operators: One Operator per 8,000 proposals to be received in the 8 months of the year excluding April, December, January and March plus one Operator per 25,000 mean number of policies in force for the year.

(ii) Printing Operators: One Operator per 11,000 proposals to be received in the 8 months of the year excluding April, December, January and March, plus one Operator per 75,000 mean number of policies in force.

(iii) One Assistant per 3 Embossing Operators.

B. Punch Card Section:

- (i) a) 1 Operator per machine in use other than interpreters, Reproducers and Collators.
- b) 1 Additional Operator per machine, if any, required to be used in two shifts.
- c) Plus leave reserve of 15 per cent.

(ii) Assistants and/or Record Clerks.

One Assistant or Record Clerk per 33,000 mean number of policies in force.

C. Statistical Section:

1 member of staff per 12,000 new policies to be issued in the 8 months other than April, December, January and March plus one assistant per 25,000 mean number of policies in force.

(4) Development Department:

1 member of staff per 28.00 criterion.

Criterion: Mean number of Development Officers at the beginning and end of the year, plus 12 times the number of Branch and Sub Offices plus .044 times mean number of Active Agents at end of previous year and at end of year in question.

(5) Accounts Department:

- i) 1.00 assistant per 6,800 policies serviced calculated as for P.H.S. Department.
- ii) 1 assistant per 25,000 collections in non-operating accounts.
- iii) 1 assistant per 6,500 mean number of agents in receipt of commission.
- iv) 1 assistant per 300 employees (Class I, III & IV) at the D.O.
- v) 1 assistant per 3.67 Branch & Sub Offices
- vi) 1 assistant per 800 P.A. Codes or 1 assistant per 75,000 S.S.S. Policies, whichever is less.
- vii) 1 Paying Cashier.
- viii) 1 Receiving Cashier.
- ix) a) 3 typists upto a strength of 50 Class III staff in the Department.
b) 1 additional typist for every 30 Class III staff in the Department in excess 50.
- x) a) 1 comptist minimum for each D.O.
b) 1 additional comptist for every 20 crores of new business in excess of 20 crores.

NOTE:

- (1) Staff to be reduced by 0.14 per 10000 policies if Renewal Commission bills are settled by Branches.

- (2) If any premium collection is done by this Department, additional staff at 1 assistant per 4200 policies in respect of which collection is made can be given.

in the xi) Stenographers One Stenographer for each Officer in the rank of A.O. or above plus one Stenographer for every two A.A.Os. or Supdts. who have considerable dictation work.

(6) Establishment Department:

One member of staff per 40 employees (excluding Development Officers) under the control of the Divisional Office, plus one member of staff for every 125 Class I Officers.

(7) General Insurance Department & Other Miscellaneous Sections:

The existing staff in the General Insurance Department and other miscellaneous sections as on 31-3-1965 may be continued, but for any additional staff required, the Divisional Manager should make out a case on the basis of work load. The Divisional Managers' Department may include staff at one member of staff per 2 lakh policies serviced for attending to the complaints work.

(8) Centralised Cash Collection Centre:

- i) 1 Cashier per 20,000 policies in respect of which Receipts are received from D.C.(and 1 H.Os)
- ii) 1 assistant per 4,200 policies in respect of which Receipts are received from D.O.(and 1 H.Os)
- iii) 1 assistant per 40 cashiers and assistants, with a minimum of 2, for Establishment work.
- iv) 1 typist (Bombay, Ahmedabad, Calcutta, Delhi and Madras will have 4,2,2,2 and 2 typists respectively).
- v) 1 comptist if the centre has more than 1 lakh policies. (Bombay centre will have 2 comptists).

(9) Branch Offices:

i) New Business Department:

1 assistant per 1600 proposals received in the year; additional weightage of .01 for non-medical proposals underwritten at B.C.

ii) P.H.S.Department: (If the Branch has normal policy servicing functions) 1 assistant per 10,000 Renewal Premium Receipts received in the year.

iii) Cash & Accounts Department:

1 assistant per 8000 proposals plus Renewal Receipts received in the year subject to a minimum of two.

iv) Establishment Department:

1 assistant (2 assistants to be provided where the number of proposals exceed 4500 annually).

v) Development Department:

2 Assistants where the no. of Dev. Officers is upto 20

For Offices

3 Assistants where the no. of Dev. Officers is 21 to 40.

at D.O.

Headquarters.

4 Assistants where the no. of Dev. Officers is over 40

1 assistant where the no. of Dev. Officers is upto 10

2 Assistants where the no. of Dev. Officers is 11 to 15

For Mofussil

Offices.

3 Assistants where the no. of Dev. Officers is 16 to 30

4 Assistants where the no. of Dev. Officer is over 30

vi) 2 typists + 1 typist (only if the Branch has normal policy servicing functions) + 1 typist (only if the no. of proposals received annually exceeds 5000); one of these can be a stencographer.

vii) 1 Record Clerk (if the Branch has normal policy servicing functions).

viii) 1 Section Head where the total clerical staff at the Branch Office is upto 20.

2 Section Heads if the total clerical staff at the Branch Office exceeds 20.

Statement showing the distribution of
Class III Staff in each department on
31.3.1967

CENTRAL OFFICE

Chairman's Department	2
Accounts Department	52
Machines Department	10
Actuarial Department	72
Development Department	29
E.D.F. Department	19
Integration Department	26
Investment Department	109
Organisation & Methods Department	9
Legal & Mortgage Department	33
Personnel Department	114
Publicity Department	41
Inspection Department	11
Buildings Department	107
General Insurance Department	106
	TOTAL
	739
Foreign Department	346
Officers' Training College, Nagpur	9
Internal Audit Departments	144
	GRAND TOTAL
	1,238

Statement showing the distribution of Class III staff in each department on 31.3.1967

ZONAL OFFICES

<u>Name of Department</u>	<u>Total</u>
Development Department	90
Publicity Department	38
Personnel & Establishment Department	401
Typing Pool	93
Steno Pool	23
Zonal Manager's Department	33
Estate, Equipment, Stationery & General Department.	54
Legal & Mortgages & OYH Scheme	170
Accounts Department	212
Centralised Claims Department	184
Hollerith & Adrema Department	309
Actuarial & Statistical Department	125
Integration Department	35
Engineering Department	153
Inspection Department	11
Central Underwriting Department	33
Complaints Department	8
General Insurance Department	9
Claims Investigation Department	5
IHO/IBO Units	3167
Centralised Cash Collection Centre	264
Miscellaneous	67
TOTAL	<u>5,484</u>

Statement showing the distribution of Class III employees in each department as on 31.3.1967.

DIVISIONAL OFFICES (In India)

<u>Name of the Department</u>	<u>Total</u>
New Business Department	1971
Policyholders servicing Department	5610
Development Department	989
Accounts Department	2028
Establishment Department	1103
Machines Department	2266
Salary Savings Scheme Department	112
Centralised Cash Collection Centre	681
Typing Pool	339
Administrative Training Department	3
Divisional Manager's Department	96
Legal & Mortgage & Own Your Home Scheme	122
Building Establishment Department	22
Pension & Group Scheme	60
IHO/IBO Units	795
General Insurance Department	528
Trainees & Temporary Staff	338
Miscellaneous	<u>79</u>
Total Class III Staff in the Divisional Offices.	<u>17,142</u>
Total Class III Staff in the Branches (in India)	<u>9,728</u>

Annexure - 19
Q.No. KA (6-b)

407.
Appendix V

Staff Agents - New Business Data
(Period 1-4-1966 to 31-3-1967)

(Figures of Sum Proposed
& Sum Assured are in
thousands of rupees).

ZONE	S T A F F			A G E N T S	
	No. of Agents	No. of Proposals	Sum Proposed Rs.	No. of Policies	Sum Assured Rs.
NORTHERN	530	5047	26477	4769	24875
CENTRAL	753	8389	39552	8026	35565
EASTERN	752	6528	28929	5552	24858
SOUTHERN	1684	13992	58666	13280	56641
WESTERN	1201	13623	59677	12387	56405
TOTAL:	4920	47779	213101	44514	199344

PUBLICITY BUDGET SANCTIONED FOR THE YEAR 1962-63 (FIFTEEN MONTHS)

Head of Account	Sanctioned Budget for the Calen- dar year 1962.	Sanctioned for the 1st quarter of 1963.	Total
Press Publicity (This includes Expenses towards Special Announcement regarding valuation "Bonus Year" etc.)	12,52,000	1,88,000	14,40,000
Publications	3,25,000	71,000	3,96,000
Slide-one, Slides	1,00,000	22,000	1,22,000
Posters	1,00,000	38,000	1,38,000
Films, Film Strips	6,00,000	1,13,000	7,13,000
Hoardings, Bus Panels, Neon Signs	3,85,000	94,000	4,79,000
Foreign Publicity	1,50,000	30,000	1,80,000
Yogakshema	1,00,000	22,000	1,22,000
Calendars and Diaries	1,00,000	---	1,00,000
Exhibitions and Displays	3,00,000	75,000	3,75,000
Contingencies	50,000	15,000	65,000
TOTAL	34,62,000	6,68,000	41,30,000

PUBLICITY BUDGET SANCTIONED FOR THE YEAR 1963-64

Sr.No.	I t e m s	Budget sanctioned for 1963-64 Rs.
1.	Press Publicity	.. 9,00,000
2.	Neon Signs	.. 1,10,000
3.	Foreign Publicity	.. 1,00,000
4.	Hoardings	.. 1,50,000
5.	Film Publicity	.. 7,00,000
6.	Exhibition & Solo Exhibition	.. 4,05,625
7.	Library	.. 25,000
8.	Bus Panels & Enamel Hoardings	.. 1,60,000
9.	Posters & Poster Frames	.. 1,00,000
10.	Slides & Slide-ons	.. 75,000
11.	Diaries & Calendars	.. 65,000
12.	Publications & Sales Aids	.. 3,00,000
13.	Yogakshema	.. 1,00,000
14.	Zonal House Magzines and Divisional Newsletters	.. 16,000
15.	Maintenance of Mobile Vans	.. 40,000
16.	Transport & Cooliage of A.V. Equipment	15,000
17.	Enamel Sign Boards	.. 39,000
18.	Public Notices	.. 40,000
19.	Contingencies	.. 50,000
20.	Miscellaneous	.. 1,08,000
		34,99,625

PUBLICITY BUDGET SANCTIONED FOR THE YEAR 1964-65

Sr.No.	I t e m s	Budget sanctioned in 1964-65 Rs.
1.	Press Publicity	..9 11,75,000
2.	Hoardings	.. 2,50,000
3.	Neon Signs	.. 2,00,000
4.	Bus Panels & Enamel Hoardings	.. 2,10,000
5.	Fairs, Festivals & Solo Exhibitions	3,45,000
6.	Slides	.. 50,000
7.	Films & Slide-ons	.. 7,00,000
8.	Foreign Publicity	.. 1,20,000
9.	Library	.. 25,000
10.	Yogakshema	.. 1,00,000
11.	Diaries & Calendars	.. 1,00,000
12.	Publications and Sales Aids	.. 4,00,000
13.	Contingencies	.. 50,000
14.	Maintenance of Mobile Vans	.. 2,40,000
15.	Maintenance of A.V. Equipment	.. 35,000
16.	Zonal House Magazines and Divisional Newsletters	.. 2,00,000
17.	Enamel (Agent's) Sign Boards	.. 25,000
18.	Miscellaneous	.. 70,000
		42,95,000

PUBLICITY BUDGET SANCTIONED FOR THE YEAR 1965-66

Sr.No.	Head of Expenditure	Budget sanctioned in 1965-66 Rs.
1.	Press Publicity	.. 9,00,000
2.	Films: a) Production	.. 1,00,000
	b) Prints	.. 2,00,000
	c) Exhibition	.. 3,00,000
	d) Payments for films under production	.. 3,90,000
3.	Library	.. 30,000
4.	Yogakshema	.. 80,000
5.	Diaries & Calendars	.. 40,000
6.	Publications & Sales Aids	.. 4,08,000
7.	Contingencies (C.O.)	.. 69,000
8.	Evaluation of Publicity Efforts	.. 15,000
	<u>ZONAL EXPENDITURE</u>	
9.	Hoardings	.. 2,20,000
10.	Neon Signs	.. 80,000
11.	Bus Panels & Enamel Hoardings	.. 1,68,000
12.	Fairs, Festivals & Solo Exhibitions	2,00,000
13.	Slides	.. 60,000
14.	Puppetry	.. 20,000
15.	Maintenance of Field Publicity Vans	2,90,000
16.	Maintenance of A.V. Equipment	.. 60,000
17.	Zonal Housemagazines and Divisional Newsletters	.. 1,40,000
18.	Sign Boards for Development Officers & Agents	.. 25,000
19.	Miscellaneous Charges for Zones	.. 75,000
20.	Foreign Publicity	.. 1,30,000
	T O T A L	40,00,000

PUBLICITY BUDGET SANCTIONED FOR THE YEAR 1966-67

Annexure

S.No.	Head of Expenditure	Budget sanctioned for 1966-67 Rs.
1.	Press Publicity	11,30,000
2.	Films: a) Production	65,000
	b) Prints	2,00,000
	c) Exhibition	2,50,000
	d) Payments for films under production.	--
3.	Library	20,000
4.	Yarns	80,000
5.	Charts & Calendars.	1,00,000
6.	Publications & Sales Aids.	2,70,000
7.	Contingencies (C.O.)	55,000
<u>ZONAL EXPENDITURE</u>		
8.	Hearings	1,75,000
9.	Neon Signs	60,000
10.	Boards & Enclosed Hearings	1,50,000
11.	Fairs, Festivals & Solo Exhibitions	1,75,000
12.	Trucks	75,000
13.	Motorcycles	20,000
14.	Acquisition of Field Publicity Vans	2,00,000
15.	Acquisition of A.V. Equipment	30,000
16.	Acquisition of Magazines and Periodical Newsletters.	1,45,000
17.	Grants for Development of Agents	10,000
18.	Unforeseen charges for Zones.	35,000
19.	Publicity.	1,00,000
<u>Under the Budget (Special)</u>		
20.	International Trade	25,000
TOTAL:		34,30,000

TABLE I

Annexure - 21
Q.No.XII(3)(c)

413.

Average new sum assured per household secured
annually during the years 1965-66 and 1966-67Appendix V

Division. (1)	Average Sum Assured per household (1965-66 and 1966-67).	
	Urban (2) Rs.	Rural (3) Rs.
<u>Northern Zone</u>		
Delhi	623.9	38.7
Jullundur	334.7	43.7
Chandigarh	306.5	34.1
Bjmer.	315.7	27.2
Northern Zone:	<u>395.3</u>	<u>33.4</u>
<u>Central Zone</u>		
Lucknow	192.2	14.0
Kanpur	257.6	27.7
Morad	262.2	22.8
Agra	255.0	19.1
Varanasi	255.6	25.2
Indore	201.6	17.6
Jabalpur	205.3	11.5
Central Zone:	<u>228.5</u>	<u>18.2</u>
<u>Eastern Zone</u>		
Calcutta	418.4	39.5
Jalpaiguri	479.8	47.9
Asansol	323.9	26.4
Gauhati	412.1	33.2
Patna	347.0	19.4
Muzaffarpur	338.0	27.5
Jamshedpur	462.4	20.4
Cuttack	320.4	10.3
Eastern Zone	<u>392.3</u>	<u>26.4</u>

TABLE II

Distribution of the number of policies per 1000 households in different slabs of literacy rate.

Percent literate in total population in the Division.	No. of Divisions.	Mean No. of new policies per 1000 households secured annually during the period 1-1-1961 to 31.3.1964.
(1)	(2)	(3)
<u>A. URBAN SECTOR</u>		
35 - 40	6	43
40 - 45	11	48
45 - 50	9	57
50 - 55	5	74
Over 55	4	101
<u>B. RURAL SECTOR*</u>		
10 - 15	8	5.4
15 - 20	12	7.9
20 - 25	11	10.1
25 - 30	3	14.9

TABLE III

Distribution of the number of policies per 1000 households in different household income ranges

Range of Income per Household.	No. of Divisions.	Mean No. of new policies per 1000 households secured annually during the period 1.1.1961 to 31.3.1964.
(1)	(2)	(3)
<u>A. URBAN SECTOR</u>		
1200 - 1400	16	50
2400 - 3600	16	61
Over 3600	3	100
<u>B. RURAL SECTOR*</u>		
Below 1200	4	4.7
1200 - 1440	7	6.3
1440 - 1680	10	8.2
1680 - 1920	8	12.5
1920 & over.	5	8.8

*Trivandrum Division, having an exceptional rural literacy rate of 50.2% was omitted.

Planwise Percentage Distribution of New Business (India India - Ordinary Policies)

Appendix V

Plan	Percentage Based on Number of Policies			Percentage Based on Sum Assured.		
	1964- 65	1965- 66	1966- 67	1964- 65	1965- 66	1966- 67
	(1)	(2)	(3)	(4)	(5)	(6)
<u>With Profits</u>						
Whole Life Assurance	0.15	0.13	0.13	0.33	0.28	0.32
Whole Life Limited Payments.	0.33	0.30	0.29	0.90	0.81	0.76
Convertible Whole Life	4.64	4.84	4.54	6.79	7.02	6.60
Endowment Assurance.	74.10	74.47	75.06	65.05	64.33	64.67
Janata	0.60	0.21	0.11	0.12	0.04	0.02
Joint Life	0.44	0.29	0.32	0.59	0.39	0.39
Multipurpose	2.24	1.83	1.52	2.95	2.44	2.10
Anticipated Endowment.	9.94	10.60	11.40	12.48	13.75	14.79
Childrens Deferred.	2.46	2.55	2.43	4.52	4.65	4.80

All With Profits:	94.90	95.22	95.80	93.73	93.71	94.45

(Figures in lakhs of rupees).

Year	Expense of management.	Direct Commission.	Commission on re-insurances accepted.	Commission on re-insurances ceded.	Sundry Receipt.	Expenses of Management and net Commission.
1.	2.	3.	4.	5.	6.	7. (2)+(3)+(4)-(5)-(6).
1964-65	22.54	4.39	3.55	6.78	0.01	24.69
1965-66	50.36	13.28	14.22	28.14	0.01	49.71
1966-67	87.79	19.18	32.26	114.59	0.02	24.62

LIFE INSURANCE CORPORATION OF
INDIA

Appendix V

CENTRAL OFFICE

Yogakshema,
Madame Cama Road,
Bombay-1.

Ref: EDA/166/1

5th January, 1966.

To

ALL ZONAL AND DIVISIONAL OFFICES

Re: Expenses - General Insurance Business.

Please note to follow the instruction given hereunder with regard to expenses relating to General Insurance Business.

The expenses may be classified under two broad heads:

1. Direct Expenses, and

2. Expenses incurred commonly between Life and General Departments and allocated between the two departments in the manner mentioned in this circular.

1. DIRECT EXPENSES: Expenses under the following heads must be paid for from the funds of the General Department:

i) Salaries of Class I, II, III & IV Staff exclusively working for the General Department.

ii) Bonus to Staff in Item (i)

iii) Policy Stamps.

iv) Conveyance allowance (relating to Officers specifically working for General Department.)

v) Travelling Expenses. (-do-)

vi) Motor Car Expenses. (-do-)

vii) Printing & Stationery.

viii) Postage & Telegrams.

A separate record should be maintained of other printed and other stationery supplied to the General Department from the purchases made for Life Department and the cost of such items should be recovered at the end of every month from the General Department Funds. Similarly, expenses under 'Postage & Telegrams' should also be recorded in a separate register or under a separate column in the common postage register and such expenses should be recovered from the General Department at the end of every month.

.....

2. EXPENSES INCURRED COMMONLY BETWEEN LIFE AND GENERAL DEPARTMENT AND ALLOCATED BETWEEN THE TWO DEPARTMENTS:
The following expenses will be allocated between Life and General Departments :

- i) Salaries of Class I Officers other than those who are wholly employed for Life Business of General Insurance Business.
- ii) Corporation's Contribution to Provident Fund on the above.
- iii) Telephone Charges.
- iv) Electricity Charges.
- v) Tabulating etc. Machines Rental & Maintenance.
- vi) General Charges (as per Schedule attached).
- vii) Cash-in-Transit etc. premium.
- viii) Rents for offices belonging to & occupied by the Corporation.
- ix) Rents of other offices occupied by the Corporation.
- x) Depreciation on office furniture, equipment, vehicles etc.

Salaries of Class I Officers working exclusively for Life Department as well as Officers working exclusively for General Department must be removed from the total salaries of Class I Officers and the balance must be allocated as under :

- a) Salaries of Branch Managers, Asstt. Branch Managers and Class II Officers should be allocated between Life and General Departments in the proportion of total first year's life premium to the Gross Direct Premium (General) excluding business from Government and LIC Invt. sources.
- b) Salaries of other Class I Officers should be allocated between Life and General Departments in the proportion of Total Life Premium income (First year plus Renewal) to the total gross Direct General Premium.

In a Divisional Office, Officers of the new business and P.H.S. Department will be deemed to be exclusively working for Life Insurance Business. Only those Officers who are posted to the General Insurance Department will be deemed to be working exclusively for General Insurance Business. All other Officers will be deemed to be common.

Class III & IV staff will be specifically allocated to the General Insurance Department. For the Accounts & Establishment Department work one assistant should be initially earmarked for the General Insurance Department and if the work concerned is to require the time of more than one assistant, permission should be obtained from Executive Director (General Insurance), Central Office, for earmarking such further additional number of assistants as may be required.

All other expenses should be allocated between Life and General Departments in the proportion of Total Life Premium to the total gross Direct General Premium.

Please acknowledge receipt

Sd/-
Executive Director(TA)

Encl: as above.

...

SCHEDULE OF GENERAL CHARGES

Appendix V

(Figures in Hundreds of Rupees)

Code No.	Particulars	Estimate	For use of Central Office.
402.	Binding Charges		
403	Canteen Expenses		
404	Carriage & Freight.		
405	Entertainment Expenses		
409	Illumination Expenses		
410	Medical Room Requisites.		
411	Miscellaneous Charges (All other expenses which cannot be xxxx included in any of these sub-heads).		
412	Office up-keep and Cleaning Material.		
413	Packing Cases, etc.		
414	Peons' Uniforms, Umbrellas, etc.		
415	Professional Taxes		
416	Renewal & Registration of Telegraphic Addresses and Window Delivery charges.		
417	Shifting Expenses of Furniture etc.		
418	Stamp Duty on Lease, Agreements (e.g. Motor Car Agreements), Power of Attorneys, Indemnity Bonds etc.		
420	Subscription to Newspapers, Journals and cost of Books and Magazines.		
421	Taxi & Gharry Hire and other conveyance charges to staff.		
422	washing Charges for Peons' Uniforms etc.		
423	Waterman's Charges.		

MEMORANDUM OF SETTLEMENT

Memorandum of Settlement between (i) The Life Insurance Corporation of India (L.I.C.) and (ii) The National Federation of Insurance Field Workers of India (N.F.I.F.W.I.)

Short Recital of the case.

As a result of the discussions held between the representatives of the L.I.C. and the members of the Negotiating Committee of N.F.I.F.W.I., the said two parties have arrived at a Settlement on the demands as follows :

Terms of Settlement.

I. Scales of Pay:

(i) Scale of pay for Development Officers in Grade II:
Rs.130-10-180.

(ii) Scale of pay for Development Officers in Grade I:
Rs.180-10-230-15-305-20-405-25-605.

II. Dearness Allowance.

(i) Development Officers in Grade II.

Basic Salary	D.A.
Rs.130 to Rs.150	Rs.30
Rs.160 to Rs.180	Rs.35

(ii) Development Officers in Grade I.

Basic Salary	D.A.
Rs.180 to Rs.200	Rs.40
Rs.210 to Rs.245	Rs.50
Rs.260 to Rs.290	Rs.60
Rs.305 to Rs.345	Rs.65
Rs.365 to Rs.405	Rs.75
Rs.430	Rs.80
Rs.455	Rs.85
Rs.480 to Rs.505	Rs.90
Rs.530 to Rs.605	Rs.95

The revised Scales of Pay and Dearness Allowance mentioned herein will be effective from 1st January, 1963.

III. Fitting-in.

(i) Confirmed Development Officers will be fitted in stage to stage. A complete chart is enclosed.

(ii) Other Development Officers will continue to get their existing emoluments till they are confirmed. On confirmation they will be fitted in at the minimum of the revised Grade I or Grade II as the case may be with such additional increments, if any, as may be decided upon at the time of confirmation.

IV. Hill Allowance.

For all Hill Stations at a height above sea level of 4,000 ft. and more, Hill Allowance shall be 15 per cent of the basic salary subject to a minimum of Rs.20 and maximum of Rs.75 per month provided however, that the amount of Hill Allowance currently paid shall be protected till a stage is reached when the allowance as per the revised scale exceeds the current allowance.

This allowance shall be effective from 1st January, 1963.

V. Provident Fund and Gratuity.

For the purpose of contributions to the Provident Fund and quantum of Gratuity, the basic pay including special pay, if any shall be (1) 85 per cent of the revised pay in the case of Development Officers drawing a basic pay less than Rs.260 p.m. and (2) 90 per cent of the revised pay in the case of Development Officers drawing a basic pay of Rs.260 p.m. and above, provided that contributions to Provident Fund and amount of Gratuity shall be at no stage less than what the same would have been had the grades not been revised.

VI. Conveyance Allowance.

(i) A Development Officer getting a motor cycle or scooter allowance of Rs.95 p.m. who is working in a city with a population of 1 lakh and over and who is not having touring duties will be entitled to an increase of Rs.10 in his Conveyance Allowance with effect from 1st August, 1963, making his total Conveyance Allowance Rs.105 p.m.

(ii) Conveyance Allowance on the following revised scale will be payable to Development Officers who are not getting a specific allowance for maintaining conveyances like motor cars, scooters, motor cycles, etc. with effect from 1st August, 1963:

Basic Pay	Conveyance Allowance
Rs.130 to Rs.220	Rs.65
Rs.230 to Rs.290	Rs.90
Rs.305 to Rs.405	Rs.120
Rs.430 to Rs.605	Rs.165

VII Generally

(1) N.F.I.F.W.I. finally did not press its demand for (i) linking of D.A. to the Cost of Living Index, (ii) House Rent Allowance, on the assurance given by the management of L.I.C. that it would bear in mind the interests of Development Officers in this respect and review the position at the appropriate time.

(2) N.F.I.F.W.I. has been demanding that the present system of appraisals should be ended and Development Officers be granted regular annual increments in the time scale of pay. The Development Officers have under certain appraisal formulae developed the organisation of business for the past eight years. The time has now come when the introduction of a regular annual increment in the time scale of pay may be considered. The L.I.C. therefore agrees with N.F.I.F.W.I. that introduction of a regular annual increment in the time scale of pay would be feasible as it gives a sense of security to Development Officers. Both

sides agree that a regular annual increment in the time scale of pay should ultimately but progressively result in greater efficiency in developing business of L.I.C. on sound and healthy lines. It is also agreed that in the meantime procedures will be worked out mutually as early as possible for setting the new system of working in any case by the end of June 1964. The present system of appraisals will end as and from a mutually agreed date.

(3) This settlement shall be implemented only after the necessary changes in the L.I.C. Staff Regulations, 1960, the L.I.C. Development Officers' (Alteration of Remuneration and other Terms and Conditions of Service) Order 1957 as amended upto date and L.I.C. Provident Fund No. 1 Rules are sanctioned and made. Thereafter, these terms will be implemented with retrospective effect from 1st January, 1963 in respect of matters covered by Items I, II, III(1), IV and V and from 1st August, 1963 in respect of matters covered by item VI of these terms of Settlement, without in any way affecting the appraisal of Development Officers on any date upto 31st March, 1964.

(4) In addition to the Development Officers who are in the service of L.I.C., these terms shall also be implemented in respect of Development Officers who died or resigned or retired or were retrenched from service after 31st December, 1962 except those whose services were terminated as a result of disciplinary action. These terms will not apply to unconfirmed Development Officers as mentioned in item No. III (ii) above.

(5) Except as above, all other service conditions of Development Officers not covered by the above terms of Settlement shall be in terms of the L.I.C. Staff Regulations, 1960 and the Life Insurance Corporation Development Officers (Alteration of Remuneration and other Terms and Conditions of Service) Order, 1957 as amended upto date.

VIII. Period of Settlement.

Five years from 1st January, 1963.

IN WITNESS WHEREOF this Memorandum of Settlement and four duplicates thereof have been signed on behalf of the Life Insurance Corporation of India by its Executive Director (Personnel) and on behalf of the members of the National Federation of Insurance Field Workers of India by its President and Secretary General the date and the year herein written.

Dated at Bombay this 10th day of March One Thousand Nine Hundred and Sixty Four.

Witnesses:

Signature of Parties.

Sd. (D.S. MEHTA)

Executive Director (Personnel),
Life Insurance Corporation of India,
Central Office, Bombay.

Sd. TULSI BODA,
President, National Federation of Insurance
Field Workers of India.

Sd. S.W. KALVIT

National Federation of Insce. Field Workers of India.

APPENDIX I
LIFE INSURANCE CORPORATION OF INDIA

Appendix V
Annexure - 25 (contd.)
A.No. XVII (5)

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Stage to Stage fitting-in Chart for Grade I and Grade II of Development Officers in Life Insurance Corporation of India.

Existing Grade II Rs. 75-10-125							Revised Grade II Rs. 120-10-180					
Stage.	Basic pay.	D.A.	Ad-proc D.A.	Total Columns (2)+(4)	Provident Fund con-tribution.	Net amount Column (5)-(6)	Basic pay	D.A.	Total column (8)+(9)	Provident fund con-tribution.	Net amount column. (1)-(11)	Increase in net amount Col.(12)-(7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	75	55	15	145	6	139	130	30	160	9	151	12
2	85	55	15	155	7	148	140	30	170	10	160	12
3	95	55	15	165	8	157	150	30	180	11	169	12
4	105	60	15	180	9	171	160	35	195	11	184	13
5	115	60	15	190	10	180	170	35	205	12	193	13
6	125	60	15	200	10	190	180	35	215	13	202	12

APPENDIX II

Chart showing revision in Conveyance Allowance.

Existing Grade I: Rs.125-10-175-15-250-20-350-25-500 Revised Grade I: Rs.180-10-230-15-305-20-405-25-605

Stage	Basic Pay	D.A.	Ad-hoc D.A.	Total Columns (2) to (4)	Provident Fund Contribution.	Net amount Column (5)-(6)	Basic Pay	D.A.	Total Column (8)+(9)	Provident Fund contribution.	Net Amount Column (10)-(11)	Increase in Net Amount Column. (12) - (7)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	125	60	15	200	10	190	180	40	220	13	207	17
2	135	60	15	210	11	199	190	40	230	13	217	18
3	145	60	15	220	12	208	200	40	240	14	226	18
4	155	65	15	235	13	222	210	50	260	15	245	23
5	165	65	15	245	14	231	220	50	270	16	254	23
6	175	65	15	255	15	240	230	50	280	16	264	24
7	190	65	15	270	16	254	245	50	295	17	278	24
8	205	70	15	290	17	273	260	60	320	20	300	27
9	220	70	15	305	18	287	275	60	335	21	314	27
10	235	70	15	320	20	300	290	60	350	22	328	28
11	250	70	15	335	21	314	305	65	370	23	347	33
12	270	70	15	355	23	332	325	65	390	24	366	34
13	290	70	15	375	24	351	345	65	410	26	384	33
14	310	75	15	400	26	374	365	75	440	27	413	39
15	330	75	15	420	28	392	395	75	460	29	431	39
16	350	75	15	440	29	411	405	75	480	30	450	39
17	375	75	15	465	31	434	430	80	510	32	478	44
18	400	75	15	490	33	457	455	85	540	34	506	49
19	425	80	15	520	35	485	480	90	570	36	524	49
20	450	80	15	545	38	507	505	90	595	38	557	50
21	475	80	15	570	40	530	530	95	625	40	585	55
22	500	80	15	595	42	553	555	95	650	42	608	55
23	--	--	--	..	..	..	580	95	675	44	631	..
24	--	..	..	..	..	..	605	95	700	45	655	..

L.& O.E.

A separate chart is enclosed Annexure II in respect of revision in Conveyance Allowance.

APPENDIX II

Chart showing revision in Conveyance Allowance.

I. Conveyance Allowance payable to Development Officers who are not getting a specific allowance for maintaining conveyances like motor cars or scooters, or motor cycles, etc., to be revised as follows :-

Existing Rate		Revised Rate.	
Basic Salary	C.A.	Basic Salary	C.A.
Rs. 75 to Rs.165	Rs.60 p.m.	Rs.130 to Rs.220	Rs.65 p.m.
Rs. 175 to Rs.235	Rs.85 p.m.	Rs.230 to Rs.290	Rs.90 p.m.
Rs. 250 to Rs.350	Rs.115 p.m.	Rs.305 to Rs.405	Rs.120 p.m.
Rs. 375 to Rs.500	Rs.150 p.m.	Rs.430 to Rs.605	Rs.165 p.m.

II. Conveyance Allowance to Development Officers owning a motor cycle or scooter and using it regular and mainly in connection with the business of the LIC to be revised as follows:

Existing Rate	Revised Rate.
Rs.95 p.m.	(1) Development Officers working, in a city with a population of 1 lac and over and who are not having touring duties. Rs.105 p.m.
	(2) Other Development Officers. Rs. 95 p.m.

Conveyance Allowance to Development Officers owning motor car and using it regularly and mainly in connection with the business of the L.I.C. has been revised as follows:-

	Previous Rate	Revised Rate.
(1) Development Officers working in cities of Bombay, Madras, Calcutta and Delhi and not having any touring duties.	Rs.235 p.m.	Rs.260 p.m.
(2) Development Officers working in other cities having a population of 1 lac and over and not having any touring duties.	Rs.225 p.m.	Rs.250 p.m.
(3) Development Officers other than those mentioned in (1) and (2) above.	Rs.210 p.m.	Rs.210 p.m.

Annexure-25(contd.)
Q.No.XVII(5)

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Appendix V

FORM OF RECEIPT FOR ON-ACCOUNT PAYMENT

RECEIVED from the Life Insurance Corporation of India on-account and subject to all necessary adjustments a sum Rs.....in implementation of the revised terms and conditions of service as set out in the Memorandum of Settlement dated the 10th March, 1964 between the Corporation and the National Federation of Insurance Field Workers of India pending revision of the Corporation's Staff Regulations, 1960, the Life Insurance Corporation Development Officers' (Alteration of Remuneration and other Terms and Conditions of Service) Order, 1957 and the Corporation's Provident Fund No.1 Rules, which said revised terms and conditions of service are agreeable to me and are binding upon me.

Date..... 1964.

10 nP.
Revenue
Stamp.

Signature of Development Officer.

March 9, 1965.

Appendix V

As a result of discussions between the Chairman, L.I.C. of India, and the President and representatives of the National Federation of Insurance Field Workers of India held at Delhi on 8th and 9th March, 1965, it is agreed that :

1. Clause VII(2) regarding payment of regular annual increment in the time scale of pay in the agreement of 10th March, 1964, shall be implemented.

As a first step towards it the Corporation will release the increment for the year 1964 (calendar and financial or as they may fall due in between) to all Development Officers including the Janata Development Officers on the respective dates of the increments falling due. For this purpose the Corporation agrees to keep in abeyance the second proviso to regulation 56(2) of the (Staff) Regulations, 1960.

It is further agreed that procedures for implementing the clause VII(2) of the agreement dated 10th March 1964 will be mutually settled at the earliest. In the event of delay in settling the procedures the second proviso to regulation 56(2) of the (Staff) Regulations, 1960, will be continued to be kept in abeyance.

2. The following will be other items of the agenda for mutual negotiations which shall commence by the middle of April, 1965.

- (i) Clarifications of the wording of Regulation 39 of the (Staff) Regulations, 1960.
- (ii) Regulation 56 of the (Staff) Regulations, 1960.
- (iii) Incentives.
- (iv) House Rent Allowance and effective date.
- (v) Raising the quantum of D.A. and linking it to consumers price index.
- (vi) Medical Benefits.
- (vii) Retirement Age.
- (viii) Additional gratuity.
- (ix) Grievance procedure.
- (x) Annual Cash Bonus.
- (xi) Trade Union rights and facilities.
- (xii) Any other pending issues.

3. The National Federation of Insurance Field Workers of India agrees to withdraw the current agitation forthwith.

Sd/-
(Tulsi Roda),
President,
National Federation of
Insurance Field Workers of India.

Sd/-
(B.D. Pande)
Chairman,
L.I.C. of India.

(1) The National Federation of Insurance Field Workers of India agrees to advise all its members to take up general insurance business voluntarily.

(2) Cash Award for organised General Insurance work:

- | | |
|--|----------------------------------|
| (a) Premium Income for
Fire and major types
or Miscellaneous
Insurance: | 5% of such
premium
income. |
| (b) Premium Income for
Marine Insurance: | 3% of such
premium
income. |

Note: This does not apply to Government and directly negotiated business.

Sd/- B.D.Pande
19.4.65

Sd/- Tulsi Boda
19.4.65.

GRIEVANCE PROCEDURE

There will be a meeting at the Branch level once in a month between the Branch Manager and two or three representatives of the Development Officers of the Branch stationed at the Branch headquarters.

Similarly, there will be meetings at the Divisional level and at the Zonal level between the Divisional Manager/ the Zonal Manager and two or three representatives of Development Officers in the Division/Zone, stationed at Divisional/Zonal headquarters. An exception, however, may be made in the case of an office bearer of the Divisional or the Zonal organisation of the Federation who may not be working at the Divisional or Zonal headquarters. The frequency of the meetings at Divisional level will be every three months and at Zonal level, every four months.

At the Central Office level, a meeting with representatives of the National Federation will be held every six months.

Sd/- B.D.Pande
19.4.65

Sd/- Tulsi Boda
19.4.65.

PROCEDURE FOR REGULAR INCREMENTS

Life Insurance Corporation of India and the National Federation of Insurance Field Workers of India agree that the procedures for regular increment in the time scale of pay as envisaged in Clause VII(2) of the agreement dated 10th March, 1964 will be as follows:-

(1) The Development Officers shall make a plan and keep a record of their plan and daily work which, as far as possible, shall be in the existing work book and plan book. Weekly Summaries of the work done shall be regularly submitted in the prescribed form to the Controlling Office. The plan and work records shall be subject for inspection of the Supervisory Officer/s whenever required.

It is proposed to revise the present plan and work books and after this has been done, the record of plan and work will be in the revised books.

(2) In the existing Grade I of Development Officers there will be efficiency bars at the salary stages 275 and 430. With these efficiency bars the Grade I will be revised as follows with effect from 1st January, 1965.

Rs.180-10-230-15-275-EB-15-305-20-405-25-430-EB-25-605.

The crossing of an efficiency bar will be determined on the basis of the overall performance of the officer.

(3) In respect of Development Officers who may be at any of the efficiency bar stages during 1-4-1965 to 31-3-1966 their cases will be examined forthwith to see if they could be allowed to cross the E.B. Such of them as are not found fit to cross the efficiency bar will be allowed, as a personal case, to have the E.B. stage shifted forward. Such cases will be reviewed every half-year and if even at the end of 2 years from the stage reached now, they are not considered fit to cross E.B., they will be held up at that stage until they are deemed fit to cross the bar.

(4) Development Officers at the stage of Rs.180/- in Grade II will be allowed the same D.A. as is available to Development Officers in Grade I at that salary stage. The consolidated allowance which the former get by way of F.T.A. or C.A. will be increased to Rs.65/-. These two decisions will be applicable with effect from 1.4.1965.

(5) The second proviso to Regulation 56(2) of the Staff Regulations 1960 will be deleted. The words "and those belonging to Class II" appearing in line 2 of Clause (3) of that Regulation will also be deleted.

