

R E P O R T
OF
THE COMMITTEE OF ENQUIRY
INTO THE EXPENSES
OF
THE LIFE INSURANCE CORPO-
RATION OF INDIA

P A R T I

APRIL 1969

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**THE COMMITTEE OF ENQUIRY INTO THE
EXPENSES OF THE L.I.C.**

CHAIRMAN :

SHRI R. R. MORARKA

MEMBERS :

SHRI RAVINDRA VARMA

PROF. G. S. DIWAN

MEMBER SECRETARY :

SHRI M. J. RAO

R. R. Morarka,
Chairman,
The Committee of enquiry into the
expenses of the L.I.C.

28, Akbar Road,
NEW DELHI
30th April, 1969.

My dear Deputy Prime Minister,

I have the honour to submit herewith the Report of the Committee of Enquiry into the expenses of the L.I.C. This Committee was set up to enquire into the high level of expenses of the L.I.C. and to suggest administrative and other measures that can be taken to control the level of expenses, and to ensure economy and efficiency of management in the Corporation.

When the Life Insurance Corporation was set up it was hoped that the objectives of nationalisation would be realised by making the protection of insurance available to the maximum number of people in urban and rural areas, by eliminating the risks and evil practices that had resulted from unhealthy competition, by reducing the expenses of management, by improving services to policyholders, and by increasing the return of investments consistent with safety and security. It was also intended that the savings of the community thus mobilised should be utilised for our development Plans in the interests of our society as a whole. It is admitted that the Corporation has achieved varying degrees of success in these various objectives that were set before it at the time of nationalization. However, contrary to the expectations the Corporation has not succeeded in reducing the expenses of administration or reducing the ratio between expenses and premium income.

Our Committee was required to identify the causes of the high level of expenses and to recommend remedial measures that the Corporation and the Government can take. We have addressed ourselves to this task with a full awareness of the deep concern that the Government, the Management of the Corporation, the policyholders and the community have in the economic and administrative efficiency of the Corporation. The monopoly that the Corporation enjoys in this crucial field that is vital to the economic life of the community and the economic security of the individual and his family, places a special responsibility on the Corporation and the Government to maximize the economic and administrative efficiency of the Corporation. We have, therefore, attempted to examine every aspect of the working and structure of the Corporation that has a bearing on the level of expenses and efficiency of the Corporation (with the exception of Investments that was excluded from our field of enquiry) and we hope that our efforts have succeeded in identifying the vulnerable areas that need constant vigilance and effective control. We will feel that our efforts have been amply rewarded if the analysis and the recommendations that we have made contribute to a clearer understanding of the areas in which economy can be effected and help in adopting measures that will reduce the level of expenses and improved the efficiency of the Corporation.

In conclusion, I must record my personal appreciation of the invaluable contribution that every member of the Committee has made to the success of our efforts. Prof. Diwan was initially hesitant to join our Committee because of his interest in a legal suit that he had filed against the Corporation. But it was our good fortune that he agreed to join the Committee. Our Committee has benefited from Prof. Diwan's erudition and intimate knowledge of actuarial practice, from the characteristic clarity and incisiveness which Mr. Varma has brought to our studies and from the vast practical experience that Mr. Rao has of the administration and problems of insurance. I am deeply grateful to all of them for the unstrinted cooperation that I have received from them.

Our Committee is also grateful to Mr. S. Subramanian, an Assistant Controller of Insurance, deputed from the Office of the Controller of Insurance, Simla to assist the Committee and Mr. H. S. Mehta, Mr. T. N. Moorthy, Dr. A. C. Nag and Mr. A. R. Ratnam, Officers of the Corporation whose services were lent to the Committee, who helped the Committee to collect and analyse the data and to deal with the enormous work that goes into a study of the kind that we undertook. All of them worked cheerfully for long hours and helped the Committee to do its best. We are grateful to all of them, particularly to Mr. S. Subramanian whose knowledge, earnestness and application were of great help in organizing the Secretariat of our Committee.

We are also very thankful to the team of Stenographers and Typists but for whose industry and hard work we would not have been able to complete our work in time.

With kindest regards,

Yours sincerely,
R. R. MORARKA.

Shri Morarji R. Desai,
Deputy Prime Minister and Finance
Minister of India
Ministry of Finance,
Government of India,
NEW DELHI.

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