



ISSN: 2319-9490

## RESEARCH ARTICLE

### PROGRESS AND PROSPECTS OF LIFE INSURANCE OF CORPORATION IN INDIA: EMERGING EVIDENCE AND ISSUES

**\*Husensab Nadaf and Biradar, R. R.**

Department of Economics, Karnatak University, Dharwad, India

Received 20<sup>th</sup> July, 2018; Accepted 17<sup>th</sup> August, 2018; Published 30<sup>th</sup> September, 2018

#### ABSTRACT

The life insurance products to suit to the needs of various categories of people, children, youth, women, middle aged persons, old people; and also rural people etc. Life insurance products could be purchased from registered life insurers notified by the IRDA. Insurers appoint insurance agent to sell their products. Public who are interested to buy life insurance products should receive proper advice from insurance agents or insurer so that a right product could choose to suit particular financial needs. Life insurance of corporation is superior to traditional saving machine. As well as providing a secure vehicle to build up saving etc. it provides peace of mind to the policy holder. In the event ultimately death, of say, the main earner in the family, the policy will pay out guaranteed sum assured, which is likely to be significantly more than the total premiums paid. With more traditional, saving vehicles such as fixed deposits, the only return would be the amount invested plus any interest accrued. During the period 2015-16 the life insurance loan and debentures has given 9.43 percent to power sector is very less, housing sector got the highest 42.43 percent, water supply and sewerage schemes 0.14 percent, transport sector 0.15 percent and other infrastructure 47.85 percent. The outgoing income of life insurance in claims by death 11.95 percent and claims by survival 68.09 percent, surrender including bounce 12.79 percent annuities less re-insurance 5.66 percent and transfer of reserve 1.52 percent. The expenses of management in any year, an amount in excess of the limits prescribed under rule 17D of the insurance rules. The rule 17D take into consideration the size and age of the insurer, while laying down the limits of such expenses.

**Key words:** LIC, Claim settlement, Income.

**Copyright © 2018, Husensab Nadaf and Biradar.** This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

**Citation: Husensab Nadaf and Biradar, R. R. 2018.** "Progress and prospects of life insurance of corporation in India: emerging evidence and issues" *International Journal of Current Research in Life Sciences*, 7, (09), 2730-2734.

#### INTRODUCTION

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first Life Insurance Company on Indian soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance companies in the year 1870, and covered Indian lives at normal rates. Starting as Indian Enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Human life is subject to risks of death and disability due to natural and accidental causes. When human life is lost or a person is disabled permanently or temporarily, there is a loss of income to the household.

The family is put to hardship. Sometimes, survival itself is at stake for the dependants. Risks are unpredictable. Death/disability may occur when one least expects it. An individual can protect himself or herself against such contingencies through life insurance. Though human life cannot be valued a monetary sum could be determined which is based on loss of income in future years. Hence in life insurance, the Sum Assured (or the amount guaranteed to be paid in the event of a loss) is by way of a 'benefit' in the case of life insurance. It is the uncertainty that is risk, which gives rise to the necessity for some form of protection against the financial loss arising from death. Insurance substitutes this uncertainty by certainty. The primary purpose of life insurance is the protection of the family. Insurance in its various forms protects against such misfortunes by having the losses of the unfortunate few paid by the contribution of the many that are exposed to the same risk. This is the essence of insurance the sharing of losses and substitution of certainty for uncertainty. There are a variety of life insurance products to suit to the needs of various categories of people, children, youth, women, middle aged persons, old people; and also rural people etc. Life insurance products could be purchased from registered life insurers notified by the IRDA. Insurers appoint insurance agent to sell their products. Public who are interested to buy life insurance products should receive proper advice from

\*Corresponding author: Husensab Nadaf,  
Department of Economics, Karnatak University, Dharwad, India

insurance agents or insurer so that a right product could choose to suit particular financial needs.

