

**UNIVERSITY OF MUMBAI**

**PROJECT ON  
RURAL INSURANCE**

**SUBMITTED BY  
PRIYANKA HIRAN**

**PROJECT GUIDE  
PROF. V.S. GOPAL**

**BACHELOR OF MANAGEMENT STUDIES**

**SEMESTER V  
(2007-08)**

**V.E.S. COLLEGE OF ARTS, SCIENCE & COMMERCE,  
SINDHI COLONY, CHEMBUR – 400071**

**UNIVERSITY OF MUMBAI**

**PROJECT ON  
RURAL INSURANCE**

**Submitted  
In Partial Fulfillment of the requirements  
for the Award of the Degree of  
Bachelor of Management  
By**

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PROF. V.S. GOPAL**

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## Declaration

I, \_\_\_\_\_, student of BMS – Semester V (2007-08) hereby declare that I have completed this project on

The information submitted is true & original to the best of my knowledge.

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**Student's Signature**

**PRIYANKA HIRAN**

# C E R T I F I C A T E

**This is to certify that Mr. /Miss. \_\_\_\_\_**  
**of TYBMS has successfully completed the project**  
**on**  
**\_\_\_\_\_ in the academic year**  
**2007-2008. The information submitted is true and**  
**original to the best of my knowledge.**

**Project Guide**  
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## **EXECUTIVE SUMMARY**

Life is fraught with tensions and apprehensions regarding the future and what it holds for the individual. Despite all the planning and preparation one might make, no one can accurately guarantee or predict how or when death might result and the circumstances that might ensue in its aftermath. People generally regard insurance as a scheme when and where you have to lose a lot to gain a little. Nevertheless, insurance is still the most reliable tool an individual can use to plan for his future.

Life insurance policy owners can turn to the cash value of the policy in case of a financial emergency when all avenues are either blocked or denied. They know that they can avail of loans based on their insurance policies.

Insurance policy owners can use the cash value of their policies to meet their long-term financial needs as well. They may have purposefully invested in insurance to use the cash in the policy for their children's future marriage expenses or higher education fees.

No financial institution can do what life insurance does. No industry can back its products with reserves and surplus as sound as those of the insurance industry.

The proof of strength and safety that insurance companies have ensured even under the most adverse of conditions is a matter of pride for the entire insurance industry. For generation after generation, life insurance has been acclaimed as the very benchmark of security against which the other industries are measured.

The main purpose of this project was knowing the importance, the scope and significance of the concept of rural insurance and social security.

## **CHAPTER 1**

# **INTRODUCTION**

Somebody named "Murphy" has once stated something called "law" which dictates that if something wrong can happen, it will. The probability of something happening which is not going to have favorable effect on its environment can be termed as risk. More the probability higher the risk. Since the risk itself depends upon the happening of a future event, you cannot assure yourself that risk can be eliminated in entirety. That is why to reduce the impact of that unfavorable event; every enterprise tries to manage the risk so that its impact may be minimized in case of happening of that event. Risk Management today has become a very complex and demanding profession. Risk managers have greater responsibilities than ever before. Increasingly they are being asked to manage both risks and opportunities with an eye on improving shareholder value. Risk is a burden not only to the individual but to the society as well. There exist several techniques for meeting the problem of risk, of which insurance is the most practical method for handling major risks.

The business of insurance is related to the protection of the economic value of assets. Every asset has a value. The asset would have been created through the efforts of the owner, in the expectation that, either through the income generated therefrom or some other output, some of his needs would be met. In the case of factory or a cow, the production is sold and income generated. In the case of motor car, it provides comfort and convenience in transportation. There is no direct income. There is a normally expected life time for the asset during which time it is expected to perform. The owner can so manage his affairs that by the end of that lifetime, a substitute is made available to ensure that the value or income is not lost. If the asset gets lost earlier, being destroyed or made non-functional, through an accident or other unfortunate event, the owner and those deriving benefits therefrom suffer. Insurance is a mechanism that helps to reduce such adverse consequences.

The Commission on Insurance Terminology of the American Risk and Insurance Association has defined insurance as follows:

"Insurance is the pooling of fortuitous losses by transfer of such risks to insurers, who agree to indemnify insured for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risk."

Insurance is based on the principle of risk pooling. It is the transfer of financial responsibility for the risk at the point of occurrence, and conventionally involves the insurer in a commitment to pay. Provided the terms and conditions of the policy are met, payment of the premium secures a source of funds in the event of loss. The insured is thus exchanging the uncertain cost of losses for the certain and known cost of the premium. The cost arising from pure losses during the period of cover are then fixed for the insured. The stabilization of loss costs means that earnings are less susceptible to the effects of pure loss than when these are retained.

Insurance however does not always fully compensate the insured for losses suffered. This may be the result of limitation of the liability accepted by the insurer, poor management of instance by the insured leading to gaps in cover or uninsurable losses.

## **PRINCIPLE OF INSURANCE**

Insurance is a contract between two parties i.e. the insurer and the insured. The contract is governed by certain principles as under:-

### **1. UTMOST GOOD FAITH**

Both the parties i.e. the insured and the insurer must have utmost good faith towards each other, in respect of the insurance contract.

The insured must provide to the insurer complete, correct, and clear information of the subject matter of insurance. The insurer can avoid his liability to pay compensation, if certain material facts were not disclosed by the insured at the time of taking the policy.

For instance, at the time of taking a life insurance policy, the assured does not disclose of a previous heart attack, and if the assured dies with another heart attack after the insurance policy, the insurance company may refuse to pay the claim.

Again, a trader while taking a fire insurance policy does not disclose the previous occurrence of a fire in the factory, and subsequently after taking policy, there is another fire, the insurance company may refuse to pay the compensation, if it learns about the previous occurrence of fire which was not disclosed at the time of taking a policy.

Similarly, the insurer must provide complete, correct and clear information regarding the terms and conditions of the contract. Failure to provide complete and correct material facts regarding the mode and amount of premium and other details, makes the contract of insurance void at the discretion of the insured.

This principle is applicable to all contracts of insurance, i.e. life, fire and marine insurance.

## **2. INSURABLE INTEREST**

It is an important principle of insurance. The insured must have an insurable interest in the subject matter of insurance. Insurable interest means some pecuniary or financial interest in the subject matter. The insured stands to gain due to its existence and suffers a loss on account of its non-existence.

When Insurable Interest must be present?

- In life insurance, the insurable interest refers to the life insured. The insurable interest must exist at the time of taking a life insurance policy.
- In marine insurance, it is enough if insurable interest exists only at the time of occurrence of the loss.
- In case of fire and general insurance, the insurable interest must be present at the time of taking the policy and also at the time of occurrence of the loss.

The owner of a property is said to have insurable interest as long as he is the owner of it. If he sells his property, he no longer has insurable interest in the property. He cannot claim compensation if the property which he has already sold gets destroyed by fire.

However, it is to be noted that to have insurable interest in the property, it is not necessary to be the owner of that property. Eg. The banker who has advanced loan on the security of the property has an insurable interest in that property.

In case of a house on lease, both the lessor and lessee have such an insurable interest. Similarly, a trustee holding property on behalf of another has the insurable interest in that property.

Like principle of utmost good faith, the principle of insurable interest is applicable to all contracts of insurance.

### **3. PRINCIPLE OF IDEMNITY**

This principle is applicable to fire, marine and general insurance. It is not applicable to life insurance contracts. This principle is not applicable to life insurance because the loss of life or the loss of a leg or hand or any part of the body due to an accident can never be measured in monetary terms. In the case of death, the actual sum assured is paid and in case of an accident, the assurer agrees to pay a sum of money called benefit money.