(6) In respect of Development Officers who have completed their increment year on or before 31st March 1965, they will be released bonus commission, multiple increments, cash awards (to those at the maximum of the grade) and temporary increments on the existing basis. For such of the Development Officers who will be completing the increment year on or after 1st April 1965, the present schemes of incentives will not apply and they will be covered by such schemes as might be finalised in the course of subsequent discussions. In regard to the schemes of incentives which may be finalised in the subsequent discussions, any revision in the scheme for bonus commission only will apply from the year commencing 1st January 1964 onwards.

Sd/- B.D. Pande
Chairman,
Life Insurance Corpn.
of India,

20th May,1965.

Sd/- Tulsi Boda
President,
National Federation of
Insurance Field Workers of India

20th May,1965.

Sd/- S.W. Kalvit
Secretary General
N.F.I.F.W.I.,
20th May,1965.

LEAVE FACILITIES TO OFFICIALS OF THE NATIONAL
FEDERATION OF INSURANCE FIELD WORKERS OF INDIA.

Life Insurance Corporation of India and the National Federation of Insurance Field Workers of India agree that a maximum of 9 days' special leave subject to actual number of days of each conference - Divisional, Zonal and All India including the time taken up in journeys, to be divided as a maximum of 3 days at each level (Divisional, Zonal and All India) would be provided to the delegates of conferences of the National Federation of Insurance Field Workers of India and its Zonal and Divisional Units as under :-

For annual conferences at the
Divisional level. 3 days.

For annual conferences at the
Zonal level. 3 days.

For annual conferences at the
All India level. 3 days.

Sd/-
(B.D.Pande)
Chairman,
Life Insurance Corporation
of India.

Sd/- Tulsi Boda
President,
National Federation of Insurance
Field Workers of India.
29.5.65.

Dated: 24.5.1965.

Sd/- S.W. Kalvit
Secretary General
National Federation of Insurance
Field Workers of India.
28 5.65.

....

Annexure - 25(contd.)
Q.No.VVII (5)

DEARNESS ALLOWANCE AND HOUSE RENT ALLOWANCE

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Appendix V

The National Federation of Insurance Field Workers of India reiterate their original demand for linking Dearness Allowance to the cost of living index as in the case of the employees in administration, as they strongly hold the view that the same basic salaries should attract the same Dearness Allowance irrespective of the class of the employees in the same industry.

The L.I.C. agrees to take a note of this demand of the National Federation and assures that the issue will be re-examined and decided by April 1966.

In view of this assurance from the L.I.C., the National Federation agrees to accept the Dearness Allowance and House Rent Allowance at the rates and from the dates specified in the Appendixes A and B for the time being. In accepting this Dearness Allowance the National Federation maintains that the quantum of rise in Dearness Allowance offered is not adequate.

The L.I.C. also agrees to explore such ways and means as are necessary to reduce the gap that continues to exist by end of October 1965 in consultation with the National Federation.

The quantum of Dearness Allowance will also be open for review if there is any substantial rise in the cost of living pending a final decision in April, 1966.

Sd/-
(B.D.Pande)
Chairman,
Life Insurance Corporation
of India.

Sd/-
(Tulsi Boda)
President,
National Federation of
Insurance Field Workers of
India.

Sd/-
(S.W.Kalvit)
Secretary General,
National Federation of Insurance
Field Workers of India.

Dated: 14th July, 1965.

APPENDIX-A

DEARNESS ALLOWANCE TO
DEVELOPMENT OFFICERS.

Annexure - 25(contd.)
Q.No.XVII(5)

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Appendix V

Basic	D.A.from 1.7.64 to 30.11.64	D.A. from 1.12.64 to 31.3.1965	D.A. with effect from 1.4.1965.
130.	57	44	50
140	37	44	50
150	37	44	50
160	42.50	50	55
170	42.50	50	55
180	47.50	55	60
190	47.50	55	60
200	47.50	55	60
210	57.50	65	70
220	57.50	65	75
230	57.50	65	80
245	57.50	65	80
260	70	80	90
275	70	80	95
290	70	80	100
305	75	85	105
325	75	85	110
345	75	85	110
		85	120

DEARNESS ALLOWANCE TO
DEVELOPMENT OFFICERS.Annexure - 25(contd.)
Q.No.XVII(5)

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Appendix V

Basic	D.A.from 1.7.64 to 30.11.64	D.A. from 1.12.64 to 31.3.1965	D.A. with effect from 1.4.1965.
130	57	44	50
140	37	44	50
150	37	44	50
160	42.50	50	55
170	42.50	50	55
180	47.50	55	60
190	47.50	55	60
200	47.50	55	60
210	57.50	65	70
220	57.50	65	75
230	57.50	65	80
245	57.50	65	80
260	70	80	90
275	70	80	95
290	70	80	100
305	75	85	105
325	75	85	110
345	75	85	110
365	85	95	120
385	85	95	120
405	85	95	125
430	92.50	105	125
455	97.50	110	125
480	102.50	115	125
505	102.50	115	125
530	107.50	120	125
555	107.50	120	125
580	107.50	120	125
605	107.50	120	125

APPENDIX-B

CLASS II - DEVELOPMENT OFFICERS -
HOUSE RENT ALLOWANCE.

Rate of House Rent Allowance to

Development Officers effective from 1st April 1964 :-

- (i) For Development Officers drawing pay upto Rs.499/- 15% of pay.
- (ii) For Development Officers drawing pay between Rs.500/- and Rs.605/- 12½% of pay.

House Rent Allowance will be only in respect of the excess of the actual rent over 10% of pay.

A minimum House Rent Allowance of Rs.20/- per month will, however, be payable without verification of rent receipt.

Life Insurance Corporation of India and the National Federation of Insurance Field Workers of India agree upon the following :

I. PROVIDENT FUND:

A Member of the Provident Fund leaving the service of the Corporation before he has completed ten years of service from the date of joining the service of the Corporation or the last insurer with whom he was employed prior to his services being transferred to the Corporation will, in addition to his own contributions with interests, be entitled to 50% of the Corporation's contributions with interest thereon if the period is less than eight years but more than five years and 75% of the Corporation's contributions with interest thereon if the period is less than ten years but more than eight years.

The above change in the Provident Fund Rules will be subject to -

- (a) agreement on this point with the Associations of employees of Classes I, III and IV;
- (b) approval of the Trustees of the Fund; and
- (c) approval of the Income tax authorities to the necessary amendment of the Provident Fund Rules.

and the change will take effect from 1st January 1966.

As regards rate of interest on provident fund accumulations, it is agreed that it cannot be linked to the rate of interest on fixed deposits with banks.

II. LEAVE TRAVEL CONCESSION:

Leave Travel Concession will be granted on the basis of the Scheme in force in Government, the salient features of which are given below :

- (i) The concession can be availed of once in a period of two calendar years for visiting the 'home town' (The term 'home town' shall be the permanent home town or village as entered in the service record or such other place as may be declared by the Officer as the place where he would have normally resided but for his absence from such a station for service in the LIC).
- (ii) Officers whose 'home town' is within a distance of 250 miles from their headquarters will not be allowed this concession.
- (iii) Those whose 'home town' is beyond 250 miles will meet the entire cost of railway fares for the initial 250 miles of each of the onward and return journeys. For the remaining distance over the first 250 miles, 90% of the actual fares will be reimbursed, the balance of 10% being borne by the Officer.

- (iv) The concession will also be allowed in respect of family of the officer; the officer and his family can perform the journeys separately.
- (v) The concession will be admissible while on regular leave including extraordinary leave but excluding casual leave and the period of leave should not be less than 15 days. The concession is also admissible to officers proceeding on leave preparatory to retirement but only in respect of the outward journey.
- (vi) The class of accommodation to which the officer and his family will be entitled will be the class to which the officer is entitled under the normal rules. The officer can, however, travel in a higher or lower class but in that case reimbursement will be restricted to 90% of the fare for the distance beyond 250 miles by the class to which the officer is entitled to or 90% of the actual fare for this distance, whichever is less.

This benefit will take effect from 1st October, 1965.

The question whether a similar concession, with some restrictions on distance, could be allowed in respect of journeys to an outstation other than 'home town' will be examined later.

III. INCREASE IN DAILY ALLOWANCE:

The rates of Daily allowance will be revised as under:-

Development Officers:

Drawing a basic pay of less than Rs.175/- p.m.	...	Rs.6/-
Drawing a basic pay of Rs.175/- or more but less than Rs.305/-p.m.	..	Rs.8/-
Drawing a basic pay of Rs.305/- p.m. or more.	...	Rs.10.50

The above change will take effect from 1st October, 1965.

The existing provisions regarding payment of enhanced daily allowance in certain cities will remain unaltered.

IV LEAVE RULES:

An Officer will be entitled to sick leave on medical certificate at the rate of one month for each completed year of service subject to a maximum of 16 months throughout the entire period of service. This change will be effective from 1st October 1965 and earlier cases where sick leave is exhausted will not be reopened.

The qualifying and other conditions for the grant of sick leave and sick leave pay at present in force will remain unaltered.

V. REIMBURSEMENT:

The following are the salient features of the benefits that will be allowed in this regard :-

- (i) Travelling Expenses in respect of the members of the family on death of the officer.

Actual fares (without incidentals) of the class to which the deceased Officer was himself entitled or the fares of the class in which journey is performed, whichever is lower, will be allowed to each member of the family, to the permanent home of the deceased officer. Actual cost of transportation of personal effects will also be allowed subject to the rules in regard to transfer travelling allowance.

- (ii) Travelling Expenses on retirement.

Actual fares (without incidentals) of the class which the Officer was himself entitled to immediately prior to retirement or the fares of the class in which journey is performed, whichever is less, will be allowed for the officer and each member of the family to the permanent home of the officer. Actual cost of transportation of personal effects will also be allowed subject to the rules in regard to transfer travelling allowance.

If leave travel concession is availed of by the officer within one year preceding the date of retirement, the amount of travelling expense admissible under the above rule will be reduced by the amount already allowed.

The above benefit will take effect from 1st October 1965, i.e., in respect of deaths on or after that date and in respect of retirement taking effect on or after that date.

It will be considered whether similar travelling allowance could also be allowed in respect of journey to a place other than the home town where the officer or his family, as the case may be, propose to settle down, subject to the condition that such travelling allowance would be limited to that admissible under (i)/(ii) above.

VI. INCENTIVES:

The scheme of incentives as given below relating to Multiple Increments, Cash Awards (to those at the maximum of the grade) and Temporary Increment will be continued upto the increment year ending on or before 31st March 1966.

MULTIPLE INCREMENTS AND CASH AWARDS:

- (i) One additional increment:

(a) Expense ratio not higher than 15% and increase of 30% in business over that of the previous year.

(25% increase in business if 75% of last year's business was done in the first 8 months of the increment year).

OR

(b) Business 20 lakhs and more; Expense Ratio not more than 8%.

(ii) Two additional increments:

(a) Expense Ratio not higher than 10% and same increase in business in (i)(a) above.

OR

(b) Business at least 20 lakhs; Expense Ratio not more than 5%.

(iii) Cash Awards to Development Officers at maximum of grade:

- | | |
|---|---------|
| (a) Business increase 15% and Expense Ratio not more than 16-2/3% | Rs. 300 |
| (b) If entitled to one additional increment as in (i) above | Rs. 600 |
| (c) If entitled to two additional increments as in (ii) above. | Rs. 900 |

TEMPORARY INCREMENT SCHEME:

<u>First Year's Scheduled Premium Income</u>	<u>Temporary Basic Salary</u>
	Rs.
32,000 - 35,999	220
36,000 - 41,999	245
42,000 - 51,999	290
52,000 - 61,999	365
62,000 - 69,999	430
70,000 - 79,999	455
80,000 - 89,999	480
90,000 - 99,999	505
1,00,000 and over	555

In granting these Temporary Increments, however, the Competent Authority will ensure that after the grant of the Temporary Increments the cost does not exceed 15% in any case.

INCENTIVE BONUS:

Incentive Bonus on the basis given below shall be payable upto the end of the increment year ending on or before 31st March 1966. This Scheme of bonus will apply in respect of all increment years beginning on or after 1st January, 1964.

- | | <u>Incentive Bonus</u> |
|---|------------------------|
| a) Scheduled first year's premium Income in excess of 6 times the total remuneration. | 5% of such excess. |

Annexure--25(contd.)
Q.No.XVII(5)

442.

- | | |
|---|--------------------------------|
| (b) Scheduled first year's Premium Income in excess of 8 times the total remuneration. | Additional 2½% of such excess. |
| (c) Scheduled first year's Premium Income in excess of 10 times the total remuneration. | Additional 2½% of such excess. |

For such of the Development Officers as will be completing the increment year on or after 1st April 1966, the present schemes of incentives will not apply and they will be covered by such schemes as may be finalised in the course of subsequent negotiations with the National Federation to be resumed in April 1966.

VII. ENTERTAINMENT ALLOWANCE TO CLASS II OFFICERS
(DEVELOPMENT OFFICERS)

Entertainment allowance at the following rates will be allowed to Dev. Officers with effect from 1st of November, 1965

- | | |
|--|---------|
| (i) For Development Officers drawing basic pay upto Rs.275/- | Rs.10/- |
| (ii) For Development Officers drawing basic pay between Rs.290/- and Rs.430/- (both inclusive). | Rs.15/- |
| (iii) For Development Officers drawing basic pay between Rs.455/- and Rs.605/- (both inclusive). | Rs.20/- |

This allowance will apply to all Development Officers including Probationers in Grade I and Grade II, but shall not apply to Apprentice Development Officers.

Sd/-
(B.D.Pande)
Chairman,
Life Insurance Corporation
of India.

Sd/-
(Tulsi Boda)
President,
National Federation of
Insurance Field Workers of
India.

Sd/-
(S.W.Kalvit),
Secretary General,
National Federation of
Insurance Field Workers of
India.

Dated 18th October, 1965.

Copy of the Agreement entered into between the Corporation and the National Federation of Insurance Field Workers of India on 30th April, 1966.

Life Insurance Corporation of India and the National Federation of Insurance Field Workers of India agree upon the following :

I. INCENTIVES:

1. The existing scheme of Incentives (as detailed in Clause VI of the Agreement dated 13th October 1965 between the Corporation and the National Federation) shall be continued in respect of appraisals falling due upto and including 30th November 1966, the present scheme of Incentives will not apply and they will be covered by such scheme as may be finalised in the course of subsequent negotiations with the national federation.

2. The appraisals done upto 30th November 1966 as stated in paragraph 1 will be final and will not be subject to any retrospective adjustment of anomalies, if any, arising as a result of the scheme applicable thereafter.

3. A Committee consisting of nominees of the National Federation and of the Corporation will undertake a review of the existing scheme of incentives and make recommendations for a more comprehensive scheme on a diversified pattern. The Committee will endeavour to complete their deliberations and submit their report before the end of June, 1966.

II. RETIREMENT AGE

Add the following proviso to Regulation 19(2):

"Provided that the appointing authority may, at its discretion, extend the service of such an employee for one year at a time upto 60 years of age".

Pending amendment of the (Staff) Regulations, cases of Development Officers due to retire on completion of age 58, on or after 1st May 1966 will be examined and decided in the light of this proposed amendment.

III. GRATUITY:

Chairman promised to consider the proposal that the gratuity be paid at the rate of one month's pay for service upto 15 years and at the rate of half-month's pay for each year of service beyond 15 years subject to a maximum of 20 months' pay. As regards the monetary limit Chairman said that he would consider raising the present limit from Rs.25,000/- to a figure between Rs.30,000/- and Rs.33,000/-.

/For such of the Development Officers as will be completing the increment year on or after 31st December, 1966

IV. SCHEME OF MEDICAL ASSISTANCE
FOR CLASS II OFFICERS:

Appendix V

A Scheme of Medical Assistance as per the draft attached shall come into force from 1st January 1966 and operate for a period of two years from that date.

It shall be subject to review after two years of operation.

Sd/-
(M.V.Sohonie)
Executive Director(P),
Life Insurance Corporation
of India.

Sd/-
(S.W. Kalvit)
Secretary General,
National Federation of Insurance
Field Workers of India.

D to: 30th April, 1966.

As a result of the discussions held between the representatives of the National Federation of Insurance Field Workers of India (hereinafter called the Federation) and the representatives of the Life Insurance Corporation of India (hereinafter called the Corporation) the said two parties have agreed upon the following terms of settlement :-

1. The Federation confirms that it has called off, with effect from 24th December, 1966, its present agitational programme in all its aspects.

DEARNESS ALLOWANCE:

2. The Corporation and the Federation agree to negotiate on the issue of linking of dearness allowance to the cost of living index after the findings of the Dearness Allowance Commission (Gajendragadkar Commission) and the Government's action thereon are known.

3. In the event of failure of negotiations the Corporation and the Federation shall make a joint reference to the Central Government to settle this issue in each manner as the Government consider appropriate and just.

4. In view of the above, the Federation agrees that the rates of dearness allowance with effect from 1.1.1966 and 1.9.1966 shall be as stated in the Appendix. If, however, before the settlement contemplated above, any increase in the dearness allowance rates now agreed upon is called for on account of increase in the cost of living index, the Corporation and the Federation agree to negotiate on the quantum of increase in dearness allowance to be given.

HOUSE RENT ALLOWANCE:

5. House Rent Allowance, at the rates at present in force, shall, with effect from 1.9.1966, be admissible to Development Officers drawing basic pay below Rs. 500/- per month subject only to the condition that the Development Officers pay rent or contribute towards rent or house or property tax but without reference to the amount actually paid or contributed.

BONUS

6. It is hereby agreed that a non-profit sharing annual cash bonus for each of the years 1st April, 1964 to 31st March, 1965 and 1st April, 1965 to 31st March 1966 shall be paid to Development Officers on the following basis :-

- (i) The bonus will be payable to Development Officers who as on 31st March 1965 and 31st March 1966 were confirmed in the service of the Corporation and had also completed one year of service.
- (ii) The rate of bonus shall be six per cent of the basic pay drawn during the respective years.

7. The quantum of bonus for the financial year 1966-67 shall be negotiated by the Corporation and the Federation. In the event of failure of negotiations, the Corporation and the Federation shall make a joint reference to the Central Government to settle this issue in such manner as Government consider appropriate and just.

INCENTIVES:

8. The existing Scheme of Incentives as detailed in Clause VI of the Agreement dated the 18th October, 1965 between the Corporation and the Federation shall be continued in respect of appraisals falling due upto and including 31st March, 1968.

9. The appraisals falling due upto and including 31st March, 1968 as stated in paragraph 8 will be final and will not be subject to any retrospective adjustment of anomalies, if any, arising out of Scheme(s) applicable thereafter.

10. The Committee constituted under the agreement dated 30th April 1966 shall continue its deliberations and finalise its recommendations before the 30th June, 1967.

GENERAL

11. The Federation had launched a programme of Stopping of New Business with effect from 26th November, 1966 in terms of its circular dated 25th November 1966 and same has been withdrawn with effect from 24th December, 1966.

12. It is the Corporation's view that Development Officers who did not attend to their primary duties for any period as part of the aforesaid agitational programme of the Federation are not entitled to pay and allowances for the period they did not so attend to their duties.

13. It is the Federation's view that they are entitled to pay and allowances for this period in the normal course because the Federation feels justified in having launched the agitation.

14. In view of this divergence of views, the Corporation and the Federation agree to hold discussions on the said issue and make earnest efforts to settle the same. If no settlement is reached by 30th April, 1967, the issue shall be referred to a Jurist, such a Jurist being a retired Judge of the Supreme Court or a High Court or an eminent Council, mutually agreed upon between the Corporation and the Federation.

15. Pending a settlement in the matter, the Corporation agrees to make 'On account' payments to the

concerned Development Officer in respect of the said period of an amount equivalent to what would have been normally admissible to them but for the dispute arising out of the said agitation.

Sd/-
(M.V.Sohonie)
Executive Director(P)
Life Insurance Corporation
of India.

Sd/- (Tulsi Boda)
President,
National Federation of
Insurance Field workers of
India.

Sd/-(S.w. Kalvit)
Secretary General,
National Federation of Insurance
Field Workers of India.

Bombay, 24th December, 1966

DEARNNESS ALLOWANCE TO DEVELOPMENT OFFICERS.

Basic Pay Rs.	D.A. with effect from 1.1.1966 to 31.8.1966. Rs.	D.A.with effect from 1.9.1966. Rs.
130.	57	62
140	57	67
150	58	73
160	63	78
170	64	84
180	69	89
190	70	90
200	70	90
210	81	101
220	86	106
230	92	112
245	92	117
260	103	128
275	109	134
290	114	139
305	120	145
325	125	150
345	125	155
365	135	155
385	135	155
405	135	155
430	135	155
455	135	155
480	135	155
505	135	155
530	135	155
555	135	155
580	135	155
605	135	155

Terms of Settlement of the Memorandum of Settlement between (i) The Life Insurance Corporation of India and the All India Insurance Employees' Association (signed on the 23rd January 1963) and (ii) the Life Insurance Corporation of India and the All India Life Insurance Employees' Association (signed on the 29th January, 1963).

Terms of Settlement

I. Scales of Pay:

- (i) Sweepers & Cleaners: 77-2-83-3-131-4-135-5-145 (22years)
- (ii) Sepoys, Chaprasis, Hamals, etc. Head Peons, Liftmen and Watchmen, Daftries. 82-2-88-3-136-4-140-5-150 (22 years)
- (iii) Drivers. 120-3-135-4-155-5-170 (13-years)
- (iv) Record Clerks 110-4-130-5-165-EB-5-185-6-227-8-251 (26 years)
- (v) Assistants 130-5-155-6-167-8-207-10-257-12-281-EB-12-305-15-350-20-370. (25 years.)
- (vi) Stenographers 145-10-215-12-275-EB-15-350-20-370 (18 years).
- (vii) Higher Grade Assistants. 190-10-260-EB-15-440-20-480 (21 years.)
- (viii) Superintendents. 250-20-550-25-575 (16 years)

Note: There will be no distinction between "transferred" employees and those who entered the service of the Corporation on or after 1-9-1956 in regard to the maximum of their scales of pay.

II. Fitting-in:

- (i) Stage to stage. Fully worked out charts for all grades would be provided.
- (ii) No change in the date of normal grade increment except as per Staff Regulations, 1960.

III. Dearness Allowance:

The present D.A., and Ad hoc D.A., shall be replaced as under :-

With effect from 1st January, 1962, the D.A., corresponding to the cost of living index 126 (1949= 100), shall be 26% of the basic salary for Class IV employees and 19½% of the basic salary for Class III employees.

In the manner provided hereinafter, the D.A. shall be linked to the All India Working Class Consumers Price Index taking 1949=100. The final index figures as published in the Indian Labour Journal shall be the index figures which will be taken for the purpose of calculation of Dearness Allowance. Neutralisation of the rise in the cost of living shall be 100 per cent in the case of Class IV employees and 75 per cent in the case of Class III employees.

For every 10 points rise or fall taken on an average during a continuous period of 12 months, the D.A. shall, with effect from the 1st of the month following such period of 12 months, stand automatically increased or decreased as the case may be by 10 per cent of the basic salary in the case of Class IV employees and by $7\frac{1}{2}$ per cent of the basic salary in the case of Class III employees.

Notes: (i) Basic salary shall include Special Pay where the same is paid.

(ii) "Additional D.A." in those cases where the same is paid at present shall continue to be paid in addition to the D.A. as set out above.

IV House Rent Allowance:

The house rent allowance shall be as follows:-

Basic Salary including Special Pay. Rs.	H.R.A. per month. Rs.
Up to 100	8.00
101 to 227	10.00
228 to 320	12.50
321 and above	15.00

V. Functional Allowance:

The functional allowance in respect of the following categories of employees in the Assistants' grade shall be as follows:-

- (a) Receiving and Paying Cashiers.
- (b) Typists.
- (c) Telephone Operators.
- (d) Addressing Machine and Punch Card Operators. Rs.15 per month.
- (e) Comptometer Operators.
- (f) Projectionists receiving an allowance

VI HILL ALLOWANCE:

Appendix V

The hill allowance shall be as follows:-

For all hill stations of 4,000 ft. and more above sea level, the hill allowance shall be 15 per cent of the basic salary subject to a minimum of Rs.20 and maximum of Rs.75 provided, however, that the amount of hill allowance currently paid shall stand protected till a stage is reached when the allowance as per the revised scale exceeds the current allowance.

VII Provident Fund and Gratuity:

For the purpose of contributions to the Provident Fund and payment of Gratuity the basic pay including the special pay shall be 75% of the revised pay in case of Class IV employees, 85% in respect of Class III employees other than Superintendents and 90% in the case of Superintendents, provided that contributions to Provident Fund and amount of Gratuity shall be at no stage less than what the same would have been had the respective grades not been revised.

VIII: Bonus:

(i) No profit sharing bonus shall be paid. However, the corporation may, subject to such directions as the Central Government may issue from time to time, grant any other kind of bonus to its Class III and Class IV employees.

(ii) An annual cash bonus will be paid to the employees in the clerical, supervisory and subordinate grades, in respect of the 5 years period from 1st January 1962 to 31st December, 1966 at the rate of $1\frac{1}{2}$ months' basic salary of the employee as at 31st December of the year to which the bonus relates.

(iii) Bonus will be payable to those employees in supervisory, clerical and subordinate grades who were on the permanent staff of the Corporation on the 31st December of the year to which the bonus relates and who had completed 12 months' service as on that date.

(iv) Notwithstanding what is stated in the previous para, a proportionately reduced bonus shall be paid to employees who died or retired or were retrenched from service during the year and also to those who joined during any year and had completed six months' service on 31st December of that year.

(v) Any employee who joined on the first working day of January in any year will be taken to have completed one year of service and any employee who joined in any subsequent months upto the first working day of July in any year will be taken to have completed six months of service during the year.

(vi) For the purpose of calculation of the amount of bonus, Special Pay will be treated as part of basic salary.

(vii) A proportionate bonus will be paid to those employees who have been transferred from the Development to the Administrative side or the Administrative side to the Development side and in such case service on the Administrative side only will be counted for the purpose of payment of bonus. Provided, however, that service on the Development side will be taken into account for the purpose of determining the minimum period of service of six months.

(viii) In the case of such employees who were on extraordinary leave for a month or more during the year for which bonus is paid, the period of such extraordinary leave shall be deducted and such employees shall be entitled to only the proportionate bonus for the proportionate part of the year excluding the period of extraordinary leave.

IX Term Assurance:

The Term Assurance Scheme, providing the following benefits, will continue as hitherto:-

- (i) The initial insurance cover under the Scheme will be Rs.3,000 (Rupees three thousand) in the case of supervisory and clerical staff and Rs.1,500 (Rupees one thousand and five hundred) in the case of subordinate staff.
- (ii) The insurance cover will thereafter be increased by Rs.1,000 (Rupees one thousand) in the case of supervisory and clerical staff and by Rs.500 (Rupees five hundred) in the case of subordinate staff at the end of every 5 years in service till it reaches the maximum of Rs.8,000 (Rupees eight thousand) in the

case of supervisory and clerical staff and Rs.4,000 (Rupees four thousand) in the case of subordinate staff, provided that in the case of members of the subordinate staff who were confirmed employees on 1-9-1956 and who had completed the age of 30 years as on 1-1-67, but had not completed 45 years on that date, the amount of initial cover will be Rs.2,000 (Rupees two thousand).

(iii) In the case of those employees in the supervisory and clerical grades who were confirmed employees on 1.9.56 and who, as on 1.1.57, had completed the age of 30 years but had not completed 45 years on that date, the amount of initial cover would be Rs.4,000 (Rupees four thousand).

(iv) The amount of insurance cover mentioned above will be payable only in case of death of the employee while the in/service of the Corporation.

(v) The insurance cover an employee under the Scheme will automatically terminate if his employment in the Corporation terminates.

(vi) On the death of an employee, the amount of insurance cover will be paid to the same person who is entitled to receive gratuity in terms of the Gratuity Rules of the Corporation.

Option for Employees who have opted for grades of erstwhile Insurers:

Employees governed under the old grades of their erstwhile insurers will be allowed the option of coming over to the revised grades of the Corporation effective from 1st January 1962. The fitting-in of such employees shall be as under :-

They shall be fitted-in in the Corporation's scales(as at 1-9-1956) as if they had not opted out for the old grades of their erstwhile insurers, and their salaries shall be notionaly fixed in the said grades of the Corporation as at 31st December 1961. Thereafter they shall be fitted in on a stage to stage basis in the revised grades effective from 1st January,1962, in the same manner as other employees who had not opted out for the old grades of their erstwhile insurers.

The option now exercised shall be final.

XI Period of Settlement:

Five years from 1st January 1962.

XII Except as above, all other service conditions of Class III

and Class IV employees not covered by the above terms of settlement shall be in terms of the Staff Regulations 1960 and the Life Insurance Corporation (Alteration of Remuneration and other Terms and Conditions of service of Employees) Order 1957 as amended upto date.

XIII This settlement shall be implemented only after necessary changes in the Life Insurance Corporation Staff Regulations 1960, the Life Insurance Corporation (Alteration of Remunerations and other Terms and Conditions of service of Employees) Order 1957 and the Life Insurance Corporation Provident Fund No.1 Rules are sanctioned and made. Thereafter these terms will be implemented with retrospective effect from 1st January 1962 only in respect of the items covered above and none else; for example, payments on account of Overtime and other payments not covered by the above items will not be reopened and recalculated.

XIV In addition to the employees in Classes III & IV who are in the service of the Corporation and subject as regards Bonus and Term Assurance to the provisions of Clauses VIII and IX hereof, these terms shall also be implemented in respect of employees in Classes III & IV who died or resigned or retired or were retrenched from service after 31st December 1961 except those whose services were terminated as a result of disciplinary action.

...

FORM OF RECEIPT FOR ON-ACCOUNT PAYMENT

RECEIVED from the Life Insurance Corporation of India on-account and subject to all necessary adjustments a sum of Rs..... in implementation of the revised terms and conditions of service as set out in the Memorandum of Settlement dated the 23rd January 1963 between the Corporation and the All India Insurance Employees' Association and the Memorandum of Settlement dated the 29th January 1963 between the Corporation and the All India Life Insurance Employees' Association pending revision of the Corporation's Staff Regulations, 1960, the Life Insurance Corporation (Alteration of Remuneration and other Terms and Conditions of service of Employees) Order 1957 and the Corporation's Provident Fund No.1 Rules, which said revised terms and conditions of service are agreeable to me and are binding upon me.

Date1963.

10 nP
Revenue Stamp

Signature or left thumb impression of employee

Salary Roll No

Office.....

P.S. - Please see intrustions on reverse in respect of employees signing Receipt in the regional language or affixing left thumb impression.

.....

and Class IV employees not covered by the above terms of settlement shall be in terms of the Staff Regulations 1960 and the Life Insurance Corporation (Alteration of Remuneration and other Terms and Conditions of service of Employees) Order 1957 as amended upto date.

XIII This settlement shall be implemented only after necessary changes in the Life Insurance Corporation Staff Regulations 1960, the Life Insurance Corporation (Alteration of Remunerations and other Terms and Conditions of service of Employees) Order 1957 and the Life Insurance Corporation Provident Fund No.1 Rules are sanctioned and made. Thereafter these terms will be implemented with retrospective effect from 1st January 1962 only in respect of the items covered above and none else; for example, payments on account of Overtime and other payments not covered by the above items will not be reopened and recalculated.

XIV In addition to the employees in Classes III & IV who are in the service of the Corporation and subject as regards Bonus and Term Assurance to the provisions of Clauses VIII and IX hereof, these terms shall also be implemented in respect of employees in Classes III & IV who died or resigned or retired or were retrenched from service after 31st December 1961 except those whose services were terminated as a result of disciplinary action.

...

If the employee signs the Receipt for on-account payment in a regional language, a separate declaration in regional language, which should be an exact translation of the following should be obtained from him :

"I hereby declare that the contents of the Receipt for on-account payment and also the revised terms and conditions of service mentioned therein were explained to me in the regional language and I have signed the Receipt for on-account payment after thoroughly understanding the same."

If the employee affixes left thumb impression, it should be attested by an English-knowing employee who should make the following declaration :

"I certify that the contents of this Receipt as well as the revised terms and conditions of service mentioned therein were explained to me in the regional language to _____ who has affixed his left thumb impression in my presence after thoroughly understanding the same."

[34]

Left thumb impression
of the employee.

Signature of the English-
knowing employee.

FORM H

Appendix V

MEMORANDUM OF SETTLEMENT

(Under Section 2(p) and 18(1) of the Industrial Disputes Act, 1947 and Rule 58 of the Industrial (Central) Disputes Rules, 1957).

Names of parties :

Representing Employer : Shri D.S. Mehta,
Executive Director(Pers)
Life Insurance Corporation of India,
Central Office,
Bombay.

Representing Workmen: 1. Shri Rajni Patel,
President,
All India Insurance Employees' Association,
2. Shri Saroj Chaudhuri,
General Secretary,
All India Insurance Employees' Assn.

RECITAL OF THE CASE

ion of the Settlement reached
urance Corporation of India and
ce Employees' Association early
d that further discussions would
Scheme, (b) Sick Leave,
facilities for Trade Union
ent of new employees and

3. Canteens:

459.

At Branches, I.B.Os/I.H.Os employing upto and inclusive of 15 Class III and Class IV employees, a capital expenditure not exceeding Rs 75/- would be incurred by the Corporation. At other Branches employing more than 15 but less than 200 Class III and Class IV employees, a capital expenditure not exceeding Rs 100/- would be incurred by the Corporation. The capital expenditure would be provided for purchase of utensils etc. Space, wherever available, furniture, electricity and gas (wherever available) will also be provided by the Corporation.

4. Leave for Trade Union Officials:

A maximum of 9 days' Special leave subject to actual number of days of each conference - Divisional Zonal and All India - including the time taken up in journeys, to be divided as a maximum of 3 days at each level (Divisional, Zonal and All India) would be provided to the delegates of conferences of the All India Insurance Employees' Associations and its Zonal and Divisional Units as under:-

For annual conferences at the Divisional level.

3 days

For annual conferences at the Zonal level ..

3 days

For biennial conferences at the All India level..

3 days

5. Housing and Staff Quarters:

This item will be discussed separately at a later date.

6. Medical Scheme:

Each confirmed Class III and Class IV employee of the Corporation would be allowed a cash medical benefit of Rs 50/- per calendar year with accumulation permitted upto three years. The benefit of the amount can be utilised by the employee for himself, his wife children under 18 years of age (in the case of a female employee for herself, her husband, children under 18 years of age) and widowed mother mainly dependent on the employee and staying either with the employee or with the employee's wife/husband and children. The payment of the aforesaid amount shall be subject to the following conditions:

- (a) Benefit can be claimed only if the treatment is had from a Registered Medical Practitioner.
- (b) All medical bills shall, in the first instance be paid by the employee. He can, thereafter, recover the admissible amount from the Corporation.
- (c) The Corporation may have the bills for treatment submitted by the employee scrutinised, if necessary.
- (d) Medical expenses upto the admissible limit and properly incurred by the employees shall be paid by the Corporation ordinarily on production of bills by the employees within six weeks. The payments shall be made ordinarily within six weeks of the production of bills. The said bills shall be accompanied by a certificate from the Registered Medical Practitioner whose treatment was availed of during the illness.

7. Temporary increase in Dearness Allowance:

With effect from 1.8.1964, an additional amount of temporary Dearness Allowance equal to 8 per cent of their basic salary in respect of those Class IV employees who are governed under the scale of pay, D.A. and other allowances (wherever payable) in Part A of Schedule II of (Staff) Regulations, 1960, and equal to 6 per cent of their basic salary in respect of those Class III employees who are governed under the scales pay, D.A., and other Allowances (wherever payable) in Part A of Schedule II of (Staff) Regulations, 1960, based on 8 points of the All India Working Class Consumer Price Index (base 1949=100) over and above what is admissible to the said Class IV and Class III employees under clause III of the Memorandum of Settlement arrived at between the Corporation and the All India Insurance Employees' Association on the 3rd January 1963 would be given until (a) the expiry of the said Settlement or (b) the 1960 base index figures are available, whichever is earlier.

8. Option for employees who have opted for the grades of erstwhile insurers:

Notwithstanding what has been stated in paragraph 7 above, those Class III and Class IV employees who still continue to be governed under the old grades of their erstwhile insurers will be allowed the option to come over to the current grades of the

Corporation. The fitting in of such employees shall be as under:

They shall be fitted in in the Corporation's scales (as at 1-9-1956) as if they had not opted out for the old scales of their erstwhile insurers and their salaries shall be notionally fixed in the current grades of the Corporation as on the 30th April 1963. Thereafter, they shall be fitted in on a stage to stage basis in the current grades of the Corporation. Any amount of excess payments received by these employees from 1.8.1963 till the date of payment of arrears under this Settlement shall be recovered from the said employees exercising the option in terms herein. The option now given shall be exercised not later than the 31st March 1965 and, when exercised, shall be final.

9. Period of Settlement :

The period of this Settlement shall be two years from 1-1-1965.

10. General:

The terms of this Settlement shall be implemented only after sanction thereof by the Board of the Corporation, approval by the Central Government under Section 49 of the Life Insurance Corporation Act, 1956, and after the necessary changes in the Life Insurance Corporation (Staff) Regulations, 1960,

the Life Insurance Corporation (Alteration of Remuneration and other Terms and Conditions of service of Employees) Order, 1957, etc., are sanctioned by the Central Government and made.

11. Both the Corporation and the All India Insurance Employees' Association hope that this Settlement will generate an atmosphere of goodwill and mutual co-operation which will increase administrative efficiency as well as lead to more economic working of the Corporation.

SIGNED AT BOMBAY on the Twenty Ninth Day of January One Thousand Nine Hundred Sixty Five.

On behalf of the Life Insurance Corporation of India

D.S. MEHTA,
Executive Director,
(Personnel).

On behalf of the All India Insurance Employees' Association.

RAJNI PATEL,
President.

SAROJ CHAUDHURI,
General Secretary.

FORM OF RECEIPT FOR ON-ACCOUNT PAYMENT

RECEIVED from the Life Insurance Corporation of India on-account and subject to all necessary adjustments a sum of Rs.....in implementation of Clause 7 relating to "Temporary increase in Dearness Allowance" as set out in the settlement dated the 29th January 1965 between the Life Insurance Corporation of India and the All India Insurance Employees' Association pending revision of the Corporation's Staff Regulations, 1960, and the Life Insurance Corporation (Alteration of Remuneration and other Terms and Conditions of service of Employees) Order, 1957 and with the express understanding that all the terms including those relating to "Medical scheme" as set out in the said Settlement between the Life Insurance Corporation of India and the All India Insurance Employees' Association are agreeable to me and are binding upon me.

Dated..... 1965

..... 10 paise
 Revenue !.....
 Stamp !
 !

Signature of left thumb impression of the employee

Salary Roll No.

Office.....

P.S. -Please see instructions on reverse in respect of employee's signing Receipt in the regional language or affixing left thumb impression.

If the employee signs the Receipt for on-account payment in a regional language, a separate declaration in regional language, which should be an exact translation of the following should be obtained from him:

"I hereby declare that the contents of the Receipt for on-account payment and also the terms of the Settlement were explained to me in the regional language and I have signed the Receipt for on-account payment after thoroughly understanding the same."

If the employee affires left thumb impression, it should be attested by an English-knowing employee who should make the following declaration:

"I certify that the contents of this Receipt as well as the terms of the Settlement mentioned herein were explained by me in the regional language to Shri... .. who has affixed his left thumb impression in my presence after thoroughly understanding the same."

_____ Sd. _____

Left thumb impression
of the employee

Signature of English-
knowing employee.