## Review of Literature

In the present section an attempt has been made to examine the review of literature related to the study. Kotgiri, (2013), has focused on working of insurance players in Indian scenario and comparison in terms of growth in insurance industry and trend of customers of investing amount in particular plans. Some important aspects like amount of investment habits change in attitude of customer's investment, importance given to the type of business organization are also analyzed. Jha (2015), author studied that Insurance is one of the best techniques to face this uncertainty. It is important to understand that risk is the part of any person's life. So, Life Insurance is a tool which safeguards an individual's life with benefits. There are many life insurance companies in India, but LIC plays a major role in this field. So, the researchers have chosen this topic to study the growth pattern and to observe the role of LIC in Life Insurance Industry. The paper is based on secondary data which is analyzed by statistical tools like percentage & growth rate. The findings reveals that LIC should strived to increase its business by adopting new marketing strategies & by issuing more & more policies in order to retain its market share in the competitive scenario as well as it should make advertisement to promote & aware about its policies to the consumers. Rao (1999) developed a proper perspective of the ongoing debates on the privatization and globalisation of the insurance sector a systematic study of the structure and pattern of growth of the Indian insurance industry is essential. An analysis of pattern of growth of life insurance industry - a state monolith - since nationalisation in 1956 has been carried out. This article goes into the operating results of the Life Insurance Corporation and their macro-economic importance. The main focus of the article is the pattern and growth of life insurance business in India. Specifically, it deals with the analysis of growth of new business, business in force, income and outgo (financial outflow) life fund, i e, institutionalization of savings, and business by different zones of LIC. Finally, these indicators are compared with the related macro variable.

## Objectives of the study

- To analyse the LIC loans and debentures to infrastructure and social purpose in India.
- To examine the trends income of life insurance of corporation in India
- To offer policy suggestion to LIC in India.

## MATERIALS AND METHODS

The present study is based on secondary data collected from various sources like annual reports of IRDA, Indian statistics, journals, articles and research papers. A time series data on the relevant indicators have collected from 1971-72 to 2014-15. The collected data has been analyzed in tabular form as well as by using statistical tools like percentage.

## RESULTS AND DISCUSSION

**LIC loans and debenture to infrastructure and social purpose in India:** The Table 1 shows that loans and debentures of life insurance of corporation for infrastructure and social purpose in India during the period 2006-07 to 2015-

16. The life insurance of corporation loans and debenture has been given by power, housing, water supply and sewerage schemes, transport and other infrastructure sector. The life insurance has sanction 63.49 percent highest loan to power sector in the year 2013-14 as the same period 19.92 percent housing sector, 0.15 percent water supply and sewerage schemes, 3.52 percent transport sector and 12.93 percent other infrastructure. During the period 2015-16 the life insurance loan and debentures has given 9.43 percent to power sector is very less, housing sector got the highest 42.43 percent, water supply and sewerage schemes 0.14 percent, transport sector 0.15 percent and other infrastructure 47.85 percent, The transport sector got the highest loan 6.33 percent in the year 2011-12. The totally life insurance of corporation infrastructure and social purpose its better performance in India.

### The trends income of life insurance of corporation in India:

The Table 2 shows that trends of income in various indicators of life insurance of corporation in India during 2001-02 to 2013-14. The life insurance single premium has continuously increased during 2005-06 to 2008-09. The life insurance recorded single premium income of 17 percent during the period 2008-09 and 16.96 percent in 2011-12. Further bifurcation of the first year premium indicates that the single income received by the life insurance. During 2006-07 first year premium recorded 17.13 percent. The first year premium has been declined by 4.94 percent during 2001-02 to 2013-14. While renewal premium accounted 51.93 percent in 2008-09, after it is decline up to 2010-11. The life insurance has increased contentiously during 2001-02 to 2012-13. The net interest is 35.99 percent in 2012-13 compare to 2011-12 increased by 6.64 percent. The trends of outgoing income in life insurance of corporation of India during the period 2001-02 to 2013-14 shows that table 3.