Indemnity means a guarantee or an assurance to put the insured in the same position in which he was immediately prior to the happening of the uncertain event. The insurer undertakes to make good the loss.

Under this principle, the insurer agrees to compensate the insured for the actual loss suffered. The amount of actual compensation is limited to the amount assured or the actual loss whichever is less. For instance, if a property worth Rs 2 lakhs is insured for Rs 1 lakh, and if the entire property is destroyed by fire, then the insured person can claim compensation for Rs. 1 lakh.

Another example of principle of indemnity. If a car was insured for Rs 2 lakh and if it was depreciated by Rs. 1,50,000 at that time of its loss due to an accident, then the owner of the car can claim only Rs. 50,000 (the value of the car on the day of its loss) The purpose of this principle is to put the insured in the same position prior to the happening of the event. Another object is to see to it that the insured does not make any profit by recovering more than the amount of financial loss suffered by him.

### **4. PRINCIPLE OF CONTRIBUTION**

This principle is a ‘corollary’ of the principle of indemnity. It is applicable to all contracts of indemnity, where the insured has taken out more than one policy on the same matter.

Under this principle, the insured can claim the compensation only to the extent of actual loss either from any one insurer or from all insurers. If one of insurers pay full compensation, then that insurer can claim proportionate claim from other insurers.

Eg. If Mr. Sandy insures his property worth Rs. 90,000 with two insurers, say “Axe Ltd” for Rs. 90,000 and “Zed Ltd” for Rs. 60,000. if the actual property destroyed is worth Rs. 60,000 either then Mr. Sandy can claim the full loss of Rs. 60,000 from Axe Ltd or Zed Ltd, or he can claim Rs. 36000 from Axe Ltd and Rs. 24,000 from Zed Ltd i.e. in the proportion of 3:2 (90,000:60,000).

Thus, if the insured claims full amount of compensation from one insurer, then he cannot claim from other insurer and make a profit. Again, if one insurance company pays the full compensation, then it can recover the proportionate contribution from the other insurance company.

## **5. PRINCIPLE OF SUBROGATION**

This principle is another ‘corollary’ of the principle of indemnity. It is applicable to all contracts of indemnity.

As per this principle, after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes on to the insurer. This principle is applicable only when the damaged property has any value after the event causing damage. The insurer is entitled to the benefit out of subrogation rights only to the extent of the amount he has paid to insured as compensation.

Eg. If Mr. Andy insures his house for Rs. 10 lakhs. If the house is totally gutted due to the negligence of his neighbour Mr. Landy. The insurance company shall settle the claim of Mr. Andy for Rs. 10 lakhs. At the same time, it can file a case against Mr. Landy for Rs.20 lakhs, the market value of the house. If the insurance company wins the case and collects Rs. 12 lakhs from Mr. Landy, then the insurance company will retain Rs. 10 lakhs (which it has paid to Mr. Andy) plus other expenses such as court fees. The balance amount, if any will be returned to Mr. Andy, the insured.

## **6. PRINCIPLE OF LOSS MINIMISATION**

Under this principle, it is the duty of the insured to take all the possible steps to minimize the loss to the insured property on the happening of uncertain event.

Eg. If the fire takes place, the insured must take necessary steps to put off the fire and to save the property as far as possible.

## **7. PRINCIPLE OF 'CAUSA PROXIMA'**

The loss to the insured property can be caused by more than one cause in succession to one another. The property may be insured against some causes and not against all causes. In such an instance, the proximate cause or nearest cause of loss is to be found out. If the proximate cause is the one which is insured against, the insurance company is bound to pay the compensation. If the proximate cause is one which is not insured, then the insurance company is not bound to pay the loss to the insured.

Eg. If the insured Tea boxes get damaged due to water being entering the ship. The water entered the ship due to sea rats making a hole to the ship. Thus, the loss is caused due to two reasons: Sea Water, and Sea Rats. The nearest and direct cause of damage to tea boxes is due to sea water. If the tea boxes were insured against the loss due to sea water, then the insurance company is bound to pay the compensation.

## **TYPES OF INSURANCE**

- LIFE INSURANCE**
- FIRE INSURANCE**
- MARINE INSURANCE**
- MISCELLANEOUS INSURANCE**

### **LIFE INSURANCE**

The life insurance is a contract between the assurer and the assured, whereby the assurer agrees to compensate to the assured a certain agreed sum on the expiry of a certain period. Or on death, whichever is earlier, for a consideration, i.e. premium.

### **FIRE INSURANCE**

The fire insurance protects the insured against the loss of property due to fire. There is always a risk to property and goods of being destroyed by fire. A fire insurance contract is

as an agreement whereby the insured in return for consideration (premium) undertakes to indemnify the insured against loss to property due to fire.

## **MARINE INSURANCE**

Marine insurance is a contract under which the insurer undertakes to indemnify the insured against losses, caused due to perils of sea. It may be defined as a form of insurance contract covering loss or damage to vessels or to cargo or passengers during transportation on the high seas.

## **RELEVANCE TO PRESENT-DAY PROBLEMS/NEEDS OF THE SOCIETY/ COUNTRY**

The latest series of bomb attacks, attack on parliament, attack on Ayodhya, attacks of the Maoists, nature calamities like tsunami, floods and drought, ragging are prevailed in the country and need not to say about the farmer who has been insecure about rains, seeds, crops and suitable price for his crop. In developed countries, the owners have insured even pet dogs. Whereas in India, about 80 percent of human beings and major natural resources have not been insured in globalization era.

Based on the above fact, this seminar has quite relevance to the present day problems of life insurance, non-life insurance, rural health insurance, ragging insurance, natural calamities insurance, pension insurance and terrorism insurance.

After liberalization of insurance sector, insurers have introduced innovative product and tailor made products which are absolutely sit to rural population. Efforts at increasing consumer awareness and putting the regulatory framework for protection of policyholder's interest have been made both the industry and regulatory level.

Global market conditions have also resulted in driving down premium rates/charges in respect of certain products and in improving the quality of services offered by the insurer. Finally, insurance sector has been penetrating in India, thus the proposed seminar has quite relevant to the society.

## **WHAT IS LIFE INSURANCE?**

Life insurance is a contract that pledges payment of an amount to the person assured (or his nominee) on the happening of the event insured against. The contract is valid for payment of the insured amount during:

- The date of maturity, or
- Specified dates at periodic intervals, or
- Unfortunate death, if it occurs earlier.

Among other things, the contract also provides for the payment of premium periodically to the Corporation by the policyholder. Life insurance is universally acknowledged to be an institution; which eliminates 'risk', substituting certainty for uncertainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner.

By and large, life insurance is civilization's partial solution to the problems caused by death. Life insurance, in short, is concerned with two hazards that stand across the life-path of every person:

- That of dying prematurely leaves a dependent family to fend for itself.
- That of living till old age without visible means of support.

## **LIFE INSURANCE V/S OTHER SAVINGS**

### **Contract of Insurance:**

A contract of insurance is a contract of utmost good faith technically known as uberrima fides. The doctrine of disclosing all material facts is embodied in this

important principle, which applies to all forms of insurance. At the time of taking a policy, policyholder should ensure that all questions in the proposal form are correctly answered. Any misrepresentation, non-disclosure or fraud in any document leading to the acceptance of the risk would render the insurance contract null and void.

### **Protection:**

Savings through life insurance guarantee full protection against risk of death of the saver. Also, in case of demise, life insurance assures payment of the entire amount assured (with bonuses wherever applicable) whereas in other savings schemes, only the amount saved (with interest) is payable.