Annexure - 27
Q.No.XVII (6)

LOCAL GOVERNMENT COUNCILS
Number of meetings held

<u>Divisions</u>	<u>No. of meetings.</u>	<u>Divisions</u>	<u>No. of meetings.</u>
<u>GENERAL ZONE</u>			
		<u>GENERAL ZONE (CONTD.)</u>	
	6	Meerut	4
	6	Varanasi	6
	8		
	4	<u>EASTERN ZONE</u>	
<u>WESTERN ZONE</u>			
	8	Jalpaiguri	4
	3	Asansol	5
	6	Guahati	4
	3	Cuttack	8
	4	Jamshedpur	2
	2	Patna	4
	7	Muzaffarpur	4
	3	Calcutta	5
	5	<u>WESTERN ZONE</u>	
<u>WESTERN ZONE</u>			
	8	Bombay	5
	4	Nasik	7
	3	Poona	7
	5	Satara	8
	3	Rajkot	5
		Ahmedabad	8
		Nagpur	6
		Surat	5

New Business transacted in the Foreign Territories

(Indian Rupees)

<u>D.O./Branch</u>	<u>1962-63</u> (15 months)	<u>1963-64</u>	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>
Kuala Lumpur (Malaysia & Singapore)	1,66,00,913	1,78,63,501	1,46,87,100	1,25,54,815	1,07,20,038
Nairobi (Kenya, Uganda & Tanzania)	5,34,71,393	3,74,86,917	4,12,91,833	2,58,17,994	4,40,80,713
Mauritius	76,06,000	56,93,700	72,20,000	52,61,500	86,13,663
Hongkong	9,35,000	11,45,000	12,30,000	10,80,000	6,57,000
Fiji	95,11,165	1,33,22,699	1,51,51,331	1,18,24,493	1,30,09,403
Aden	33,55,167	36,20,999	16,21,000	11,11,133	4, 2,750
United Kingdom	2,02,65,193	2,20,96,167	2,93,36,234	2,73,71,957	4,12,91,800

FIRST YEAR & RENEWAL PREMIUMS
FOREIGN TERRITORIES

Indian Rupees

No./Branch	1962-63		1963 - 64		1964 - 65		1965 - 66		1966 - 67	
	First Year	Renewal	First year	Renewal	First year	Renewal	First year	Renewal	First year	Renewal
Kuala Lumpur (Malaysia & Singapore)	7,53,007	1,02,86,917	7,51,991	70,57,558	6,53,443	75,89,012	5,86,924	76,20,730	7,32,573	93,57,236
Nairobi (Kenya, Uganda & Tanzania)	26,96,731	2,22,06,720	20,26,353	1,84,44,211	20,75,230	1,76,40,315	13,68,314	1,82,22,709	22,93,231	1,78,43,973
Mauritius	3,68,804	11,54,756	2,35,655	13,52,714	3,59,653	13,09,723	3,16,170	16,42,751	4,05,176	25,77,295
Hongkong	65,509	6,74,882	69,421	6,18,518	77,882	6,28,922	63,185	6,23,694	51,233	6,03,601
Fiji	3,62,191	15,06,004	4,64,110	16,61,224	5,10,620	18,40,787	3,66,731	19,69,523	3,92,032	32,40,218
Aden	1,81,424	7,51,747	1,96,674	6,72,334	1,02,869	8,47,651	57,684	8,42,677	33,375	8,76,479
United Kingdom	9,19,982	4,36,900	11,34,642	10,63,956	14,03,672	19,45,774	13,98,378	20,03,155	21,91,447	61,12,820

Foot Note to Annexure IX to answer to Question No.7 Part XVII of the Questionnaire issued by the Working Group of the Life Insurance Administration.

Administrative Expenses in
Foreign Territories

Indian Rupees

<u>Particulars</u>	<u>1962-63</u> (12 months)	<u>1963-64</u>	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>
Wages Lump (5 days for 1962-63)	24,84,037	20,48,880	20,87,096	20,43,700	29,25,974
M. S. S. S. (5 days for 1962-63)	40,91,785	32,41,476	32,68,518	27,68,608	37,86,448
M. S. S. S.	3,45,575	2,63,751	3,11,750	3,01,913	4,30,866
Travelling	88,580	83,926	87,965	76,945	69,353
Post	3,41,213	3,90,204	4,54,079	3,89,535	5,00,342
Telephone	1,25,128	1,03,762	1,01,845	82,251	88,502
Printing	7,32,006	9,33,430	11,69,002	12,50,022	19,62,640

The above expenses do not include the following:-

- (1) Expenses incurred in connection with the closed business of the Corporation in outside India territories.
- (2) Expenses incurred in the Foreign Department in connection with the outside India Business.
- (3) Administrative expenses incurred by the Integrated Field Office Units in India.
- (4) Over head expenses of the Central Office in connection with the outside India business.

Refer to Appendix X to answer to Question No. 7
of the questionnaire issued by the Working Group
of the Finance Administration.

Part (i) - Assets and Liabilities in Foreign Territories
(Continued - Only)

Description	<u>Indian Rupees</u>		
	31.12.1961	31.3.1963	31.3.1965
Sumatra Lumpur (Malaya & Singapore)	17,76,79,133	16,07,01,200	15,76,84,689
Nairaland (Nigeria, Sierra & Liberia)	43,01,97,422	42,34,28,174	42,96,80,931
Guernsey:	2,61,43,249	2,84,98,910	3,53,79,539
Malakang:	98,12,237	98,12,809	1,13,01,662
Malta:	3,68,78,279	4,16,22,506	6,11,91,530
Mexico:	1,04,81,037	1,25,41,186	1,51,30,998
United Kingdom:	1,07,30,609	2,74,70,016	7,05,89,232

Life Fund

Indian Rupees

All Foreign Territories together

31st March 1963 (15 months)	...	46,37,74,239
-do- 31st March 1964	... ..	48,30,50,855
-do- 31st March 1965	... ..	54,12,18,191
-do- 31st March 1966	... ..	46,67,84,929
-do- 31st March 1967	... ..	59,69,52,191

APPENDIX VI

471.

LIST OF MEMBERS OF PARLIAMENT AND OTHER
IMPORTANT PERSONS WHO SENT REPLIES TO
THE QUESTIONNAIRE.

1. Prof. V.K.R.V. Rao
2. Shri Mahabir Das
3. Shri K.L. Rao
4. Shri Charanjit Ra
5. Smt. Shakuntala Franjpye
6. Shri Valmiki Choudhary
7. Shri C.D. Deshmukh
8. Smt. Tara Sapre
9. Shri S. Jaipuria
10. Shri N.K. Somani
11. Shri N. Ramakrishna Iyer
12. Shri C.C. Desai
13. Shri Jagat Narain
14. Smt. Tara Ramachandra Sathe
15. Shri R. Dasaratha Rama Reddy
16. Shri G.R. Govindarajulu

LIST OF ASSOCIATIONS AND OTHER
BODIES WHO SUBMITTED MEMORANDA

Memorandum/Letters received from

1. National Federation of Insurance Field Workers of India, Machilipatnam Division, Vijayawada.
2. Shri G.B.V. Subbaraya Sastry, Secretary, Andhra Pradesh Policyholders' Association, Machilipatnam.
3. Insurance Underwriters Association, Patna
4. Insurance Corporation Employees Union, Coimbatore.
5. Life Insurance Agents Association, Coimbatore.
6. National Federation of Insurance Field Workers of India, Coimbatore.
7. Shri K. Sundaram, M.P., Coimbatore.
8. L.I.C. Class I Officers (Coimbatore) Association, Coimbatore.
9. Insurance Employees Union, Trivandrum
10. L.I.C. Higher Grade Assistants' Association, Trivandrum.
11. L.I.C. Class I Officers' Association, Trivandrum.
12. Insurance Corporation Employees Union, Madurai.
13. L.I.C. Class I Officers Association, Madras.
14. Insurance Corporation Employees Union, Madras.
15. Life Insurance Agents Association of India, Madras.
16. L.I.C. Class I Officers' Association, Ahmedabad.
17. Life Insurance Agents Association, Coimbatore.

APPENDIX VII

473.

18. L.I.C. Higher Grade Assistants' Association, Ahmedabad.
19. Life Insurance Agents Federation of India, Madras.
20. Life Insurance Employees Association, Panjim.
21. L.I.C. Class I Officers Association, Kanpur.
22. Insurance Employees Association, Kanpur.
23. Insurance Employees Association, Lucknow.
24. Life Insurance Agents Association, Lucknow.
25. National Federation of Insurance Field Workers of India, Lucknow.
26. L.I.C. Higher Grade Assistants Association, Calcutta.
27. L.I.C. Class I Officers Association, Gauhati.

Gist of evidence tendered by L.I.C. Class I Officers' Federation before the Working Group at Bombay on the 8th December, 1967.

The representatives of the Federation stated that though the Life Insurance Corporation of India is an autonomous body under the Statute, in practice, however, it functions more or less as a subordinate Department of the Finance Ministry. To illustrate this point, they mentioned that when the Board of the Corporation passed resolutions regarding revision of salary, dearness allowance, etc., of the employees, they were not approved by the Finance Ministry for a long time. Further, it was stated that casual leave, travelling allowance etc., of the employees of the Corporation cannot be altered without the prior approval of Government.

2. The Federation also stated that 5 per cent of the actuarial surplus at the biennial valuations of the Corporation is taken away by Government for its own use instead of earmarking the said amount for the benefit of the Corporation's employees.

3. The Agents are the backbone of the sales organisation of the Corporation. There have been persistent demands from the Agents year after year for certain benefits. Though the Corporation approached Government for granting certain fringe benefits (e.g. provident fund) to the Agents, this was not approved. In view of this, the Federation pointed out, the Corporation is not in a position to mobilise its manpower

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effectively.

4. Simplification and rationalisation of procedures and functions should be carried out immediately in order to reduce the cost of life insurance which is already very high.

5. There is no industrial peace in the Corporation. There is no discipline and the output of the employees is considerably low. The output of the Assistants now is very much lower than what it was in 1956. At present there are only 500 policies per person to service whereas previously a person was servicing 5,000 policies. There is also no consistent policy for transfers and promotions in the Corporation.

6. The Federation also desired that the Central Office of the Corporation should be only a policy making body and more and more powers should be decentralised to the Branches. If this is done, Zonal Offices could be abolished.

7. The Federation agreed that if the Agents are given exclusive jurisdiction to operate, the business procured would be good and that costs would be reduced. As regards lapses it was stated that continuous drought for two years and high inflationary conditions are responsible for heavy lapses. Moreover, the Corporation gives more importance to the procurement of new business with the result that policy servicing is neglected.

8. The Federation desired that it would be better to have 14 Corporation, one for each State roughly. The Chairmen of the various Corporations could form the controlling body and the working could be coordinated through some sort of executive body set up for the purpose.

9. As regards management the Federation was of the opinion that a thorough change is needed in the Board of Directors. At present there are a number of persons in the Board who have neither the time to study the problems nor have the knowledge about it. What is wanted is a Board of Experts. As regards Zonal Boards the Federation was of the view that this was a sheer waste of money. It would be a great advantage if the Chairman of the L.I.C. has intimate knowledge of the problems of life insurance and the Directors on the Board are experts in their fields. The Federation further suggested that the various categories of employees should be associated with the management of the Corporation.

10. As regards personnel problems the Federation suggested that there should be some sort of Standing Tribunal which should make appointments to the various posts of the Corporation.

Gist of evidence tendered by National Federation of Insurance Field Workers of India before the Working Group at Bombay on 9-12-1967.

The representative of the Federation pointed out that though the Development Officers of the Corporation are in the nature of administrative employees, yet the Corporation expects them to move in the market, approach the parties, canvass and bring business. Technically this is wrong as insurance cannot be canvassed unless one holds a licence. This brings the Development Officers into friction with the Agents who work on their own. The Agents have a feeling that the Development Officers compete with them with part-time Agents. A direct Agent who depends entirely on commission feels that his market is snatched away by these part-time Agents. He feels that the Corporation should depend more on him than on the Development Officer.

2. The Federation pointed out that young boys do not know that insurance can be made a career. They have to be motivated. They take up an Agency only if they have a certain field of influence. The Development Officers have to do all work such as going to the party, filling up the proposal form, arranging medical examination, taking premiums, etc. Thus the Development Officers do most of the jobs of the Agents by actually moving with them.

3. As regards management, the Federation pointed out that the Board of the Corporation does not have anybody concerned with insurance. They suggested that the principle

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of joint responsibility should be developed in the matter of planning, investment, labour relations etc. For example, agitation on automation by the employees could have been avoided if the employees were consulted beforehand.

4. Planning of business and fixation of targets should be in terms of number of insurable persons and not in terms of business to be done. The insurance potential is large and an attempt should be made to find out in each locality how many persons are insurable. The Federation mentioned that insurance on the lives of females is generally discouraged. Paucity of Doctors in rural areas is a problem.

5. The Federation suggested that each policyholder should have a passbook which should give details about the position of his policy, arrears of premium, loan admissible etc., without going through the process of correspondence. About the revival of lapsed policies the Federation desired that it should be made simpler because in the rural areas the policyholders do not know English and the procedures of the Corporation.

6. The following suggestions were made by the Federation :

- (i) While accepting a proposal age should be admitted.
- (ii) As regards loans against policies, a loan endorsement should be taken on the back of the policy instead of a separate loan bond as at present.
- (iii) When the policyholders come to the Corporation's

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office they should be serviced for loan quotations, paid-up value, etc., immediately as clients in banks and post offices are serviced.

- (iv) Branches should be made full fledged offices and the Divisional offices should concern themselves only with the investment of funds raised from that area.
- (v) To stop the rush of business in December and March, targets should be fixed on a quarterly basis by quarterly planning.

7. The Federation suggested that the Development Office: should be given exclusive areas to cultivate in order to tap the full potential of the respective areas. Insurance is mainly a business of contacts. Hence, more the intimacy in the area the more is the insurance. The Development Officers should have freedom to appoint Agents and should have powers to accept non-medical proposals up to Rs.2,000/-. They should also be given power of attestation in respect of claims.

APPENDIX X

Gist of evidence tendered by the Life Insurance Agents' Federation of India before the Working Group at Madras on the 11th November, 1967.

The Federation presented their Memorandum to the Working Group.

2. The Federation at the outset pointed out that so far as carrying the message of life insurance to every nook and corner of the country is concerned, the Life Insurance Corporation can be said to have covered to some extent towns and cities only. In so far as rural areas are concerned the Corporation's achievements are not commendable and that the statistics given in the Annual Reports of the Corporation are not true to facts. For expanding rural business there should be visible signs of improvement in the conditions of the rural people by the Corporation's operations and participation, for instance, in housing schemes, setting up of schools, health centres, etc.

3. There is concentration of Development Officers in towns and cities. The Development Officers should be posted in rural areas as Propaganda Officers with powers to collect premiums from rural population. The Federation also desired 'Cash Collecting Agency System' as was in existence in the 'Oriental' prior to nationalisation.

4. The Federation suggested that each Agent may be given a cluster of villages for exclusive development under the supervision and control of a Development Officer who

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will have a number of such Agents under him. Such a scheme, the Federation said, will help in effectively mobilising the savings of the people. Though the national income has gone up by more than 100%, yet no effective mobilisation of savings has been attempted or achieved.

5. The Federation drew the attention to the writing off of an amount of Rs.3 crores by the Corporation as unclaimed, which is not desirable. Poorer sections of the people are thus in a helpless situation and only if they knew about it, they would fight for the return of their moneys. This fact itself shows that the security of the policyholders' moneys is impaired.

6. The Federation does not accept as correct the Corporation's statement in their Report that 70.5% of the New Business represents 'first insurance' in the absence of any attempt by the Corporation to verify whether the policyholders had held any life insurance policy previously.

7. The Federation desired re-examination of the procedure for settlement of early claims. The Corporation is wasting precious time and money for investigation of claims which have resulted within two years from the date of risk with an intention to repudiate. This attitude of the Corporation has an adverse effect on the development of business. The claims are met in full in respect of policies which remained in force for five years but which had lapsed for not more than six months prior to the date of claim.

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The Federation wanted that the six months period should be extended to one year.

8. The policy conditions should be more elaborate and liberal and printed on the back of the policy giving all information normally desired by a policyholder such as surrender values, etc.

9. No extra should be charged for Permanent Disability and Double Accident Benefit Policies.

10. Under the Salary Savings Scheme where premiums are deducted from pay bills, the Corporation should pay the claim amount in full irrespective of whether the premium has reached the Corporation or not. It is not the responsibility of the policyholder to check whether the premium deducted from his pay bill has been remitted to the authorities concerned.

11. The Federation regretted the delay in the matter of grant of loans by the Corporation to the policyholders on the security of their policies.

12. Proof of age and Nomination should be insisted upon at the time of proposal itself.

13. There is neither efficiency nor service and as such it is futile to measure the Corporation's work in terms of efficient service to the policyholders.

14. The Federation observed that premium rates could be lowered by stages due to improved mortality conditions.

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15. The Federation desired decentralisation and the division of the Corporation into five autonomous Units in order to promote competition and raise standards of performance. Due perhaps to its present monolithic size efficiency is lacking in the Corporation. Investment of funds may be under Government control. A claims Bureau should also be established. There should be a Branch Office in each District. An Agent should be in-charge of a 'Firka' - i.e., a group of about 20 villages, and a Development Officer should be in-charge of a 'Taluka', i.e., Tehsil or Sub-division.

16. The Federation suggested that the Branches should be empowered to underwrite up to Rs.25,000/-, to grant loans, pay commission to Agents etc.

17. The Federation observed that it would not be possible for obvious reasons to introduce compulsory life insurance in the country.

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Gist of evidence tendered by All India Insurance Employees Association before the Working Group at Calcutta on the 22nd January, 1968.

The representatives of the All India Insurance Employees' Association led by Shri Saroj Choudhury, General Secretary, met the Group and tendered evidence which was recorded. About the functioning of the Corporation on business principles, it was stated on behalf of the Association that details of the Corporation's operations are not fully revealed in the Balance Sheets. It was suggested that fuller details about investments, sale and purchase of property, etc., should be incorporated in the Balance Sheet.

2. About service to policyholders it was stated that the Corporation's anxiety about new business has created new problems. The Corporation treated the procedures followed by old Insurers like Oriental, New India etc., as obsolete and started with new ideas. For penetration in the rural areas, which is the chief objective of nationalisation, it was necessary to introduce personalised services and this could be possible only if the powers are decentralised to Branch level. Their Association was opposed to constitution of LIC into five Corporations. There should be autonomy for the LIC Organisation and proper

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representation should be given to the various interests on the L.I.C. Board.

3. About investment policy of the LIC, it was stated that the LIC had given Rs.1 crore to WIMCO, a monopolistic concern which was producing 93% of match boxes in India. No special purpose is served by such investments. Only big monopolistic concerns are prospering by LIC's assistance. About renewal expense ratio, it was stated that 15% limit was prescribed on account of the boom conditions of the mid world war period. The renewal expenses ratio was generally tied up with business and unless the business increased and existing business conserved, the renewal expense ratio cannot be brought down.

About automation in the Life Insurance Corporation, the Association pointed out that it will not solve any problems but will reduce the employment potential of the Corporation. The Association was firmly opposed to automation in the Corporation. Shri Choudhry also pointed out that his Association had no faith in assurances given by Government on the subject.

FEDERATION OF THE LIFE INSURANCE CORPORATION
OF INDIA CLASS I OFFICERS' ASSOCIATIONS

President: Shrimati TARKESHWARI SINHA, M.P.

Life Insurance Corporation of India,
Group VIII, Asian Building,
Ballard Estate, BOMBAY-1(B.R.)
Tel.265251.

November 23, 1967.

Registered Ack: Due.

The Secretary,
Working Group on Life Insurance Administration,
Administrative Reforms Commission,
Sardar Patel Bhavan, Parliament Street,
New Delhi-1.

Dear Sir,

We thank you very much for your letter of the 25th September, 1967, thereby giving us an opportunity for expressing our views on various questions raised by you affecting the working and administration of Life Insurance Corporation of India.

Our Federation which is the only representative Body of Class I Officers working in the Life Insurance Corporation of India, have obtained views from its constituent units, namely, 36 Divisional Associations of Class I Officers in this matter. The present memorandum, therefore, reflects the views of the various Divisional Associations of Class I Officers and therefore of the L.I.C. Class I Officers in general.

We would have very much liked to elaborate our reply to your question No.4, but as it has become a subject of a separate enquiry appointed to investigate into the causes of the high level of expenses of the Corporation, we are submitting a detailed memorandum to them on the subject. If your good selves can secure the permission from the above constituted Body, we shall be only too glad to send you a copy of our said memorandum after submitting it first to them.

Thanking you once again for the opportunity given to us,

We remain,
Yours faithfully,
(Sd.) A.H. KAJI,
(Ashok H. Kaji)
General Secretary

487.

Replies from the Federation of L.I.C. of India Class I Officers' Associations to the questionnaire issued by the Working Group on Life Insurance Corporation appointed by the Administrative Reforms Commission.

Question 1. Having regard to the declared objectives of nationalisation of Life Insurance, viz., carrying the message of life insurance to every nook and corner of the country; effective mobilisation of the savings of the people for national development, complete security to every policyholder; maximum efficiency and efficient service to the policyholders, economy in expenditure and economic premium rates, what, according to your experience and knowledge, is the extent to which Life Insurance Corporation of India has succeeded?

This question incorporates issues raised in the subsequent questions which are being replied herein-below in greater detail.

It can be said that the Life Insurance Corporation has succeeded in a fair measure in implementing the objectives set before it by the Act, keeping in view the limited tools at its command so far. However, on closer scrutiny it can be said that it has not quite measured up to the requirements of all the objectives set before it. It is particularly because of the various impediments met by it in discharging its duties on business principles. This is because L.I.C. Act itself has circumscribed its functions in such a way that it has not been fully possible for it to function on entirely business principles. In view of this particularly and because of lack of correct and proper utilisation of available suitable personnel

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for jobs, these objectives have not been fully realised. We feel, that if the suggestions hereinbelow are given a fair trial it will be possible for the Corporation to fulfil to a greater extent the expectations of the directives as laid down in the Act itself. However, it cannot run away completely from the limitations laid on its functioning and investment policy at present.

The L.I.C. Act provides that the Corporation be an 'autonomous body.' However, in practice, it is more or less a petty department of the Finance Ministry. While casting no aspersions on the personnel of the Finance Ministry, to whom the Corporation has to refer a variety of matters, it must be said that this body of personnel in the Finance Ministry can by no stretch of imagination be termed experts in insurance matters. The result is that the instructions emanating from a body of non-experts to the Corporation which is primarily a business concern and which must view the problems from business principles angle generally are at variance and the inevitable conflict of views follows. However, in the analysis, the views and decisions of the non-experts body prevail to the

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detriment of smooth and efficient running of the Corporation. Because of the many to and fro references and the Corporation having to implement directives of the Ministry, whatever initiative and dynamism that is required in the running of the Corporation is completely lost. This entails lot of avoidable delays in arriving at decisions to the detriment of development of new business and prompt servicing. We would like to cite only one instance in this context:

The development of Life Insurance business calls for high quality of expert salesmanship because it involves selling of a commodity which is not visible to the buyer and the salesman has to appeal to his sense of future protection for his family and himself which is in fact more difficult than selling a commodity which can be viewed and assessed on its appearance. Even after the selling is done, there is a continuous necessity of servicing it, which also calls for highly human and expert handling. This service lasts till the policy becomes a claim either by death or by maturity in course of the next one to thirty odd years. It, therefore, follows that the personnel who deal with this selling of the commodity and servicing it with human approach are a body of experts who have to be dealt with quite differently from the personnel of Government Departments run on impersonal standards. When the question of remunerations and other amenities are considered for

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this body of experts, they get all that is bad in the Government services and all that is good in the Government services is denied to them, on the plea that it is not available in other private sector industries. While it is a sad commentary on the public relations of a State wedded to a "Welfare Society" when it tells this band of expert personnel that they cannot expect to have the amenities obtaining in private industries; but what is worst and still inexplicable is that this personnel of sophisticated and human business are not put on par even with the personnel of similar national institutions like the State Bank of India and the Reserve Bank of India. The frustration because of this in all classes of employees in the Corporation has reached such a stage that it is well-nigh impossible to render efficient services as envisaged in the Act.

There are very many such small and big interferences from the Finance Ministry which incapacitate the Life Insurance Corporation of India from functioning on business principles. Unless, therefore, there is clear autonomy vested in the

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members of the Corporation and interference from the Finance Ministry is reduced to the minimum, we are afraid, the Corporation will not be able to come up to the expectations and high hopes raised in the Act.

Question 2. Do you think that the management, organisation and the administrative set up are correct in pattern and are adequately harnessed to carry the benefits of life insurance to every insurable person in India?

We feel that the Members of the Corporation who are nominees of the Finance Ministry, are more often than not, not quite fitted to conduct the affairs of the sophisticated business of Life Insurance, which requires a high degree of vision, dynamic approach and expert knowledge of insurance and its concomitant human relations. Besides, they must be men who would be able to take decisions involving some risks, if there are sufficient reasons to think that this will pay good dividend, if not in the near future, at least at a later date. They must be drawn irrespective of regions from amongst capable industrialists, economists, bankers, businessmen and co-operators and who do not have to wait on the Finance Ministry for their appointment and continuance as Members of the Corporation.

The highest executive of the L.I.C. should be drawn from within the institution and he should have considerable

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this body of experts, they get all that is bad in the Government services and all that is good in the Government services is denied to them, on the plea that it is not available in other private sector industries. While it is a sad commentary on the public relations of a State wedded to a "Welfare Society" when it tells this band of expert personnel that they cannot expect to have the amenities obtaining in private industries; but what is worst and still inexplicable is that this personnel of sophisticated and human business are not put on par even with the personnel of similar national institutions like the State Bank of India and the Reserve Bank of India. The frustration--because of this in all classes of employees in the Corporation has reached such a stage that it is well-nigh impossible to render efficient services as is envisaged in the Act.

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Question 2. Do you think that the management, organisation and the administrative set up are correct in pattern and are adequately harnessed to carry the benefits of life insurance to every insurable person in India?

We feel that the Members of the Corporation who are nominees of the Finance Ministry, are more often than not, not quite fitted to conduct the affairs of the sophisticated business of Life Insurance, which requires a high degree of vision, dynamic approach and expert knowledge of insurance and its concomitant human relations. Besides, they must be men who would be able to take decisions involving some risks, if there are sufficient reasons to think that this will pay good dividend, if not in the near future, at least at a later date. They must be drawn irrespective of regions from amongst capable industrialists, economists, bankers, businessmen and co-operators and who do not have to wait on the Finance Ministry for their appointment and continuance as Members of the Corporation.

The highest executive of the L.I.C. should be drawn from within the institution and he should have considerable

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knowledge of the industry and initiative enough to implement the directive principles with imagination and verve. The present practice of appointing the Chief Executive from amongst civilian cadres, is not conducive to the well-being and progress of the Corporation, particularly, when this appointment is for a period not exceeding three years. In the present set-up, in such cases, the first year is spent in their getting familiar with the intricacies of the industry, the second year is used to implement new ideas and before a full trial is given to this experiment, the incumbent has to start thinking about his next posting. The clock is set back over again with a new appointment. It is to be noted that in the short period of eleven years of the Corporation's existence as many as six Chief Executives have conducted its affairs without being able to formulate and implement policies which can be given a fair and sufficiently long trial for the needed results. We feel that the chief executive of the Corporation must have a fairly sufficient service remaining to his credit on appointment.

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The functions of the Central Office should be to lay down broad principles of policy and devising ways and means of implementing the same through the agencies of the Divisional Offices supervised by the Zonal Offices. Central Office should have a nucleus of a competent market-research department which would process data which can serve a basis for various targets to be achieved by the various units, keeping in view the potentiality and other allied factors, so that the business may develop on lines conducive to the conditions obtaining in different units which vary from unit to unit. Once these decisions are arrived at on worthwhile data, the implementation should be left to the units and their progress or otherwise should be measured in light of these criteria.

For efficient running and expeditious development of business, the Development Units must be of viable size. They should not be either too big or too small. We feel that the Divisional Office should be of minimum of twelve crores and maximum thirty crores. Similarly the Branch Units in a city should be of not more than four crores and less than two crores. However, in mofussil the Branch size can be limited to one-and-a-half to three crores depending upon the potential of the area under its charge.

The creation of Development Centres has not served

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its purpose since the Assistant Branch Manager(D) in-charge does not have a full time job at his headquarters in view of the fact that there would be hardly one or two Development Officers' Units for supervision at his headquarters. Leaving out the 10 to 12 days of his tours in his area, there is little scope for him to put his time to maximum use at headquarters. As such, it will be in the interest of the Corporation to shift his headquarters to the Branch where he can be given a part of the local organisation for supervision, besides supervisory work in the office in respect of scrutiny of proposals, brisk registration of business and submission of Returns. We also feel that policyholders' service excepting settlement of claims should be handed over to all rural branches by giving them efficient and sufficiently suitable personnel to carry out this important work. While in the cities having more than one Branch the work should be invariably located at the Divisional Office. For expeditious settlement of claims, it is absolutely necessary to appoint suitable Claims Investigators who may investigate premature claims to enable the office to arrive at an early decision thereon.

It should be the aim of the Corporation, being a monopolistic institution, to see that all efforts are made to give cover to substandard lives before declining them since there is no alternative for them to insure elsewhere. These unfortunate persons who need insurance cover the most cannot be deprived of same in a monopolistic national institution because it is not able to keep pace with advancements of insurers overseas and therefore is static in its approach.

Questions 3 and 5. What, according to you, is the contribution of Life Insurance in the strengthening of National economy?

What is your opinion with regard to the investment policies as regards the direction in which investments are being made?

Though the Corporation has not been able to channelise the savings of the populace to the extent expected of it, we feel that it has played a significant role in strengthening the country's economy by judicious investment of its funds in diverse channels, of course, keeping in view the principle directives enshrined in the Act. Perhaps, this may have led to the Corporation's not securing the best paying investments available in the country but it has catered to the social needs of the country so far. While it is true, that the objective and the scope of investments should be primarily for the benefit of the policyholders,

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the larger interest of the country and its economy cannot be ignored. Considered in the light of above, we do feel that the investment policy of the Corporation is in consonance with the highest principles of maximum good of maximum people of the country even though it may yield a little less return. The real impediments in channelising or mopping up the available surpluses in the hands of public is inhibited because of similar institutions having been born with the support and backing of the Government viz., Defence Savings, Small Savings, Unit Trust of India etc. Another significant development in this regard is innovation by industrial concerns in securing short-term and long-term fixed deposits from the public on very attractive interest rates. It may not be out of context if we mention that some of the industrial concerns of repute and standing offer as much as 8 to 12% interest on fixed term deposits of 3 to 5 years. In this context, the insurance contract though it covers the risk of life and which is also a long term contract offers less attractive Bonus in comparison. This hampers to a certain

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extent the channelising of available surplus to L.I.C. It is a known fact that the entire machinery of the Government is geared to exert maximum pressure on the populace to subscribe to the Small Savings, Defence Bonds etc., etc. This naturally leaves in the hands of the people, particularly because of the rising prices, very little surplus which can be profitably mopped up by the L.I.C. in absence of Government support which in other schemes tantamounts to coercion also. In the light of this, it can be said that the Corporation has done fairly well with the limited scope available to them. We feel that because of favourable mortality experience and rising interest rates (though we are aware that the administrative cost is rising) if a little more liberal bonus rates are declared, and which we feel possible, the L.I.C. will be able to attract many more persons to this attractively beneficial form of saving. For equity and fair-play to all policy-holders, past and present, it would be worthwhile examining if the Corporation can enhance their present bonus rates to a more attractive level.

It will not be out of place to mention here that this is the only public sector institution where on a nominal investment of 5 crores the present yield to the investor, namely the Government of India is of the order of 30% a

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year, and unless there is some modification in the present formula of sharing of surplus of the Corporation, the yield may soon reach 100%. It is suggested that a ceiling be fixed on the Government's share, say, at 15% to 20% of interest per annum on its original investment so that the balance be diverted for enhancing the bonus to the policy-holders and which is their rightful dues.

Question 4. Do you consider the present expense ratio of the L.I.C. reasonable or excessive?

In the conditions obtaining in the country, because of excessive rise in cost of living, the saving potential of the populace is limited. There are very many factors over which the Corporation has no control in limiting its expense ratio. While it is in the fitness of things that all employees who are working in the institution should have a fair and worthwhile living wage consistent with real necessities of life and which may result in inevitable rise in the expense ratio, there are other items like stationery, furniture, rents, travelling, transport, postage, telegrams, telephones, maintenance of machines etc., etc., which inflate the expense ratio and over which though the Corporation has

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no absolute control can be rationalised or reduced to a limited extent. It is a matter of history that statutory expense ratio fixed by the Insurance Act for reasons well-known, three decades ago, cannot effectively operate in the changed circumstances of the present phenomenal and all round high costs. Under the circumstances, we are of the opinion that the present expense ratio of the L.I.C., is not high at all and is merely a sign of the times we are living in. In fact, similar experience is the order of the day in all insurance companies in the world and we should not be unnecessarily and unduly perturbed over the present temporary trend. With the passage of time and fuller development of insurance business on proper lines in India, the cost is bound to have a tendency to decrease and stabilise. Of course, this does not mean that the LIC should not make effort at worthwhile economies under controllable items without impairing the efficiency or creating frustration amongst its employees.

Question 6. To what extent, in your opinion, is the business of the Corporation being conducted on business principles?

We have no special comments to offer excepting what we have stated in our replies to other questions of the questionnaire which covers our viewpoint.

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4. Strength of various sections in various departments should be adequately evaluated and sufficient number of right type of personnel planted in each Department.
5. The policyholders' servicing should be gradually be decentralised to Branch level excepting servicing of claims which may be kept for proper supervision, control and disposal with the Divisional Offices. It is absolutely necessary that the Branch Offices should be staffed with sufficient and right type of assistants and supervisors.

Question 10. Do you think that in the relations, functions and powers between the Central and Zonal Office between the Zonal Office and Divisional Offices, between the Divisional Office and the Branch Offices, between the Branch Office and Development Officers, between Development Officer and agent between Agent and the insured persons any change is required in order to simplify service make it more effective, cut out duplication and reduce lines of communications to the extent possible?

At present the policyholders normally write letters to the Branch Office which many a time is not in a position to reply without making a reference to the Divisional Office and the Zonal Office. The servicing office which caters to the reply finally in the ordinary course routes the replies meant for the policyholders through its subordinate offices. In the process the instructions and/or information and/or requirements get mutilated or remain inconclusive when it reaches the querist. This results in further correspondence to and fro. We suggest

that the servicing office should directly reply to the querist under copies to the subordinate offices. This will save time, duplication of work and expenses.

Policyholders in their ignorance of the set-up of different departments of the Divisional or Zonal Offices call for information from them in a single letter. It is found that sometimes different letters from different departments are addressed to the policyholders in response to a single letter after a lapse of time which makes the understanding of all our communications and/or requirements difficult. We feel that a single letter incorporating information from all concerned departments, be invariably addressed after collecting all relevant information from them, even though it may take a little more time. In that case the policyholder will be able to understand our requirements more easily and at a time.

Question 11. Have you got any suggestions to make to build up a special Department to provide correctives in methods and the rationalised procedures from time to time?

The L.I.C. has already set-up an Inspection, Organisation and Method (I.O.&M.) Department at the Central Office. It, however, needs considerable modernization to cater to the needs of the organisation. This department should continuously review and simplify the methods and procedures in vogue. It should be the work of this department to evolve

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simple and effective methods and procedures for disposing of the correspondence and maintaining of different ledgers and books, more quickly and certainly more efficiently and without duplication of work.

Various statistics are collected from time to time but apparently no use is being made thereof sufficiently. If statistics have any meaning they should be analysed and evaluated properly and the results emanating from this processing be brought to the notice of the subordinate offices with a view to utilising them in their day-to-day work. The idea of collecting statistics, unless put to gainful use, serves no purpose excepting cluttering offices with unutilised data and waste of useful space.

It is our unfortunate experience that though the statistics are already either with the Zonal Office or the Central Office, the same are being called for again from the subordinate offices in emergencies instead of being secured by reference to their records. If the statistics are properly collated, processed, analysed and tabulated it should not be difficult nor necessary to call for

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the same information over again from the subordinate offices thus putting their resources to undue strain.

Question 12. Do you consider the cost of Life Insurance in India on high side; if so, has it undermined the faster growth of Life Insurance?

Compared to other developed countries in the West, the cost of Life Insurance in India is certainly on the high side. The competition with other savings schemes referred to earlier does inhibit the growth of L.I.C. in this country. The solution cannot be readymade or easy. It is true that new business will increase to some extent if the premium rates are reduced but before taking a decision to reduce them we must examine the question in much greater details as premium rates are based on various factors viz. mortality, interest earning capacity and expenses. While there is no doubt that mortality experience shows improvement constantly and interest rates have appreciably increased the management expenses have shown a tendency to grow under the inflationary trends in the country's economy as is also evident almost everywhere in the world. It is, therefore, necessary to examine whether the savings from favourable mortality and interest rates outweigh the increase in management expenses of the Corporation. If that is so, there are two methods of dealing with the situation. One is reduction in premium rates and the other is increase of

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bonus rates. Reducation of premium rates howso-
ever desirable would create complications in
as much as there will be a pronounced tendency
to make existing policies paid-up. In that event
we may have to adopt differential bonus rates
for existing policies of higher premium rates
and new policies to be issued under reduced
rates. On the other hand, if the situation is
tackled by increasing the bonus rates, the With-
out-Profit policyholders will suffer. Thus for
the sake of equity and safe-guard for the
interest of the Without-Profit policyholders
there may be a case for reduction of premium
rates for Without-Profit policies. However,
this will not in any way benefit the existing
Without-Profit policyholders. In the circum-
stances, the only way open to the Corporation
will be to give some ex-gratia bonus to Without-
Profit policyholders to offset the losses accru-
ing to them. The suggestions cited above will
have to be weighed in proper perspectives and
any hasty decision thereon will complicate
matters further instead of solving this vexed
problem. Therefore, no hasty decision is called
for.

Memorandum submitted to the Working Group, LIC (ARC) on 9th December, 1967 at Bombay by Sri Jalsi Noda (President), Sri S.W. Kalvit (Secretary General) and Sri M.A. Dasai (Resident Secretary) of National Federation of Insurance Field Workers of India (hereinafter called as the Federation).

Introduction:- The Federation is an all India organisation of nearly 9000 Development Officers of the Life Insurance Corporation of India (LIC). Development Officers are regular salaried-employees, governed by LIC Staff Regulations. Development Officers work in the Field. Hence they do not have fixed hours of work per day. Their duty is to move in the market and spot out suitable persons and motivate them to take up insurance agency. Agency applications are recommended upon by the Development Officers and thereafter LIC issues letter of appointment to the applicants. This done, the Development Officer starts imparting to the agent practical training in the market. He teaches him the knowhow of procurement of insurance business. To recruit agents, to train them, to guide them, to assist them, to motivate them and to supervise their work constitute the duties of the Development Officers. In the discharge of these duties, Development Officers actually move in the market and come in direct contact with the policyholders. Naturally, therefore, the grievances, difficulties, complaints, hopes and aspirations of the policyholders are best known to the Development Officers. They know where exactly the LIC shoe pinches

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to the policyholders.

Now and then, certain misinformed persons opine that the LIC should not really require the class of Development Officers. It is their allegation that procurement of business is done by the Agents and therefore, LIC should do away with the class of Development Officers. It would be worthwhile to examine this allegation here and now.

In our country, insurance is Sold and not Purchased. Policyholders do not queue-up in front of Insurance Office for purchasing insurance policies. They have to be motivated to take out insurance on their lives or property. Therefore, arises the necessity of Agents who would be prepared to move in the market in order to sell insurance policies. For this labour, Agents are paid Commission according to the provisions of the Insurance Act. For so much business procured, so much commission is earned by the Agent. It is obvious that an agent who has good contacts in the society will be able to push up larger sale of policies. Otherwise, his income will or may not be sufficient enough to help him to earn a livelihood and support his own family. The agent also must have sufficient time at his disposal to move in the market and remain on the job day in and day

out. Desire to work as an Agent, Possibility of earning sufficient money and Availability of Full Time are the three essentials of insurance field work.