The outgoing income of life insurance in claims by death 11.95 percent and claims by survival 68.09 percent, surrender including bounce 12.79 percent annuities less re-insurance 5.66 percent and transfer of reserve 1.52 percent. The highest outgoing income in life insurance during 2009-10. The outgoing income of life insurance of corporation has continuously increased during 2001-02 to 2013-14, after two years declined from 2014-15 to 2015-16. During the period 2015-16 outgoing income of life insurance of corporation the death claim 4.32 percent, 31.42 percent maturity, 13.27 percent surrender including bounce and 50.99 percent annuities. The expenses of management in any year, an amount in excess of the limits prescribed under role 17D of the insurance roles. The role 17D take into consideration the size and age of the insurer, while laying down the limits of such expenses. The expense of management in life insurance shows that in table 4. The commission expenses ratio has decreased marginally to 7.63 percent in 2013-14 from 7.84 percent in 2012-13. The expenses management highest commission has given by 9.72 and 9.34 percent in the year 2002-03 and 2003-04. Other expenses have highest 9.28 percent during the 2013-14. Increased the life insurance fund in expanses management during 2001-02 to 2013-14. However, there is some variation in the position of comparison between years and life insurance as reflected in table 4 providing bifurcation of the commission ratio for insurers. The claims settlement in life insurance of corporation in India shows that in table 5. The life insurance of corporation is settlement the claims during 2004-05 to 2014-15. The claim settlement in life insurance was better performance in India.

**Table 1. Loans and Debentures advanced to various Entities for Infrastructure and social purpose in India**

Year	Power	Housing	Water supply and sewerage schemes	Transport	Other Infrastructure	Total
2006-07	55.59 (9615.25)	22.95 (3968.91)	0.38 (65.34)	3.48 (601.82)	17.61 (3045.86)	100 (17297.18)
2008-09	30.72 (6689.00)	30.93 (6734.08)	0.54 (118.31)	1.05 (22773)	36.77 (8005.55)	100 (21774.67)
2009-10	62.69 (13044.70)	19.39 (4034.77)	0.23 (47.00)	3.27 (680.87)	14.42 (3001.36)	100 (20808.74)
2010-11	49.99 (7616.61)	29.42 (4481.75)	0.16 (24.78)	4.50 (685.58)	15.93 (2427.22)	100 (15235.94)
2011-12	57.33 (15707.30)	27.29 (7476.81)	0.08 (21.72)	6.33 (1734.71)	8.97 (2457.59)	100 (27398.1)
2012-13	54.53 (10995.30)	20.44 (4121.74)	0.18 (34.72)	0.00 (00.00)	24.86 (5012.13)	100 (20164.92)
2013-14	63.49 (14203.80)	19.92 (4455.740)	0.159 (34.00)	3.52 (787.19)	12.92 (2890.98)	100 (22371.75)
2014-15	45.44 (15840.00)	21.21 (7392.00)	0.10 (33.49)	0.22 (76.94)	33.04 (11515.35)	100 (34857.78)
2015-16	9.43 (2222.80)	42.43 (9997.61)	0.14 (34.00)	0.15 (35.55)	47.85 (11274.46)	100 (23564.42)

Sources: Annual Report of IRDA

Note: The data enfranchises indicate actual figure

**Table 2. Trends of Income in LIC in India**

Year	Premium for Life Insurance and Annuities/ single	First Year's	Renewal	Net Interest	Other receipts	Total
2001-02	12.33 (90961)	14.22 (104902)	40.96 (301296)	32.32 (238492)	0.17 (12470)	100 (737798)
2002-03	6.60 (53460)	13.13 (106260)	47.73 (386384)	32.11 (259896)	0.44 (3553)	100 (809474)
2003-04	5.62 (52298)	12.62 (117522)	49.57 (461486)	32.07 (298559)	0.12 (1125)	100 (930990)
2004-05	4.63 (50086)	10.70 (115652)	50.21 (542841)	34.27 (370559)	0.19 (2064)	100 (1081208)
2005-06	11.19 (147878.4)	10.39 (137271)	47.10 (622442)	30.30 (400464)	1.01 (1341.8)	100 (1321468.8)
2006-07	15.10 (263372)	17.13 (298805)	41.03 (715644)	26.19 (456823)	0.55 (9601)	100 (1744247.6)
2007-08	16.37 (337745)	12.71 (262188)	43.47 (897121)	26.91 (555221)	0.55 (11352)	100 (2063629.8)
2008-09	17.00 (340384)	9.55 (191323)	51.93 (1040156)	21.36 (427757)	0.16 (3183)	100 (2002806.5)
2009-10	15.18 (453374)	8.76 (261736)	38.32 (1144749)	37.63 (1123951)	0.11 (3405)	100 (2987215)
2010-11	16.96 (507470)	12.11 (362473)	38.88 (1163638)	32.02 (958336)	0.03 (809)	100 (2992726)
2011-12	14.50 (416677)	13.99 (402018)	42.09 (1209334)	29.35 (843303)	0.06 (1822)	100 (2873154)
2012-13	14.19 (462980)	9.28 (302893)	40.45 (1320024)	35.99 (1174529)	0.09 (2993)	100 (3263419)
2013-14	15.50 (589043)	8.39 (318739)	38.42 (1460198)	37.62 (1429672)	0.07 (2772)	100 (3800424)