### **Aid to Thrift:**

Life insurance encourages 'thrift'. It allows long-term savings since payments can be made effortlessly because of the 'easy installment' facility built into the scheme. (Premium payment for insurance is monthly, quarterly, half yearly or yearly).

*For example:* The Salary Saving Scheme popularly known as SSS provides a convenient method of paying premium each month by deduction from one's salary. In this case the employer directly pays the deducted premium to LIC.

### **Liquidity:**

In case of insurance, it is easy to acquire loans on the sole security of any policy that has acquired loan value. Besides, a life insurance policy is also generally accepted as security, even for a commercial loan.

### **Tax Relief:**

Life Insurance is the best way to enjoy tax deductions on income tax and wealth tax. This is available for amounts paid by way of premium for life insurance subject to income tax rates in force. Assessee can also avail of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for insurance than otherwise.

### **Money When You Need It:**

A policy that has a suitable insurance plan or a combination of different plans can be effectively used to meet certain monetary needs that may arise from time-to-time. Children's education, start-in-life or marriage provision or even periodical needs for cash over a stretch of time can be less stressful with the help of these policies. Alternatively, policy money can be made available at the time of one's retirement from service and used for any specific purpose, such as, purchase of a house or for other investments.

### **WHO CAN BUY A POLICY?**

Any person who has attained majority and is eligible to enter into a valid contract can insure himself/herself and those in whom he/she has insurable interest. Policies can also be taken, subject to certain conditions, on the life of one's spouse or children. While underwriting proposals, certain factors such as the policyholder's state of health, the proponent's income and other relevant factors are considered by the Corporation.

## CHAPTER 2

# INSURANCE IN INDIA

### HISTORY

The insurance business has a history which dates back to the year 1500's. The business of insurance started with massive business. Traders, who used to gather in the Lloyd's Coffee house in England, agreed to share their losses to their goods while being carried by ships. The losses used to occur because of pirates who robbed on the high seas or because of bad weather spoiling the goods on sinking the ships. The first insurance policy was issued in 1583 in England. In India, insurance began in 1870 with life insurance being transacted by an English company, the European and the Albert. The first Indian insurance company was Bombay Mutual Assurance Society Ltd. Formed in 1870. But the business of insurance in India existing form started in the year **1818** with the establishment of **the Oriental Life Insurance Company in Calcutta**. This company was started by the Europeans in the country. In the same year the British Government brought out the insurance act. This was followed by the formation of the Oriental Life Assurance company in 1874. Prior to this The Triton Insurance Company was established in 1850 which dealt only in non-life insurance business.

This was followed by the formation of the Bharat in 1896 and the Empire of India in 1897. Later with the Swadeshi movement and the struggle for Independence, companies like, Hindustan Co-operatives in Calcutta, The United India in Madras, The Bombay Life in Bombay, The National in Calcutta, The New India in Bombay, The Jupiter in Bombay and the Lakshmi in New Delhi were Formed in the early 1900's. The Indian Life Assurance Companies Act enacted as the first structure to regulate the life Insurance business in the year 1912. In the year 1928 the Indian Insurance Companies Act enabled the government to collect statistical information

about both Life and Non-life Insurance business. In the year 1938 the earlier legislation consolidated and amended by the Insurance Act with the objective of protecting the interest of the insuring public. By the independence period the tally of insurance companies in India reached to as high as 245. These companies in the post independence period started unethical practices to gain business. This affected the insuring people badly.

In those uncertain atmosphere the finance minister Shri. C.D Deshmukh, in consideration with Prime Minister Shri. Jawaharlal Nehru took a momentous decision to nationalize the Life Insurance business by promulgating the ordinance and taking over the management of all Life Insurance Companies in the year 1956. The Secrecy was necessary to prevent the companies from diverting the policy holders' money, so there was no discussion at all in the parliament on the subject. On **19<sup>th</sup> January 1956 the finance minister announced The Nationalization of the Life Insurance business thus taking over the management control of all Insurance Companies including foreign companies.** On 20<sup>th</sup> January all companies were taken over by 43 nominated custodians. They managed till **1<sup>st</sup> September 1956 when Life Insurance Corporation of India was established** under the general direction and control of the ministry of Insurance. The year 1957 saw the formation of the General insurance Council, a wing of the Insurance Association of India, responsible for forming the code of conduct for ensuring false conduct and social business practices. In 1968 the Insurance Act recommended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up. The General Insurance Business Nationalization Act of 1972 **nationalized the general insurance business in India with effect for 1<sup>st</sup> January 1973.** 107 General insurance companies were amalgamated and grouped into 4 companies viz. The National Insurance Company, The oriental insurance Company Ltd. and the United India Insurance Company Ltd. Also GIC was incorporated as a company. Until the 1990's these were the only Insurance companies operating in India.

In April, 1993 Government, set up a high power committee headed by Mr. R.N. Malhotra to suggest reforms in insurance network and make it more effective and competitive. R.N. Malhotra was former RBI governor. The Malhotra committee was setup with the objective of complementing the reforms initiated in the financial sector. The reforms were aimed at "creating a more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural

changes currently underway and recognizing that insurance is an important part of overall financial system where it was necessary to address the needs to similar reforms...” In 1994, the committee submitted the report and some key recommendation included:

#### 1. Structure

Government stake in the insurance Companies to be brought down to 50% Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations. All the insurance companies should be given greater freedom to operate.

#### 2. Competition

- Private companies with a minimum paid up capital of Rs. 1bn should be allowed to enter the industry.
- No company should deal in Life and General Insurance through a single entity.
- Foreign companies may be allowed to enter industry in collaboration with domestic companies.
- Postal Life Insurance should be allowed to operate in the rural market.
- Only one state Level Life Insurance Company should be allowed to operate in each state.

#### 3. Regulatory Body

The Insurance Act should be changed and Insurance Regulatory body should be set up Controller of Insurance (Currently a part from the Finance ministry) should be made independent.

#### 4. Investments

Mandatory investments of LIC Life Fund in government securities should be reduced from 75% to 50% GIC and its subsidiaries are not to hold more than 5% in any company(There currently holdings should be brought down to this level over a period of time)

## 5. Customer Service

LIC should pay interest on delays in payments beyond 30 days.

Insurance Companies must be encouraged to set up unit linked pension plans. Computerizations of operations and updating of technology to be carried out in the insurance industry. The committee emphasized that in order to improve the customer services and increase the coverage of the insurance industry should be opened up to competition. But at the same time, the committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry.

Hence it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs.100 crores. The committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic opportunities. For this purpose it had proposed setting up of an independent body. Thus in the year 1997 the Insurance Regulatory and Development authority (IRDA) was formed. From the year 2000 this IRDA started giving license to private insurers according to the terms of the Malhotra Committee. ICICI Prudential and HDFC Standard Life were the first private players to sell Life Insurance policy in India. In 2001 Rayal Sundaram alliance became the 1<sup>st</sup> Non-Life insurance company to sell a policy. In the year 2002 another major setup of allowing banks to sell insurance policies was taken.

## **THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)**

The Insurance Act, 1938 had provided for setting up of the controller of Insurance to act as a strong and powerful supervisory and regulate authority of insurance. Post nationalization, the role of Controller of insurance diminished considerably in significance since the Government owned the insurance companies.

But the scenario changed with the private and foreign companies foraying in to the insurance sector. This necessitated the need for strong, independent and autonomous Insurance regulatory Authority was felt. As the enacting of legislation would have taken time, the then government constituted through a Government resolution an interim insurance Regulatory Authority pending the enactment of a comprehensive legislation.

The insurance regulatory and Development Authority Act, 1999 is an act to provide for the establishment of an authority to protect the interest of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental there to and further to amend the insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General insurance Business (Nationalizations) Act, 1972 to end the monopoly of the Life Insurance Corporation of India( for life insurance business ) and General Insurance Corporation and its subsidiaries( for general insurance business).