Alike the insurance policy which is Sold and not Purchased, in our country, Insurance Agency is Given and not Taken. It is easy to sell books, radios, medicines, umbrellas, shoes, fountain pens etc.etc. It is a difficult job to sell the invisible commodity of life insurance. It is a life and death affair! Therefore, persons have to be motivated to work as insurance agents. Here comes the Development Officer on the scene. He motivates someone to become an insurance agent and keeps on motivating him to move in the market everyday. The Development Officer soon finds out that although the agent is willing to work, he is not having enough time to move about. He wants assistance of the Development Officer. For example, here is an Agent, Mr.A. He has got lot of influence in the market. He also desires to earn commission by selling insurance policies. However, Mr.A is also running a shop or a factory or that he is a Teacher or a Government Employee and therefore, he does not have enough time to move about and complete the procedure of filling up the forms, carry out medical examinations, deposit the premium and do all the necessary work. Mr.A therefore wants the Development Officer to help him in the procedural work.

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He also wants the Development Officer to go to the house of a friend of his who is not willing to take insurance policy unless he is thoroughly convinced about its utility. So the Development Officer meets that friend of Mr.A and tries to educate about the utility of insurance policy.

This is how the class of Development Officers took birth in the insurance industry. They build up agency organisation and procure business through the agents by working hand-in-hand with them in the market. In this process, some agents pick up the work nicely and the Development Officer is not required to spend much time on such agents. Some agents become full timers and make insurance agency as a career of life. Others continue to remain part-timers and earn some commission while doing their own other jobs. Part-timers require full help from the Development Officers. Full timers require partial help.

This process has continued in the insurance industry in our country. When LIC was nationalised in 1956, there were as many as 5000 Development Officers(with different designations) in the service of the various private companies. They had their own organisation of agents, full timers

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and part-timers. Some agents were working on their own. They are called Direct Agents. Obviously, the context of insurance business in the country was such that the number of Direct Agents was negligible in 1956 and it continues to be negligible even in 1967. Some of the Direct Agents for reasons best known to them have recently started a propaganda that LIC should not employ Development Officers. Had there been any truth in their demand, LIC would not have increased the number of Development Officers from 5000 in 1956 to 9000 in 1967. History of insurance industry in our country has established the fact that without the active efforts of the Development Officers, progress and expansion of insurance business cannot be achieved. In the month of October-November 1966, Development Officers were required to launch an agitation in order to achieve certain money demands. The Federation gave a call to the Development Officers to keep away from the market. The result was that new business figures came down by 100 crores. No other proof is required to prove whether or not the Development Officers are required in the LIC set-up. It is an amusing thought as to what will happen (or actually will not happen!) if the Direct Agents or those who are interested in the abolition of the class of Development Officers (ever) attempt to stop procuring business.

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The Federation hopes that the Working Group will be able to read between the lines and reach necessary conclusions.

Questionnaire issued by the Working Group: The Federation has carefully gone through the questionnaire issued by the Working Group. The Federation desires to bring to the notice of the Working Group that many questions appearing in the Questionnaire have been dealt with by the Parliamentary Committee on Public Undertakings in its Report (1965). Similarly, many issues have been discussed in the Parliament as and when LIC's Annual Reports are presented to the Parliament. It must also be known to the Working Group that the Government of India has already appointed a Committee (The Morarka Committee) to go into the problem of EXPENSES OF MANAGEMENT OF THE LIC. Our Federation has submitted an exhaustive Memorandum to the said Committee on 29th September, 1967 and copy of the same has already been sent to the honourable members of the Working Group. As far as possible, therefore, we shall attempt to avoid repetition of the same issues. As is suggested by its name, the Working Group of the Administrative Reforms Commission has to bring about improving reforms in the working of the LIC

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in the larger interests of all concerned. Accordingly, in this Memorandum, we are more interested in proposing various desirable suggestions which would ensure improvement and we are less interested to accuse someone or the other for all that has taken place and not taken place during the last eleven years of LIC's existence. Taking this approach, we propose to make various suggestions hereunder on various issues included in the questionnaire under reference. We may not take up the questions one after another and at the same time, it will be our effort to touch most of the points.

Suggestions:- LIC is a Public Sector industry. Its management from top to bottom should rest on Collective Co-operation of its constituents. In the Board of Directors of the LIC, Representatives of all classes of LIC employees, as well as Representatives of Agents and Policyholders should be given a place. Thereby, everyone concerned will have a sense of belonging to the LIC. Planning of Business, Policy of Investment, Administrative Procedures, Budgeting and Expenses, Austerity measures, Labour policy, Staff Regulations, Industrial peace and all such important matters will become the JOINT RESPONSIBILITY of the constituents concerned. A series of Round Table Meetings of the concerned Representatives, ~~if given effect to~~ as early as possible

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will surely go a long way in setting LIC HOUSE in order. Otherwise, the present-day acrimonious relations between the management and the workers, between the Management and the Policyholders, between the different classes of Workers themselves will not come to an end and the House of the LIC will remain disturbed. Doubts, Fears, Apprehensions, Attacks, Counter-attacks, Abuses and Ridicule, Zindabad and Mardabad will continue to remain the order of the day in the LIC. POLICE METHODS may succeed in putting down the Confusing Conflicts for a little while. They are bound to reappear soon. Hence, the Federation strongly advocated immediate introduction of the era of Collective Thinking and Collective working in the LIC from top to bottom. The management must give up its existing Bureaucratic behaviour. It must forget feeling of being a Master or a Director or an Employer. Public Sector Management ought to be Collectively Cooperative Management wherein everyone concerned should be allowed to play one's part with a sense of institutional belonging and loyalty.

It certainly goes to the credit of the LIC

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as a whole that during the last decade of its working, insurance business has made visible expansion in urban areas and also in rural areas. However, the rural areas need more attention. Urban market also has not been fully tapped. In this connection, it becomes important to keep in mind the exact meaning of expansion of insurance business. We are of the firm view that insurance of more and more people is the real meaning of expansion of business. Therefore, LIC's Planning of Business should be in terms of NUMBER of People to be Insured and not in terms of Crores of Business to be procured.

At the same time, it is essential to make the planning as scientific as possible. As early as possible, LIC should undertake Insurance Census or Assessment of Insurance Potential in the country. It is most important to find out by actual survey the nearest possible correct NUMBER of INSURABLE PEOPLE in any given locality. Development Officers can do this job successfully. Having assessed the nearly-correct Number of Insurable PEOPLE in the country, LIC should build up its Planning from year to year. In this context, it is pertinent to remember that each and every person is not an Insurable party. Insurable person is one whose health and habits are unimpaired and good and who is in a position to pay the insurance premium year after year. India is even now a poor and undeveloped country.

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Millions of our people still live a very miserable life
NUMBER OF INSURABLE PEOPLE in India is, therefore,
not very very large. Let us all hope that conditions
will change for the better in the years to come and
NUMBER OF INSURABLE PEOPLE will go on increasing.

Having assessed by actual survey from time to
time the nearly correct NUMBER OF INSURABLE PEOPLE
in every given area, LIC should open adequate
number of Branch Offices for the purpose of
handling and servicing the insurance business
coming from that area. The effort should be to
give service to the policyholder "then and there".
Acceptance of insurance, admission of age of the
policyholder, registering of nominations,
assignments, changes in address, giving out
policy loans, settlement of claims and all such
servicing including acceptance of renewal pre-
miums should be done by the Branch Offices.
In other words, Branch Offices must be in a
position to render A to Z policy service to
the policyholder, It goes without saying
that interests of the policyholders will be
better safeguarded if the transactions are con-
ducted in regional language and not in English
as is mostly done for all these years.

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It will be very useful if the policyholder is supplied with a Premium Pass Book. Entry of premium paid from time to time should be made in the Pass Book instead of issuing premium receipt every time. Premium Pass Book will at once explain the upto date position of the policy. Lot of correspondence will be avoided. By merely looking into the Premium Pass Book, the policyholder/ the agent/ the Development Officer will be able to find out whether the policy is in force or stands paid-up or stands lapsed. Accordingly, the policyholder may be motivated to revive the policy in case it is lapsed. Under the present system, the policyholder is required to first ask for the "position of his policy as on date and call for revival particulars". LIC takes its own time to send the reply and in this process the revival is usually delayed. Premium Pass Book will cut down so many delays.

Existing rules of revival of policies need to be given a second look urgently. In the event of default to pay premiums for more than six months, LIC insists upon a Medical Examination Report on the life of the policyholder. Policy is revived if only the Report is found satisfactory. If the premium (with late fee) is paid within 5 months and 29 days, policy is revived without

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medical report. If the money is paid after 5 months and 31 days, medical report becomes necessary! Does the policyholder suddenly become sick and therefore not fit for insurance? In 99.99 cases it is seen that the policyholder does continue to remain in good health. Demanding medical report on his life becomes a nuisance and causes delay in revival of the policy. The old rule must be changed. Policy should be allowed to be revived on payment of outstanding premium with late fee if any alongwith a Personal Declaration of Good Health only.

We would also suggest that admission of age and nomination or assignment (i.e. naming the heir) must be insisted upon prior to issuance of insurance policy. LIC must not show haste in accepting the business without age-proof and without nomination or assignment and then delay the settlement of claim after policyholder's death. If age is admitted alongwith the proposal for insurance and also if the nomination or assignment is done in the very beginning, policy claims can be paid with maximum efficiency.

While paying loans against the security of insurance policy, LIC should not make the policyholder execute a loan bond on a stamped paper. Instead, a suitable endorsement should be made on the back of the policy over the signature of the party. This will help quick payment of loans.

In addition to rendering A to Z service to the policyholders from the Branch Office, payment of commission to the agents should also be the responsibility of the Branch Office. First years' Commission and Renewal Commission should be paid by the Branch Offices. Letter of Appointment to the Agents should similarly be issued by the Branch Offices.

In short, the Branch Offices should become full-fledged and all requirements of policyholders and agents should be attended to by them. The tempo of administrative efficiency in the Branch Offices should be so developed that Today's Work ought to be completed Next day, if not on the same day. LIC must take a clue from the work done in a Bank or the Post Office. The Bank or the Post Office is required to attend to the work of the customers then and there and on the same day. All customers reporting at the counter of the Bank or the Post Office within the prescribed working hours have got to be attended to the same day. The same rule should apply to LIC Branch Offices. If this is done, service to the policyholders will show tremendous improvement and satisfied policyholders will

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give more and more business to the L.I.C.

Divisional Offices should coordinate the work of Branch Offices. Divisional Offices should keep service record of LIC employees. Divisional Offices should attend to investment of funds in the same area from which funds are received. If the policyholders from a given area find visible proof of investment of LIC funds in the same area (in the shape of loans to housing societies, educational institutions, industries and factories, hospitals and agriculture so on and so forth) they will naturally be more happy and LIC will be able to get more and more business. As the things stand today, Investment of LIC funds is the sole burden of the Central Office. Let the Divisional Offices manage this portfolio in their respective regions.

Zonal Offices are not required at all. Existing Zonal Offices do not serve any useful purpose. Abolition of Zonal Offices will bring about lot of saving in expenditure.

Central Office should exercise overall control over the working of the LIC. Central Office should lay down general policies in all matters concerning the LIC.

~~Maximum work of policy servicing at the Branches,~~
Investment work at the Divisional Offices and General Control at the Central Office should be the picture of the LIC as early as possible. The present set-up is over-centralised, full of red tape, dilatory and superfluous in the existence of Zonal Offices.

LIC will be in a position to contribute more to the National Economy if its house is set in order on the lines enumerated in the foregoing paragraphs. LIC is expected to run its show on business principles. LIC is supposed to be a commercial organisation. According to our Federation, LIC should adhere strictly to the time-honoured business principle of Honesty-is-the-best-policy. During the last ten years, LIC has not respected this principle. The management has deceived itself and deceived the people at large by insisting on production of BIG BIG BUSINESS FIGURES BY MEANS FAIR OR FOUL. Nothing else has mattered to the management. LIC has become a PLUS-MINUS BUSINESS FIGURE CORPORATION. In their mistaken zeal to show to the Government or to the Parliament or the public at large the make-believe success of the LIC, the management has compelled the Development Officers to procure more and more business anyhow and somehow. Huge lapsation of business has, therefore, be the natural outcome of forced sale of

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business in the market. Service conditions of the Development Officers have been so devised that they are compelled to bring in business of doubtful quality in order to justify (as the management puts it) emoluments. This explains the slipshod growth of agency organisation. Sound and Stable agency organisation is the surest guarantee of the progress of LIC. The tragedy is that Development Officers do not get time to build up stable organisation. They have just to catch hold of anybody and everybody who can help procurement of business for the time being. Development Officers are more concerned in completing the Quota of Business Figures, failing which, they will face cuts in emoluments or even dismissal from service. The Branch Managers are similarly concerned with the comparative business figures (How much in last year? How much in the current year?) and so is the case with the Divisional Managers and the Zonal Managers and also with the Chairman of the LIC. One to all, they are worried to show to the Government or to the Parliament that "as compared with the business figures as on 31st March 1966, LIC has shown an increase of

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so much percent in business figures as on 31st March, 1967" - Q.E.D.! If by mischance, Increase over preceding year's figures cannot be achieved, the management starts bemoaning the fall in the saving capacity of the people on account of rising price line and also on account of natural calamities, like the flood and the famine (which come handy!) and also on account of dislocation caused by General Elections, Labour unrest, Devaluation and Recession and what not!! The individual Development Officer and his agent is however punished if the Quota of Business is not completed. whatever may be the difficulties in the insurance market.

This is not HONESTY. This is no Business and there is no Principle involved in it other than the Self-Interest principle. In this game, incalculable harm has been done to Business Morals and Ethics and Service to the Policyholders has gone to dogs. LIC must close this dismal chapter and follow the course of Business Honesty. Hereafter, LIC should concentrate on QUALITY of Business and not on Quantity. Assumed Planning ought to be replaced by Assessed Planning in terms of NUMBER OF INSURABLE PEOPLE and service conditions of the Development Officers should be tuned to the REAL Plan 1963.

Because the LIC worked on non-Businesslike principles all these years, its image has been tarnished and that is why

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the Government has been obliged to appoint Committee after Committee to find out as to what has gone wrong in the LIC. Unfortunately, LIC began its career with the infamous Mundhra Scandal and it seems that LIC has continued to remain a suspect in the public eye.

The fact must be admitted that there is enough scope of giving to the policyholder a better return on the money he puts in the LIC policy. By effecting economies upto the maximum without impairing efficiency, LIC will have more surplus funds for investment. More the return from investments, more will be the gain to the policyholder. According to the Insurance Act, LIC has to manage its expenses within certain limits. This subject has been discussed by the Federation in its Memorandum submitted to the Morarka Committee and copy of the same is already with the Working Group. We need not discuss the subject afresh in this memorandum.

As compared with cost of life insurance reflected by the premium rates obtaining in UK or USA, the cost and premium rates in India are certainly on the higher side. It is however not wholly correct to compare Indian Insurance Market

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with the foreign one. Standard of education, per capita income, standard of living and such other factors show a big difference in India and in U.K. or U.S.A. The bulk of policyholders in India even now go in for life insurance cover with the purpose of making some provision for their families in the event of death. In India, Insurance continues to be Death oriented. In U.K. or U.S.A., the emphasis is more on Investment of money in the insurance policy. In building up premium rates, mortality experience in India is more to be taken into account. It may be possible for the LIC to reduce its premium rates in the light of mortality experience gained so far. However, insurance business will not increase by leaps and bounds as soon as premium rates are reduced by the LIC. In any case, reduction in premium rates is not likely to be very substantial. The real question is whether the people in India will be able to save anything in the face of ever-rising price line. The most important problem for the masses in India is to Exist Today and the masses do not have the time to worry about Tomorrow. This is a stark reality. Again and again, we come to the fundamental premise of INSURABLE PEOPLE available at any given time.

In such difficult conditions, people generally like to put their savings (if they have any) in Cash

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Accounts. Bank A/c or the Postal A/c or the Chit Fund and such other media promise INSTANT withdrawal of money, if required (usually always required!) by the Account-holder. Insurance Policy is a Deferred Account. The average man feels that his money is blocked for number of years in the Insurance Policy. He cannot withdraw the money as and when required. It is not for nothing, that National Savings Certificates, Small Savings Scheme, Banks and Post and such other media do attract lot of available savings and to that extent insurance has to meet with competition in the market. Insurance covers Risk against Death and no other media of savings promises that feature. However, people are more inclined to think of Today and not of Tomorrow. If Tomorrow can be taken care of by the State or the Society (as is done in Russia), life insurance becomes redundant! This should remind us that life insurance is not the last word in the dictionary of Human Welfare.

Unless insurance policy makes itself popular with the Masses, LIC will not be able to make real progress. A few rich people, taking out policies more with a view to earn tax rebates

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will not be able to feed the LIC always and to the full. Masses live in Rural India and Rural India lives on land (agriculture). How will insurance go to the masses? Actuaries and Insurance Experts will have to take^{up} the challenge of finding out methods and procedures of taking insurance policy within the reach of the poorest of the poor. The Rich only should not be reached by insurance, if Socialism or Socialistic Pattern and all that talk has any meaning. In this connection it is worthwhile to consider whether the land revenue could include a little payment of insurance premium also and thus provide insurance cover?

Talking about Actuaries, it is pertinent to point out here to a controversy raging on in the House of the LIC since the last ten years. It appears that Actuaries in the LIC are out of tune with the Development Wing. Business brought in by the Development Wing is viewed with suspicion by the Actuarial Wing (Underwriters) and whereas the Development Wing wants LIC to accept maximum possible business brought in, the other side tries to throw out as much business as it can manage to throw out! It is necessary to make the Development Wing and the Actuarial Wing adopt the policy of peaceful coexistence in the larger interests of all concerned. The solution lies in setting up Collective Cooperation Committee as has been suggested in the beginning of this Memorandum.

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This brings us to suggest creation of a Standing Research Department in the LIC. The main idea should be to make insurance more and more popular, easy in procedure, cheap in cost and efficient in transaction.

It will not be out of place to focuss the attention of the Working Group to the continuous Labour unrest in the House of the LIC. LIC management has still not thought it desirable to appoint a Labour Officer or accept the forum of Arbitration in the matter of settlement of disputes. Salary structure and allowances paid to the different classes of employees have run into difficult contradictions and everytime some dispute or the other arises on account of such contradictions. Unfortunately, the management has shown increasing tendency to bypass written Agreements with the Trade Unions of the different classes of employees. The management takes easy shelter by arguing that "The Government of India does not permit them to do this or do that". When we approach the Government, we get the patent reply that "LIC is an autonomous body!" This mystery will have to be probed into fully.

It is obvious that LIC will be handicapped to perform its functions if the House of the LIC is always disturbed. As has been stated in the opening paragraphs, Collective Thinking and Collective Working will have to be introduced in order to end the acrimonious state of affairs in the L.I.C.

This is in short what the Federation has to say.

Tulsi Boda
President

Sd/-
S.W. Kalvit
Secretary General.

Sd/-
M.A. Desai
Resident Secretary.

NATIONAL FEDERATION OF INSURANCE FIELD WORKERS OF INDIA.

Memorandum to the Working Group on Life Insurance Administration appointed by the Administrative Reforms Commission by Life Insurance Agents' Federation of India.

Part 1: Introductory

LIFE INSURANCE:

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- (a) The main purpose of 'Life Insurance' is to provide for the 'wife and children' of the insured, in the event of premature demise of the earning member of the family.
- (b) It works on the principle that a collective number of policies can pay for a few unfortunate ones. Premiums carry a 'load' to balance the losses caused by unexpected deaths.
- (c) Policies not involving risk-cover on the life of the insured, should not be strictly treated as Life Insurance. Endowment, some types of annuities, Children's deferred categories etc., are but stray shoots of 'life insurance'.
- (d) Life Insurance is more necessary to 'low income groups' of society than to the "higher income brackets." Life Insurance must therefore be conceived in India a country where the 'low income groups' predominate to cater to them in an effective way.
- (e) To meet the Indian requirements - a hundred Life Policies, each for a thousand rupees, provide a greater relief than 5 or 10 Policies, each for 20 or 10 thousand.

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The sum total remains the same. This prime factor needs to be fully realised by the Life Insurance Corporation.

- (f) India is mainly an agricultural country and rural population out-numbers the urban.

Life Insurance is more needed in and must therefore spread more extensively to the agricultural rural tracts. Nationalisation of Life Insurance must achieve this laudable objects.

- (g) Life Insurance must encourage "small Savings" and adapt itself to channelling such small savings, by virtue of its 'special-type' policies, to national benefit.

It must have a "standard Policy", for a sum of Rupees five hundred, for a 25 year term, premiums payable at Post Offices, monthly/quarterly/seasonally so as to effect the annual premium-payment within the policy-year without attracting the lapse-clauses. Every insurable person must be given this basic cover or multiples of it.

- (h) Life Insurance Corporation is a Nationalised Institution. It must reorientate its work to

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cater to all segments of society. Government has a duty to its policy of nationalisation. It should merge with LIC, Postal Insurance and other Government schemes initiated by the various States. Otherwise, lopsided development will take place. Partial divesting of LIC should not be allowed. Private insurance is no substitute for nationalised insurance.

- (1) Government has also another duty to the very concept of Nationalisation.

It must introduce the system of "pay-deduction facility" in all Government Departments, Central as well as State, and streamline collection from members, crediting such Collections monthly to the LIC. This may be extended to all the Undertakings and Establishments in the Public and Private Sectors. It must make it compulsory to convert a major share of the "employees' quota" in the Provident Fund Schemes towards insurance. Introduction of "pay-deduction at source" is the key to open the flood gates and allow the flow of Insurance business to the benefit of the welfare State. As at present, the Government seems to be the enemy number one of "spread of Life Insurance." The sooner this position is reversed, the better it is, for the Government, for the LIC, for the people and for the

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concept of Life Insurance.

2. It must be admitted that Government, though fully empowered to issue directives to the LIC, has exercised its right only twice in the last ten years and for the rest, merely contended itself with giving 'instructions' and not directives.

The Government has not initiated any machinery by which a New undertaking like the LIC can be judged and scrutinised to see whether it has been discharging all the functions assigned to it.

Even when the Estimates Committee and the Committee on Public Undertakings pointed out certain lines of action, the Government has been unable to make up its mind.

It has taken ten years for the Government to realise a few of the short-comings of the LIC, structural as well as constitutional. The Government has not grasped till now, the faults, defaults and somersaults in the day-to-day working of the LIC and these are no less important than what the Government has realised.

LIC has shaped itself into a law by itself. It has not implemented what the LIC ACT provided for, in the matter of constituting the mandatory

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Committees, till the Estimates Committee took the LIC to task. Nor has the LIC framed the "regulations governing the terms and conditions of service of Agents", even today; but it has introduced a number of arbitrary and inequitable measures which offend against the statute, to wit, Section 49(1) and 49(2) of the LIC Act.

Time in and Time out, the Government appointed to the Board of Directors, persons who lack a knowledge of Insurance even though very capable personnel are available and even persisted in such appointments for a "second term" as well.

It is not realistic to expect Officers in the Financial Secretariat to always understand the 'pulse' of Life Insurance Business and its custodian viz., the Corporation and the only way to understand, assist, guide, shape and improve the LIC is to appoint a permanent Committee to review the work of the LIC constantly - a public or a national Committee consisting of a hundred members, representing the various cross-sections and segments of society, cadres and services - M.Ps., members of State Legislatures, Retired Bank and Insurance Officers, Social Welfare Board Officers, Policyholders' delegates and representatives of the only producer community in the LIC set-up namely the AGENTS. It should have a permanent Secretariat of its own, with powers to receive appeals and

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suggestions and call upon the LIC at various levels to action.

3. Performance of the LIC should be judged, not merely by the quantum of new business produced but mainly by the quantum of satisfaction of the policyholders, as reflected by the flow of renewal premium. LIC concentrates on New business figures, relegating the "conservation of business" to the dust-bin. This is the tragedy of LIC.

Part 2

POLICYHOLDERS:

1. Policyholders are the main-stay of Life Insurance. The money is theirs-and they are the only source of wealth to the LIC and the nation. They actually buy Life Insurance and all other categories of workers are subordinate to them.

The Agents are salesmen. Life Insurance is not purchased at the LIC counter. It has to be sold, by special type of people who know the art. Life Insurance Agents belong to this special type of persons who go about, contact people, approach and explain, appeal and convince and persuade wage earners to buy life insurance. They are selling a commodity which

has no immediate shape or form; the benefits of which are of a deferred character. This underlines the difficulty of sale and why every man cannot be a Life Insurance Agent. From the time the Life Insurance came to this country, it is the Agents who have popularised it and sold the Policies. They must be considered as the only class of persons whose work combines with their meagre earnings, a high-level social service to the families who may be unlucky to lose their earning members. Thousands of families remember with gratitude, the benefits they reaped, either by accumulated savings or a windfall in the event of a calamity to the earning head. Lakhs of families take a useful leaf from the book of others and seek the Agents. Thus spread the life insurance in this country and even now, there is no other way by which a further spread can occur unless the Agent is the fulcrum. Life Insurance thus singles out two types of persons for its spread viz. the Policyholder and the Agent and this combination is a guarantee for its future.

The funds realised initially are handed over to the LIC, which, after scrutiny, issues the Policy contracts and arranges to collect subsequent premiums and services the Policyholder. The Agents also do some after-sales service but the main responsibility is on the LIC organisation.

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LIC must send premium reminders, receive and issue due receipts, answer queries by Policyholders by polite and prompt replies, offer various types of benefits, grant loans when asked without complicated procedure or delay and draw the policyholders into a net of insurance, with smiles, service and satisfaction. Claims must be settled on date of maturity or with electric speed after death.

Efficiency in this respect, decides the future inflow of insurance. If the LIC gives room for complaint, in the above respects, policyholders lose the confidence and LIC, instead of getting business, will be losing the business. Let us now examine how the LIC can help in greater procurement of and greater retention of business.

We enumerate below, the various factors in a nutshell and elaborate them in evidence.

- (a) Proposals must be acknowledged: receipt for the money issued; accompanied by a 'cheerful note' and not a drab stereo-typed letter.

This must be followed, within a week, by an Interim policy which policy, if not issued, the main policy must be issued within a fortnight of receipt of 1st premium. Sun

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Life adopted the system of "Interim policy" with great acclaim.

LIC issued "Express" policies but the system is reduced to a goods train. Policies take 3 to 6 months for issue.

(b) It is in the interests of the policyholders that,

(i) No proposal should be considered complete unless "acceptable proof of date of birth" accompanies the proposal.

(ii) Nomination is also made or the reason for absence of nomination adequately explained.

(c) The policy must have the following, either as enclosures or accessories printed thereon or in the form of a brochure or booklet, forming a part and parcel of the policies:

(i) Amplified conditions and terms, not brief as at present. Answers must be available for all possible queries generally raised by Policyholders. This avoids difficulties later.

(ii) Tables of surrender-values in respect of the Policy must be printed or attached and the method of determining the loan-value at any given time, explained with an illustration.

(iii) A photostatic copy of proposal, personal state-

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ment and medical report must be enclosed (for all Policies over Rs.10,000/-) and supplied to others on demand, at a nominal cost. Sun-life supplied these even for one thousand policies.

(iv) Paper used for Policy must be parchment; and encased envelope must be strong, if not fire-proof.

(v) Name of the Agent, Code No. and his address must find a place on the Policy.

(vi) Policies are issued in English, a language not understood by many. These should contain a translation in the regional language as well.

(d) Policyholders must have the right to remit the premium-either through any scheduled Bank or at any office of the LIC in India, instead of being compelled to pay only at the LIC office servicing the policy. Erstwhile Insurers adopted the former system.

(e) Loans on Policies:

- Universal stamp duty of Re.1/- on loan-bond.

- Preferably no loan bond at all.

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- Policy endorsed to LIC and advance given as Loan; similar to the system adopted by the Mysore Government Insurance Department.
 - or by following the system of loans given by Banks; mere endorsement which is recognised by the LIC.
- (f) Grace days "one month" whether the premiums are paid on monthly, quarterly, half-yearly or yearly basis.
- When Policies run for 5 full years, grace period should be increased from the present period of 6 months to one year.
- (g) The present extra of 5% over the normal premium for monthly premium-paying policies should be waived.
- (h) Branches of LIC must be authorised to grant loans to Policyholders and not the Divisional Offices.
- ~~Increased value value of policies, payment of loan~~
by "endorsement of Policy to LIC" and maintenance of Policy records in the Branch Offices - should simplify and expedite the loan payment.
- (i) Premium Rates adopted by the LIC are the old Oriental rates; with a token reduction of one rupee per thousand sum insured. Smaller companies adopted much lesser premium rates.

Surely the mortality rate has gone down. Investigation into the mortality experience of lives

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assured in 1961-64 has been completed. A committee of experts is now considering the problems.

It is hoped that a reduction in premiums will materialise. This reduction must be made applicable even to the existing policies.

- (j) It is a moot point whether the "with-profit" policies should be continued.

Profit is not be-all and end-all of nationalised Life Insurance. In any case, profits must come down in the present economy of a socialistic pattern of Society. Bonus rates may have to be scaled down, sooner than later. The profit on investment of funds accruing from "without profit policies" may be used to effect a reduction of premiums in respect of without profit policies. LIC is paying income-tax on profits. Why earn profits and pay tax instead of reducing premium rates. LIC is an institution of Social Service.

Policyholders can increase the cover on their lives by utilising the extra premium they pay for profits plus the bonuses.

Risk-cover is more important than profit-earning or bonus getting.

By abolishing the with-profit policies, Insurance becomes simpler and the working of LIC easier. No valuations in the current frequency. The question may be got examined by a Committee of experts.

- (k) There is grave misgiving in the minds of the Policyholders regarding claim settlement. All maturity claims must be settled on the date of maturity. This will create a fund of goodwill and attract Policyholders.

Claims arising by death must be settled within 3 months of the date the full claim papers are received by LIC. Premature claims-death within 2 years from Policy date-prolonged delay, tedious enquiries, heart-burn and what not. The present practice of enquiry and fishing for evidence should be restricted to a token number of cases and the enquiries, in any case, must be completed within three months. At the moment, decisions are not reached even in 2½ to 3 years.

Time-limit for repudiation or otherwise, is essential.

- (l) LIC policies should cover 'Permanent disability' and 'double-payment' in the event of death by accident, automatically and fully without any extra whatsoever.

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This will allure the Policyholders. "Surplus" can feed the above liability

(m) In each Branch of LIC, there should be one or two Development Officers whose duty is to call everyday, on a dozen existing Policyholders, to enquire after their needs, health and general factors. This action will foster a spirit of friendship between the LIC and the Policyholders. This will also lead to conservation of business.

(n) Revival of policies when they lapse. Revival should not be treated on the same footing as a 'new Policy'.

(o) Automatic paid-up system is applied to LIC Policies. Provision may also be made for the application of the non-forfeiture clause, by offering option to the Policyholders, when the Policy remains lapsed.

(p) There are hundreds of Lower middle class policyholders, thirsting for owning small houses.

"Own Your House" Scheme benefits the Richer class of Society and the capitalists.

A new policy must be devised for the

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benefit of lower middle classes, which combines a house plus Life Insurance. Insurable villagers generally own plots for house-construction. Small houses have a market value in villages.

(q) Postal Insurance is reported to have, in view of the declining value of the rupee, increased the sum insured by 5% for Endowment and 10% for whole Life Policies. Policyholders of LIC may as well question if the LIC does not follow suit. Or Post Insurance must be merged with LIC.

(r) The interests of the Policyholders sometimes dovetail into those of the Agents.

Policyholders prefer a stable agency system; many of them wish the agents prosperity.

Part 3: Agents

Agents form a vital segment in the Life Insurance Business. They are aptly described as the back-bone of the Life Insurance Business in India. We outline our views, below, without fear or favour:

1. Agents, as the term implies, are not employees. They come under the cadre of "piece-rated workers," their earnings varying with their output. Such workers whose payment is by results, in Labour Legislation, are given a recognised status; they are entitled to payment of wages

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(commission) under the Payment of Wages Act, within a stipulated date, generally ten days after the month-end. Their wage must be a 'living wage;' and a 'minimum wage' must also be fixed. All the "fringe benefits" like Provident Fund, Pension or Gratuity or Free Policy, medical aid, free education, bonus etc., have to be paid to piece-rated workers. They are entitled to Trade Union rights, recognition by the employers; collective bargaining and right to appeal to Industrial Tribunals. The limitations suffered by the Life Insurance Agents must also be considered in this context. At the moment, they number 1,60,000 scattered all over India unevenly (greater density in cities and towns and lesser in villages). Dispersal results in lesser cohesion. The profession of procurement of business of Life Insurance underlines a spirit of rivalry between one Agent and the other and rivals cannot easily "organise" themselves. An unorganised body of workers is a 'blot' on the Establishment; it is also a challenge. It is the duty of the Establishment like the LIC to meet the challenge and take

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steps to give shape, directive and the means to the Agents to form a "useful Association of workers" who will stand solidly in contentment with the work they are assigned.

2. An examination of the present position of Agents in "society" leads to various conflicting emotions. If they agitate for their rights and privileges, it may develop a "sales resistance" to life-business. Sometimes it may result in cutting the branch on which one stands. The fall of a main branch may also permanently maim the tree. If a proper assessment is not made by the IIC and a greater human touch is not shown, there is bound to be a fall in the standard of the Agency force. The treatment accorded to the Agents, at the moment, is subnormal; it is devoid of even an elementary sense of psychology as the consequences. A fall in the standard of Agents has set in.

3. Let us enumerate a few illustrations:

A. The Agency Contract clauses 6(a) and (b) (Form 400SF) are quoted here:

"The Corporation shall have the right by written notice to 'Agent' to forthwith terminate "your" appointment.....

(a) if in its opinion "your" conduct becomes such as to render you unfit to act as its Agent,

(b) if in its opinion you act in a manner pre-

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judicial to the interests of the Corporation
or to the interests of its policyholders."

LIC is the complainant as well as the judge.
There is no need for an enquiry. No show-cause notice
is necessary. No evidence. No cross-examination.
Just a routine letter to Agent calling for expla-
nation and a routine reply from the LIC terminating
the Agency.

This term in the contract is not equitable.
It is a blot on the way the LIC conducts its
relations with producers/salesman.

B. One would appreciate if such a dangerous
clause is used exceptionally and judiciously.

Evidence before us shows its indiscrimi-
nate use or rather abuse; and its wide ramifi-
cations.

C. When Agencies are terminated in the above
arbitrary manner, the renewal commissions earned
by Agents in the past, are also forfeited; even
when the Agencies qualified for their commission
by tests imposed by Section 44 of the Insurance
Act, 1938. This action of LIC also contravenes
clause 7 of their own contract.

D. If the offence committed by the Agent is

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~~no less serious than that of the Development Officer, the~~ latter is let off and the Agent is dismissed. LIC thus metes out differential ~~punishments to~~ people committing the ~~same offences.~~

E. Sec.44(1) ~~uses the word "continually"~~ for service of 5 years or 10 years but the Agency Contract uses the word (Term 8(a) of contract) "continuously and without a break" for 5 years or 10 years. What the act gives, is nullified by the LIC-made "Contract". Or the LIC does not know the correct meaning of the terms "continuously" and "continually".

F. According to term 13 in the contract, the LIC neither entertains nor pays commission on business done by an agent during the period of 'no valid license.'

If LIC entertains business by inadvertance, it will be treated as "direct business". This is a new brand of justice which the LIC dispenses. LIC must be punished for its acts; not the Agents.

A contract of this nature which lacks equity, balance and fair-play is not in harmony with a Public Sector undertaking. It befits only a blood-sucking old type private employer-whose race is fast disappearing. A bold revision of outlook must be made by the LIC. Such contracts do not attract the right type of recruits to the Agency Force.

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It will be interesting to see a statement for the last ten years showing the number of Agents recruited year by year and terminated year by year. LIC alone can give it.

4. RECRUITMENT OF AGENTS:

(a) A person applies to the Branch Office, generally persuaded/planted or recommended by the Development Officer and rarely on his or her initiative. Applicant is asked and helped to apply for a 'licence'. There is no sanctity attached to licence-giving as, in practice, it is never refused. Applicant may introduce and complete some business even before the arrival of the licence; if so, he is denied commission on business introduced during the period of "no valid licence". If he is well-advised, he collects and keeps his business without completion, pending licence. Selection is made merely on a hypothesis that a random selection of this type must be the right selection. No training is given. No aptitude test. This in substance is the prevailing recruitment-policy in practice. It is but natural many such Agencies are

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short-lived. The Agents come and go. But some of their business accrues to the Corporation with the renewal commissions which need not be disbursed. Since these Agencies go out generally before the five year period, Section 44 of the Insurance Act is not applicable. There is thus a continuous saving for the LIC though it is an injury to the stable agency force.

In this system, there are in the field, at any given time, a battalion of Agents of the LIC's avowed "hire and fire type" - undermining the real type of professional agents and their average earnings fall below the sustenance level. Procuration through such sources cannot be the right type of policies, suitable to the genius of the policy-holders; and the quality of business is likely to be "doubtful." LIC can only draw sub-standard business when drawn through such types. These improperly selected Agents fall a prey to the viles of some Development Officers; part with their commission as "rebates".

LIC may contend that due care is taken and all factors are very carefully considered before giving appointments. If the agencies do not survive, it only means that the "care, attention and consideration" are misplaced and the recruitment policy has to be altered. Even now it is not too late.

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(b) The whole machinery of the LIC sings in chorus - "business", "new business" and "new business". In this chorus the main notes are missed, "stability" of business and "quality" of business. Development satellites beat the drums for "quantity for the year", irrespective of whether such quantitative business will be of lasting character. Business for the year-the battle cry is raised business, business - competition, D.M.'s medal, Z.M.'s medal, - all medals for 'that' year's business total, ignoring its staying power; Agent canvasses for 5,000; D.O. raises it to 10,000; B.M. tones it up to 20,000. This is merit, - merit of procuring figure-business for the year, what if it disappears next year. This year is the thing, not next year.

In this state of psychosis, how can there be sanity. When stress is laid on procurement and procurement alone, how can there be "good service", how can there be "stability" and how can the business endure!

(c) Lapsation of policies, in the first 3 years, averages 40%. It cannot be avoided on the

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present levels of "hire and fire type agents".

radical revision of the policy of Agent-recruitment is essential to arrest lapsation.

(d) Benami Agencies:

That LIC is not in favour of Benami Agencies, cannot be accepted as true. The actions of LIC belie the desire of LIC to cancel Benami Agencies. Benami Agents spring up in any sphere where there is potential business, which, in the absence of "created" or "planted agencies" within the undertaking or on persons of choice, can be very ably and successfully marshalled by working professional agents.

Benami agents are the real rebaters. A professional agent has to meet the cost of procuration. Commission is not "all gains." Working expenses must be deducted from the commission. A whole-timer cannot make both ends meet, if he rebates. Rebates are generally confined to Benami Agents of various types.

LIC expresses now and then that it is always ready to terminate Benami Agencies, if they are brought to its notice; and obviously proved. It means that someone must show the LIC the canker in its body. To ask a struggling Agent-community to prove the "Benami Agencies" without the LIC showing rightful vibrations

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to cast off the evil it has absorbed - is only to shield the Benamies; and tax the real Agents.

A well-defined procedure must be evolved by the LIC. Agents Associations can easily spot the Benamies - but to whom should they make the complaint; who is the Officer; method of enquiry; show cause notice; screening and decision. An opportunity must be given to the concerned agent to prove his bona-fides. In our experience, LIC Officers (in the lower cadre) have a partiality for the benamies. Branch officers prefer the Benamies, on account of their docility.

We are not against ladies acting as Insurance Agents, merely on the ground of their sex. If they work in the field, they are quite welcome. If they are dummies and others work for them, then they are Benamies. No objection to husbands assisting them, provided no 'office influence' or "positional influence" is exercised on the proponents.

(e) Staff Agencies:

Members of the staff, working in the

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~~Office of LIC are given Agencies.~~ On this principle, even the Zonal and Divisional Managers can be given Agencies.