Sources: Annual Report of IRDA

Note: The data enfranchises indicate actual figure

The maturity and death claim settlement has continuously increased during 2004-05 to 2014-15. The life insurance maturity claim settlement is highest in 2013-14 having 89.29 percent, as well as same time 10.71 percent death claim settlement. While life insurance of corporation settled 87.74 percent maturity claim and 12.26 percent death claim in 2013-14.

### Policy Implications and Conclusion

There are some suggestions which should be followed by LIC should strive to increase its business by issuing more & more policies in order to retain its market share in the competitive scenario. LIC should adopt new marketing strategies as well as make advertisement to promote & aware about its policies to the consumers. LIC should concentrate on agents' training to make them updated as per market requirements & professionalism to tackle the queries of customers & doubts

raised in their mind by other Life Insurance competitors of the market. LIC should also open more number of offices & authorized collection centers to make its objectives achieved in true way to spread the life insurance business in every corner of the country & to reach among the customers. As Private Insurance companies capture the market now-a-days, therefore, LIC should launch different kinds of plans with more facilities, so that it can increase its income amount, especially premium amount. Secured investments should be made continuously by LIC of India. Life insurance of corporation provides easy settlement and protection against creditors once a person appointed for receiving the benefits or a transfer of rights is made (assignments), a claim under the life insurance contracts can be settled easily. In addition, creditors have no right to any mummies by the insurer, where the policy is written under trust. Under the married woman's act the money available from the policy forms a kind of trust which creditors cannot claim on.

Table 3. Trends of Outgoing income in LIC

Year	Claims by death	Claims by survival	Surrenders including Bonus in reduction of premium	Annuities less re-insurance	Transfer of Reserve	Total
2001-02	11.95 (214365)	68.09 (122182)	12.79 (22942)	5.66 (10161)	1.52 (2724)	100 (179444)
2002-03	8.62 (25444)	48.90 (144355)	8.69 (25663)	4.07 (122006)	29.72 (87726)	100 (295194)
2003-04	9.26 (29397)	52.48 (166507)	9.94 (31553)	4.45 (14116)	23.87 (75724)	100 (317297)
2004-05	11.06 (33050)	68.09 (203560)	11.17 (33392)	5.47 (16355)	4.21 (12590)	100 (298947)
2005-06	10.92 (37690)	71.67 (247434)	10.82 (37343)	5.73 (199775)	0.87 (3012)	100 (345255.7)
2006-07	8.06 (44433)	58.19 (320939)	28.93 (159553)	3.97 (217896)	0.86 (4754)	100 (551576.6)
2007-08	9.06 (52504)	55.13 (319551)	31.10 (180245)	4.13 (23932)	0.58 (3352)	100 (579586.8)
2008-09	10.94 (59615)	63.78 (347441.14)	17.87 (97323)	5.16 (28122)	2.25 (12239)	100 (544743.4)
2009-10	8.82 (70337)	58.86 (469212)	28.11 (224088)	4.73 (37705)	0.52 (4182)	100 (797160)
2010-11	7.14 (80102)	44.16 (495477)	44.38 (497925)	4.45 (49960)	0.14 (5668)	100 (1121898)
2011-12	7.14 (85644)	52.84 (633479)	34.65 (415402)	4.41 (52813)	0.97 (11586)	100 (1198924)
2012-13	6.82 (94135)	46.78 (645345)	40.62 (560334)	4.57 (63082)	1.20 (16548)	100 (1379444)
2013-14	6.37 (102892)	50.22 (811129)	36.93 (596519)	5.24 (84652)	1.23 (19888)	100 (1615080)
2014-15	3.84 (11029)	29.05 (83372)	16.22 (46563)	50.88 (146025)	0.00	100 (286991.05)
2015-16	4.32 (12159)	31.42 (88389)	13.20 (37326)	50.99 (143445)	0.00	100 (281320.47)