The act extends to the whole of India and will come into force on such date as the Central Government may, by notification in the official Gazette specify. Different dates may be appointed for different provisions of this act.

The act has defined certain terms, some of the most important ones are as follows:-

Appointed day means the date on which the Authority is established under the act.

Authority means the established under this act.

Interim Insurance Regulatory Authority means the Insurance Regulatory Authority set up by the Government through Resolution No. 17(2)/ 94-Ins-V dated the 23<sup>rd</sup> January, 1996. Words and expressions used and not defined in this act but defined in the Insurance Act, 1938 or the life Insurance Corporation Act, 1956 or the General Insurance Business (Nationalizations) Act, 1972 shall have the meanings respectively assigned to them in those acts

A new definition of “Indian insurance Company” has been inserted.

“Indian insurance Company” Means any insurer being a company

- a) Which is formed and registered under the Companies act, 1956
- b) In which the aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees, do not exceed twenty-six percent. Paid up capital in such Indian insurance company.
- c) Whose sole purpose it to carry on life insurance business, general insurance business or re-insurance business.

The authority is a ten member team consisting of

- a) A Chairman
- b) Five whole time members;
- c) Four part time members.

All these members are appointed by the Government of India.

## **DUTIES POWERS AND FUNCTIONS OF THE IRDA**

Section 14 of the IRDA Act, 1999 lays down the duties, powers and functions of the IRDA.

1. Subject to the provisions of the act and any other law for the time being in force, the IRDA shall have the duty regulate promote and ensure orderly growth of the insurance business and re-insurance business.
2. Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the IRDA shall include:
  - a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
  - b) Protection of the interest of the policy holders in matters concerning the assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claims, surrender value of policy and other terms and conditions of contracts of insurance;
  - c) Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;
  - d) Specifying the code of conduct for surveyors and loss assessors;
  - e) Promoting efficiency in the conduct of the insurance business;
  - f) Promoting and regulating professional organizations connected with insurance and re-insurance business;
  - g) Levying fees and other charges for carrying out the purposes of this Act;
  - h) Calling for information from, undertaking inspection of, conducting in queries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;
  - i) Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938;

- j) Specifying the form and manner in which books of accounts shall be maintained and statements of accounts shall be rendered by insurers and other insurance intermediaries;
- k) Regulating investments of funds by insurance companies;
- l) Regulating maintenance of margin of solvency;
- m) Adjudication of disputes between insurers and intermediaries or insurance intermediaries;
- n) Supervising the functioning of the Tariff Advisory Committee;
- o) Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in clause (f)
- p) Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and
- q) Exercising such other powers as may be prescribed.

Thus the insurance sector of India was opened up in the year 1999. All companies around the world realized the vast potential in the Indian market. Thus companies from all over the world rushed to find a foothold in the lucrative Indian market. Evolution of technology and convergence of services witnessed the insurance products being offered by banks also.

The potential for growth of the Indian insurance industry can be gauged by the fact that the Indian insurance market registered the highest growth in the Asian region even though India's global share of insurance premium is less than 0.5 % (1999) compared with that of U.S.A at 24.2 % and that of Japan at 21 %. The private players are well aware that only 25 % of the insurable population has been extended cover, which means that market penetration is low, and the potential to exploit it is very high.

Some of the other factor that make the Indian Insurance Industry highly lucrative are that the Insurance premium per capita is very low i.e. US \$7 and there is presence of huge middle class of person 300 million. Also the lack of comprehensive social

security system/state benefits and welfare means that demand for pension products is high.

## **INDIA V/S GLOBAL MARKET**

India's insurance penetration is as low as 1.95 % and ranks 51 in the world. In premium collection the record is better, at 23<sup>rd</sup> position. The ratio of premium collected to the gross domestic product (GDP) is a mere 0.58 % compared with an average of 7.1 % in most industrialized nations. India is still at very nascent stage with an \$8-9 (Rs. 400-450) pre capita expenditure on insurance out of which \$2 to \$2.5 (Rs.100-150) will be on general insurance. This is because in the country non-life insurance is not given the necessary importance and is considered as an unnecessary expense.

The opening up of the Insurance sector was a part of the ongoing liberalization in the financial sector of India. The domain of state-run insurance companies was thrown open to private enterprises on December 7, 1999, with the introduction of the IRDA i.e. Insurance Regulatory and Development Authority bill.

India, with about 200 million middle class households, presents a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors.

With the per capita income in India expected to grow at over 6% for the next 10 years and with improvement in awareness levels, the demand for insurance is expected to grow at an attractive rate in India. The Monitor Group has estimated that the life insurance market will grow from Rs.218 billion in 1998 to Rs.1003 billion by 2008.

The Confederation of Indian Industries (CII) has projected growth of life Insurance premium from Rs. 450 billion at the present to Rs. 1400 billion by 2009 and pension funds from Rs. 10 billion to Rs. 140 billion. The growth in non-Life premiums is expected to increase from Rs. 75 billion to Rs. 375 billion

# CHAPTER 3

## INTRODUCTION TO

### LIFE INSURANCE CORPORATION OF

### INDIA



Life Insurance Corporation of India

Trust thy name is LIC

Every day they wake up to the fact that more than 170 million lives are part of their family called LIC.

They are humbled by the magnitude of the responsibility they carry and realize that the lives that are associated with them are very valuable indeed.

Although this journey started five decades ago, they are still conscious of the fact that, while insurance may be a business for them, being part of millions of lives every day for the past 50 years has been a process called TRUST.

**50 Years of Trust...**

**...Thy Name Is LIC**

## **MISSION**

"Explore and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns, and by rendering resources for economic development."

## **VISION**

"A trans-nationally competitive financial conglomerate of significance to societies and Pride of India."

## **OBJECTIVES**

- Spread Life Insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
- Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.
- Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.
- Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
- Act as trustees of the insured public in their individual and collective capacities.
- Meet the various life insurance needs of the community that would arise in the changing social and economic environment.
- Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.

- Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of Corporate Objective.