LIC makes an elaborate defence of "staff agents" because it is afraid of the Trade Union Activities (of an undesirable character) of its employees. LIC's fear takes the shape of approbation. LIC's fear is cowardice, pure and simple. It is shirking its duty.

Station Masters can be appointed as agents to sell tickets on commission. Goods Clerks can be allowed to work for commission on goods despatched. Clerks working in Offices can be given "Ticket sale agencies". All Business Houses should permit their employees and salesmen to open shops after working hours and do work similar to those in offices, where they work. All the Development Officers, L.B.Ms. and B.Ms. also may be given Agency opportunities. Is this the principle which LIC should stoop to adopt?

The employees work in the Offices of the LIC. They have access to files and they know the proponents from the files. Should such scope be exploited by them to the detriment of Agents? Does the LIC give such assistance to 'free Agents?' Why should be called

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upon to prove against the employees? Why not abolish free Agencies and make all employees of LIC - high and low - as Agents? A new work can be coined "employees-cum-Agents".

We invite attention to page 152 and 153, volume XII, Number 3 July-September '67 issue of the "Sevavrati", House Magazine of the Eastern Zone of LIC, under the captioned newsitem "A Thousand Agents' Licence Cancelled". It is quoted below:

"The Qubec Insurance Superintendent sent out notices to the effect that in at least 1000 cases the licences of agents would not be renew@d or would be renewed only for a probationary period of one year. This was to carry out the recommendations made at a conference held some time back of the Association of Superintendents of Insurance in Canada. The withdrawal of licences will affect part-timers, such as employees of insurance Companies, foremen, managers, etc., who are in a position to use coercion in the writing of insurance. It will also apply to persons who, in the course of their

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occupation, ~~come~~ to possess information regarding the financial position of proponents not available to other Agents."

LIC must shed the fear complex and debar employees of LIC functioning as Agents.

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- (f) Agency work must be treated as a profession. The service of Agents must be given a professional status. LIC has accepted the suggestion of "a senior cadre of Agents" made in our charter and the sleeping giant, has made a little move in the right direction. Details are, however, kept away from us. Of course, they are confidential before they are published. But once they are published, they are unalterable. In an issue of this nature, the LIC could have held consultations with the Agents' Federation before they forwarded their recommendations to the Financial Secretariat at Delhi.

- (g) Further recruitment of Agents, we presumed, was stopped for the present. As usual, we seem to be mistaken. Immediate stoppage is essential.

Present system of recommendation for agency appointments, at the level of the Branch Offices, must be revised. Applications must be scrutinised by a committee of representatives of Agents and

Development Officers with the Divisional Manager presiding in the selection. The new cadets must not be put in the field without "Training", Examination and an "apprentice period" during which, they may be advanced a reasonable sum monthly, to be deducted later in easy instalments. The selection must be such that the numbers selected are few and far between to work in "areas" where there is scope. The existing Senior Agents are quite prepared to give training to such apprentices.

Section 64(1) of the Insurance Act provides for compulsory training before an Agent is granted licence. It has, however, not been incorporated into the LIC Act. It may now be made applicable and implemented.

The aim of selection is to shape the Agents into professional and whole-time workers. A time may come when the LIC may advertise for "Agency-vacancies" in places needed, invite applications and take the requisite number by the above process.

5. REMUNERATION OF AGENTS:

Work of Agents is remunerated in the form of commission. Premium and commission rates were

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fixed a long time ago.

When the number of Agents is limited, the quantum of earned commission will be better than now.

Apart from that, the cost of living has spiralled up and the expenditure for procurement has more than doubled itself. The premium rates have sufficient margin to provide for enhanced rate of commission. A decrease in number of Agents and a small increase in rate of commission may go a long way in doing justice to the common agent.

Special Agencies may be given on the model of those given by the erstwhile Insurers. This special agency-system is bound to work very well in rural parts.

If the LIC or/and the Insurance Acts are to be amended for this purpose, the LIC and the Government must not hesitate to do so. But we believe that these can be done even without amendments.

Provident Fund and Gratuity (the latter in the shape of a Free Policy) have to be extended to Life Insurance Agents either under "fringe benefits" or if need be by amending the relevant section 40A(I) of the Insurance Act. In our opinion, fringe benefits like Provident Fund and Gratuity need not come under the definition of commission or remuneration; if necessary, the phrase "in any form" in Section 40A(I) may be dropped. In Section 40A(I)(c)

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the "35%" may be made into 40%. In any case there is a provision for payment of 40% by an Insurer in the first ten years of business; which means the capacity to 'pay' is present. If it can be paid in the first 10 years, it cannot be argued that it cannot be paid in the next 20 years, as between a willing giver and a deserving receiver.

After all the Agents bring wealth to LIC out of which good percentage of increments were liberally given rightly to all; and the producers alone were singled out for "stagnation". There is no justice in this type of disfavour shown to Agents.

It may be said that "the more you give; the more they ask" and perhaps the less they work. We must say this is true of Development Officers and Employees. But Agents work on commission and they cannot stop working because unlike employees, Agents get nothing, if they do not work.

The Agents are asking once in a quarter of a century and others are shouting ever year. We do not grudge LIC giving to other cadres but why ignore the tillers who till

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~~the field and bring produce when the Government confers the~~ ownership rights on tillers. We Agents must be given at least "sharing rights". Proportion of tillers to owners which was 60:40 is now sought to be raised to 75:25.

The LIC interpreted the words "a commission not exceeding 35%" implied in Section 40A(I) of the Insurance Act and embarked on a system by which it has been paying an average of about or less than 30% of the total 1st year premium. Commission rate should be a flat 35% to all Agents and the rate need not be based on the quantum of "commission" earned. This differential payment of commission may be said to be a contravention of Sec.49(I)(b) of the LIC Act and even Section 40A(I) of the Insurance Act; in spirit as well as in the letter.

The previous system adopted by erstwhile Insurers was based on output and it could be altered only by regulations framed and gazetted (Sec.49(1)(b) of LIC Act.)

Commission rate is in respect of each Policy and the Policy year. On the system adopted by the LIC, an Agent may get 30% in one part of the policy year and 35% in the other balance policy year, on the 1st year premium income of the same policy. Policy year cuts into, in some cases, two calendar or official years of the LIC.

LIC has not been able till now to arrange regular

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payment of commission, even within 30 days after the month-end. Such delays are a reflection on the working of an Establishment in Public Sector. We therefore suggest that payment of Wages Act must be enforced in respect of commission payment to Agents as they are the only sufferers in the LIC set-up.

LIC gives shelter to the various families; and provides all amenities to staff while in Office. The Agents may be treated as an integral part of the LIC providing them a room-cum-library in each Branch Office with amenities like furniture, stationery, telephone, fans, sanitary facilities etc.

Agents have been coming by the front door and going away by the back door and when their agencies cease without running for atleast 5 years, commissions need not be paid and so some good amount has accumulated in this account. It may be made a nucleus for Agents' Benevolent Fund and not allowed as at present to mitigate the "expenditure".

Part 4: Miscellaneous

1. INVESTMENT OF FUNDS:

This is a work which must be removed com-

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is based on our desire to place the LIC above the level of "profits, declaration of bonus, make periodical valuations and the like". Nationalisation should change this outlook. Incidentally, it will save a volume of expenditure on this account.

The Government also must observe certain principles in distribution of investments.

Investments should be equitably distributed State-wise in proportion to the quantum of LIC collections from the State. Otherwise it will affect the business procurement from the 'suffering States', it will also induce the State Governments to start their own Insurance Schemes, even for its personnel to begin with, and subsequently to cater to the public. This is the reason for our request in the earlier part to "merge the Postal Insurance and other State Insurance Schemes with the LIC".

We also suggest to the Government to examine how Madras State has attained self-sufficiency in rice-production within one year after a popular Government took over power. It is by spending on the improvements to the minor irrigation works like desilting and deepening the village tanks and repairing the bunds so

pletely from the purview of the Life Insurance Corporation. The Indian Government guaranteed the interests of the Policy holders. The funds of LIC are "national funds". Nation should not aim at "short range profits". Invisible profits are perhaps more enduring than the visible. The problems facing India are simple—food, clothing and shelter to all. The duty of the LIC is to mobilise wealth and make it available to the Government and for the Nation. It should not be charged with the responsibility to invest funds for 'visible' gains as well as for 'invisible' gains. The Government has an efficient Secretariat; a powerful Planning Commission; and a thoughtful Reserve Bank. It is, therefore, wise to entrust the portfolio of investment to a Body other than the LIC and allow the LIC to have no diversion in its work. Nationalisation of Life Insurance is for LIC; utilisation of 'national funds' is not its concern. LIC should be placed in a position where it should not be exposed to criticism or ridicule as it happened in the Mundhra and other episodes. These have lowered the prestige of LIC. The image of LIC should not be allowed to suffer in the eyes of the public as that will hurt its legitimate work in the field of insurance. Even if Government were mainly responsible for Mundhra affair, the back-wash swamped the LIC. This type of situation is undesirable.

Our suggestion to delete the "with profit policies"

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as to ~~retain a greater sheet of water and also~~ offset the evaporation, apart from the use of selected seed, fertilisers and pesticides. ^{If} the Chief Minister of Madras is given Rs.15 crores for extension of this work from the present 4 districts to other districts, Madras State will become a surplus State. LIC cannot take a risk like this one, but the Central Government can definitely shoulder and make the investment. There may be other States like Madras which are potential rice-bowls. We repeat again that 'Investment of LIC funds' should be the duty of the Government which will naturally bear in mind, the regional distribution and the wisdom of investment for minor irrigation works and for small scale industries, cottage as well as otherwise. In any case, the expenses incurred in 'investment' should not be saddled on the LIC. The Government can appoint a Board for this purpose.

2. CLAIM SETTLEMENT:

Prompt claim settlement attracts business as much as delayed payment scares away the business. The inflow of Life Insurance business is shy when a wrong investment is made or an unjustifiable delay occurs in settling a claim. Strangely enough, business runs away even if a claim is repudiated on justifiable grounds. We charge the LIC with the responsibility for lowering its prestige by its witch-

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hunt in respect of 'premature claims' - or is it premature deaths. The less said of it the better.

We suggest that the Government should form a Claim Board for each Zone and entrust the responsibility of settlement to this Board. We have already referred to this subject in this memorandum.

No Officer of the LIC should have anything to do with any enquiry or investigation into a 'premature claim'. The Development Wing should have nothing to do with it. The legal and Actuarial Departments should be kept away from this work. If a claim is to be repudiated, it must be after investigation under the aegis of an independent "Claim Board."

Claim-settlement work must therefore, be taken away from the fold of LIC; and no blame should be courted by the LIC in this respect.

3. MAINTENANCE OF DISCIPLINE:

Organisations raise or fall with the discipline at various levels. We have acquaintance of a wide range with the Officers in the Divisional and Branch Offices of the LIC. We may be excused for our firm expression that

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the "quality of the material" is below the average. This probably is the reason for 'centralisation' of power at the Central Office of the LIC. Because there is centralisation, no one takes a decision, not even the capable Officers. There is an inferiority complex around, which when challenged, shows itself in irritation, anger and a feeling of 'pretended greatness."

Officers are more afraid of the employees than the employees are afraid of the Officers. The output of work has fallen, in volume, in quality and in efficiency. Even with higher Officers, it is common to say, "what can we do; staff do not work - but this is off the record." This is incapacity, pure and simple, of the officers to get on with their employees.

Trade Unionism is a fact and not fiction. One has to face it. The present generation of Officers in LIC is not capable of maintaining discipline. We do not blame the employees as much as we blame the "Presiding Officers."

LIC is fond of "graduate recruitment" and 55% marks in S.S.L.C. Bad psychology this. Half of the above recruits could have been from "S.S.L.C. failed candidates." A lesser expenditure on them and more liable to discipline. After all, the work in the LIC Offices is only addition and subtraction; in any case, not much more than that. If graduates are recruited for such work, it is no wonder that

they don the garb of Officers. There must be harmony between education and type of work. LIC erred and is paying for its folly. The cure we suggest appears a little later in this Memorandum.

4. DEVELOPMENT OFFICERS:

These are Class II employees. There was a stage when the Class I and Class II Officers joined hands and had a short-lived honey-moon. Discipline! What a fall!

Life Insurance in India was developed by the Agency force, guided and helped by the Field Officers. Agents earned by commission. Field Officers had their remuneration geared to business.

LIC multiplied the number of Development Officers from about a 2000 to 9000; adopted a time-scale; called them Development Officers after developing them. The genius of insurance is such that it cannot be developed by time-scale mentality. Stripped of 'field officers', insurance-spread now lies only on Agents. They are the real workers.

Some good Agents were promoted as Development Officers. This is no gain to LIC, but is a loss to the Agency Force. LIC recruited some D.Os. from outside the Agency Force. Not having the experience of Agents, they are unable to be of

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much use.

If the LIC feels that insurance procurement can be taken up by Development Officers, it can take steps to do away with Agents, lock, stock and barrel. Not many good Agents from among the old are left. LIC has not been able to recruit the right agents. A decision has to be taken sooner or later whether the Life Business is to be procured by Agents on 'payment by results' or by time-scale Agents viz., Development Officers. This will decide the future of LIC and its fate.

5. JUDICIAL OUT-LOOK:

We have seen several decisions by the LIC; many withdrawals and a series of vascillations. LIC seems to be sensitive when its decisions are criticised. This sensitiveness is due to the unsound nature of the decisions.

It is not uncommon for High Courts to reverse the decisions of Lower Courts; and Supreme Court may not accept decisions of the High Court. In the set-up of LIC all Courts uphold the same lower-ruling. This is due to want of a judicial outlook.

On account of a wrong directive, many Agents had to pay heavy penalties for renewal of Licences. LIC framed the Provident Fund Rules for the Agents, appointed the Trustees and even commenced the 'deductions' in some places. Suddenly

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the Provident Fund was dropped as a hot potato. Without publishing the necessary regulations, LIC has changed the "terms and conditions", governing the Agents; and implemented them without Government Gazette notification. We can quote a greater number of instances like this.

If anyone writes a complaint against an Agent, LIC takes it as granted and does not even give a chance for the Agent to defend himself. LIC keeps the complainant and defendant at various places and writes to them for explanations. No personal enquiry. No evidence. Out comes the decision.

All this is on account of scant knowledge of law; lack of judicial talent; and mad assertion of authority.

The present Officers must be replaced, where necessary, by a new set with judicial outlook.

6. EMPHASIS ON NEW BUSINESS:

There is no objection to emphasis on new business. However, there must be equal emphasis on old business also.

A statement should be made every year showing lapse ratio of a particular year's business,

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in successive years, year by year for 5 years. Example:

Business year	1960
Lapse ratio of above business in	1960....
-do-	1961....
-do-	1962....
and so on till	1965....

Then only the staying power of the Business introduced in any year will be known.

The figures of New Business published year after year integrate into their body, a certain 40% lapsation in the following three years. If emphasis is shifted from 'figure-craze' to "solidity of business", expenditure could be saved and high lapsation reduced.

Part 5 - Organisation of LIC

1. REORGANISATION OF LIC:

On the date of its formation, the Life Insurance Corporation had 50 lakhs of Policies assuring a total sum of more than Rs.1250 crores. On 31st March, '64, 103 lakhs of Policyholders and 3541 crores business. On 31st March '67, the Corporation had (after maturity and death claims) 121 lakhs of Policies assuring a total sum of Rs.4736 crores.

It is not possible at this rate of growth to carry on the work efficiently as over-centralisation is setting in.

The Chairman and 14 nominated members constitute the Corporation. There are five specialised committees to assist the Corporation. We will be happy if the Corporation includes

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among its members two retired High Bank Officers; two similar persons from the retired Insurance Officers, two ladies and representatives of the Policyholders and the Agents. It will then become more broad-based.

It will be a very useful thing to have, in the Committee of LIC Board, a specialised Committee for "Development" of business. This is a 'must'.

The time has however come for the Corporation to be split up into five autonomous Zones or Corporations; each with its own Board of Directors or Executive Members. The Finance Minister in 1956 forecast some such eventuality. In 1958 the Prime Minister, Pandit Jawaharlal Nehru, stated, that "we should not hesitate to do it," if that is more advantageous. In November 1960, the Chairman of the Corporation opined that "if the new business averages a 1000 crores, it might become necessary to split the Corporation into one or more separate bodies." He hoped that the target may be reached by 1963. For the year ending March 1967, the new business amounted to 770 crores, as compared to 798 crores the pre-

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vious year. The Estimates Committee recommended the formation of semi-autonomous zones. The Committee on Public Undertakings recommended that the present Zones must be constituted into completely independent Corporations.

Pending the finalisation of the Scheme by an Expert Committee, present Zones may be made fully autonomous, with separate Boards of management for each Zone, empowering the Zonal Manager, as the Chief Executive Officer of the Zone.

There are 36 Divisional Offices in India. Their work is mainly paper work; no writing of business. No collection of money. Divisional Offices act as good intermediary Post Office and nothing more. They may be abolished and their powers shared by the Zonal and expanded Branch Offices.

Branch Offices, one or two per District, should be made into full-fledged units. Policies upto Rs.25000/- can be accepted in the Branches; each Branch will have an Actuarial Assistant; and an Accountant. All the loans must be sanctioned and granted at Branch level. All the Policy records (duplicates) must be maintained at the Branch level. Power machines must be installed in each Branch; monthly commissions of Agents calculated and disbursements made in time. There may be a section for public relations. Or the "powers" machines can be at one central place, charged with a responsibility of receiving statements from Branches and sending out worked bills.

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Branches will be under the direct control of Zonal Offices, huge structures which may not serve the purpose for which they are being built. Branches can recruit locally, their requirements of clerical assistants.

The Branch Manager must be an I.A.S. Officer, who will take disciplinary proceedings against the erring employees or strikers. He will lay the norms for each category of work. When Benami Agents are reported, he will hold an enquiry and come to a conclusion.

No A.B.M's. are necessary. The number of Development Officers requires to be reduced considerably in cities and towns. They may be deployed as Propaganda Officers. No quota of business. No attachment of Agents to them in particular, all being equal to D.Os. No appraisal formula. No Bonus on 1st year's premiums.

Number of Agents in rural parts should be based on the business potential. Exclusive areas should be carved out in such a way that an area serviced by an Agent gives a minimum of one lakh business per year. A Propaganda Officer (D.O.) can supervise between 10 to 20 such areas.

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"Special Agency System" can be revived in village groups. Cash collections will thus be made easy.

The only hope of resuscitating the LIC is to decentralise the Organisation on the above lines with some modifications as made on practical consideration.

C-onclusion.

We have submitted a fairly long Memorandum and we regret we could not have completed it earlier than this. Even now, we have put in only the main points, which may be amplified at the interview.

We have meant no offence against any one and our desire is not to bring the LIC into contempt. Our grievance is only against the Policy of the Corporation and the Government, but not against any individuals - high or low. We will be glad to clarify any matters arising from this Memorandum in writing, if asked.

We express our gratitude to the Working Group for this opportunity.

Sd/- P.S. PASHYAM,
President,
Life Insurance Agents'
Federation of India.

1/503, Mint Street,
Madras-3,
30.12.67.

APPENDIX XV.

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LIST OF CENTRES VISITED AND LIST OF
PERSONS AND ASSOCIATIONS WHO TENDERED
ORAL EVIDENCE.

BANGALORE.

23/25-9-67

1. L.I.C. Class I Officers Association.
2. Insurance Corporation Employees Union.
3. L.I.C. H.G.A. Association
4. All India L.I.C. Stenographers Association.
5. L.I.C. Agents Federation of India.
6. L.I.C. Employees Association.

BOMBAY.

26-9-67

Life Insurance Corporation of India.

1. Shri M.R. Bhide, Chairman
2. Shri S.D. Srinivasan, Managing Director (I)
3. Shri N.V. Nayudu, Managing Director (II)
4. Shri D.D. Markan, Chief Accountant.
5. Shri C.D. Jhamb, Chief Internal Auditor.
6. Shri V.H. Vora, Executive Director.
7. Brig. Shamsher Singh, Chief Engineer.
8. Shri P.M. Dalal, Secretary, Inv. Department
9. Shri B.C. Randeria, Secretary, Inv. Research Department.
10. Shri M.V. Schonie, Executive Director.
11. Shri V.E. Raymond, Secretary, Personnel Department.
12. Shri J.T. Ranadive, Manager, E.D.P.

HYDERABAD.

9-10-1967.

1. L.I.C. Employees Union.
 1. Shri M.R. Kelkar
 2. Shri D.R. Reddy
 3. Shri V. Krishnamurthy
 4. Shri S.N. Rao

2. L.I.C. Agents Federation of India.
 1. Shri B. Raman
 2. Shri M. Prasad
 3. Shri S.N. Sastry
 4. Shri M.A. Jabel
 5. Shri B.K. Chary
 6. Shri Mrs. B. Laxmi

3. National Federation of Insurance Field Workers of India.
 1. Shri M.L. Dandiwale
 2. Shri N. Nanavati
 3. Shri R. Bajaj
 4. Shri K.S. Satyamurthi
 5. B.P. Brahm Parkash.

4. L.I.C. Class I Officers Association.
 1. Shri T.S. Jayaraman
 2. Shri N. Homji
 3. Shri R. Balaraman
 4. Shri T.K. Hariharan
 5. Shri S.R. Aiyar
 6. Shri M. Gurumurthi

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5. Shri V. Parthasarthy, Advocate.

VIJAYWADA

10/11-10-1967.

1. Shri P. Satyanarayana, S.B.M. LIC Cuntoor.
2. Dr. K.M. Rao, Medical Examiner, LIC Vijayawada.
3. Shri J. Purushottam, Development Officer, LIC, Tadepalligudem.

MACHHLIPATTANAM.

10-10-1967.

1. N.F. of I.F.W.

1. Shri N.V.R.S. Sastry
2. Shri T. Narayana Rao
3. Shri T. Venkata Rao
4. Shri M.R.K. Prasad.

2. Andhra Pradesh Policyholders Association.

1. Dr. D. Subba Rao
2. Shri G.B.V. Subbaroya Sastry.
3. Shri T. Venkata Rao.

3. I.I.C. Agents Federation of India.

1. Dr. A.N. Rao
2. Shri M.J. Rao
3. Shri T.P. Rao
4. Shri C. Subhramaniam

4. Insurance Corporation's Employees Association

1. Shri T.C.K. Sastry
2. Shri K.M. Rao
3. Shri V.L. Radhakrishna
4. Shri B.M. Ramasastry.

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5. L.I.C. Class I Officers Association.

1. Shri T.N. Rao
2. Shri N.V. Raja Rao
3. Shri V.S. Sarma
4. Shri P.P. Nair
5. Shri S.N.R. Mohapatro

VISHAKHAPATINAM

11-10-1967.

1. L.I.C. Agents Federation of India.

1. Shri S.V.G. Naidu
2. Shri A. Venkatarayudu.
3. Shri K.S.K. Srinivashachari

2. National Federation of Insurance Field Workers.

1. Shri Kameshwarao
2. Shri M.A. Shah

3. Policyholders Representative.

1. Shri Sankara Sastry.

4. Insurance Corporation Employees Association

1. Shri R.S. Sastry
2. Shri N. Subrahmanyam.

CUTTACK.

12-10-1967

1. L.I.C. Class I Officers Association.

1. Shri P.C. Mohanty
2. Shri S.K. Chakravarty
3. Shri A.K. Mukherjee

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2. Insurance Corporation's Employees Association
 1. Shri S.N. Sarkar
 2. Shri G.B. Mohanty
 3. Shri S.N. Sarkar
 4. Shri B.K. Palai
3. National Federation of Insurande Field Workers.
 1. Shri S. Ghose
 2. Shri D. Satpathy

CALCUTTA

13-10-1967.

Shri T.R. Srinivasan,
Ag. Zonal Manager,
Life Insurance Corporation of India.

PATNA.

14-10-1967.

1. 1. Shri Kidar Pande, Ex-Minister, Bihar and
Ex-member, LIC Board.
2. 2. Dr. R.K. Saran, Member, Policyholders Council.
3. Insurance Under-writers Association.
 1. Shri U.K. Choudhary.
 2. Shri L.D. Tiwari
 3. Shri A.K. Saika
 4. Shri Ali Imam.
 5. Shri I.B. Akhawri.
4. Insurance Corporation's Employees Association.
 1. Shri D.N.S. Singh
 2. Shri R.N. Prasad
 3. Shri K.P. Chakravarty
 4. Shri A.K. Bhattacharya

5. National Federation of Insurance Field Workers.

1. Shri D.N. Singh
2. Shri B.D. Bhattacharya
3. Shri B.N. Jaittey
4. Shri D. Nath
5. Shri D.N. Prasad.

6. L.I.C. Class I Officers Association.

1. Shri N.T. Rajn
2. Shri K.M. Sewram
3. Shri K.N. Mathur
4. Shri S.K. Mukherjee
5. Shri P.K. Saran
6. Shri R.N. Jha.

BANGALORE

6-11-1967.

1. L.I.C. Agents Federation of India.

1. Shri M.V. Ramana Rao
2. Shri Nand Kishore, D.M., L.I.C. Bangalore.

COIMBATORE

7-11-1967

1. Insurance Corporation's Employees Association.

1. Shri V. Gopalakrishnan
2. Shri K. Krishnamoorthy
3. Shri C.V. Sivasankara Warriar
4. Shri C. Achuthan
5. Shri U.L. Narasimhan
6. Shri S. Punnassery
7. Shri A.E. Kalyanasundaram

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8. Shri T. Chockalingam
2. L.I.C. Agents Federation of India.
 1. Shri M.N. Vaidyanathan
 2. Shri Padasivam
 3. Shri Ponruswamy
 4. Shri N.S. Somasundaram
 5. Shri Subramania Chettiar
 6. Shri J. Kumbla
 7. Shri Rajagopal.
3. N.F. of I.F.W.
 1. Shri K. Ayyaswamy
 2. Shri M.R. Dass
 3. Shri M. Unnikrishnan
 4. Shri K.S. Reddy
4. LIC Class I Officers Association.
 1. Shri S. Mahalingam
 2. Shri S.S. Pillai
 3. Shri J. Narayanan
 4. Shri V. Kothandaraman
5. Shri K. Sundaram, M.P.
ERNAKULAM 7-11-1967
 1. Shri K.L. Paul,
Branch Manager, L.I.C.,
Cochin.

TRIVANDRUM

8-11-1967.

1. Insurance Corporation's Employees Association.
 1. Shri T.K. Bhaskaran
 2. Shri M.S. Menon
 3. Shri R. Pillai

4. Shri K.G.G. Nair
5. Shri M.R.M. Nair,
2. LIC H.G.A. Association
 1. Shri C.P. Kamath
 2. Shri G.B. Pillai
 3. Shri S.R.S. Mony
 4. Shri M.R.K. Nair
 5. Shri K.C. Mathew
3. LIC Class I Officers Association.
 1. Shri G.S. Natarajan
 2. Shri R.K. Chandak
 3. Shri K.B. Bhatt
 4. Shri P. Mathew
 5. Shri T.D. Jchu
 6. Shri V. Govindan

MADURAI

9-11-1967.

1. LIC Class I Officers Association.
 1. Shri R.P. Vaithinathan
 2. Shri R. Thothadri
 3. Shri C. Rangamani
 4. Shri M.L. Visweswariah
2. Insurance Corporation's Employees Union.
 1. Shri M.P. Ramachandran
 2. Shri D. Sundara Kannu
 3. Shri Kandswamy
 4. Shri Joseph
 5. K.H. Balasubramaniam
 6. Shri V. Murugesan.

3. N.F. of I.F.W. Association.

1. Shri T.S. Rao
2. Shri K. Muthu
3. Shri N.M. Sivasubramaniam

4. LIC Agents Federation of India

1. Shri M. Ratnam
2. Shri S. Ramaswami
3. Shri V. Rajagopalan
4. Shri S.R. Nathan
5. Shri T.S. Mahadevan
6. Shri K. Kanthimathinathan
7. Shri C. Gopalan
8. Shri T.V.R. Chandran
9. Shri T.K. Iyengar
10. Shri T.K. Srinivasam
11. Shri V. Kaliappan.

5. Dr. P. Thangaraj - Member, Policyholder Council.

MADRAS

10/12-11-1967.

1. N.F. of I.F.W. Association.

1. Shri G.V.S. Mani
2. Shri E.K. Philip
3. Shri T.R. Narayanan
4. Shri Kuttalingam
5. Shri M. Aravindakshan

2. Zonal Advisory Board.

1. Dr. V.R. Theyununaswamy
2. Shri D.M. Alladin
3. Shri M.A. Rajkumar

3. Insurance Corporation's Employees Union.
 1. Shri S. Rajappa
 2. Shri P.V. Balasubramaniyan
 3. Shri N.S. Krishnaswamy
 4. Shri K.P. Menon
 5. Shri R.A. Rao
 6. Shri K.S. Krishnamurthi
4. LIC Employees Association.
 1. Shri P.K.L. Narasimhan
 2. ,Shri R. Nagarajan
 3. Shri G.R. Murthy
5. LIC Agents Federation of India.
 1. Shri P.S. Bashyam
 2. Shri K.G. Rao
 3. Shri R. Sankaranarayan
 4. Shri A.K. Purkayastha
 5. Shri P. Suryanarayana
 6. Shri M.C. Kumar
 7. Shri R. Chandran
 8. Shri A.T. Sreedharan
 9. Shri C.L. Jain
 10. Shri K.S.V. Iyer.
6. LIC Class I Officers' Association
 1. Shri R. Jayaraman
 2. Shri G.N. Sridharan
 3. Shri A. Balasubramaniyan
 4. ~~Mrs.~~ R. Lalitha.

2. LIC Agents Federation of India.
 1. Shri R.P. Sharma
 2. Shri P.D. Soni
 3. S.D. Ralhan
3. National Federation of Insurance Field Workers
 1. Shri H.R. Goyal
 2. Shri G.L. Sawhny
 3. Shri S.L. Mittal
4. Insurance Corporation's Employees Association.
 1. Shri Kailash Chander
 2. R.P. Manchanda
 3. Shri R.D. Sood
 4. Shri Gurbachan Singh
 5. Shri K.A.K. Bakshi
 6. Shri M.L. Basur.

AMRITSAR

27-12-1967.

1. LIC Agents Federation.
 1. Shri V.D. Sindhi
 2. Shri G.S. Grover
 3. Shri M.S. Nagpal
 4. Shri Agyaram Sharma
 5. Shri Harnam Singh Bhatia
2. National Federation of Insurance Field Workers.
 1. Shri A.K. Mohindru
 2. Shri A.R. Bhaur
 3. Shri P.L. Peshawaria
 4. Shri J.L. Bhatia
 5. Shri A.S. Mehta

7. Shri R.M. Mehta - Zonal Manager, LIC, Madras

BOMBAY

8-12-1967.

1. L.I.C. Class I Officers Association.

1. Shri Ashok Kaji
2. Shri S.P. Nanda
3. Shri Bakshi Ram.

2. L.I.C. Agents Association western Zone.

1. Shri Virkar
2. Shri Mudbidri
3. Shri S.V. Mokashi
4. Shri Vasudeo

3. National Federation of Insurance field Workers.

1. Shri S.W. Valvil
2. Shri M.A. Desai

NEW DELHI

21-12-1967.

1. Shri V.H. Vohra, President, Actuarial Society of India.

CHANDIGARH

26-12-1967.

1. LIC Class I Officers' Association

1. Shri Makhan Singh
2. Shri R.C. Chadha
3. Shri R. Kapur.
4. Shri M.L. Gandhi
5. Shri H. Singh
6. Shri B.D. Kalra
7. Shri D.D. Sehgal
8. Shri N.D. Garg

3. Insurance Corporation's Employees Association.

1. Shri S.P. Tuli
2. Shri J.S. Syal
3. Shri R.K. Khosla
4. Shri K.K. Verma

LIC Class I officers Association.

1. Shri A.P. Banda
2. Shri N.N. Joshi
3. Shri P.S. Pritam

JAIPUR

2-1-1969.

1. LIC Class I Officers' Association.

1. Shri V.S. Malhotra
2. Shri K.S. Mehrotra
3. Shri N. Kulshrestha

2. LIC Agents Federation.

1. Shri M.P. Jain
2. Shri K.B. Nangia
3. Shri C.L. Lalwani
4. Shri P.N. Malpani

3. National Federation of Insurance Field Workers.

1. Shri M.S. Pareek
2. Shri T.C. Agarwal
3. Shri P.P. Raisinghani
4. Shri G.D. Sharma

4. Insurance Corporation's Employees Association.

1. Shri B.S. Sharma
2. Shri K.K. Tamra

APPENDIX XV.

588.

3. Shri R.N. Sharma
4. Shri G.P. Bhardwaj
5. Shri P.N. Sharma

AJMER

3-1-1968.

1. National Federation of Insurance Field Workers.
 1. Shri R.C. Sharma
 2. Shri A.S. Verma
2. LIC Agents Federation
 1. Shri S.N. Agarwal
3. LIC Class I Officers' Association
 1. Shri A.C. Patni
 2. Shri N. Balakrishnar
4. Insurance Corporation's Employees Association.
 1. Shri B.J. Samdaria
 2. Shri B.S. Sharma
 3. Shri D.C. Gaur
 4. Shri M.L. Malhotra
 5. Shri D.L. Tripathi

UDAIPUR

4-1-1968

1. National Federation of Insurance Field Workers
 1. Shri A.L. Jain
 2. Shri N.C. Salanki
 3. Shri S.K. Jhanwar
 4. Shri D.C. Tambar
 5. Shri P.K. Khanna
2. LIC Class I Officers Association.
 1. Shri H.S. Mehta

APPENDIX XV.

589.

2. Shri H.D. Sharma
3. Shri O.P. Bansal
3. Shri H.S. Mehta, Branch Manager, Udaipur.
AHMEDABAD 5/6-1-1968
1. LIC Agents Federation
 1. Shri C.R. Bodiwala
 2. Shri S.N. Shah
 3. Shri D.V. Shah
 4. Shri K. Dalal
 5. Shri S. Patel
 6. Shri N.N. Bhatia
2. National Federation of Insurance Field Workers.
 1. Shri R.A. Ananginala
 2. Shri H.K. Desai
3. Insurance Corporation's Employees Union.
 1. Shri O.K. Patil
 2. Shri S.A. Dave
 3. Shri P.H. Adhvaryn
 4. Shri K.S. Shah
 5. Shri N.P. Naik
 6. Shri J.B. Kayastha
4. Policyholders Council
 1. Shri H.M. Talati
5. LIC Higher Grade Assistants Association.
 1. Shri J.M. Panchal
 2. Shri S.M. Shah
 3. Shri C.M. Shah

6. LIC Class I Officers' Association.

1. Shri M.C. Thakore
2. Shri S.V. Desai
3. Shri F.C. Shah
4. Shri F.C. Clark
5. Shri A.V. Shaligram
6. Shri T.S. Parclania

RAJKOT 8-1-1968.

1. LIC Class I Officers' Association.

1. Shri H.F. Choksey
2. Shri V.J. Dandekar
3. Shri S.K. Majumdar
4. Shri K.V. Krishnan
5. Shri K.R. Vora

2. Insurance Corporation's Employees Association.

1. Shri C.D. Mody
2. Shri C.N. Rawal
3. Shri R.P. Parakh
4. Shri J.K. Rawal
5. Shri J.M. Shah
6. Shri N.K. Joshi

BOMBAY.

9-1-1968.

1. L.I.C. Agents Federation

1. Shri K.J. Rao
2. Shri S.V. Mokashi.

APPENDIX XV.

501.

PANJIM

11.1.1968.

1. Shri Albert Pinto, Branch Manager, LIC
2. Shri Erasmo Sequeira, M.P.
3. Shri Jack de Sequeira, M.L.A.
4. Shri V.V.N. Raskar, A.B.M., LIC.
5. National Federation of Insurance Field Workers.
 1. Shri Shoikh Seraj
 2. Shri B.R. Naik
6. Insurance Corporation's Employees Union.
 1. Shri A.V. Bodke
 2. Shri G.D. Kamat
7. LIC Agents Federation.
 1. Shri S.R.C. Ghanekar
 2. Shri A. Rodrigues.

KANPUR

18-1-1968.

1. Officers of Life Insurance Corporation.
 1. Shri R.C. Bhalla
 2. Shri S.N. Sen
 3. Shri A. Srinivasan
 4. Shri R. Ramaswamy
 5. Shri P.K. Bhatt
2. Class I Officers' Association.
 1. Shri S.N. Puri
 2. Shri T.P. Srivastava
 3. Shri P.R. Singh
 4. Shri S.C. Batra

3. LIC Agents Federation.

1. Shri B.L. Sharma
2. Sani P.C. Khanna
3. Shri B.P. Awasthi
4. Shri H.S. Khanna
5. Shri P.P. Mathur
6. Shri D.S. Awasthi
7. Shri G.D. Sharma

4. Policyholders' Council

1. Shri N.L. Khanna

5. Insurance Corporation's Employees Association.

1. Shri J.P. Mishra
2. Shri M.P. Singh
3. Shri K.N. Mishra
4. Shri P.N. Awasthi

6. National Federation of Insurance Field Workers.

1. Shri W.P. Sen Gupta
2. Shri P.C. Mishra
3. Shri S.M.H. Raizvi
4. Shri S.S. Chandel
5. Shri R.D. Agarwal
6. Shri K.B. Srivastava
7. Shri D.S. Dube

LUCKNOW

20.1-1968.

1. Staff Agent

2. Shri K.C. Mehrotra

2. Insurance Corporation's Employees' Association.

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593.

1. Shri Y.A. Siddiqi
 2. Shri J.K. Bajpai
 3. Shri C.B. Srivastava
 4. Shri E.K. Nandi
 5. Shri M.A. Goswami
 6. Shri N.D. Kalia
 7. Shri R.K. Verma
 8. Shri D.K. Mukherjee
 9. Shri A.K. Srivastava
 10. Shri S.P. Sharma
3. National Federation of Insurance Field Workers.
 1. Shri H.C. Sahgal
 2. Shri N. Tarafdar
 3. Shri K.M. Das
 4. Shri N.N. Tandon
 4. LIC Agents Federation
 1. Shri J.D. Jarveja
 2. Shri S.K. Mitra
 3. " A.D. Tandon
 5. LIC Class I Officers Association.
 1. Shri J.D. Daruwala
 2. Shri J.D. Daruwala
 3. Shri J.R. Kapoor
 4. R.R. L. Saxena
 5. Shri Dayal Sharan

CALCUTTA

22-1-1968.

1. Officers of Life Insurance Corporation.
 1. Zonal Manager, K.R. Puri
 2. Deputy Zonal Manager, T.R. Srinivasan
 3. Senior Divisional Manager, J. Banerjee
 4. Regional Manager, G.V. Krishnamoorthy

5. Zonal Accountant - V. Dixit
6. Zonal Secretary - J. Choudhury
2. LIC Class I Officers' Association.
 1. Shri D. Basu
 2. Shri P. Chakraborty
 3. Shri D.C. Joshi
 4. Shri K. Chakraborty
3. National Federation of Insurance Field Workers.
 1. Shri R. Sen
 2. Shri A.K. Das Sharma
 3. Shri S. Mazumdar
 4. Shri N.C. Ehowmick
4. Insurance Corporation's Employees Association.
 1. Shri Saroj Choudhury
 2. Shri S.N. Ehowmick
 3. Shri N.M. Sundaram.
5. LIC Agents Federation & Under-writers Association.
 1. Shri S.P. Hazra
 2. Shri B.B. Mukherjee
 3. Shri S.K. Mitter
 4. Shri A.K. Purkayastha
 5. Shri S.L. Nandy
6. LIC H.G. Assistants' Association
 1. Shri M.M. Chakravarty
 2. Shri S.K. Pani
 3. Shri G.S.P. Rao
 4. Shri N. Rao

APPENDIX XV.

485.

GAUHATI

22-1-1963.