Sources: Annual Report of IRDA

Note: The data enfranchises indicate actual figure

Table 4. The Expenses of management

Year	Commission to Insurance agents	Other Expenses	Indian Dominion and Foreign taxes	Miscellaneous	Increase to Life Insurance Fund	Total
2001-02	8.09	7.63	1.55	1.46	81.27	100
2002-03	9.72	8.89	2.45	0.97	77.98	100
2003-04	9.34	8.46	2.45	0.90	78.84	100
2004-05	7.92	7.98	6.86	0.89	76.35	100
2005-06	7.27	6.19	4.06	0.64	81.84	100
2006-07	7.69	5.94	3.92	0.64	81.82	100
2007-08	6.45	5.60	2.37	0.56	85.03	100
2008-09	6.88	6.22	2.30	0.64	83.97	100
2009-10	5.53	5.59	1.66	0.47	86.75	100
2010-11	7.11	9.08	2.12	0.61	81.08	100
2011-12	8.38	8.91	2.64	0.77	79.30	100
2012-13	7.84	8.87	3.38	0.76	79.15	100
2013-14	7.63	9.28	2.75	0.75	79.59	100

Sources: Annual Report of IRDA

Table 5. The Claims settlement in LIC

Year	Maturity	Death	Total
2004-05	86.10	13.90	100(23642.54)
2005-06	86.84	13.16	100(28472.98)
2006-07	87.98	12.02	100(36485.91)
2007-08	85.89	14.11	100(37205.58)
2008-09	86.31	13.69	100(40085.12)
2009-10	87.29	12.71	100(53533.82)
2010-11	85.95	14.05	100(57490.29)
2011-12	88.60	11.40	100(71493.17)
2012-13	87.25	12.75	100(74077.84)
2013-14	89.29	10.71	100(91186.45)
2014-15	87.74	12.26	100(90458.16)

Sources: Annual Report of IRDA

Note: The data enfranchises indicate actual figure

Life insurance of corporation is superior to traditional saving machine. As well as providing a secure vehicle to build up saving etc. it provides peace of mind to the policy holder. In the event ultimately death, of say, the main earner in the family, the policy will pay out guaranteed sum assured, which

is likely to be significantly more than the total premiums paid. With more traditional, saving vehicles such as fixed deposits, the only return would be the amount invested plus any interest accrued. Many factors necessitated detailed legislative and administrative regulation of life insurance

business from its inception. It is a business in which huge amounts of social resources can be raised with relatively little initial investment. The resources collected from a wide cross-section of society vest with the insurers for rather longish periods during which the policyholders can hardly exercise any control. This is an investment which is highly illiquid (or with rather narrow and costly exit). The investment pattern of the insurance funds is a critical question both for the policyholders and for short and long run macro-economic management.

## REFERENCES

Ajit Ranade and Rajeev Ahuja, 1999. "Life Insurance in India: Emerging Issues" "Economic and Political Weekly", Vol. 34, No. 3/4, Money, Banking and Finance, (Jan.16-29, 1999), pp. 203-205+207-212

Kamal Nayan Kabra, 1986. "Nationalization of Life Insurance in India" 'Economic and Political Weekly', Vol. 21, No. 47 (Nov. 22, 1986), pp. 2045-2053.

Kotgiri, Mrs. Sushma K. 2013. "IJRMBSS", Vol. 1, Issue 1, ISSN -2319-6998

Priti Jha and Bindu Roy, 2015. "Role of LIC in Life Insurance Industry" *International Journal of Management and Social Sciences Research (IJMSSR) Volume 4, No. 2, February 2015*

Tripati Rao, D. 1999. "Life Insurance Business in India: Analysis of Performance" *Economic and Political Weekly*, Vol. 34, No. 31 (Jul. 31 - Aug. 6, 1999), pp. 2174-2181

\*\*\*\*\*