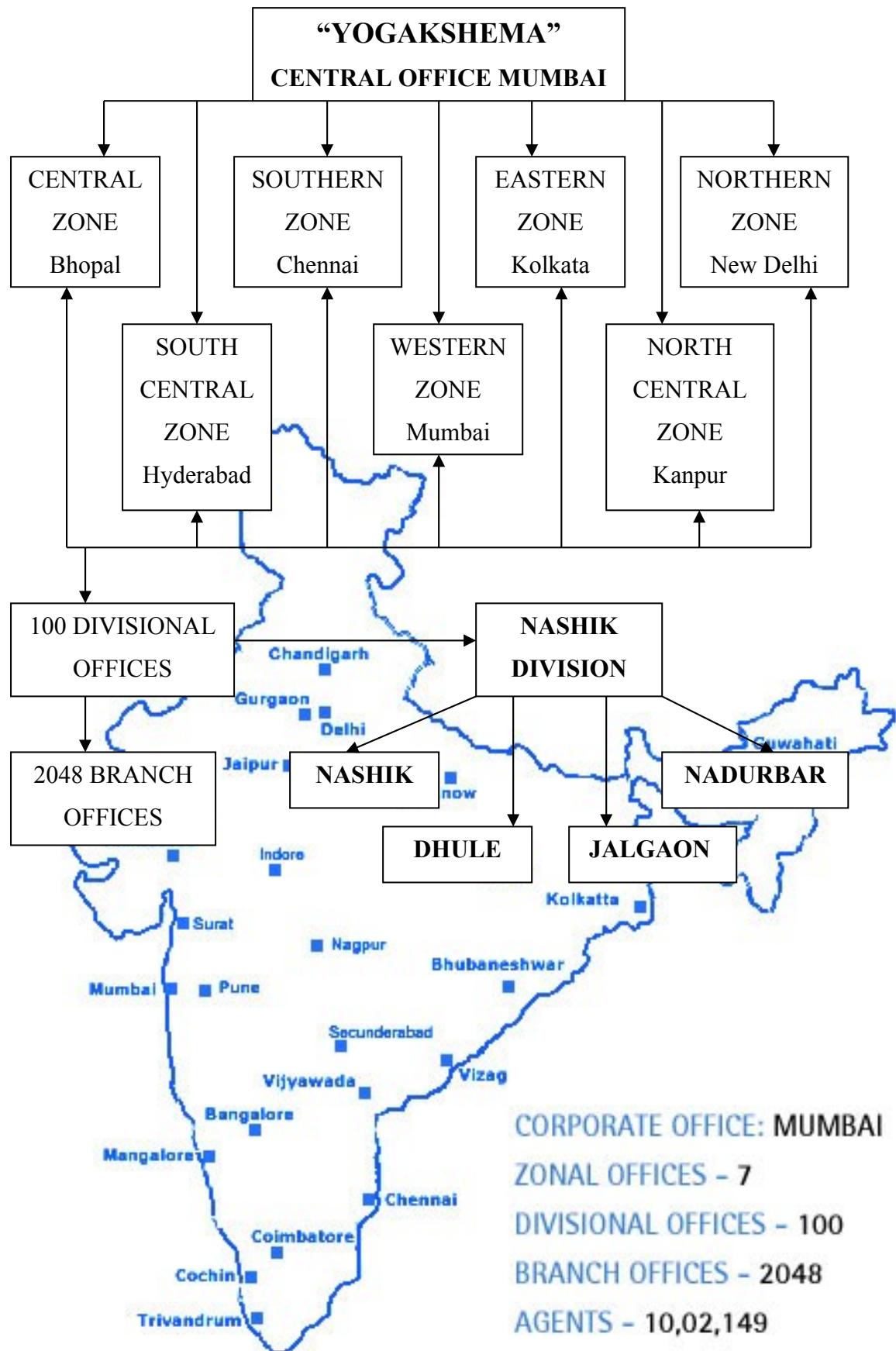
We have seen the formation of LIC and the circumstances at that time in the earlier chapters, in addition to that, LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of New Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for LIC to cross 2000.00 crore mark of new business. But with re-organization happening in the early eighties, by 1985-86 LIC had already crossed 7000.00 crore Sum Assured on new policies.

Today LIC functions with 2048 fully computerized branch offices, 100 divisional offices, 7 zonal offices and the corporate office. LIC's Wide Area Network covers 100 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centers have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. It has crossed

the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

## LIC'S DISTRIBUTION STRUCTURE



From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families

## **CHAPTER 4**

## **RURAL INSURANCE**

## **SIGNIFICANCE AND LIC'S INITIATIVES**

The United Nations Declaration of Human Rights 1948 provides that "everyone has a right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing, and medical care and necessary social services and the right to security in the event of unemployment, sickness, disability, widowhood, other lack of livelihood in circumstances beyond his control"

When the breadwinner dies, to that extent, the family's income dies. Every economically backward or rural area has the concept of basically one or maximum two breadwinners in a family. The economic condition of the family is affected badly unless other arrangements come to being to restore the situation. Life Insurance provides such an alternate arrangement. If this did not happen another family would be pushed into the backward strata of society, increasing poverty levels. Poor people cost the nation by way of subsidies and doles and so on. Poor people also cost the nation by way of large growth in population, poor education and vagaries in behavior of children. Life Insurance tends to reduce such costs. In this sense, the life insurance business is complimentary to the state's effort in social management

In India, social security finds a place in our constitution. Article 41 requires the state, within the limits of its economic capacity and development, to make effective provision for securing the right to work to education and to provide public assistance in case of unemployment, old age, sickness and disablement and in other cases of undeserved want. Part of state's obligation to the poorer section are met through the mechanism of Life Insurance. As per the law and the directions of the regulatory authorities, Insurance companies in India are obliged to extend insurance benefits to economically weaker sections of the society in the unorganized sector

## **LEGAL PROVISIONS**

Vide paragraph 19 of the 1<sup>st</sup> schedule of the Insurance regulatory and development authority act, 1999, section 32B and 32C have been added to the insurance act of 1938. These sections read as under:

32B. *insurance business in rural or social sector* – every insurer shall, after the commencement of the insurance regulatory and development authority act of 1999, undertakes such percentages of Life Insurance business and general insurance business in the rural or social sector as may be specified in the official Gazette, by the authority, in this behalf.

32C. *obligation of insurer in respect of rural or unorganized sector and backward classes* – every insurer shall, after the commencement of the insurance regulatory and development authority act of 1999, discharge the obligations specified under section 32B to provide Life Insurance or general Insurance policies to the persons residing in rural sector, workers in the unorganized or informal sector or for economically vulnerable or backward classes of the society and other categories of persons as may be specified by regulations made by the authority and such Insurance policies shall include Insurance for crops

The Regulation made by IRDA, in term of these provisions, were notified in the official Gazette on 19.7.2000. They were amended in October 2002 and were notified in the official Gazette on 16.10.2002. Under these regulations,

- The rural sector has been defined as a place in which as per the latest censes, the population is less than 5000, the density of population is less than 400 per square kilometer and more than 25% of the male population are engaged in agricultural pursuits. (agricultural pursuits are defined as cultivation, agricultural labour, work in live stock, forestry, fishing, hunting, plantation, orchards, and allied activities)
- The social sector is defined as including the unorganized sector, the informal sector, the economically vulnerable sector or backward classes and other categories of persons, in both rural and urban areas.
- The unorganized sector is defined as including self employed workers such as agricultural labour, bidi workers, brick kiln workers, carpenters, cobblers,

construction workers, fisherman, hamals, handicraft artisans, handloom and khadi workers, lady tailors, leather and tannery workers, papad makers, power loom workers, physically handicapped self employed persons, primary milk producers, rickshaw pullers, safai karmacharis, salt growers, sericulture workers, sugarcane cutters, tendu leaf collectors, toddy tappers, vegetable venders, washer women, working women in hills or such other categories of persons.

- The informal sector is defined as the small scale, self employed workers typically at a low level of organization and technology with the primary object of generating employment and income with heterogeneous activities like retailed trade, transport, repair and maintenance, construction, personal and domestic services, and manufacturing with the work being mostly labour intensive, having of written and informal employer-employee relationship .

People below the poverty line are included in the expression economically vulnerable or backward classes. The expression 'other categories of persons' includes person with disability as defined in the Persons and Disabilities' (Equal Opportunities, Protection of Rights and Full Participation), act, 1995, and who may not be gainfully employed and also includes guardians who need insurance to protect spastic persons with disability.

These sections of society are normally neglected by Insurers. They are difficult to reach and the scope for insurance is limited. But, they need Insurance more than the other segments. Insurers who begin to transact Life Insurance business in the year 2000 or later are required by these regulations to write, in the rural sector,

- At least 5% of total policies return direct, in the 1<sup>st</sup> financial year, going up to
- 9% in the 2<sup>nd</sup> financial year,
- 12% in the 3<sup>rd</sup> financial year,
- 14% in the 4<sup>th</sup> financial year and
- 16% in the 5<sup>th</sup> financial year.

of total policies written direct in that year

With regard to the general insurance,

- 2% in the 1<sup>st</sup> financial year,
- 3% in the 2<sup>nd</sup> financial year,
- 5% there after.

of the total gross premium income written direct in that year.