1. Insurance Corporation's Employees Association.

1. Shri P. Das
2. Shri G. Das
3. Shri S. Bhattacharya
4. Shri A.C. Deka
5. Shri S.C. Ojha
6. Shri S.D. Bhattacharya

2. National Federation of Insurance Field Workers

1. Shri B.C. Saha
2. Shri S.C. Das
3. Shri H. Chakravarty
4. Shri P.C. Lekharu
5. Shri N.P. Barua

3. LIC Class I Officers Association.

1. Shri T.N. Hazarika
2. Shri A.K. Deb Roy
3. Shri S.C. Das
4. Shri A.K. Adya
5. Shri P. Parkayastha

VARANASI

24-1-1963.

1. LIC Class I Officers' Association.

1. Shri C.S. Govil
2. Shri B.N. Singh
3. Shri D. Bhattacharya
4. Shri S. Narasimhan

2. Development Officers Association.
 1. Shri J.S. Varma
 2. Shri S.R. Gupta
 3. Shri S.L. Joshi
 4. Shri K.P. Chaturvedi
 5. Shri H.K. Choudhury.
3. LIC Agents Federation.
 1. Shri S.N. Pathak
 2. Shri T. Bosa
 3. Shri T.K. Pawagi
 4. Shri B.N. Gupta
 5. Shri B.K. Rokadia
4. Insurance Corporation's Employees Association.
 1. Shri Udai Nath Singh
 2. Shri U.M. Singh
 3. Shri Ramji Ram
5. Officers of L.I.C.
 1. Shri H.C. Mehta
 2. Shri C.S. Govil
 3. Shri A.K. Mitra
 4. Shri K.V. Godbole
 5. Shri S.G. Vichare
6. National Federation of Insurance Field Workers.
 1. Shri J.S. Varma
 2. Shri S.R. Gupta
 3. Shri S.L. Joshi
 4. Shri K.P. Chaturvedi
 5. Shri H.K. Chaudhury

INDORE

6-2-1968.

1. LIC Class I Officers' Association.
 1. Shri D.J. Joshi
 2. Shri R.M. Moghe
 3. Shri H.C. Tiwari
 4. Shri R.S. Srivastava
 5. Shri S. Krishnamachari
2. Policyholders' Council.
 1. Shri G.N. Tandon
 2. Shri V.N. Nadkarni
3. National Federation of Insurance Field Workers.
 1. Shri A.B. Lagoon
 2. Shri S.B. Jain
 3. Shri S.R. Manat
 4. Shri B.K. Vachher
 5. Shri S.N. Banerjee
4. Insurance Corporation's Employees Association.
 1. Shri C.G. Dalal
 2. Shri B.B. Dixit
 3. Shri B.K. Tokekar
 4. Shri S.R. Urdwareshe
 5. Shri A.R. Poorkar
 6. Shri H.C. Kataria
 7. Shri M.Y. Mukadam
5. LIC Agents Federation.
 1. Shri D.P. Sharma
 2. Shri J.K. Jaju

3. Shri R.C. Goyal.

4. Shri Kataria

5. Shri S.D. Jindal

6. Shri R.S. Mewara

7. Smt. A. Kaundy

8. Officers of Life Insurance Corporation

1. Shri I.J. Bhalla

2. Shri R.M. Mohhe

3. Shri L. Antao

4. Shri H.C. Tiwari

5. Shri P.L. Vyas

BRIEF HISTORY OF LIFE INSURANCE IN INDIA

Introduction

contestable

It is a most point whether in ancient times we had a system of insurance in our country. However, some writers are of the opinion that marine-trade loans or Carriers' Contracts practised in India included an element of insurance.

Life insurance in India seems to have made its beginning only in the 19th Century - A Century in which life insurance began to bloom in the U.K., the U.S.A. and on the continent.

The history of Indian Life Insurance can be divided in six periods¹, as follows:

- I. The beginning - 19th Century
- II. The period of early foundation. 1901 - 1918
- III. The period of steady but limited growth: 1919 - 1928.
- IV. The Period of boom - 1929-1936.
- V. The period of continued progress - 1939-1945.
- VI. The period of growing maturity and strength - 1946-1955

The essential developments that came to take place in each of the six periods are summed up in the following pages.

1. Classification by Dr.A.N. Agarwala.

THE BEGINNING: LIFE INSURANCE IN THE 19TH CENTURY.

For a long time our people were besieged by the superstition that to insure one's life was to invite death! So deep-rooted was this fearsome superstition in the minds of the people that Life Insurance and Death Registration came to be believed as synonymous terms!!

According to Col. J. B. Singh, "Modern life insurance was introduced in India by certain English Companies and it is generally stated that this happened in the early part of the second half of the 19th century."¹

According to C. Walford, it was in 1823, that the Bombay Life Assurance Company came to be established in the Bombay Presidency.² However, today, hardly anything is known about this company. In 1829, The Madras Equitable Life Assurance Company was established. The credit of being the first life assurance company in India goes to this Company. In 1833, the Madras Widows in Southern India was established followed by the Indian Ordnance Mutual in 1833. The Christian Mutual of Lahore was set up in 1847 and the Bombay Family Pension Fund of Government Servants in 1848.

During the first half of the century, South India had a lead in life insurance. In 1849 came to be established the Tinnevely Diocesan Council Widows' Fund. In Calcutta,

1. Presidential speech by Col. J. B. Singh at the time of the opening of a branch of the Oriental at Ranchi on 25-11-1935 as reported by Insurance Review (Calcutta).

2. Insurance cyclopaedia (London 1872-80)

a real start was made in 1850 with the establishment of Triton Insurance Company.

During the first half of the 19th century, life insurance in India made only a modest beginning and the period from 1851 to 1870 did not witness any development that may be worth a special mention. Till 1870s, only a few European Companies did some life insurance business in our country. However, in the subsequent three decades, the Indian enterprise began to expand and some of the leading insurance companies of the present century came to be established. In 1871, the Bombay Mutual Life Insurance Society was established. This was followed suit by the Oriental Government Security Life Assurance Company in 1874.

The Bombay Widows' Pension Fund was set up in 1876, and the year 1885 witnessed the birth of Associacao Goana. Then followed the B.B.& C.I.R. Zoroastrian in 1888, the Bombay Zoroastrian in 1889 and the Gujarat Parsi in 1891. In 1892 came to established the Indian Life Assurance Company of Karachi, which was followed by the Sindh Hindu in 1894. The year 1896 saw the birth of the Bharat Insurance Company at Lahore.

Foreign Insurance Companies dominated this entire era, naturally with very good results for themselves. The Indian Companies set up during this period, had perforce, to struggle the hard way. The two main hurdles that Indian Insurance enterprise had to overcome were: (i) The

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prevailing prejudice against life insurance and (ii) ignorance of people as regards utility of life insurance.

During the century, the only piece of legislation that came to be passed was "Act No.XVI for the Registration of Assurance". This Act was given the assent of the Governor-General on the 24th March, 1864.

The fact remains that during the century, the country took to life insurance on modern lines at an exceedingly slow pace. One reason for this was that the failure of the foreign companies then functioning in India, viz., the Albert and the European gave a rude jolt to people's faith in insurance. There was, however, during the period, an insistence upon Swadashcheem in insurance which had its beneficial and encouraging impact.

However, a tremendous growth of Public provident fund companies during the period (as also their quick liquidation) made this period, in a sense, memorable.

THE PERIOD OF EARLY FOUNDATION 1901 - 1913

The conditions prevailing at the beginning of the present century were, by and large, favourable to the growth of Life Insurance in India. The Swadeshi Spirit in the country enabled the enterprise to record a rapid growth. Up to 1914, on an average, one Life Office per year was floated, though during the World War only

two life offices that had existed till 1955 came to be set up. During this period, the notable floatations were, National Insurance Company Limited, United India Life Assurance Company Limited, General Assurance Society Limited and Hindustan Cooperative Assurance Society Limited.

During the War Period, our life insurance enterprise issued mostly endowment policies - as many as 76% of the total life policies issued. By and large, till 1916, life insurance suffered a set-back, but thereafter it made quick progress. The percentage of assets

Indian life insurers invested in Government Securities came to as high as 74.8 during 1914-1918. The percentage of claims paid to the total income by Indian Life offices came to 52.9 in 1913 and 35.7 in 1918.

During this period, there was preponderance of proprietary companies over mutual companies. In regard to location of offices, Western and Eastern India came to wrest the position of prominence from South India.

In 1912, the Provident Insurance Societies Act V of 1912 and the Indian Life Assurance Companies Act VI of 1912 came to be passed.

contd.....

PERIOD OF STEADY BUT LIMITED GROWTH :
1919 - 1928.

Of such Companies as were operating in India in 1955, 27 owe their origin to this period and included New India Assurance Company Limited and Jupiter General Insurance Company Limited.

Whereas, in 1919, there were only 42 Indian life offices, the number swelled to 56 in 1927. The total life business during the period 1919 - 1928 rose from Rs.25.1 crores in 1918 to Rs.71.1 crores in 1928 - a rise of 184%.

In 1928, the Indian Insurance Companies Act was passed that made it compulsory for all insurance companies to submit statements. The total number of life policies, as it stood in 1928, was 4,12,446. The total insured amount of these policies came to Rs.7,111 lacs.

In 1919, on an average, an Indian life office recorded a new business of Rs.7 lakhs, whereas in 1928, the figure stood at Rs.14.8 lakhs.

By and large, this period witnessed a wide popularity of endowment policies. The expansion of life fund was another prominent feature of this period.

Whereas in 1919, the figure of funds of Indian life insurers stood at Rupees 792 lacs, it rose to Rupees 1,821 lacs in 1928.

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The assets of the Indian life insurers rose to Rs.1,773 lacs in 1927 from Rs.928 lacs in 1919. Of the total assets, 71.6 per cent were invested in Government securities alone.

PERIOD OF BOOM: 1929 - 1938.

This period proved to be a period of boom and the harbinger of prosperity for Indian life business. It is heartening to note that 68 companies (52 pure life and 16 composite life offices) out of the 210 working in 1955 were floated during this period. This decennium is credited with the witnessing of an unprecedented expansion of life business.

This period witnessed a rapid expansion of Indian enterprise in the field and consequently the sphere of non-Indian life insurers came to be considerably restricted. Whereas in 1929, there were only 89 life offices, the number stood at 200 in 1938.

The number of new policies issued in 1928 that came approximately to 0.9 lacs, touched the figure of 3.0 lacs in 1938 - an increase of 233%. The insured amount increased from Rs.71.1 crores in 1928 to Rs.203.7 crores in 1938. In 1938, there were 12,39,567 policies in force, with a total insured sum of Rs.203.71 crores. However, the average amount of new policies issued by indigenous

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offices recorded a fall, from Rs.1,794 in 1929 to Rs.1,451 in 1938. This indicated the growing competition among Indian insurers. As compared to the life fund in 1928, the life fund in 1938 came to record a rise of 194%. The total funds of Indian insurers increased from Rupees 1,991 lacs in 1929 to Rupees 5,200 lacs in 1938. As regards investments, taking the average figures for this period, it is found that 60% of the total assets were held in the form of Government Securities. Loans came next in importance, constituting 9.6% of the total assets.

In 1938, the Insurance Act (IV of 1938) came to be passed. It, however, became effective only from 1-7-1939. The Act, which with its 11 amendments passed between 1939 and 1950 came to govern both life and non-life business till 1955, aroused much controversy; since it brought rigorous Governmental control on the enterprise.

PERIOD OF CONTINUED PROGRESS: 1939 - 1945

This period witnessed continued growth of insurance enterprise in India. The Second World War gave a fillip to the business activity by placing more money in people's hands, though it cannot be denied that the outbreak of the war initially interrupted the normal course of developments which otherwise would have taken place in the wake of the passing of the 1938 Act.

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In 1941, there were 177 life offices but their number rose to 198 in 1945 (Figures for 1939 and 1940 are not on record).

In 1938, out of a total of 3,32,000 policies issued, the number issued by Indian life offices came to 2,96,000, whereas in 1945 the Indian insurers issued 5,77,000 policies out of a total of 5,99,000. The total premium income came to Rs.747 lacs in 1945 as against Rs.271 lacs in 1938, of which Indian insurers bagged a premium income of Rs.673 lacs in 1945 as against Rs.228 lacs in 1938. The total business in force in 1945 stood at Rs.459.7 crores as against Rs.203.7 crores in 1938.

So severe was the competition meted out by the Indian insurers to their foreign counterparts that the latter found it difficult to withstand it and had to lose their hold by about 40%.

In 1945, the Indian insurers set up a new record by the issual of 5.8 lac policies with a total insured amount of Rs.122.78 crores.

Whereas, in 1939, there were 13,31,000 policies in force, their number mounted to 23,76,000 in 1945. Likewise, the total insured amount increased from Rs.21,519 lacs in 1939 to Rs.45,943 lacs in 1945. During the period, the average amount per policy increased from Rs.1,473 in 1939 to Rs.2,128 in 1945. The figure of life fund in 1945 stood at Rs.107.5 crores whereas in 1939 it had stood at only Rs.50.6 crores.

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The total assets of Indian insurers rose from Rs.59.6 crores in 1938 to Rs.138.3 crores in 1945, and the average amount invested in Government Securities during the period stood at Rs.65.2 crores.

PERIOD OF GROWING MATURITY & STRENGTH:
1946 - 1955

With the passing off of the clouds of the Post-War effects, Indian life insurance entered an era of bounty and strength and began to manifest clear signs of increasing maturity. During this period, well-considered steps were taken to weed out uneconomic units with the result that there were left, in 1955, only 149 well-groomed and tried offices. The number in 1946 was 200.

The partition of the Country did not have any drastic impact on the number of life offices.

During the period, 22 new companies were floated, of which not even one was a composite office.

In the years following the war, Indian insurers continued to displace the non-Indian insurers with the result that in 1955, there were only 22,000 policies in the non-Indian hands, as against 7,49,000 in the hands of Indian insurers. In 1955, there was only 7% of the total life business in the hands of non-Indian insurers.

In 1955 an all-time high record was established by the volume of life business. In that year 7.5 lac policies were issued, bring the total insured amount to Rs.220.9 crores.

The number of 'active' (in force) life policies in 1955 came to 42.16 lacs and their premium income amounted to Rs.43.7 crores.

The volume of life fund during the period mounted to Rs.299.7 crores in 1955, from Rs.141.6 crores in 1945. On an average, investment in Government Securities amounted to 55.6% of the total assets, during the period.

The average insured amount of policies increased to Rs.2,950 in 1955 from Rs.2,128 in 1945, while the number of new policies increased from 5.8 lacs in 1945 to 7.5 lacs in 1955. The number of life offices recorded a fall from 198 in 1945 to 149 in 1955. But the total business in force increased from Rs.459.4 crores in 1945 to Rs.984.2 crores in 1955. The total assets also increased from Rs.138.3 crores in 1945 to Rs.370.5 crores in 1955.

Investments, during the period, came to be more diversified and the financial strength of new offices gained ground.

This period came to be memorable as a result of its witnessing a drastic amendment to the Indian Insurance Act in 1950. After the passing of the said amendment,

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the Superintendent of Insurance came to be called the Controller of Insurance and he was endowed with new powers. The amendment also made provision for setting up of Life Insurance and General Insurance Councils.

The nationalisation of life insurance in 1956 ushered in a new era in the history of life insurance in India.

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FINANCE MINISTER'S BROADCAST SPEECH

This afternoon the Government have promulgated an Ordinance regarding life insurance. All life insurance companies, Indian as well as foreign, doing business in India come under Government management and control. This is the first and preparatory step towards the nationalisation of life insurance. It will be followed by the more elaborate action called for, and it is proposed to place before the next session of the Parliament a Bill for the nationalisation of this important sector of insurance business. Both in respect of the short period during which the management of the companies will vest in Government and in respect of the ultimate assumption of the proprietorial rights over them, reasonable compensation will be paid by Government. What is reasonable compensation is a matter on which there is room for difference of opinion; but I am confident that the basis adopted by Government will be generally regarded as fair.

2. In the course of their observations on the organisation of the credit system of the country in connection with the First Five Year Plan the Planning Commission drew attention to the necessity of fitting increasingly into the scheme of development visualised for the economy as a whole the banking system - and, in fact, the whole mechanism of finance including insurance,

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the stock exchanges and other institutions connected with investment. For, it is only thus, they said, that the process of mobilising savings and utilising them to the best advantage becomes socially purposive. Principally with a view to ensuring the spread of banking and credit facilities to the rural areas, the Imperial Bank of India was nationalised last year. The nationalisation of life insurance is a further step in the direction of more effective mobilisation of the people's savings. It is a truism which nevertheless cannot too often be repeated, that a nation's savings are the prime mover of its economic development. With a Second Plan in the offing involving an accelerated rate of investment and development, the widening and deepening of all possible channels of public savings has become more than ever necessary. Of this process the nationalisation of insurance is a vital part. Let me give you a few figures. Today, some 50 lakhs of policies are in force paying annually a premium of Rs.55 crores. The life insurance assets amount to roughly Rs.380 crores/which the

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companies derive annually a net income of approximately Rs. 12 crores. The total insurance in force exceeds a thousand crore that is a little over Rs.25 per head. Quite recently, it was claimed on behalf of private enterprise that the business in force could be increased to Rs.8,000 crores and the per capita insurance to Rs.200. I am in complete agreement. There can be no doubt as to the possibilities of life insurance in India and I mention these figures only to show how greatly we could increase our savings through insurance.

3. I need scarcely say that the decision to nationalise has been taken after deep and careful consideration of all relevant factors. I may indeed with justice claim also that we have done so with the certainty of the approval of the public and after full examination of the views expressed by the interests involved; for this matter has been the subject of public debate and discussion for several months past. On the one hand, there has been a very general demand for the nationalisation of the entire insurance industry. On the other hand, the chairmen of a large number of insurance companies, life, general and composite, have set out in extenso all the arguments that could possibly be adduced against nationalisation and have endeavoured to show that insurance of every form can flourish best only

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under private enterprise and with the stimulus of competition. It is obvious that in a short talk such as this, I cannot enter upon a discussion of these arguments and to explain why they have failed to satisfy us and why we have, in spite of them, come to the conclusion that nationalisation of life insurance is essential for the implementation of our Plan and therefore required in the public interest. Ample opportunity will, of course, be provided for such detailed discussion in the Parliament. I might, however, summarise the arguments that have been urged against nationalisation and comment briefly on them. State schemes in other countries and in India, it is said, have not been successful, that several foreign countries which went into the question fully decided against it, that a State enterprise cannot so efficiently function with the same flexibility and efficiency that the private enterprise can and finally that the State-run life insurance cannot achieve the highest ideals of insurance. I do not understand this last point and will, therefore, not comment on it. To us, on an objective appraisal, it appears that the only conclusion that can be drawn from the experience of other countries is that wherever there has been a whole-hearted attempt by

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the State, nationalisation has been an unqualified success, even in the face of severe competition from the private sector, and failures wherever they occurred, have been due to the half-hearted manner in which the experiments were tried. There is no reason why a nationalised industry cannot be run efficiently. It is our intention to see that those who are entrusted with the running of nationalised insurance have the discretion and freedom of action necessary to enable them to secure maximum efficiency. It has become almost axiomatic with some to maintain that State enterprise qua State enterprise must be inefficient. And yet, the fact is that far too much is claimed for the efficiency with which private enterprise is run. Thus, even in insurance, which is a type of business which ought never to fail if it is properly run, we find that during the last decade, as many as 25 life insurance companies went into liquidation and another 25 had so frittered away their resources that their business had to be transferred to other companies at a loss to the policyholders. Then again, though I do not wish unduly to emphasise this point, far too unhealthy an enterprise has been shown by a number of insurance companies in the investment of funds. Only recently there was the case of the Bharat Insurance Company when some Rs.2 crores were misapplied and there have been several

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other cases. The amount of capital required for starting or running an insurance company is extremely small as compared to the total life fund that it may come to control. Once however the control is secured, the tendency not infrequently has been to utilise the funds to meet the capital requirements of enterprises in which the managers are interested rather than those which are clearly in the interests of policyholders.

4. I would like also briefly to explain why we have decided not to bring the general insurance business into the public sector. The consideration which influenced us most is the basic fact that general insurance is part and parcel of the private sector of trade and industry and functions on a year to year basis. Errors of omission and commission in the conduct of its business do not directly affect the individual citizen. Life insurance business, by contrast, directly concerns the individual citizen whose life savings so vitally needed for economic development, may be affected by any acts of folly or misfeasance on the part of those in control or be retarded by their lack of imaginative policy.

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5. My object in speaking to you tonight is strictly limited. I thought it desirable that I should myself give you some idea, however brief, of what we intend to do during this interim period and, in particular, to assure all those directly affected - the policyholders, the management and the staff, both office and field - that the companies concerned will be able to continue to work uninterruptedly.

6. The Ordinance is designed to ensure that the existing managements of the insurance companies are able to carry on exactly as before until such time as a custodian is appointed to look after the affairs of each company. The only difference will be that the management will function as agents of Government, and that certain of its powers will be restricted. Thus, it cannot invest any of the funds of the company save in accordance with instructions given by the duly authorised officers of the Government; likewise while the payment of all claims of policyholders can be made by the existing management under its own authority, it must seek the authority of the authorised person if the payment of a claim is not in accordance with the normal practice. In other words, it will be our object to see that there is as little interference in the day-to-day management as is consistent with the attainment of our main objective, viz., the safeguarding of the funds of the

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policyholders, and to the extent they have a claim, the interests of the shareholders. Naturally, it will be our endeavour to put a stop to any malpractices that may come to our notice.

7. To the policyholders, I wish to give the assurance that their policies will be as safe as they are today, if not safer. Private insurers may fail, but the State cannot fail. To those intending to take out life policies, I would say that they should proceed with confidence in view of the proposed nationalisation and indeed step up their proposals for, on nationalisation, their policies will have the full backing of Government and acquire a new element of absolute safety. To the staff at all levels, I would say that they have nothing to fear. I seek their loyalty and devoted work. I cannot of course guarantee the continuance of sinecures. I should also like to reassure the spokesmen of the private sector, industrialists and others that it is not Government's intention to divert the available funds to the public sector to a greater degree than under present arrangements. Indeed, it will be my endeavour to see that at least as much money as is today made available for investment

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in the private sector continues to be so made available. If there is a change, therefore, it will be only to ensure that there are no privileged sections in the private sector, or rather, that privilege, in the sense the priority, hereafter is made dependent upon the broad objectives assigned under the Plan to the private sector. The misuse of power, position and privilege that we have reason to believe occurs under existing conditions is one of the most compelling reasons that have influenced us in deciding to nationalise life insurance.

8. To the members of the public, I would reiterate that this step has been taken after long and mature consideration. I would appeal to them not to be led away by those who would oppose that step on purely dogmatic considerations, regarding State enterprise as invariably a failure and private enterprise as unerringly successful. We are determined to see that the gospel of insurance is spread as far wide as possible and so that we reach out beyond the more advanced urban areas well into the hitherto neglected rural areas. We have not been influenced by any doctrinaire dislike to private enterprise in reaching our decision. Were that so, we would not have left alone the other big sector, the general insurance. Ours is a positive approach, I might even say in this case, a creative approach. We are convinced that out of the

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large number of individual units operating in life insurance, some good, some moderately good, and a large number not so good, or even positively bad, we can weld together a dynamic and vigorous organisation, capable of taking insurance to every sector of people throughout the country and mobilising their savings while affording to them complete security together with efficient service.

9. The nationalisation of life insurance will be another mile-stone on the road the country has chosen in order to reach its goal of a socialistic pattern of society. In the implementation of the Second Five Year Plan, it is bound to give material assistance. Into the lives of millions in the rural areas it will introduce a new sense of awareness of building for the future in the spirit of calm confidence which insurance alone can give. It is a measure conceived in a genuine spirit of service to the people. It will be for the people to respond, confound the doubters and make it a resounding success.

FINANCE MINISTER'S SPEECH IN THE LOK SABHA ON 29TH
FEBRUARY, 1956 ON THE LIFE INSURANCE (EMERGENCY
PROVISIONS) BILL, 1956.

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The Minister of Finance (Shri C.D. Deshmukh) Sir,
I beg to move*:

"That the Bill to provide for the taking over, in the public interest, of the management of life insurance business pending nationalisation thereof be taken into consideration."

This Bill seeks to convert into an Act, the Life Insurance (Emergency Provisions) Ordinance, 1956, which was issued on the 19th January last. This was the first and preparatory step towards nationalisation of life insurance in this country. I shall now explain the reasons which prompted Government to take that major decision.

After reaching the decision to nationalise, Government considered the further action, whether any interim measures were necessary until Parliament discussed the relevant issues and passed the necessary legislation. Normally, of course, the procedure would have been to introduce a Bill incorporating a provision that transactions entered into by the management of companies after the date of introduction could be reopened by Government if it appeared that the transactions were male fide. While such a provision would have been adequate for dealing with most other types of business, we felt that it would be inadequate in the case of life insurance. Our experience of the ways of the less scrupulous insurance management over the last several years had convinced us that such a provision would not prevent a serious frittering away of

Moved with the recommendation of the President.

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the assets. Insurance company managements would have had recourse to a number of ways to enrich themselves, perhaps at the expense of the policyholders, and may be even the shareholders. Transactions could, be and almost certainly would have been, back-dated and documents manufactured to cover even misappropriations that might have occurred till then. Indeed complaints have reached my ears emanating from some managements that it was a pity they did not have another 24 hours in order to adjust the accounts. The misuse of funds is not confined to a small minority, as would be evident from an extract from a leading financial journal which I propose to read out. I may mention that the journal is one which is strongly opposed to nationalisation and had in fact criticised in no uncertain terms Government's decision in the very issue from which this extract is taken. I am quoting now.

Thirdly, some businessmen who have been in the habit of speculation in shares with the aid of insurance companies under their control have been caught unawares. The practice of these persons has been to buy or sell shares first without telling the brokers on whose name the contracts are to be made. If the transaction resulted in a profit it was recovered in their name. If, however, it ended in a loss, it was entered in the name of the insurance company. It would appear that at the time the Government nationalised life insurance, some of these speculators had a long position in a number of well known counters or securities. As the Government gave no time for

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them to adjust the books of insurance companies, Mr. Dashmukh seems to have profited by his experience of the demonetization ordinance. (That was many years ago.) They had no go but to liquidate their purchases.'

It is needless to comment on this very clear description of one of the well-known and well-established practices. But apart from this negative aspect, that is to say, preventing the further frittering away of the assets, we apprehended, and you will agree, not unreasonably, that even the better type of managements would lose interest in their companies. And during the period of some five to six months which might elapse between the introduction of the Bill and nationalisation, the interests of policyholders might suffer in consequence. By taking over the management immediately, we felt that Government would be enabled to take the steps necessary to ensure both the normal working of the business during the interim period and also the eventual smooth and efficient integration.

Members are no doubt familiar with some of the things we found out or I should say we failed to find in insurance companies. In the case of one company, with the head office at Bombay, Government securities worth probably Rs. 30,00,000 were found missing. That was, I think, two days after we took over the management. Calcutta reported two cases where the amounts missing were Rs. 15,00,000 each. There is a fourth case from Uttar Pradesh where the managing director, who is purported to have with him some Rs. 12,00,000 worth of securi-

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ties and cash belonging to the company, apparently for safe custody, has not yet found time to return to the head office or to hand over the securities. Meanwhile the police are on the look out in order to draw his attention to the provisions of the ordinance (Interruption). It is true, of course, that these misappropriations occurred before the issue of the ordinance, but if the ordinance had not taken these enterprising gentlemen by surprise, I am not sure if attempts would not have been made to cover these misappropriations by putting through suitable transactions which would have shown a totally misleading picture on paper. In making this statement I am drawing upon the experience we have gained from some other cases. In one case, just before the winding up was ordered, the manager sold Government securities worth over a lakh of rupees and purchased a piece of agricultural land for an equal amount. On further scrutiny the liquidator found that the alleged vendor had no title whatever to the land at any time, and in any case the land was not worth even a tiny fraction of the amount supposed to have been paid. In another case, Rs. 20,00,000 worth of Government securities were purported to have been kept in deposit with a bank. Later when the liquidator took over, he found, not the Government securities, but some shares the title to which was far from clear. Incidentally, the bank where the securities were supposed to have been held in safe custody and whose certificate had actually been produced before the auditors totally denied that at any time they held these

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securities in safe custody. In other words, the bank certificate had been forged.

Shri Kamath (Koshangabad): Forged?

Shri C. D. Deshmukh: Yes. It was precisely to take care of such things as these that we had to resort to an ordinance, and even then we had taken only the minimum powers necessary, and all the important provisions incidental to nationalisation were left over for consideration in the Life Insurance Corporation Bill.

Since this is the first and preparatory measure, the House will expect me to explain, however, briefly, the reasons which impelled the Government to take the major decision, nationalisation. This subject had been exciting people's minds for quite some time past. It had been the subject of comment in journals and amongst students of economics, leaders of industry and commerce and persons in other walks of life. The one disadvantage from which these comments have generally suffered is that a comprehensive view of the insurance industry as a whole has in most cases been lacking. Often the study has been from the point of view of a particular company or a particular class of insurance interests or has been prepared by an obviously academic writer divorced from the realities of the situation. We had an advantage in the matter in that the administration of the Act has afforded us an opportunity of taking an overall view of the entire industry in its various ramifications. We were, therefore, able to appraise the point of view of the

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policyholders, the shareholders and commission agents, and in fact, every interest concerned. And this broad appraisal showed that life insurance today was not being managed either efficiently or with an adequate sense of responsibility. We felt that a detailed enquiry was necessary into the affairs of the industry as a whole with a view to determining the measures necessary to place it on a sound footing.

I need scarcely assure the House that we entered on the study with no preconceived notions and it was conducted strictly on pragmatic lines. The questions we posed to ourselves were: Was life insurance functioning in India in the most efficient manner possible so as to attract the savings of the average man to the maximum extent? If not, what was it that prevented it from doing so? What was the nature of those shortcomings and how best could they be overcome by further tightening of control? Or alternatively, must they be regarded as inherent in the type of management found in life insurance in India? I can also claim justly that this study was a prolonged and comprehensive one. We took up the question first for active consideration sometime in 1951. We have been at it throughout the period. Even the first examination pointed to nationalisation as the obvious step. But we did not want to take a hurried decision. During this long period we considered every aspect of the case and every comment made and incidentally went on collecting our own experience of companies which we were administering. The conclusions that finally emerged confirmed our apprehensions. The

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industry was not playing the role expected of insurance in a modern State and efforts at improving the standards by further legislation, we felt, were unlikely to be any more successful than in the past. The concept of trusteeship which should be the corner-stone of life insurance seemed entirely lacking. Indeed most managements had no appreciation of the clear and vital distinction that exists between trust moneys and those which belonged to joint stock companies - that is to say, owned by the shareholders themselves.

I shall now give some detailed account of the reasons underlying this step and I can do that best perhaps by giving my concept of a well-run insurance company and then show how the insurance companies had failed to reach these standards. Firstly, the business must be conducted with the utmost economy and with the full realisation that the money belongs to the policyholder. The premium must be no higher than is warranted by strict actuarial considerations. The fund must be invested so as to secure the maximum yield for the policyholders that it may be possible to secure consistent with the safety of the capital. It must render a prompt and efficient service to its policyholders and by its service make insurance widely popular. Finally, the management must be conducted in a spirit of trusteeship, as I have said.

Now, take the first criterion. I think the record of our life insurance companies is poor. The ratio of expenses of management to the premium income for Indian insurers is 27 per cent compared with 15 per cent for companies in U.K.

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and 17 per cent in USA. Even statutory imposition of expense limits has failed to check extravagance. It has been claimed by companies that this ratio is high for various reasons but to me it seems that it is largely due to extravagance in the field. Most of the field agents are dummies and their main purpose seems to be to function as the channel for passing illegal rebates. The code of conduct which incidentally was framed by the industry itself tried to arrest this mad race for business by providing that there shall be only one intermediary between the agent and the branch office but the industry, I am sorry to say, soon got round this. Branches came to have several branch secretaries; joint branch secretaries and assistant branch secretaries multiplied and the scramble for business continued unchecked.

With all this high expenditure, one would expect that the policyholders were well served. But here also the record is not good. Post-sales service does not exist and lapses continued to be high. When a policyholder takes out a life insurance policy, he does not make a purchase in the sense that he purchases a share or any other article of necessity for current consumption. The premium is really a form of saving and when more than four annas in every rupee of this premium is spent in expenses and only twelve annas or less than that is paid, then the harm to the interests of the small saver can easily be imagined.

Then as regards the premium rates, they are about the highest to be found in any advanced country of the world.

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It is true that mortality rates are higher in India than perhaps many of those countries but even after making allowance for this, experts think that our premium rates are high.

Turning next to investments, we find that there are various inescapable malpractices; when for the first time in 1951 we obtained detailed returns of the investments made by managements, we were appalled by the picture that was revealed. Loans had been given on every type of security - good, bad and indifferent. Sometimes there was no security at all - loans on shares, on agricultural lands, on barges - which indeed was a floating security -, standing sugarcane crops and on libraries. With the tightening of the provision regarding loans in 1950, we thought that these tendencies would disappear. But they did not. Only they took to other forms. Policyholders' moneys were used to finance enterprises irrespective of their intrinsic merits. There is unnecessary turnover of securities, grant of loans on inadequate securities, buying property at inflated prices, etc. These are some of the ways in which waste occurred or funds were jeopardised. House - properties and then possibly shares and debentures - some of these have no clear-cut market value - and investments in these categories offered considerable scope for malpractices.

All such investments and high expenses have taken their inevitable toll. During the decade 1944-1954, as many as twenty-five insurers went into liquidation and another like number had to transfer their business to other companies,

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in most cases with a cut in the policy contracts. I think one such case came before the House in regard to a foreign company. Further, even among the companies which are carrying on business today as many as seventy-five were unable to declare any bonus at their last valuation. This means that these insurance companies had spent not only the provision for expenditure made in their premium but also made inroads into the additional premium which the with-profit policy-holders were induced to pay in the hope of getting bonuses.

Now, we may examine the claim of the insurance companies that they are second to none in what they have been able to do in publicising insurance in this country. I do not deny that they have done something. The point is this: Have they done enough?

On a careful assessment I do not think it can be maintained that the progress has been as it should have been. Life insurance is a social necessity, more particularly today when the joint family system which had been partly serving as an object insurance is rapidly disintegrating and leaving the individual more and more exposed to economic uncertainty or insecurity. In other advanced countries insurance companies have schemes whereby persons of low economic means are enabled to take out policies for small amounts. The premiums under these schemes are payable weekly, fortnightly or monthly and are collected from door to door. This type of business is usually known as industrial assurance because they are mostly industrial workers. This class of business forms

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40 per cent of the total life insurance business done in the United Kingdom, 35 per cent in Germany, to quote two examples. In India this business has not even been attempted. There are 70 provident societies which profess to cater to the poorer sections of the community, but, in fact, they have hitherto only exploited them. The record of these societies is very dismal indeed. They numbered over 500 in the early years of the century and have now deservedly dwindled to 71. A majority of them are insolvent or nearly so, and the total assets barely equal a month's income of one insurer.

The per capita insurance in force is Rs.25 in India as against Rs.8,365 in the United States of America, Rs.6,647 in Canada, Rs.2,544 in Australia and Rs.1,840 in the United Kingdom. Now, one might say that this is not a valid comparison at the per capita incomes in these countries, of course, it is well known, are much higher. But even if we allow for this factor, by comparing the sums assured in force with the national income in each of the countries we find that in India the sum assured in force is only 10 per cent of the national income whereas for Canada the corresponding figure is 108 per cent and for U.K. it is 95 per cent. It is, therefore, clear that it is not the low per capita income in India which can explain satisfactorily the comparatively poor progress of insurance in this country. The reasonable explanation may be that the insurance companies, by and large were governed by short-term considerations and consequently their activities were confined to urban areas and there too

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perhaps to limited categories of people.

Now, in the matter of service to the policyholders many companies systematically postpone or avoid payment of claim until of course forced by legal means. In 1954 a thousand complaints were received by us in our department against various companies alleging delay or non-payment of claims. In Australia, where the number of life insurance policies is about the same, according to the report of the Commissioner of Insurance there was only one complaint in 1954 relating to non-payment of claim. A number of cases were referred to the Controller of Insurance under section 47A after the claimants had despaired of getting satisfaction from the insurance companies. In most of these cases the insurance companies were found to be in the wrong. Therefore, it is clear that here in India we have failed to live up to the high traditions associated with insurance all over the world.

And, in respect of investments - for a relatively small investment we find that an individual acquires control over comparatively immense funds and this control alas has only too frequently been used not as trustees are expected to use it.

Now, it is claimed that the position could have been remedied by further legislation tightening supervision and control. All such control or regulation is negative in character. It can prevent what is demonstrably bad but it cannot raise standards. These must come from within and all

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that Government regulation can do is to foster the growth. In the United Kingdom, for instance, there is very little control over life insurance and yet they have the highest of standards. We started on the model of United Kingdom in 1912 but the principle of "Freedom and Publicity" was not found to be sufficient in our conditions to achieve the United Kingdom high standards. So, we had to undertake legislation for detailed State control. Therefore, a comprehensive - or what we thought was comprehensive - Insurance Act was enacted in 1938. At that time it was described as a Draconian piece of legislation and it was hoped that it spelt the end of all mismanagement as every war is supposed to end all wars. But, we had not reckoned with the ingenuity of some of the insurance managements. During the last 18 years the Act has had to be amended on as many as 10 occasions and each time a provision was tightened the resourceful management managed to find a way round it. For instance, with a view to preventing a life insurance company being controlled by an individual the 1950 amending Act limited the share holding of any one person to 5 per cent of the capital of the insurance company. Despite this the same individuals or groups continue to control the insurance companies as before. The Act was circumvented by holding shares in the names of family members, friends and employees. We indeed have very many experts in benami in this country. Again, a provision was inserted by the same Act prohibiting payment of excessive emoluments to officers of insurance companies. This provision

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too was circumvented by appointment of dummies, the whole or a substantial portion of their salaries being passed on to those who control the companies.

Now I will give another illustration. The Act prohibits granting of loans to companies where the directors of the insurance companies are also directors. This provision has in some cases been got round by those companies floating debentures and the insurance companies being made to subscribe to these debentures. In one case the only subscriber to the debentures were the insurance companies concerned.

The ineffectiveness of legislative control is also brought out when we regard the business from a different angle. As I said 25 insurance companies went into liquidation during the last decade and another 25 had to transfer their business to other companies, in most cases with a cut in the policy contracts. 60,000 poor policyholders of these companies suffered in varying degrees. Now I may mention the extreme cases. In the case of 11 insurance companies administrators had to be appointed to take over the management. The reasons for such appointments were fraudulent transactions, defalcations, loans to fictitious persons, reckless expenditure, insolvency, gross-management and so on. Some other companies were also ripe for similar treatment but action was not taken either because the managements were persuaded to set matters right or because of practical difficulties. So, the position thus is that we are as far away today as ever in attaining the standards achieved

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voluntarily in a country like the United Kingdom.

Had poor standards been confined to a small minority of companies further legislation might perhaps have been worth attempting, but I am sorry to say that the truly well-managed companies are a minority, a very small minority. Legislation and control therefore can no longer be regarded as giving us a reasonable chance of achieving our objective. The fact that the minority of well-run companies account for a considerable part of the business done does not in any way affect this argument, because lakhs of policies are today insecure affecting lakhs of families. There is no justification for allowing such a state of affairs to continue. Insurance is a business in which there ought never to be a failure and not a single policyholder should ever find his life savings in danger. So, legislative control has been tried long enough and it would have been difficult to justify persisting with it any longer.

Insurance is an essential social service which a welfare State must make available to its people and the State must assume responsibility for rendering this service once it is clear beyond reasonable doubt that it cannot be provided in any other manner. So, while it is the failure of the general run of insurance companies to live up to the high traditions demanded of them that has led Government to take this step, I would like to emphasise that nationalisation in this field is in itself justifiable. With the profit motive eliminated, and the efficiency of service made the sole criterion under

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nationalisation, it will be possible to spread the message of insurance as far and as wide as possible, reaching out beyond the more advanced urban areas and into hitherto neglected, namely, rural areas.