With regard to the social sector, the obligations are laid down as follows,

- 5000 lives in the 1<sup>st</sup> financial year,
- 7500 lives in the 2<sup>nd</sup> financial year,
- 10,000 lives in the 3<sup>rd</sup> financial year,
- 15,000 lives in the 4<sup>th</sup> financial year and
- 20,000 lives in the 5<sup>th</sup> financial year

It has also been provided that in the 1<sup>st</sup> year, if the period of operation is less than 12 months the obligation of lives in the social sector could be proportionately less. It is also provided that the IRDA may normally revise the obligations once in Five years.

With regards to existing insurers the regulations provide that obligations would be decided by the IRDA after consultation, but the quantum would not be less than what has been recorded for the year ended 31.3.2002. The insurers would develop appropriate policies to comply with the obligations under the act. The extent of the compliance will depend on the vigor with which the agents will carry forward the efforts in these sectors.

Reports at the end of the year 2001-2002 are that all the insurers have exceeded the limits laid down by the IRDA.

## **THE RURAL SECTOR**

There are more than 5 lakh villages in India with a total population of nearly 75 crores. This represents a vast potential. But Nearly 25% of them are below the poverty line compared to only about 7% in the urban areas. They are scattered and not contiguous as in the urban areas. Therefore, to contact people, one has to travel long

distances, along roads that are not well constructed. Only 60% of the villages are connected by all weather roads. They may not be convenient places for visitors to stay or to eat food. Insurance agents may find it more profitable to spend their time and efforts in the urban areas that is why there would be tendencies to avoid the rural market unless compelled by the law or the IRDA through regulations.

Apart from the large numbers in the rural areas, there are also indicators that show increase in prosperity in the rural areas. Nearly 1.5 crores households in the rural areas are considered to have an annual income of Rs.50,000 or above. More than 3500 branches of commercial banks operate in rural areas, apart from the banks exclusively concerned with agricultural development. The consumption of various consumer items like chocolates, biscuits, soaps, detergents, washing powder, toothpaste, motorcycles, TV sets, radios, pressure cookers etc. are more in the rural areas than in the urban areas. The FMCG producers find that the rural markets will be the main areas for growth in future

The LIC's business for the rural areas has been increasing steadily. In 1997-1998, the business was more than 52% in the number of policies and more than 42% in sum assured. In the last financial year of 2003-2004, 55% of LIC's business was from the rural areas. This is apart from the business covered under the group schemes in the social sector. The awareness about the life insurance is not as low as it used to be some 30 years ago. The LIC has been doing intensive publicity through the mobile vans and other traditional as well as non traditional media. The radio and television broadcasts reach almost every village through community sets

Despite the long distances and the inconvenient infrastructure for travel and staying, the effort may be rewarding. The rural folk are simple people but not ignorant of worldly matter. If a Insurance company can win the trust of these people selling insurance to them would be an easy proposition.

## **SOCIAL SECTOR**

As mentioned above there are certain obligations of the insurers towards the social sector. The benefits of life Insurance are needed most by people in this sector, as they are relatively poor and have very little savings, if at all. Any loss of income through early death would make the surviving family poorer than before. The condition would be worst if the deceased had not repaid loans, taken for the purpose of his works or personal requirement.

Soon after nationalization of Life Insurance, this need was recognized and efforts were made to introduce what was called 'mass' insurances. The concept was to cover very large numbers of poor people in one scheme. The difference between such plans under the social sector and group insurance policies is that the former are not policies taken voluntarily by any employer or organization or association, but are part of the schemes of the government being implemented through the business of life insurance. Till early 2000 there were social security group insurance schemes (SSGIS) separately for recognized operations. 24 occupations had been proved and as at the end of 1999, these schemes covered at least 50 lakhs persons for a total sum assured of nearly Rs. 1750 crores. This averaged out to nearly Rs.3500 per head. In fact, the sum assured differ from scheme to scheme. The benefit of death by accident was Rs.25,000. The premium for cover was paid by the state or from the social security fund setup by LIC in 1988-89, for this purpose.

There was also the Rural Group Life Insurance Scheme (RGLIS), where under persons aged between 20 and 50 years are covered for sums of Rs.5000, payable on death before the age of 60. The scheme was administered through elected Panchayats.

A new scheme was launched in July 2000, called 'The Janashree Bima Yojana'. It was meant to cover all the rural and urban poor who are aged between 18 and 60 years and are the bread winners of the family. This was a major initiative taken up by LIC in this sector. The people to be covered are recommended by a nodal agency, which is a statutory body or voluntary organization recognized for this purpose. It acts as the sole point of contact for the insurance company, giving data about its members, collecting premia and making the claims as and where they arise. The sum assured under this scheme is Rs. 20000(Rs. 50000 in the case of death by accident). The

minimum number in the group has to be of 25 people. Further details will be given in the following chapters.

Another such initiative was the Integrated Rural Development Program taken up by LIC and covered by the Swarna Jayanti Gramswarojgar Yojana. A separate fund has been setup by Government of India for funding this scheme. The scheme is administered through district rural development agency, coming under the Zilla Parishad. All the people between age of 18 and 60 years and receiving subsidy, financial assistance, loan under IRDP after 1.4.1998, are eligible to join the scheme. The premium is fully borne by the Government of India. Insurance cover is provided for a period of 5 years from the date of disbursement of subsidy, financial assistance, and loan under IRDP. In the event of death before age of 60 years, a sum assured of Rs. 5000 becomes payable to nominee. In case of death due to accident, an amount of Rs. 10000 is payable.

LIC has introduced The Landless Agricultural Labourers Group Insurance Scheme (LALGI) on behalf of the Government. It provides term insurance protection to the extent of Rs. 2000 each to families of landless agricultural labourers, who do not own land and do not have any inheritable rights to agricultural land. The entire cost of insurance i.e. the premium borne by the government.

The Krishi Shramik Samajik Suraksha Yojana, introduced in 2001, provides periodical lump sum survival benefits and pension to agricultural workers. The member has to pay Rs. 90 at the beginning of every quarter and double the amount is contributed from the social security fund. Agricultural workers between 18 and 50 years of age are covered. On death before age of 60 years, S. A. of Rs. 20000, along with accumulated amount with interest, is payable to the nominee. In case of death by accident, the insurance cover is of Rs. 50000. PDB benefits are provided. On the life assured surviving 60 years, if the period of contribution is 10 years or more, a lump sum will be paid, depending on his contribution. A minimum pension of Rs. 100 per month will be paid during his life time.

The Shiksha Sahayog Yojana, also introduced in 2001, is designed to provide, at no additional cost, an educational allowance of Rs. 300 per quarter to students studying

in classes 9<sup>th</sup> to 12<sup>th</sup>, whose parents are below the poverty line and are members of the Janashree Bima Yojana. The payment will be made out of social security fund of the government through the educational institutions concerned.

Apart from LIC there are not many companies who have taken into consideration the concept of rural insurance and social security as seriously as it should be. The Post office insurance scheme has not worked well for the government. Other companies have introduced schemes for the rural poor and for the purpose of social security just as an obligation.

## **CHAPTER 5**

### **POLICIES INTRODUCED BY LIC FOR RURAL BENEFIT**



## **JANASHREE BIMA YOJANA**

It is difficult to smile when you are struggling to make ends meet. Even more so, when the future of your family is grim and uncertain ever. That's why ***Janashree Bima Yojana*** for LIC is reason enough to light up million faces.

### **ELIGIBILITY**

1. Persons between age 18 yrs and 60 yrs
2. In addition to persons below the poverty line. Even persons marginally above the poverty line will be allowed.
3. The groups will be identified and notified by LIC in consultation with the Nodal Agency.
4. Minimum members should be 25.

### **BENEFITS**

- a) In the event of death of the member, sum Assured of Rs. 20,000 will become payable to the nominee.
- b) Accident Benefit: In the event of death by accident or partial / Total Permanent Disability due to accident the following benefits shall be payable.
  - i. On death due to accident : Rs.50,000 /-
  - ii. Permanent Total disability due to accident Rs. 50,000 /-
  - iii. Loss of two eyes or two limbs in a accident : Rs. 50,000 /-

iv. Loss of one eye or one limb in a accident Rs. 25, 000 /-

## **PREMIUM**

- a) Initially Rs. 200 /- per member per annum to be shared as under.
  - 50 % of the premium to be paid by members / Nodal Agency / State Government.
  - The Balance 50% of the premium will be borne by Social Security Fund
- b) Experience Rating Adjustment will be allowed after 3 years on the basis of claim experience, if the group is of minimum 2000 members. If the claim experience is adverse, LIC may revise the premium rates.

## **NODAL AGENCIES**

- Nodal Agency shall mean Panchayats, NGO's, Self Help Groups or any other Institutionalized arrangement.
- The Nodal Agency will act for and on behalf of the insured members in all matters relating to the Scheme

## **CLAIM PROCEDURE.**

Claim procedure is simple. The beneficiary of the deceased member will be required to furnish the original death certificate to the Nodal Agency who will arrange to forward the same along with the claim form to the LIC i.e. the branch that is serving the scheme. LIC will settle claims by sending A/C Payee cheques directly to the beneficiaries. Incase of death by accident Police inquest report, post mortem report will also be required to be submitted.

The existing scheme at the time of renewal will have option to switch over to new scheme on revised terms and revised benefits. The scheme will be administered through Pension and Group Schemes Dept. of LIC of India.

The settlement of Death Claims would be subject to Nodal agency submitting to the corporation claim-cum-discharge form and copy of the death Registration certificate in respect of the deceased member

### **Involvement of NGO's in introducing *Janashree Bima Yojana***

This further to our circular No. 688 dated 22.12.1999 wherein, the Agents were allowed to canvass Social Security Group Insurance Schemes having membership up to 1000 subject to the conditions applicable to Agency allotment. The rates of commission payable under Conventional Group Schemes were made applicable to SSGS. It has been decided to extend the above schemes to agents for canvassing Janashree Bima Yojana on the same terms and conditions.

For successful implementation of Janashree Bima Yojana, the involvement of NGOs is felt necessary. They, however, have to incur expenses incurred by them. We have examined the matter and it has been decided to allow reimbursement of expenses incurred by them in introducing the scheme as under.

### **ELIGIBILITY**

- A) NGO's will be eligible for reimbursement of the expenses by them for introducing Janashree Bima Yojana only after the scheme has been finalized & the total premium received.
- B) The minimum group size is 250
- C) The proposal under Janashree Bima Yojana should be submitted directly to P&GS unit and not through agent.

## **MODEL RULES FOR ‘JANASHREE BIMA YOJANA’ SUBSIDISED FROM THE SOCIAL SECURITY FUND**

### **1) DEFINITIONS:**

In these rules, the following words and expressions shall, unless repugnant to the context, have the following meanings:-

- i) “The Scheme” shall mean the Janashree Bima Yojana.
- ii) “Nodal Agency” shall mean the \_\_\_\_\_ in the state/U.T. of India for the time being appointed to administer the scheme.
- iii) “The Corporation” shall mean the Life Insurance Corporation of India established under Section 3 of the Life Insurance Corporation Act, 1956.
- iv) “The Member” shall mean member of the Society/Association/ \_\_\_\_\_ Union/ \_\_\_\_\_ who satisfies the eligibility condition and who has been admitted to the membership of the scheme.
- v) “The Insured Member” shall mean the particular member who has been admitted to the membership of the scheme and on whose life an Assurance has been or is to be effected in accordance with the rules.
- vi) “The Rules” shall mean the rules of the scheme as set out below and as amended from time to time.
- vii) “Effective Date” shall mean the 1<sup>st</sup> day of \_\_\_\_\_, the date from which the scheme commences.
- viii) “Entry Date” shall mean (a) in relation to original members the Effective date and (b) in relation to new members to be admitted to the scheme after

the effective date, the date on which they have been admitted as members of the scheme and entered in the Register of Insured Members.

- ix) “Annual Renewal Date” shall mean in relation to the scheme the 1<sup>st</sup> day of \_\_\_\_\_ and the 1<sup>st</sup> day of \_\_\_\_\_ in each subsequent year.
- x) “Terminal Date” shall mean in respect of each Insured Member the date on which he completes the age of 60 years.
- xi) “The Assurance” shall mean the particular Assurance to be effected on the life of the member.
- xii) “The Beneficiary” shall mean the person or persons who has/have been appointed by the Insured Member as Beneficiary/beneficiaries and whose name or names have been entered in the Register of Insured Members kept by the Nodal Agency.

2) Nodal Agency will act for and on behalf of the Insured Members in all matters relating to the scheme and every act done by agreement made with and notice given to the Corporation by the Nodal Agency shall be binding on the members.

3) Nodal Agency to furnish particulars The Nodal Agency shall furnish to the Corporation all the relevant particulars of members as are required in connection with the administration of the scheme, such as particulars on New Members, Death of insured members and other particulars of verification of eligibility conditions. The Nodal Agency shall furnish to the Corporation all the relevant particulars as may be called for by the Corporation.

#### **4) ELIGIBILITY:**

- a) All Male and Female members who are:
  - 1) Aged not less than 18 years and not more than 60 years;

- 2) Engaged as \_\_\_\_\_ / in the occupation of \_\_\_\_\_;
- 3) Members of \_\_\_\_\_ Society / Union
- 4) Below the poverty line or marginally above poverty line, and
- 5) Any other qualifying condition (to be specified), shall be eligible to join the scheme.

Present members who on the effective date satisfy the above eligibility conditions shall join the schemes as from that date. Present members who are not within the above category on the effective date and future members shall join the scheme on the date on which they satisfy the above eligibility conditions.

- b) No Insured members shall withdraw from the scheme while he is still an eligible member satisfying the conditions of eligibility described above.
- c) An Insured Member shall participate in the benefits of the scheme as long as he is eligible. He shall cease to be an Insured Member as from the date on which he ceases to fulfill the eligibility conditions.
- d) Minimum membership should be 25.

## **5) ADMISSION OF AGE:**

The Nodal Agency shall ensure that evidence of age satisfactory to the Corporation is furnished by every member at the time of his joining the scheme.

## **6) ADMISSION OF MEMBER:**

For the purpose of admission into the scheme, a member shall make an application in the prescribed form (Annexure III). The application form duly completed by the member and the nodal agency along with two copies of the

register of members in the prescribed form shall be maintained by the nodal agency (Annexure IV). If the declaration of health made by the member and other particulars in the application form are found to be satisfactory, the nodal agency shall admit him into the scheme. The decision of the nodal agency in this regard shall be final. The nodal agency shall maintain the copy of the Register of Members covered under the scheme and submit one copy thereof to the Corporation.

#### **7) ASSURANCE:**

An assurance shall be effected in the life of each Insured Member under One year Renewable Group Term Assurance Plan for a sum assured of Rs. 20,000/- . Subject to the provisions of these rules, the Assurance shall be renewed on each Annual Renewal Date. The Assurance held by the Nodal agency UPON TRUST for the benefit of the persons entitled to in accordance with these rules.