Life insurance gives to the insurer - it is a truism - a sense of security, but it also compels him to put by money for a rainy day. Today, less than 30 lakhs of persons in this country are insured. Even if we were to do no better than double this number, we shall have increased the savings significantly. Actually, the possibilities for expansion are even greater. The urban areas alone contain a much bigger earning population while the rural areas are as yet wholly unexplored territory from this point of view. It has been claimed on behalf of private enterprise that it was confident of increasing the total life business in force from a little over Rs.1,200 crores to Rs.8,000 crores, and the per capita insurance from Rs.25 to Rs.200 per head in the course of the next ten years. While I have very little doubt that the nationalised life insurance will be able not only to achieve it but exceed it, in doing so, we shall have made available for the implementation of our Plans - the second and the succeeding Plans - substantial sums of money from the people's own savings.

I come back to the ordinance and shall indicate what has been done so far since its promulgation on the 19th January. As you are aware, it vested the management of all life business in the Government and in order that there

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may be no dislocation of business, it was provided that the existing managements should continue to be in charge of the business but as agents of Government. They were allowed to carry on day-to-day business on their responsibility though in certain important respects, such as investment of funds or where any exception to the normal practice had to be made, they could act only with the approval of the authorised persons nominated by Government. These authorised persons were in position everywhere on the 20th of January.

We nominated and trained them secretly for a couple of months and they had received orders to join their posts at a precise time indicated to them. So there was no hiatus in the working of any insurance company. There has been a certain amount of speculation in the press as to how these persons reached their places on the 20th itself, and some wild guesses have been made about all these persons being flown by special plane. But let me state the prosaic fact. They travelled by train and they started moving out of Delhi from the evening of the 17th. Only a few travelled by air and they travelled by regular scheduled flights taking with them, to the persons to be authorised, their authorisation papers which were available only after the ordinance was duly promulgated. So I claim this secret was well kept. The point I wish to make it, our arrangements were designed to ensure that no inconvenience whatever was caused to the policyholders, and I think we can claim to have succeeded in this. Immediately after the ordinance became public, we

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we proceeded to appoint custodians to take charge of insurance companies. Some 126 insurance companies are already managed by custodians, and as this accounts for over 96 per cent of the total life insurance business, it may be said that management at the top is now directly in the hands of Government. Custodians have been chosen from amongst senior salaried staff of insurance companies. They are working together as a team under the general guidance of the Finance Ministry, and already there is emerging a common and uniform policy. As you know, uniform premium rates have been prescribed as also uniform types policy conditions.

In the matter of investment too, a uniform policy is being evolved. Advertisements have begun to appear commanding insurance and its advantages general; and not in one company. There have been suggestions that fresh business is at a standstill. I am glad to state categorically that that is not correct. After a short, a very short interval, fresh business has begun to flow in at a rate which is no slower than before, and as doubts are dispelled and the real position becomes clearer, the pace will accelerate as indeed it already is doing in some parts of the country. Meantime, it is also becoming clear that the claims are met promptly. No complaint has at any rate yet reached me on this score. I must of course add a note of warning. Policyholders in companies which are insolvent will necessarily have to wait until the affairs of such companies are fully gone into. The Bill before the House virtually repeats the provisions of the

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Ordinance. We propose, however, in the light of experience which we have gained during this brief period, since the 20th January, 1956, to seek some additional powers for the custodians on the lines of the powers enjoyed by the administrators appointed under the Insurance Act. It is obviously necessary that the custodians should be able to take action to recover monies which may be missing, in an appropriate and prompt manner, wherever such action becomes necessary. With these words, I commend my motion to the House.

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FINANCE MINISTER'S SPEECH IN THE LOK SABHA
ON 19th MARCH, 1956, ON THE LIFE INSURANCE
CORPORATION BILL, 1956.

Mr. Speaker: The House will now take up the motion for reference of the Life Insurance Corporation Bill, 1956, to a Select Committee. As the House is already aware, 10 hours have been allotted for the consideration of this motion.

The Minister of Finance (Shri C.D. Deshmukh): Sir,
I beg to move:

That the Bill to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto, be referred to a Select Committee consisting of Shri B.G. Mehta, Shri Syamnandan Sahaya, Shri Anirudha Sinha, Shri S.K. Patil, Shri Shriman Narayana, Shri C.S. Matthen, Shri Feroze Gandhi, Shri Madhelal Vyas, Shri Balchand Bhai N. Shah, Shri Opendra Nath Barman, Shri Bimalaprosad Chaliha, Shri S.R. Telkikar, Shri R. Venkataraman, Shri Tek Chand, Shri T.N. Singh, Shri Tekur Subrahmanyam, Pandit Krishna Chandra Sharma, Shri R.R. Norarka, Shri G.L. Bansal, Shri M.D. Joshi, Shrimati Sushama Sen, Shri S.R. Kane, Shri V.B. Gandhi, Shri B.L. Bhagat, Shri Sadhan Chandra Gupta, Shri K. Ananda Nambiar, Shri Tusbar Chatterjee, Shri K.H. Vallatharas, Shri M.S. Gurupadaswamy, Shri K.S. Raghavachari, Shri Tulsidar Kilachand, Shri U.N. Trivedi, Shri G.D. Somani, Shri P. Velayudhan, and the Mover

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with instructions to report by the 16th of April, 1956."

Sir, hon. Members will recall that during the discussions of the Life Insurance (Emergency Provisions) Bill I had explained fairly fully what led to Government to ^{take} this decision to nationalise insurance and I do not propose to traverse the same ground. But I consider it necessary to make a few observations of a general nature which arise, broadly speaking, from the subsequent criticisms that have been made here in this House and in the other House.

In the first place, it has been suggested that only a very small part of the life funds was, if at all, dealt with improperly and that, although this was not stated in so many words, a greater part of insurance business was run in an impeccable manner.

Now, nothing would have given me greater pleasure than to have been able to testify to this. I have always admitted that there have been a few companies which conducted their affairs well and which observed good standards. But, I should like the House to remember that these were only a few companies and one cannot claim that they were representative of that particular sector.

The point of this criticism was that the number of companies was small and, therefore, it was not necessary to take this extreme step of nationalisation. Even on this ground we should like to say that although the field of the malpractices might have been small, it indicated the existence of a disease which had become endemic in the system

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and therefore, it was full of dangerous possibilities. ⁶⁸² But, apart from this, what one has to consider - and this is far more important - is the consequence of malpractices even if they are small in extent, on the people affected. I think the House will readily agree that malpractices jeopardise the savings of men of small means to whom this loss might easily be a matter of life and death. Surely such a consequence could not be a matter of indifference to a welfare state such as we are endeavouring to be. These malpractices affect thousands of policyholders, almost invariably from the section of the population which stands most in need of protection and guidance. Therefore, the seriousness of the situation should not be judged in terms of the total sum of money misappropriated, but in terms of the extent of human hardship involved.

Even in mentioning this total sum, I believe that the particular speaker whom I have in mind in the Rajya Sabha did not mention the recent very big case of misappropriation, which involved a potential misappropriation if it had not been checked, of Rs.2 crores and a quarter. If that amount of Rs.2 crores and odd had not been returned to the Bharat Insurance Company, - it was only returned after we had more or less forced restitution by issuing an Ordinance to amend the Act - the policyholders would have almost certainly lost their savings to the extent of over 50 per cent. of their contributions. The total number of policyholders - I think it was quoted to the House by Shri Feroze Gandhi - runs into

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some tens of thousands. In the other case, where the missing sum is of the order of Rs.30 lakhs, out of Rs.32 lakhs, that is the Bombay company, the loss to the policyholders will obviously be nearly 100 per cent. Then again, among the companies, the management of which has now been taken over, there are quite a few which do not have current funds to service maturing claims of their policyholders. The total number of policyholders affected is not just a handful, but well over a 100,000. So, it is idle to suggest that such matters affecting the well being of so many human beings should be judged in terms of quantity of money only and not, as I said, in terms of the human hardship involved.

But, in principal point about nationalisation is that the State does not have to make out a case that the private sector has failed. Nationalisation is justified on many other grounds of ideology, philosophy, and the objectives of a welfare state. So, it is futile for any one to take his stand only on this that unless the Government proves as in a court of law that there have been malpractices over a very wide extent, by implication, the State has no right to nationalisation. The average citizen has fully appreciated the reasons for nationalisation, and I believe, the House also, as we have passed the other Bill relating to provisional arrangements where the whole question was thrashed out and where we gave in detail other reasons for nationalisation, particularly our hope that, by doing so, we should be able to augment the total

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volume of savings required for implementing our next Five Year Plan and further Plans. I have received a large number of telegrams from all quarters of the country, to some of which I might refer later, congratulating the Government on this step.

It has also been said that the public, although they might have congratulated the Government, have really not shown by their action that they have confidence in state management of life insurance and that new business had come to a standstill. I for one was prepared for some decline in business during a transitional period when adjustments had to be made. But, I am agreeably surprised, and I hope to the discomfiture of many of our critics, that the reports which I have received from the Custodians up till now show that the amount of fresh business done since the Ordinance was promulgated is better than the business transacted during the corresponding period last year when the business was under private management. For instance, the business done in Bombay this year is Rs.15.53 crores as against Rs.13.51 crores last year; in Madras the business done this year is Rs.1:09 crores as against Rs.1.43 crores last year. Calcutta reports a similar trend. That is all I have to say in regard to that issue of nationalisation which, as I said, the House has already more or less fully discussed. I shall, therefore, proceed to give you a broad outline of the type of organisation through which we suggest that it would be best to run this life insurance business in the future.

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Our proposal is to start a Life Insurance Corporation to take over all the life insurance business and to run it as a monopoly business. I have already explained the reason why it is necessary that it should be run as a monopoly business and why it is not possible, in a mixed state of affairs, for any government-run organisation to compete in unfair methods with the private sector. It has been suggested from another angle that it is essential to maintain an element of competition and that for this purpose we should set up 4 or 5 corporations instead of one. Such a thesis seems to hold a plausible appeal. But, I feel on a closer examination, that there are certain objections of a fundamental nature which militate against the acceptance of this suggestion, especially in the initial stages. On general grounds it seems to me that if the State has to be ultimately responsible for the business of life insurance, it would be extremely difficult in practice to work through a number of corporations. For instance, the spirit of competition is bound to be restricted. It would be difficult to justify the existence of different rates of premia. It would also be difficult to have different investment policies. Then, there could hardly be any difference in employment policy or in the standard of servicing. Therefore, in a nationalised set-up competition would have a restricted field and could only be in terms either of efficiency in service or in the rate of development of new fields of business. And we believe that a competition of this nature could be achieved through the zonal organisations that are contemplated

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in the Bill without creating other complications that would almost inevitably ensue if there were several autonomous corporations competing with each other throughout the country. I think, human nature being what it is, it would be extremely difficult, if not impossible, to stamp out some of the evils of competitive business such as, for instance, rebating. Therefore, our conclusion is that on merits and on a priori grounds one corporation is to be preferred. In any case, we feel that to start with we should have only one autonomous corporation with zonal organisations, and if we find that it does not work satisfactorily, then it would be open to us to change over from it to a number of autonomous corporations. This process would be easier than the reverse process, that is to say, to proceed from several autonomous corporations to one monopoly corporation. I think it is our experience that the process of decentralisation is easier than the process of centralisation because vested interests are often created and they make an effort at centralisation more difficult even though that particular kind of experiment could be proved to have demonstrably failed.

As regard the functions of the Central Office, if there were to be only one corporation the Central Office would be responsible for the policy aspects of insurance business, that is to say, the determination of premium rates, the determination of policy relating of the investment of funds, the control and supervision both through an inspectorial organisation and through an internal audit organisation of the zonal subordinate

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offices. So far as day to day business is concerned, it is our intention that the zonal organisations should for all practical purposes be autonomous and should be allowed to run their insurance business without undue interference. We would regard the zonal organisations as the executive arms of the Insurance Corporation, and it will be for these zonal organisations through their divisional, branch and other subordinate offices to sell insurance within their territories, to service the policies issued and generally to ensure that insurance becomes more widely known, more popular and thereby to mobilise even larger volumes of savings from all sections of the people in order to attain the principal objective of this measure of nationalisation.

The various provisions in the Bill are intended to prescribe only a skeleton organisation for such a corporation and the details are meant to be filled in through regulations and rules to be issued by Government from time to time. The intention, therefore, is to avoid rigidity and to invest the Corporation with a certain amount of flexibility of operation so that it might not find it difficult to operate satisfactorily in practice. It is also our intention to ensure that the Corporation is given sufficient discretion to enable it to conduct its operations on strictly business lines.

It is not necessary for me to take the time of the House in order to explain in detail the various provisions of the

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Appendix XIX

Bill because I am sure that these various clauses ^{648.} will receive attention both during the course of the debate and subsequently in the Select Committee, but I propose to confine my remarks to the more important clauses.

Perhaps the most important one is clause 28 which guarantees all policies issued by the Corporation. This guarantee extends to policies taken over by the Corporation from existing companies with the exception of policies taken over

from insolvent companies to which I shall revert later.

The next question is the staff, that is, clause 10. I am sure the House will agree with me that we have adopted a reasonable attitude. Clause 10 itself provides all whole-time employees will be taken by the Corporation initially on the existing terms and conditions. One of the first tasks of the Corporation will be to formulate suitable scales of pay and terms and conditions of service and fit the existing staff appropriately into them. I am sure the House will appreciate that that Corporation will be the successor to a very large number of companies whose salary scales differ widely, and indeed in some cases there are no salary scales at all, nor are there uniform rules regarding pension, provident fund etc.

Shri Asoka Mehta (Chandara): How will they be fitted in?

Shri C.D. Deshmukh: If there are none? If there are different ones, we shall try to evolve.....

Shri S.S. More (Sholapur): Rationalise.

Shri C.D. Deshmukh: That is the word.

Shri Asoka Mehta: It has a bad odour about it.

Shri C.D. Deshmukh: We use it in a good sense.

The Minister of Revenue & Defence Expenditure (Shri L.C. Guha):
Perfumes.

Shri C.D. Deshmukh: I said once before that it was our intention to endeavour to be on the best of terms with the employees, and I also had occasion to mention that among the first telegrams I received were those from the employees' associations. I have got a sheaf of them here. I would like to read out one or two. This is from Bombay:

"Congratulations on your decision regarding life insurance nationalisation hope employees' interests will be safeguarded - Insurance Employees' Federation Bombay".

Then there is one from Calcutta:

"Welcome nationalisation of insurance expecting improvement of employees' service conditions all co-operation assured - Federation of Hindustan Insurance Employees' Union".

"Congratulations for nationalisation general insurance employees favour nationalisation".

and so on. They want us to go even beyond that. Then I have telegrams also from shareholders, policyholders, individuals and so on and so forth

Shri S.S. More: Any from the management?

Shri C.D. Deshmukh: Many from the field staff, not from the management.

Shri C.V. Iyyanni (Tatichur): May I know whether persons who are engaged in the insurance business run by State Governments will be

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prejudicially affected by nationalisation? There is the State of Travancore-Cochin which is running insurance business. Will the employees be taken in in this?

Shri C.D.Deshmukh: It is not our intention to take in anybody!

Mr. Speaker: Take into

Shri C.D.Deshmukh: He is asking whether Travancore-Cochin State business will be taken over by us or not. Our present intention is that it should be the sole monopoly of the Centre, except of course the employees' group insurance schemes. But that is one of the matters, that is bound to come up. That is only to this extent, that is to say, whether there should be any exception so far as insurance business run by existing States is concerned, - for example Travancore-Cochin and Mysore. But our intention here is that that also should be taken over.

Shri S.S. More: May I know whether the Minister has received any representation from co-operative having life insurance, and if so, whether it will be circulated to us?

Shri C.D.Deshmukh: I think one hon. Member spoke on this.

Shri S.S. More: I am told that their organisation has submitted a well-argued-out memorandum. I wanted to know whether that will be made available to us.

Shri C.D. Deshmukh: We shall make it available to the Select Committee. We shall make available to the Select Committee whatever representations we have received.

Shri S.S. More: What about members who are not on the

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Select Committee?

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Shri C.D. Deshmukh: It will be for the Select Committee then to say which should be presented, and which not, with their report. That is the usual procedure. I myself have no objection to passing on any representation to the House, but the more practicable course would be to let the Select Committee have a look at them.

I have dealt now with the employees. So far as the agents are concerned, we have made no provisions in the Bill itself regarding agents and others who cannot strictly be termed as employees. This is because their relationship with the insurance companies is of a contractual nature: Just as all existing obligations of a bona fide nature will be automatically, so to speak, honoured by the corporation, so they will also honour the contracts with agents and so on and so forth.

As regards the field organisation, I believe we shall have to effect some major changes in the field organisation. The insurance agents who are the backbone of this organisation will have to be trained with a view to enable them to render real service to the policyholders. As regards the chief agents who had till now exclusive jurisdiction over certain territories, they will, I fear, have to go. Under the changed conditions, it would not be appropriate for us to continue them. I may add that the trend over the last decade or two has already been towards the elimination of the chief agents and their substitution by branches.

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I now come to Clause 12 which permits reduction in the amounts of policy contracts entered into by insurers prior to the business being taken over by the corporation. This clause has evoked a certain amount of adverse comment. But it seems to me that there is a certain amount of misunderstanding regarding this provision. I should, therefore, like to explain the underlying principle of this clause, and in doing so, I propose to take up this clause and clause 39(2)(k) together, because the underlying principle in both cases is the same. Clause 39(2)(k) refers to classification or grouping

It will be agreed that it should be our object to see that no policyholder is worse off by the establishment of the corporation. The corollary must therefore be that we must not take away from policyholders of other solvent companies funds which in equity belong to them, for the benefit of the policyholders of less solvent or deficit companies. In other words, we should not rob Peter to pay Paul.

The companies whose life insurance business will be taken over by the corporation will be of widely varying financial strength. That will be due to several reasons. One is the premium rate. Even among good companies, some charge a low with-profit premium, and declare a small bonus. Others charge a high premium and declare a large bonus. Another reason, and this is by far the most important, is the manner in which the company has been managed in the past. Economy in management expenses, and a sound investment policy should

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be reflected in strong reserves, while their absence would be equally evident in poor results.

Thus, the funds which the policyholders of different companies would be bringing with them into the corporation would vary widely in their content and significance. The policyholder of one company might bring with him a reserve of only Rs.300, insufficient even to meet the basic contract, let alone the future bonuses. The policyholder of another company may bring with him an identical policy with a reserve of, say, Rs.350, just sufficient to meet the basic sum assured under the policy but with no margin for future bonuses. A third might bring Rs.400, and a fourth Rs.450. If these policyholders had continued with their respective companies, their fortunes would have varied. The first would have got only Rs.12 in the rupee; the second with some luck might have got the sum assured paid in time, but without any addition in future in the form of bonuses. The third would have got a small bonus, while the fourth who had selected a good company might be rewarded by good bonuses.

What I am trying to emphasise is that unlike in the case of joint-stock companies, the reserves in excess of the amount needed to meet the basic contract are not the property of the company or the shareholder, but belong both in law and in equity to the policyholders, and are intended to meet the cost of future bonuses. Therefore, the question is how far it would be fair to take away these additional amounts

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from ~~these~~ policyholders for paying increased bonuses to others, or for making good the shortfall in even the principal sums of their policies.

If there was a straight pooling of the resources of all the companies, what will happen is that for the next five or ten years, the policyholders of better-managed companies like the Oriental, would get a smaller bonus than they might reasonably have expected from their companies; and then they would have a legitimate grievance that nationalisation had brought to them no advantage, and could with justice suggest that if Government want to benefit the policyholders of ill-managed companies, well then, Government should find the money.

Now, it is for this reason that power is taken by clause 39(2)(k) to group the policies for purposes of future bonuses. It is our intention to group the existing policies into a suitable number of groups on the basis of the reserves they bring into the corporation and each group would get a bonus appropriate to its reserve strength.

Of course, this grouping would apply only to pre-ordinance policies. All policies taken out after the ordinance would of course get a uniform bonus. A strict application of this principle implies that policy contracts of insolvent companies would have to be suitably reduced before they are taken over by the corporation. And clause 12 empowers the corporation to do precisely this. I realise that it is very hard for a policyholder not to be able to get the sum, even the sum assured, and it will be to my endea-

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your to do whatever I reasonably can to ensure that there is at least no reduction in the sum assured. I cannot comfort myself now, for the financial implications of even this limited benefit might be considerable.

According to the returns furnished under the Act, the total insolvency was Rs.45 lakhs. But this is not the total sum involved; to this figure, we have to add the moneys lost by misappropriations that have already come to light. Further scrutiny may reveal that some of the assets are over-valued. Of course, we shall, as we did in the case of Bharat Insurance Co., take every possible step to recover the money from the delinquents, but how much we will be able to recover in this manner would be difficult to say just now. What I can do now is to give the assurance that it would be our endeavour to treat the policyholders who fall in this category as generously as possible.

The next important point about which a number of persons are naturally agitated both for and against, so to speak, is the compensations that will be paid to the various insurers. I shall refer in some detail to the provisions in the Bill in respect of this matter. They are laid down in the First Schedule. Part A of the First Schedule deals with proprietary companies which had surpluses at their last actual valuation and had allotted a part of those surpluses to the shareholders. Part B deals with other proprietary companies, namely, those which were either in deficit or had only a

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nominal surplus, and Part C deals with mutuals and co-operative insurance societies. The companies coming in Part A are by far the most important. Though they number only 70, that is to say, 53 Indian insurers, 8 non-Indian insurers and 9 provident societies, they account for the bulk of the compensations to be paid. You will notice that the market value does not figure anywhere in the basis of compensation. In the case of composite companies and foreign companies we are taking over only part of their total business, and of course, market value, even if it were to be ascertainable, would be of no help. Even market value as a basis for compensation might have been worth considering only in respect of India proprietary companies transacting life business alone, but unfortunately of these we found that the shares of only a very few - only three companies, I believe - are quoted regularly on the stock exchange, and even these quotations are either nominal or in one case certainly influenced during recent years by extraneous considerations, that is to say, considerations other than their intrinsic worth. Therefore, as a basis of compensation, we had to rule out market value. We might have fallen back on the actual assessment of assets and liabilities. We examined that, but we felt that this method would leave matters unsettled for a long period of time and might possibly lead to disputes, dissatisfaction and perhaps litigation. We felt that on the whole it would be to the advantage of all concerned if we could find a basis which would at once be fair to the shareholders and would yet

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be expeditious, and we have, in the basis given in the Schedule, found that although we have had, nevertheless, to look to the methods of the assets and liabilities, in respect of certain class of companies, the alternative method, if applied, would have given but little or no compensation at all. I shall explain this presently. Broadly, the approach is that compensation should be regarded as payable for loss of future earnings from life insurance business. It is a dividend that the shareholder loses which has to be compensated for. The paid-up capital would not be useful or would not be a fair criterion, as dividends, in the case of life insurance companies, it is well known, bear no relation to the paid-up capital. They do not bear the normal relation to the paid-up capital.

We have, therefore, first to determine the average earnings from life insurance business which the shareholders could have reasonably expected in the future and then capitalise this amount. What the shareholders could expect to earn is a matter for conjecture and I think we would not be far wrong if we took, instead, the average of what they earned during the past few years. Now, as the House is aware, the allocations to shareholders out of which dividends are paid, are made only at the time of the actuarial valuations. The valuations are conducted at intervals usually of three years. Therefore, the average of the allocations - in respect of the last two valuations - is proposed to be taken. Therefore, the period covered would be six years - two valuations

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and a three-year period. We shall get the figure which is not affected by chance variations in the profits over a reasonably long period.

Having determined the period, we made one or two adjustments to the actual allocations made. The Insurance Act provides that out of the surpluses disclosed at actuarial valuations, not more than 7½ per cent. can be allocated to shareholders. Many enlightened insurers allocated a small percentage than this maximum of 7½ per cent. and the trend indeed was downwards. If we base the compensation on the actual allocations, we would be rewarding those who have taken a short-sighted view and allocated the maximum the law allowed. On the other hand, we could not totally ignore the actual allocations, as when shares are bought and sold the people take into account the annual allocation to shareholders.

I may point out in this connection that it was only in 1950, for the first time, a limit was sought to be placed on the proportion of the surplus that could be allocated to the shareholders and at that time a large section favoured a limit of 5 per cent; even though 7½ per cent. was ultimately adopted, as a compromise, it was recognised that in course of time this figure would have to be reduced. Actually, as I have said earlier, many companies allocated much less as is evident from the fact that the proportion of the surplus allocated at the last valuation by all proprietary companies taken together was only about 5 per cent. Bearing all these

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considerations in mind we came to the conclusion that on the whole it would be fair to all interests involved if we ignored allocations in excess of 5 per cent. so as not to penalise unduly those shareholders who had voluntarily contented themselves with a smaller allocation or a very small allocation. It seemed reasonable that where a company had allocated less than 3 per cent. it should be deemed to have allocated 3 per cent. So, to summarise, the amount taken into account for purposes of compensation is the actual allocation to shareholders subject to a maximum of 5 per cent. of the surplus and a minimum of 3 per cent. and we feel that this is a reasonable range. This gives the annual amount the shareholders may be presumed on an average, to get.

The next thing is to capitalise it at a suitable rate of interest to get the figure of compensation that would become payable. If we assume 5 per cent. as the suitable rate of interest for commutating, we get the present value of each rupee of the annual allocation as 100 divided by 5, that is, 20. That is to say, the value would be 20 years' purchase. We can arrive at this in another way also. If the amount of compensation paid is Rs.100, a shareholder can, by investing it, suitably, get annually Rs.5, therefore Rs.100 is a fair compensation for the loss of an annual dividend of Rs.5. Therefore, Rs.20 is fair compensation for loss of annual dividend or allocation of Rs.1. Having compensated the shareholder for loss of future dividend for all time to come, we can validly hold that we are entitled to ap-

appropriate the paid-up capital. If we do not do so, the shareholder would be having both the dividend and the capital which the House will agree, is quite unnecessary. In the case of life insurance company, the entire paid-up capital would therefore be appropriated, but in the case of composite companies, only the capital which might be deemed to belong to the life insurance business would be appropriated. I have to say 'deemed', because the paid-up capital is not allocated to any particular business. It is available as a security for the entire business. The principles on which this division will be made in order to arrive at the deemed capital are left to be prescribed by rules.

This deals with the well-established companies. But while this basis of compensation is quite appropriate in the case of well-established companies which have been disclosing satisfactory surpluses, it is unworkable in the case of the smaller companies which, though well run and show distributable surpluses, do not actually have much of a surplus.

In a few cases, it was found that even though the companies had surpluses at every valuation and bonuses had been distributed to policyholders, compensation on the basis of 20 times the allocation would come to less than the paid up capital. That, I think the House will agree, would be unfair. To provide for such cases, the Schedule allows an alternative basis, that is the compensation would be 10 times to the average allocation calculated in the same manner as in the other case plus the right to retain the paid up capital.

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Some companies have represented that while they agree with the broad approach to the question of compensation, some changes would be necessary to ensure equity between different groups of surplus companies. As I said earlier, compensation is based on the results of the last two statutory valuations. The trouble is that some companies had their last valuation as at 31-12-54 while others had their valuation as at 31-12-53 or even earlier. Thus those companies which had last valuation as at 31-12-54 - this is the latest date at which statutory valuations have been made - had an advantage over the others. The advantage is significant as business increased sharply during the last two years. The suggestion made is that compensation should be based on the working during a standard period applicable uniformly to all, and that the standard period should include 1955, the last completed calendar year. Now, we feel that there is something in this request and we propose to consider this suggestion at the Select Committee stage. It would be unnecessary - even unwise - to undertake a large number of valuations and the results could be estimated by a suitable approximation.

The next is Part B. The basis given in Part A would, of course, be unsuitable for companies where there had been no allocation to shareholders. In most cases, this would mean that the valuations had shown a deficit, that is, the life insurance funds were less than the liabilities to policyholders. This does not necessarily mean insolvency, unless the deficit which corresponds to a trading loss, exceeds the

paid up capital which is the second line of defence. In addition to those companies which are actually in deficit, there may be a few companies with a surplus so nominal or uncertain that no allocations were made. All these companies would get back the excess of assets over liabilities. It may happen that in the case of some of these companies also, the actuarial valuation might disclose a small surplus. The Schedule provides that in such cases, the shareholders would be entitled to only 4 per cent. of such surplus. The Schedule lays down the basis of valuation of the assets as well as the liabilities to the policyholders. Incidentally, I may mention that the basis of the actuarial valuations given is what may broadly be termed as a solvency basis and is less stringent than that employed in the valuation where declaration of bonus is the object.

Next I turn to Part C of the Schedule. This deals with mutuals, co-operatives and unregistered bodies - some 44 in number. Now, it is doubtful if in these cases any compensation is at all payable. However, in order to avoid any possible legal objection, the Schedule provides for payment of nominal compensation by way of an addition to the sum assured at the rate of Re.1 per thousand of sum assured.

That finishes my explanation of the Schedules and the question of compensation. But I have yet to deal with one or two problems which affect foreign companies. The UK and Canadian companies have on their registers a large number of policies issued in foreign currency on the lives

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Indians temporarily resident in India. Many of these policies were originally taken in the UK or elsewhere and were later transferred to the Indian branches when the policyholders came to India. Others were issued in India itself. It is represented that these policyholders would like to transfer these policies together with their relatives reserves to their head offices. Since the Corporation is not likely to open branches in those countries, it would be difficult to render satisfactory service to those policyholders when they return to their homes. It is, therefore, proposed to agree to this request and allow the transfer of these policies together with their relative reserves to their head offices. Such business, it has been calculated, would be between 15 and 20 per cent. of their business in India. Some companies from UK, Canada etc., have also represented that the assets which they have in India have not all been built out of the receipts in India - though some have been - and that they should, therefore, be allowed to take back assets which are not required to meet their liabilities to policyholders in India. We would retain out of the funds of these companies sufficient assets to ensure ample security to their policyholders, including provision for future bonuses at a generous rate. I do not wish to trouble you with the details of the basis which are given in the Second Schedule. But I should like to say that the reserves they would leave behind would be as strong, as, if not stronger than, the reserves of the best of the Indian companies. It is proposed to let them transfer to their

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head offices any excess after calculating the liabilities on this basis. After excluding these excess assets, the foreign companies would be given compensation on precisely the same lines as the Indian companies. This, broadly, is the scheme of compensation set out in the Schedules.

I think I have dealt with the main provisions of the Bill. I have no doubt that the Select Committee will go into these and other clauses critically and closely, having regard to all points of view so far represented, and yet to be represented in the discussion, in order to provide for a balanced and equitable approach to all the interests involved. The House will agree that it is necessary to ensure that the Corporation starts functioning as early as possible. Only then will the element of uncertainty still presents in the atmosphere in regard to this subject disappear. I am sure I can count on the co-operation of all sections of this House in ensuring that this Bill is put on the Statute-book in the shortest possible time.

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PROGRESS OF THE LIFE INSURANCE
CORPORATION OF INDIA (1956-1968)

Introduction

The Life Insurance Corporation was established on the 1st September, 1956 under the Life Insurance Corporation Act, 1956. As a result of nationalisation the controlled business of 246 different units which has total assets of about 411 crores, life fund amounting to Rs 580.61 crores, over 50 lakhs policies assuring a total sum of more than Rs 1,250 crores, nearly 27,000 salaried employees and 216 branches and sub-offices were taken over by the Life Insurance Corporation.

Organisation

2. The present organisation of the Life Insurance Corporation of India consists of a Central Office at Bombay and five Zonal Offices (Northern, Southern, Central and Eastern and Western) with Head Offices at Delhi, Madras, Kanpur, Calcutta and Bombay. The total number of offices of the Corporation in India as on 31st March, 1968 excluding the Central Office is 742 distributed as follows:-

	<u>Zonal Office</u>	<u>Divisional Office</u>	<u>Branch Office</u>	<u>Sub- Office</u>	<u>Development Centre</u>
Northern Zone	1	4	65	22	19
Central Zone	1	7	65	21	49
Eastern Zone	1	8	77	29	37
Southern Zone	1	9	116	48	52
Western Zone	1	8	91	15	24
Total:	5	36	414	135	152

The Corporation has either a Branch or a Sub-Office in 256 out of 324 Districts of the various States and in 7 out of 10 Union Territories of India. It also has Development Centres in 25 of the remaining Districts.

The Corporation consists of 15 Members appointed by the Central Government, one of whom is appointed as Chairman. The work of the Corporation is conducted through five Committees, namely, (i) the Executive Committee, (ii) the Investment Committee, (iii) the Services and Budget Committee, (iv) the Public Relations Committee, and (v) the Buildings Committee. At the Zonal level, Zonal Advisory Boards and the Employees' and Agents' Relations Committees have been constituted to advise the Zonal Managers.

Government Control,

3. Section 21 of the Act empowers the Central Government to issue directions in writing to the Corporation in matters of policy involving public interest. It is understood that so far only three such directives have been issued to the Corporation.

Business

4. The new business written by the Corporation

since its inception is as under:-

Calendar/ Financial year	Total number of policies issued in lakhs.		Total business assured in crores of Rs	
	In India	Total	In India	Total
1956	5.49	5.67	187.69	200.28
1957	8.11	8.16	277.67	232.07
1958	9.55	9.60	339.06	344.68
1959	11.43	11.51	419.70	429.17
1960	12.50	12.58	487.84	497.54
1961	14.64	14.70	598.79	608.82

B/f from pre-page:

Appendix XX

667.

1962-63 (15 months period)	17.58	17.68	734.72	745.96
1963-64	16.38	16.406	692.55	702.76
1964-65	14.36	14.44	690.03	701.08
1965-66	15.55	15.61	709.29	797.79
1966-67	14.06	14.11	757.94	770.27
1967-68	14.23	14.28	835.40	844.47

Income and
Outgo of the
Corporation.

5. The following table gives the figures of income and outgo in respect of the life insurance business for the last three years:

<u>Income</u>	<u>Amount: Crores of Rs.</u>		
	<u>1965-66</u>	<u>1966-67</u>	<u>1967-68</u>
Premium Income	179.76	196.93	213.01
Income from loans; properties and investments	50.46	59.00	68.21
Transfer from Investment Reser.	--	8.00	
Exchange adjustment on account of devaluation.	--	11.66	
Other receipts.	1.35	5.33	2.03
Total Income:	231.57	280.97	283.25
Less: Income-tax deducted at source.	7.02	8.58	9.19
Net:-	224.55	272.39	274.06

<u>Outgo</u>	2	3	4
1	2	3	4
Payments to policy holders (claims, surrenders, etc.)	64.71	70.65	70.90
Expenses of Management	49.53	54.61	53.62
5% Valuation Surplus to be utilised in terms of section 28 of LIC Act, 1956.	3.10	-	3.61
Exchange Adjustment.			2.34
Other Miscellaneous items.	0.72	0.79	1.14
Excess of income over outgo out of which	106.49	138.34	137.45
i) transfers to investment Reserve A/c.	30.48	- 8.00	--
ii) added to the Life Insurance Fund.	76.01	146.34	137.45
	----- 224.55 -----	----- 264.39 -----	----- 274.06 -----
Net other adjustment to the Life Fund.	- 1.29	-	-

Life Insurance
Business in
Force.

6. Details of the total business in force as at the end of various accounting periods are given below:

Calendar/Financial	No. of policies in lakhs.	Business in force in crores of Rs.
1	2	3
1957	56.83	1473
1958	62.34	1602
1959	69.29	1958
1960	77.13	2285
1961	85.81	2733
1962-63	94.93	3165
1963-64	103.28	3571
1964-65	103.22	3875
1965-66	115.89	4394
1966-67	121.41	4736
1967-68	127.59	5240

Rural Business: 7. One of the declared objectives of nationalisation of insurance was to spread insurance as widely as possible and in particular to the rural areas. The volume of new rural business during the years 1962-67 is indicated below:-

Year ending	<u>New Business in rural areas.</u>	
	<u>No. of policies in lakhs.</u>	<u>Sum assured (Rs crores)</u>
31.3.63 (15 month's period)	6.8	233.5
Equivalent annual figures of the above.	5.4	186.8
31.3.64	5.9	207.4
31.3.65	5.2	197.8
31.3.66	5.6	220.6
31.3.67	5.1	217.2
31.3.68	5.09	235.46

Lapses

8. The percentage of lapses of policies less revivals to the mean life assurance business in force during the period 1957 to 1966-67 is given below:-

<u>Year</u>	<u>Lapse Ratio</u>
1957	6.4
1958	5.1
1959	6.0
1960	6.6
1961	7.0
1962-63	8.1
1963-64	8.2
1964-65	7.5
1965-66	7.2
1966-67	7.4
1967-68	7.0

Expense Ratio. The overall and renewal expense ratio of the Life Insurance Corporation from 1956 (as given in the Corporation's Reports) is given below:-

<u>Year</u>	<u>Overall Expense Ratio</u>	<u>Renewal Expense Ratio</u>
1956-57	27.20	15.89
1958	29.01	15.76
1959	28.68	12.92
1960	28.45	12.90
1961	27.97	12.42
1962-63	29.31	14.13
1963-64	27.46	12.46
1964-65	27.55	14.09
1965-66	27.55	14.09
1966-67	27.72	15.91
1967-68	27.52	15.90

Premium Rates

10. The premium rates in force are those which were determined by the Government in 1956 immediately after nationalisation of life insurance business. The premium rates of the "Oriental" less a reduction of Rs.1 per thousand of the sum assured or 5% of the premium whichever was less, were adopted.

Valuation &
Bonus.

11. The table below gives an account of the Actuarial valuation and the bonus declared:-

<u>Year</u>	<u>Govt.'s Policy- share of holders' the sur- share of plus. the surplus (In crores of Rs.)</u>	<u>Bonus on LIC policies (Rs.per thousand sum assured). Endowment. Whole Life.</u>
31.12.1957	1.45	27.56
31.12.1959	1.28	24.00
31.12.1961	1.72	32.73
31.3.1963	1.32	25.03
31.3.1965	3.10	58.93
31.3.1967	3.61	70.44

The life fund was Rs 380.44 crores in 1956 and Rs 1260.06 crores on 31.3.1968.

Claims settlement

In the following table we give the number of claims intimated, settled and outstanding for each accounting period:-

Accounting period	Amount in crores of rupees		
	Claims intimated during the period.	Claims settled during the period.	Claims outstanding at the end of the period.
1.9.1956 to 31.12.57	28.70	24.96	13.03
1958	25.05	24.25	13.39
1959	28.14	27.28	14.04
1960	30.69	30.59	13.47
1961	34.11	32.57	13.87
1.1.1962 to 31.3.63	43.96	43.82	13.55
1.4.1963 to 31.3.64	44.66	42.95	13.91
1.4.1964 to 31.3.65	52.82	50.26	17.04
1.4.1965 to 31.3.66	58.57	57.72	17.41
1.4.1966 to 31.3.67	63.39	60.34	19.33
1.4.1967 to 31.3.68	62.93	60.52	21.39

Investment

13. The investment of life fund of the Life Insurance Corporation is governed by Section 27A of the Insurance Act which has been applied to the Life Insurance Corporation with modifications. In the scheme of that section, investments of the Corporation are divided into four principal categories.

a) Central and State Govt. securities.	Investment	At least 50% of the controlled Fund of the L.I.C.
b) Other Approved securities.		
c) Approved Investments.	Investment	Balance of the Controlled Fund of the LIC.
d) Unapproved Investments.	Investment	Not more than 15% of the Controlled Fund of the Corporation.

Break-up of Corporation's Investments

14. The total investments of a Corporation as at 31st December 1957 amounted to Rs 381.90 crores as against ^{Rs.} 1202.46 crores as ^{at} 31.3.1968. The following table gives the break up of the investments of the Corporation pertaining to life business as at 31st March, 1968:-

	Lakhs of Rupees	
	<u>In India</u>	<u>Out of India</u>
Central & State Government and other Approved securities.	667,00.99	--
Municipal Securities not included above.	1,85.96	--
Foreign Government, Municipal, etc. Securities.	--	21,61.89
Shares and Debentures of Companies and of Co-operatives.	202,77.16	34.66
Total Stock Exchange Securities	871,64.11	21,96.55
Loans to State Governments for Housing Schemes.	94,46.85	--
Amount due from State Governments in respect of the controlled business taken over.	3,57.38	--
Loan to a State Government for a Water Supply Scheme.	1,94.86	
Loans to Municipal Committees guaranteed by Government.	15,59.64	--
Loans to Municipalities and other Bodies in Foreign Countries	--	1,29.75
Loans to Government of India in Foreign Countries.	--	11.44
Loans to Cooperative Housing Finance Societies guaranteed by Government...	34,25.71	
Loan to a Housing Board for financing Housing Cooperatives guaranteed by Government...	35.20	
Loan to a State Government for financing Housing Co-operatives of Scheduled Castes & Tribes..	3,50.00	38,10.91
Loan to a Housing Authority guaranteed by Government in a Foreign Country	--	7.24
Loans to Co-operative Sugar Factories guaranteed by Government	1,75.00	--

contd.....8

	Lakhs of Rupees In India	Rupees Out of India
Loans to Industrial Estates guaranteed by Government.	72.18	--
Loans to Improvement Trusts guaranteed by Government.....	60.00	--
Fixed Deposits guaranteed by Government.	2,00.00	--
Loans to State Electricity Boards.....	69,30.00	--
Contribution to the Initial Capital of the Unit Trust of India	75.00	--
Loans to Companies.....	15,35.15	
Loans to a Company guaranteed by Government	<u>2,00.00</u>	<u>17,35.15</u>
Total Stock Exchange Securities, Loans & Deposits and contribution to the Initial Capital of the Unit Trust of India.....	1,117,81.08	23,44.98
Loans on Mortgage of Property other than those included above under Loans to State Electricity Boards and Loans to Companies or Cooperatives.....	25,05.18	--
House Property	34,83.41	1,25.79
	-----	-----
Total :-	<u>1,177,74.67</u>	<u>24,70.77</u>

The rate of interest realised on the mean life insurance fund during 1967-68 was 5.88% gross and 5.18% net.

15. There were 3094 Class I Officers, 8366 Development Officers, 33497 Supervisory and Clerical staff and 7050 Subordinate staff in the Corporation's employ on 31st March 1968. These include 117 Class I Officers, 818 Supervisory and Clerical staff and 84 Subordinate staff of the General Insurance Department.

Staff

Agents

16. As on 31.3.1968 there were 1,65,555 agents on the rolls of the Corporation in India, out of whom 1,44,304 were active agents. The average production per active agent was Rs 57,883 in 1967-68. The table below gives the total number of active agents and the average production per active agent from 1957 onwards:-

Accounting period	Total No. of agents on rolls at the end of the period.	Total No. of active agents.	Average production per active agent.
1	2	3	4
1957	2,07,373	89000	31000
1958	2,30,604	90000	37500
1959	1,48,255	94000	44400
1960	1,39,821	101600	47900
1961	1,55,890	125000	47500
1.1.62 to 31.3.63 (15 months)	1,71,533	130925	52070
1.4.1963-31.3.64	1,74,001	143209	48358
1.4.64 to 31.3.65	1,70,381	146207	47191
1.4.65 -- 31.3.66	1,70,580	148026	52315
1.4.66 -- 31.3.67	1,66,523	144154	52573
1.4.67 -- 31.3.68	1,65,555	144304	57883

TO BE PUBLISHED IN PART I SECTION I OF THE
GAZETTE OF INDIA EXTRAORDINARY DATED 24TH
JULY, 1967.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE.

(DEPARTMENT OF REVENUE AND INSURANCE)

F.No.7(2)INS.11/67

Dated: 21st July, 1967

RESOLUTION

Expenses of management of the Life Insurance Corporation of India have been high, particularly recently. In view of the fact that economy in management is of utmost importance in life insurance, Government have decided to constitute a Committee to investigate this question in all its aspects and suggest measures for achieving economy. The Committee will consist of the following:

- | | |
|--|------------------|
| 1. Shri R.R. Morarka | Chairman |
| 2. Shri Ravindra Varma | Member |
| 3. Prof. G.S. Diwan | Member |
| 4. Shri M.J. Rao
(Office of the Controller
of Insurance) | Member-Secretary |

2. The following will be the terms of reference of the Committee:-

To investigate into the causes of the present high level of expenses of the Corporation as indicated by its renewal expense ratio, and to recommend measures, administrative or otherwise to bring it down to reasonable levels so as to subserve the maximum interests of the policyholders.

3. The headquarters of the Committee will be at Bombay.
4. The Committee will start functioning from 21st July, 1967

and will submit its report within a period of six months from the date of its appointment.

Sd/-P. GOVINDAN NAIR
Secretary to the Government of India.

F.No.7(2)INS.II/67

NEW DELHI, 21st July, 1967.

ORDER: Ordered that a Copy of the Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India for general information.

Sd/ P GOVINDAN NAIR
Secretary to Government of India.

Give a note covering various reports that have to be sent by your Corporation to the Government of India. With reference to your undertaking, give suggestions how the existing number, frequency and contents of these reports can be reduced and simplified.

Answer:

Three statements showing the various returns being sent by us to (i) Controller of Insurance, (ii) The Ministry of Finance and (iii) Other Government Bodies and our suggestions for reducing the same are given hereunder:

- (i) Reports to the Controller of Insurance submitted as required under the Insurance Act.

<u>Sections of the Insurance Act</u>	<u>Frequency</u>
11 and 15	Yearly
13 and 15	Biennial
18	Once a year in respect of Accounts and biennial in respect of Valuation.
26	As and when changes take place in the particulars furnished with the application for registration.
28A(1)	Yearly
28A(2)	Half-yearly

COMMENTS :

28A(1) - The Return under Section 28A(1) is required to be made within 31 days from the beginning of the financial year. We are required to furnish in the Return full particulars of the investments held, including the number of shares held, face value, book value, market value, and specifying the Sub-section of Section 27A complied with. Any such Return to be made within

31 days of the closing of Accounts was both necessary and practicable for the large number of private insurers before nationalisation, the largest of which had investments totalling only Rs. 24 crores as at 31st December 1955 as against the Corporation's investments totalling Rs. 1,029 crores as at 31st March 1966. Following nationalisation, it is not clear whether any special purpose is being served by these Returns, particularly when it is becoming impracticable to make such a Return within 31 days of the closing of the accounting period. The Return as at 31st March 1966 ran into 434 double foolscap sheets and the size is bound to increase substantially with the passage of time. Arising out of such Returns, the Controller of Insurance picks out a large number of items and calls for documentary evidence to substantiate our claim that the investment satisfied the particular Sub-section of Section 27A, which in turn needlessly adds to our work and merely results in the Controller once in a way tracing some stray clerical error in making the Return, due to the short period stipulated. In our view, any such Return is no longer necessary.

As regards the details regarding mortgage loans, we are submitting these Returns in detail giving full particulars of each mortgage loan transaction. These Returns are bulky. The last Returns printed on I.B.M. machine contained 238 double foolscap pages. The statute allows us one month to submit these Returns. We have to collect the information from Zonal and Divisional Offices, compile and submit the same. It has not been found possible, in spite of mechanising these Returns, to adhere to the time limit. It is suggested that these Returns may be dispensed with. The investment of the controlled fund in 'Approved' and

'Unapproved' investments can be controlled by the Central Office and no return appears to be necessary. We may submit for each financial year the figures for approved and unapproved investments under Mortgages. 28A(2) - The statements under section 28A(2) is also required to be made within 31 days of the close of the half year to which it relates. The statement, besides containing full particulars of each investment also contains date of purchase or sale, purchase price face value, book value and market value as at the close of the half year and a statement whether Section 27A(1) has been complied with or not. While there can be some doubt as to whether the Return under Section 28A(1) serves any useful purpose or not, it would appear that this Return under Section 28A(2) serves no useful purpose at all. The Returns is practically a copy of the purchase and sale Register of the Corporation with certain additional columns added to it. It is already very voluminous. The one for the half year ended 31st March 1966 ran into 489 double foolscap sheets and the size is bound to grow with the passage of time.

The half-yearly Returns of changes in Mortgage loans are also voluminous. The last Return, for the period ending 30.9.1965 contained 204 double foolscap pages. These Returns also have to be submitted within one month after the end of the period. The difficulties in respect of these Returns are similar to those encountered in the submission of annual Returns. It is suggested that these Returns may also be dispensed with.

(ii) Returns furnished to the Ministry of Finance:

<u>Nature of the Return</u>	<u>Frequency</u>	<u>Comments</u>
1. Section 26 of the LIC Act, 1956.	Biennial	No Comments

2. Section 27	Yearly	No Comments
3. Statement of loans disbursed to Industrial Estates	Quarterly) It is not known for what purpose these statements are called for by the Ministry, and what use the Ministry makes of these statements, considering that the Corporation sends its annual reports and accounts to the Ministry and considering that any Parliamentary Questions on matters relating to investment is always referred to the LIC for draft replies it would appear that the preparation and submission of these statements adds to our work.
4. Statement of loans sanctioned and disbursed to cooperative housing finance societies	Quarterly	
5. Industrywise classification of investments	Monthly	
6. Statement of investments held according to 19 broad groups of investments, giving information as to the total book value and percentage of investment of a group to the total	Monthly	
7. Statement of mortgage loans outstanding separately in India and out of India.	Monthly	
8. Statement of issues underwritten, giving information as to the amount underwritten, face value applied for and face value allotted, as also amount of underwriting commission earned.	Quarterly	
9. Statement of investments made in foreign countries during each quarter, containing particulars of investments made, face value and book value	Quarterly	
10. Statement of unapproved investments made during a fortnight, giving information as to the number of shares purchased face value of shares or debentures purchased, rate at which purchased, gross yield percent expected, cost of purchase and the date on which the unanimous advice of the Investment Committee was obtained in respect of such purchases.	Fortnightly	
11. Copies of Returns made to the Controller of Insurance under Section 28A(1) and (2)	Annually and Half-yearly	

<u>Nature of the Return</u>	<u>Frequency</u>	<u>Comments</u>
12. Statement showing particulars of non-Indian nationals employed in the Corporation	Half-yearly	No comments
13. Monthly Labour Report	Monthly	No Comments
14. Annual Labour Report	Yearly	No Comments
15. Statements of Drain and Gain of Foreign Exchange in respect of reinsurances placed out of India or received from abroad.	Yearly	No Comments
16. Personal Injuries (Compensation Insurance) Scheme 1955	Yearly	No Comments
17. War Risks Insurance Scheme Marine Hull.	Yearly	No Comments
18. Returns showing separately in respect of Maturity Claims and Death Claims, the progress of claim settlement work during the month.	Monthly	No Comments

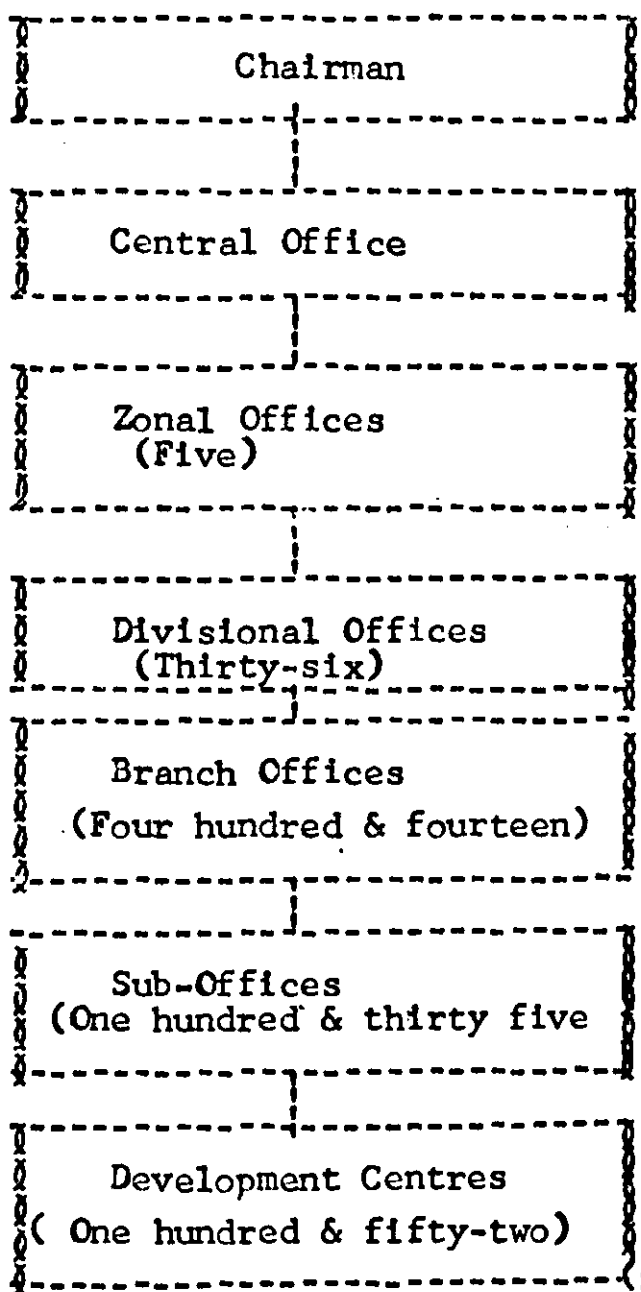
Note: 1. In addition to the above, the Chairman sends every month a letter to the Government which reviews the progress of the Corporation in all fields during the month under review.

2. The Agenda papers and copies of the Minutes of the Corporation and all its Committees are sent to the Finance Ministry regularly.

(iii) Statements, etc., furnished to other Ministries or Government Bodies

<u>Particular of Returns</u>	<u>Name of Ministry to whom submitted.</u>	<u>Frequency</u>	<u>Comments</u>
1. Directory of Government purchases statistics of purchases of stores.	Ministry Supply and Technical Department.	Half-yearly	No Comments
2. Statistics of our employees (i) in different basic salary ranges and (ii) in different categories.	Department of Statistics - Central Statistical Organisation.	Yearly	No comments
3. Statement showing the number of Scheduled Caste/Scheduled Tribe employees in the Corporation.	Commissioner for Scheduled Castes and Scheduled Tribes.	Yearly	No Comments

Chart showing the organisational set-up of the Life Insurance Corporation.



ORGANISATIONAL SET UP OF THE LIFE INSURANCE CORPORATION OF INDIA

(This includes the amendments from 1.12.1955 to 31 March, 1966)

The organisation of the Corporation is on the pattern broadly indicated in the Life Insurance Corporation Act, 1956. Divisional Offices, 36 in number, and with defined territorial jurisdiction for the development of new business in the respective areas, are responsible for the complete servicing of new insurance policies from the time of acceptance of proposals to settlement of claims. Coordination and general supervision vest in the five Zonal Offices and the Central Office, the Central Office being responsible for the formulation of broad policies and procedures. Investment of funds is the sole responsibility of the Central Office.

2. The Chairman is the Chief Executive of the Corporation. The affairs of the Corporation are managed by the 15 members constituting the Corporation. The work of the Corporation is conducted through various committees such as Executive Committee, Investment Committee, Services and Budget Committee, Buildings Committee and Public Relations Committee. In addition, for each Zone, Advisory Boards and Employees' and Agents' Relations Committee have been constituted and these function in an advisory capacity. Policyholders' Councils have also been constituted in each of the Divisional Offices. The other authorities mentioned in the Act and the Regulations are the Managing Directors, Executive Directors and Zonal Managers.

3. When the Corporation was constituted on the 1st September, 1956, the work of integrating into one organisation the controlled business of 243 units engaged in the transaction of life insurance business in India was taken up. In determining the organisational set up, it was considered important to avoid, to the maximum extent possible, dislocation in the servicing of the existing policies during the period of changeover. For this reason the machinery provided by the former Head Office and Branch Office units of the insurers was left largely undisturbed. However, as a first step towards ultimate integration, all the Head offices constituted at the Zonal Headquarters were integrated into limited number of administrative units. In

the city of Bombay, for instance, there were 50 Head Offices of Indian Insurers, 9 principal offices of Foreign insurers and 15 Head Offices of Provident societies. The offices under the first two categories were combined into 9 integrated head office (I.H.O.) groups. Another group known as an integrated branch office unit was formed comprising the branch offices of insurers with one pension fund and of 15 provident societies in Bombay. Thus, the servicing of existing policies in the Bombay City is being handled by integrated head office groups, and integrated branch office group. At centres other than Zonal Headquarters, all the head office units and all branch office units of the previous insurers have been grouped together and are treated as part of the Divisional office, in whose area the respective I.H.O. Units or I.B.O. Units are situated.

4. The servicing of existing business was being handled by I.H.O. and I.B.O. Units more or less on the same lines as was being done by the respective head offices and branch offices of the insurers concerned prior to the Appointed Day. However, in each of the I.H.O. and I.B.O. groups, steps have been taken for achieving uniformity in administrative practices as far as practicable and, for this purpose, the work of some of the departments of the various units, where there is more than one unit in a group, has been integrated. Similarly, a simplified system of accounting has been introduced, so that the work of the Cash and Accounts Department is done on a uniform pattern. The integration work is being pursued with an eye to prompt disposal of work and efficient servicing of policies. Further, existing policyholders have also been given the benefit of the more liberal policy conditions offered by the Corporation for its own policies e.g., waiver of premiums under Whole Life Policies after the assured attains age 80 or has paid premiums already for 35 years whichever is later, removal of war-risk extra premium and other restrictions on policies issued to military personnel etc.

5. The present arrangement for the servicing of old policies is a temporary one; it is intended that ultimately all policies issued before 1st September, 1956 should also be serviced by the Divisional Offices of the Corporation in whose jurisdiction the policyholders reside. This process of decentralisation involves wholesale transfer of policy records from the existing head office units to the concerned Divisional Offices. In order to ensure that the process of decentralisation is speeded up without dislocating service to the policy-holders, the Corporation has set up an Integration Department at the Central Office to handle the decentralisation of policies and issue directions to the existing units in this behalf as well as to deal with complaints.

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THE FUNCTIONS OF THE CORPORATION AND ITS BRANCHESA Central Office

1. The Central Office of the Corporation is a policy-making and coordinating body and its direct executive responsibility is only in a very limited field. Mainly it coordinates the activities of the various Zones and confines itself to giving broad policy directions and decisions on Inter-Zonal matters. Investment policy and investing of funds in accordance with it, are the sole responsibilities of the Central Office. In addition to formulation of underwriting standards, the Central Office also does underwriting of proposals for large amounts and for sub-standard lives beyond the authority delegated to the Divisional Offices. Submission of returns etc. in accordance with statutory requirements is the sole responsibility of the Central Office. Standardization of procedures and forms, drawing up of prospectus, premium rates, policy conditions and making arrangements with regard to reinsurance are also looked after by the Central Office. It has also been the responsibility of the Central Office to conduct national publicity campaigns on a wide scale. Inspection of the various offices of the Corporation as also the financial internal audit of the branch, divisional and zonal offices have been the responsibility of the Central Office. A Research and Statistics Bureau has been set up, for research on specific lines. In general, the policy decisions are made by the Chairman, the Executive Committee and the various committees already mentioned, who in turn, report to the Board.

2. At the Central Office, in addition to the Chairman, there are two Managing Directors, four Executive Directors, a Chief Internal Auditor, a Chief Actuary and a Chief Engineer.

3. The Managing Director (I) besides attending to coordination of work of the departments is also in direct charge of Development, Foreign Business, Training of Development Staff, Publicity and Electronic Data Processing Department. In this, he is assisted by the Secretary (Development), Development Secretary (Foreign), the Public Relations Officer and the Manager (B.D.F). The Development Department deals with the planning of development of new business, opening of new offices and matters relating to Development Officers, Agents, etc. and has a section to plan and execute training

programmes for the Branch Managers, Development Officers and Agents of the Corporation. The Development Secretary is in charge of this. The Foreign Department handles all the foreign business of the Corporation and is under the direct charge of the Development Secretary (Foreign). The Public Relations and Publicity Department is under the charge of the Public Relations Officer and it deals with all matters connected with publicity programmes of the Corporation, Public relations and preparation of sales aids. It also handles certain special problems related to rural development, and maintenance of general contacts with the various Government Departments.

4. The Investment Department is under the charge of the Managing Director (II) who is assisted by the Secretary (Investment). This department is in charge of the actual day-to-day management of the investment portfolio. There is a research wing in this Department. The Managing Director (IK) is assisted in this respect by the Secretary (Investment Research). The Managing Director (II) also looks after the Mortgages and the Internal Audit Department. In this he is assisted by Executive Director (I, O & M) and Chief Internal Auditor.

5. The Executive Director (Finance & Accounts) has under him the accounts department. The main function of the Accounts Department of the Central Office is to co-ordinate and consolidate the accounts of the various units and offices of the Corporation in addition to reviewing the accounting procedure of the Corporation. In addition, the Executive Director (Finance & Accounts) advises the Corporation on all matters having financial implications.

6. The Executive Director (Personnel) is in charge of the departments of Secretarial/and Training of Administrative Staff. The Personnel Department deals with all matters of policy relating to the Officers and Staff of the Corporation and also such matters relating to individual employees as may require consideration at the Central Office. One wing of the Department attends to the establishment work of the Central Office Staff and another wing arranges the purchase of certain items of office supplies and equipment for all the offices of the Corporation where it is desirable to centralize such purchases. There is also another section in the Department which handles all legal

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and other matters upon which the Central Office has to take co-ordinated action. The work relating to the Board and the various other committees (other than the Investment Committee) is also handled in the department under the supervision of the Secretary (F) who is also the Secretary to the Board.

7. The "Training" wing of the Department has been formed to make arrangements for the training of Administrative Staff so as to meet the increasing need for a well-trained organisation to man the various offices of the Corporation. Training will be imparted to new recruits to the assistants' cadre as well as to the existing staff appointed before or after the Appointed Day working in the various offices. This department also looks after the Administrative Training College, Nagpur, which imparts training to the Supervisory Staff and Officers of the Corporation.

8. The Executive Director (Inspection, Organisation and Methods) (and Legal & Mortgages) under him and in addition, he looks after the Buildings Department. The 'Inspection' wing is responsible for periodical inspection of the various offices of the Corporation in accordance with its Regulations. These periodical inspections keep a watch on the working of the various offices of the Corporation, particularly to ensure that it is in line with the various established principles and Manuals.

9. The objectives of the 'Organisation and Methods' wing include a continuous review of the administrative procedures in the light of experience, with a view to simplifying and improving them and examinations of such questions as staff requirements, work-loads, economy measures etc.

10. The 'Legal & Mortgages' wing looks after loans on mortgages of property and loans under housing schemes.

11. The Executive Director (General Insurance) is in charge of the non-life business of the Corporation.

12. The Actuarial Department, which is under the charge of the Chief Actuary, controls the actuarial work in all the Zones and also keep under constant review the underwriting methods and standards of the

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13. The 'Integration' wing under the Actuary is charged with the responsibility of preparing for the decentralisation of the existing business and also of ensuring that uniformity of procedures is introduced in all the units. This Department is also handling complaints received from the policy-holders.

14. The Internal Audit Department is under the charge of the Chief Internal Auditor. The principal function of the Department is to make concurrent audit of the transactions of the Corporation as recorded in the books of accounts of the various offices in the light of the Administrative policy, Standards and Procedures laid down for the purpose.

15. The Corporation has set up a Buildings Department under the charge of the Chief Engineer. The Department is responsible for planning and executing building construction programmes and development of Corporation's properties. This department is charged with the general maintenance work of the Corporation's properties and has its organisation at the Zonal level, which is directly responsible to it.

B. Zonal Office

Each Zonal Office is in charge of a number of Divisions and has authority to execute the decisions of the Corporation and to co-ordinate the working of these Divisions. It is the primary responsibility of the Zonal Office to ensure that uniformity of working is maintained and efficiency of these Offices is kept at the highest level. Briefly the Zonal Offices have the following particular functions: They are discussed below departmentwise.

1. ACTUARIAL DEPARTMENT:

- (i) Directions to Divisional Offices regarding underwriting procedures, underwriting revival cases beyond Divisional Office level.
- (ii) Supervision and control over Medical Examiner's appointment, rules for

medical examination and directions to
Medical Examiner.

- (iii) Implementation of health propaganda and medical servicing schemes.
- (iv) Statistical analysis of all death claims.
- (v) Supply of Premium, Surrender Value, etc., quotations to Divisional Offices in individual cases.
- (vi) Technical advice to Divisional Offices in respect of all policyholders servicing procedures and problems.
- (vii) Valuations.

2. ACCOUNTS DEPARTMENT:

- (i) Preparation of combined accounts for the whole zone and for their audit.
- (ii) Procedure for Zonal Office Accounts.
- (iii) Maintenance of Zonal Office Cash Books and operation of Zonal Office Bank Accounts.
- (iv) Technical advice and directions to Divisional Offices on accounting problems.
- (v) Naming the authorities for the Divisional Offices and Branch Offices under the (Financial Powers) Standing Order.
- (vi) Budgetary control over the Divisional and Branch Offices.
- (vii) Supervision over all machine accounting operations at the Zonal Office.
- (viii) Planning for mechanisation of Divisional Office accounting.
- (ix) Provident Fund Accounts for the entire Zone.

3. DEVELOPMENT DEPARTMENT:

(a) Development:

- (i) Planning and implementation of the Development Programme for the Zone.

- (ii) Periodical review of business progress.
- (iii) Organisational cost control over Development Officers and Branch Offices.
- (iv) Maintenance of service records for all salaried field staff of the Zone.
- (v) Planning for rural development.

(b) Training of Development Personnel:

- (i) Supervision of Training Schools.
- (ii) Arrangement for all publicity in the Zone including participation in exhibitions.
- (iii) Publication of 'House Magazine' for field workers.

4. SECRETARIAL AND PERSONNEL DEPARTMENT:

(a) Personnel:

- (i) Maintenance of Service Records of all employees in the Zone (other than field staff).
- (ii) Arranging for salary disbursements, payment of taxes etc.
- (iii) Enforcement of Service Rules at all Offices within the Zone.
- (iv) Dealing with all personnel problems of the Zonal Office.
- (v) Advice and directions to Divisional Offices in all personnel matters.
- (vi) Recruitment of administrative staff for the entire Zone, subject to the sanctions given by the Central Office.
- (vii) Administrative training for clerical staff and departmental examinations for promotions in higher grades.

(b) Legal and Mortgages:

- (i) Supervision of all existing mortgages and maintenance of mortgage accounts.

- (ii) Scrutiny of proposals for mortgages and submitting them to the Central Office for sanction.
 - (iii) Advice to Divisional Offices on all doubtful claims.
 - (iv) Decisions regarding repudiation of claims.
 - (v) Legal advice and sanction for all legal proceedings within the Zone.
- (c) Establishment and Buildings:
- (i) Maintenance of existing investments in real estate.
 - (ii) Collection of rent, payment of taxes and maintenance of the respective accounts.
 - (iii) Supervision over all new building activities of the Corporation in the Zone, subject to the directions of the Central Office (Building Department).
 - (iv) Legal action in connection with investments in real property.
 - (v) Supply of stationery to all offices in the Zone and rules regarding purchase of stationery by Divisional and Branch Offices.
 - (vi) Printing of all the forms and literature for Zonal, Divisional and Branch Offices and maintenance of record of forms and of their supply.
 - (vii) Maintaining complete inventory of furniture at the Zonal Office; arranging for repairs of furniture and purchase of new furniture at the Zonal Office.
 - (viii) Maintaining complete inventory of all office equipment like Typewriters, Calculating Machines, Addressing Machines, Duplicators, Tabulating Machines, etc. at the Zonal Office; looking after the maintenance and servicing of equipment at the Zonal Office.

- (ix) Administration of the 'Stores Code' with regard to the Office under its control.
- (x) Inward - outward Mail and other services for the Zonal Office.

5. INTEGRATION:

- (i) Planning and Co-ordinating all integration activities.
- (ii) Planning detailed 'transfer and receipt' procedure and schedules for existing business records and for staff in consultation with Divisional Offices of the Zone on the one hand and transferring or receiving Zones on the other.
- (iii) Supervision over building up complete records for servicing of existing policies for purpose of decentralisation to Divisional Offices in the same and in other Zones.
- (iv) Servicing of existing business of the Units at Zonal Headquarters through the I.H.C. & I.B.O. Groups.
- (v) Accounting procedures for existing business units, both in their day-to-day working and during the process of transfer of policies.
- (vi) Preparation of existing business accounts until decentralisation of the business is completed.

C. Divisional Offices

There are 36 Divisional Offices which are under the charge of Senior Divisional Managers and/or Divisional Managers in different parts of the country. Development of Organisation, new business planning and executing various new business drives, policy-holder's servicing, and underwriting of new business, as well as scrutiny and settlement of claims, are the primary functions of the Divisional Office, which has

liberal limits for underwriting purposes. The maintenance of accounts in so far as the above are concerned is also a main part of its functions. Each Divisional Office has the following organisation and functions:

1. NEW BUSINESS DEPARTMENT:

- (i) (a) Underwriting of proposals except those to be forwarded to the Central Underwriting Section at the Central Office.
- (b) Follow-up of pending proposals.
- (c) All proposals' correspondence.
- (ii) (a) Appointment of Medical Examiners.
- (b) Maintenance of Medical Examiners' records.
- (c) Taking action through the branches to ensure equitable distribution of cases among medical examiners.
- (iii) Age admission at the proposal stage.
- (iv) Printing and issue of policies and all correspondence relating thereto.
- (v) Maintenance of (a) Proposal Index Cards; (b) Declined Index Cards and (c) Medical Examiners' Index Cards.

2. POLICYHOLDERS' SERVICING DEPARTMENT:

All Policy servicing after the stage of issue of policy upto settlement of claims, such as (i) issue of premium notices (ii) maintenance of policy registers, (iii) maintenance of policy files and index, (iv) registration of nominations and assignments, (v) lapses and revivals, (vi) alterations including paid-up actions, (vii) loans and surrenders, (viii) A.N.F. notices and records, (ix) age admission (after issue of policy) and (x) claims.

3. CASH AND ACCOUNTS DEPARTMENT:

- (i) Scrutiny of Branch Cash Income and Interest Statements.
- (ii) Maintenance of all ledger accounts and preparation of trial balance.

- (iii) Settlement of Renewal and Bonus commission and maintenance of Agency Accounts.
- (iv) Control of suspense accounts.
- (v) Reconciliation of Bank Accounts.
- (vi) Maintenance of Divisional Office Cash Books and operation of Divisional Office Bank Accounts.
- (vii) Control over the issue and return of First Premium and Renewal Premium receipts.

4. DEVELOPMENT DEPARTMENT:

- (i) Execution of the Development Programme for the whole Division.
- (ii) Supervision and control of the Branch Offices field organisation.
- (iii) Maintenance of business records of Agents, Development Officers and Branch Offices; also compilation of centrewise business records.
- (iv) Appointment of Development Officers; review of their work; review of Branch progress; tours by Branch Managers and Assistant Branch Managers.
- (v) Organisational cost control.
- (vi) Advice and instructions to Branch Office on organisational matters.
- (vii) Budgetary control over branch organisation expenses and sanction for specific expenses.
- (viii) Consideration of Complaints from the Public.

5. ESTABLISHMENT DEPARTMENT:

- (i) Maintenance of service records of all employees in the Division.
- (ii) Dealing with all personnel problems under the direction of the Zonal and Central Offices.
- (iii) Supply of stationery and literature to the different departments of the Divisional Office

and also to the Branch Offices.

- (iv) Inventory of furniture and office equipment for all the offices in the Division; maintenance and new supplies for the Divisional Office only.
- (v) Inward and Outward mail and other services.
- (vi) Collection of rent, payment of taxes and maintenance of house properties, whenever directed by the Zonal Office.

D. Branch Offices.

There are 401 Branch Offices at present under the control of various Divisional Offices. Normally, a Branch Office is constituted on the basis of at least Rs. 1 crore or more business during the year. Generally the Branch Offices have the following particular functions and these are discussed below departmentwise.

1. NEW BUSINESS:

- (i) Scrutiny and registration of proposals and forwarding the proposals to Divisional Office for decision; follow up of incomplete proposals.
- (ii) Issue of first premium receipts.
- (iii) Maintaining Medical Examiners' records, settlement of medical fees.
- (iv) Taking action to ensure that cases are reasonably uniformly distributed over various medical examiners.

2. POLICYHOLDERS' SERVICING:

- (i) Maintaining policy registers (ledgers) and Index.
- (ii) Collection of premiums, Issue of renewal premium receipts and default notices.
- (iii) Follow-up of amounts kept in deposits.
- (iv) Attending to simple queries from policyholder on premium etc.

ORGANISATION CHART SHOWING THE COMMITTEES CONSTITUTED UNDER THE

LIFE INSURANCE CORPORATION ACT, 1956, AND THE COMMITTEES FUNCTIONING UNDER THE REGULATIONS, 1959

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M E M B E R S

Appendix XXIV

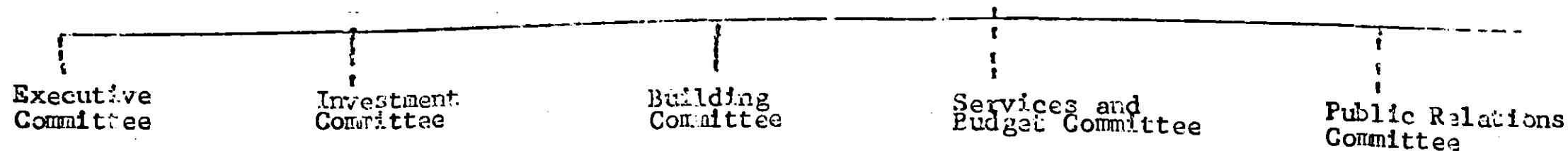
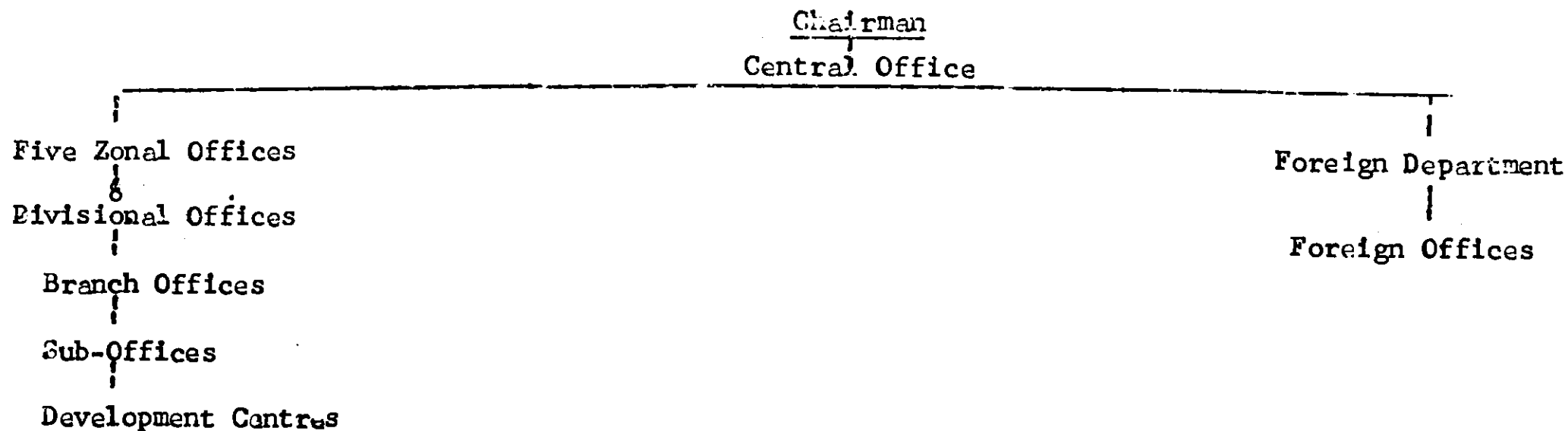


Chart showing the Organisational Set-up of the Corporation



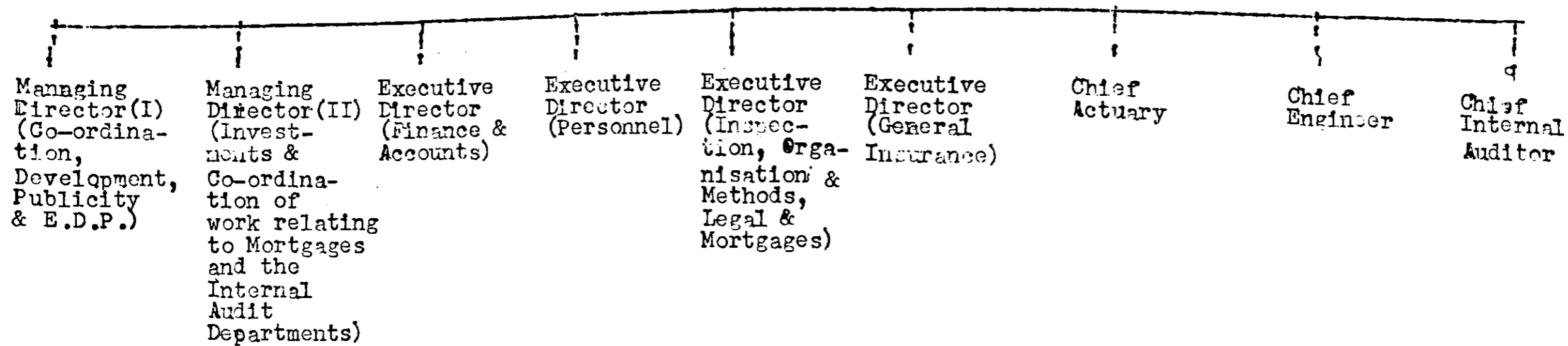
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ORGANISATION OF THE CENTRAL OFFICE OF THE LIFE INSURANCE CORPORATION OF INDIA

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Appendix XXIV

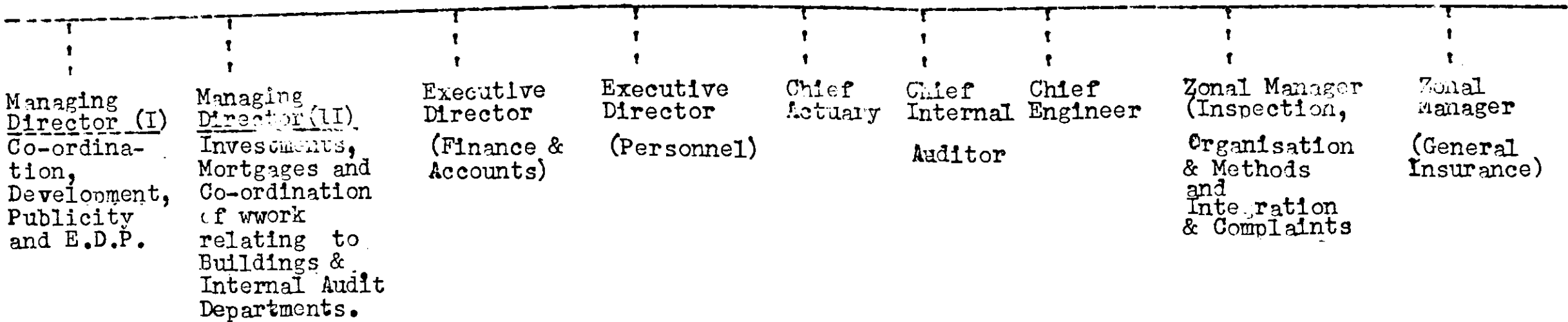
CHAIRMAN



ORGANISATION OF CENTRAL OFFICE OF THE
LIFE INSURANCE CORPORATION OF INDIA

(as at 31-5-1967)

CHAIRMAN



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