#### **8) ANNUAL PREMIUM AND CONTRIBUTION:**

The annual Premium payable for securing assurances in para (7) shall be at the rate of Rs. 10/- (Rupees Ten) per thousand Sum assured per member.

Out of the annual Premium of Rs. 200/- mentioned above for every member, each member/society/Association/Union/State Govt. shall contribute 50% of the premium i.e. a sum of Rs. 100/-, unless revised. This contribution shall be payable on the entry date and each subsequent Annual Renewal Date.

The balance of 50% of the premium per member payable on the entry date and each subsequent Annual Renewal Date shall be adjusted out of the Social Security Fund set up by the Corporation.

The Conditions of assurance and rates of premium may be revised upward or downward by the corporation based on claim experience on Annual Renewal Date subject to 3 months' notice being given to the nodal agency.

The nodal agency shall arrange to remit the amount of members' share of premium (i.e. 50% of the total premium) to the designated office of the Corporation, as may be intimated.

## **9) BENEFITS ON DEATH PRIOR TO TERMINAL DATE:**

Upon the death of an Insured Member whilst he is insured prior to Terminal date, the sum Assured of Rs. 20,000/- shall become payable to the nodal agency for the benefits of the beneficiary of the Insured Member.

In case of death or partial/total permanent disability due to accident (as herein after defined) the following benefits shall become payable.

• On death	Rs. 50,000
• Permanent total disability	Rs. 50,000
• Loss of 2 eyes or 2 limbs OR	
1 eye and 1 limb	Rs. 50,000
• Loss of 1 eye or 1 limb	Rs. 25,000

“Death/Partial/Total permanent disability due to accident” shall mean the death/disability occurring within three calendar months of the happening of bodily injury, resulting solely and directly from accident caused by violent, external and visible means independently of any other cause, but not the death/disability by the following:

- 1) Caused by intentional self injury, suicide or attempted suicide, insanity or immorality or whilst the Member is under the influence of intoxicating liquor, drug or narcotic.
- 2) Caused by injuries resulting from riots, civil commotion, rebellion, war (whether war be declared or not), invasion, hunting, mountaineering, steeple-chasing or racing of any kind; or

- 3) Resulting from member committing any breach of the law.

## **10) TERMINATION OF ASSURANCE:**

The Assurance on the life of an Insured Member shall immediately terminate upon the happening of any of the following events and no benefit will become payable there under,

- a) Discontinuance of contributions relating to the assurance or
- b) The insured member reaching the Terminal Date, or
- c) The Insured Member ceasing to satisfy one or more of the eligibility conditions, or
- d) The Insured Member ceasing to be a member of the \_\_\_\_\_ Society/Association/Union \_\_\_\_\_, or
- e) The Insured Member failing to pay his share of contribution.

## **11) RESTRAINT ON ASSIGNMENT:**

The benefits assured under the scheme are strictly personal and cannot be assigned, charged or alienated in any way.

## **12) DISCONTINUANCE OF THE SCHEME:**

The nodal agency reserves the right to discontinue the scheme at any time or any Annual Renewal Date, subject to 3 months' notice being given to the Corporation. The Corporation also reserves a similar right to discontinue the scheme given 3 months' notice.

**13) JURISDICTION:**

All Assurances issued under the scheme shall be Indian contracts. They will be subject to Indian Laws including the Indian Insurance Act, 1938 as amended, The Lifer Insurance Corporation Act 1956, the Income-tax Act, 1961 and to any legislation subsequently introduced. All benefits under the scheme arising out of death of any Insured Member shall be payable in Indian Rupees.

**14) MASTER POLICY:**

The nodal agency will be required to complete a Master Proposal Form. The Corporation will issue a Single Master Policy incorporating all the assurances affected under the Scheme.

**15) APPOINTMENT OF BENEFICIARY:**

Every Insured Member shall appoint, in the prescribed form one or more from among the spouse or child/children or dependents to be the Beneficiary or Beneficiaries. In the event of death of the Insured Member whilst being covered under the scheme, the benefits under the Assurance on his life will be paid to the nodal agency for the benefit of the beneficiary or beneficiaries appointed by the Insured Member. If the Insured Member does not have a spouse or child/children or dependents, then he shall appoint his legal representative to be the beneficiary.

## **KRISHI SHRAMIK SAMAJIK SURAKSHA YOJANA 2001**

The salient features of the scheme are as under:

**OBJECT:**

**The object of this scheme is to provide life insurance protection, periodical lump sum survival benefit and pension to the agricultural workers**

**ELIGIBILITY:**

- a) Persons between age 18 years and 50 years.
- b) Persons following one or more of the following agricultural occupations in the capacity of a labourer on hire, whether paid in cash or kind or partly in cash and partly in kind a) farming b) dairy farming c) production, cultivation, growing and harvesting of any horticulture commodity d) raising of livestock, bee-keeping or poultry farming and e) any practice performed on a farm as incidental to or in conjunction with the farm operation.
- c) Minimum membership should be 20.

**BENEFITS:** (while the membership is in force)

**A) Death**

On death before age 60

- a) Payment of sum assured of Rs. 20,000/- along with return of accumulated amount with interest to the nominee.
- b) Payment of an additional sum assured of Rs. 30,000/- in case of death due to accident, along with return of accumulated amount with interest to the nominee.

**B) Disability**

On disability due to accident before age 60

- a) In case of total permanent disability i.e. loss of two eyes or two limbs of use or one eye and one limb of use, Rs. 50,000/-
- b) In case of partial permanent disability i.e. loss of one eye or one limb of use Rs. 25,000/-

**C) Survival Benefits :**

Lump Sum Survival benefits will be provided at the end of every 10<sup>th</sup> year after entry into the scheme till the member attains 60 years of age. The Lump sum amount will depend upon the accumulation in his/her account. Further, lump sum benefit will be paid only if the membership is in force.

**D) Pension:**

Pension will be paid to the member on reaching age 60. The amount of pension will depend upon the accumulated balance in his account and the annuity rates at that time. Further, if member has paid for a minimum period of 10 years, then at least Rs. 100/- per month pension will be payable.

**PREMIUM:**

The member will pay Rs. 365/- per annum, payable quarterly/half yearly/yearly. Double the amount will be contributed from the Social Security Fund

**NODAL AGENCY:**

Gram Panchayat will be the nodal agency, who with the help of NGO/SHG or any other agency will identify the agricultural workers, organize them into groups of minimum 20 and submit the proposals to LIC .

**WITHDRAWAL BEFORE 60 YEARS:**

In case of withdrawal of member before reaching age 60 due to non-payment of premium, only accumulated amount of his own contributions ie., at the rate of Rs.265/- per annum with interest shall be paid to the member/nominee in the event of survival/death.

The membership can be reinstated by payment of arrears of premium with interest thereon.

#### **CLAIM PROCEDURE:**

##### **a) On Survival**

The beneficiary will have to submit the claim form, through the Nodal Agency, to avail of the survival benefits.

##### **b) On death**

The nominee of the deceased member will be required to furnish the original Death Certificate to the Nodal Agency who will forward it to LIC, P&GS Unit along with the other claim papers. In case of accidental claim, FIR, Police Inquiry Report will also be required to be submitted.

LIC will settle the claim by sending A/C Payee cheque directly to the beneficiary.

## **BUNKAR BIMA YOJNA FOR HANDLOOM WEAVERS**

An arrangement has been made with Development Commissioner (Handlooms), New Delhi for implementation of Insurance scheme for Handloom Weavers. The scheme would be implemented all over India from all P&GS Units. The salient features of the scheme are:

1. The scheme would be combination of Janashree Bima Yojana and ordinary Group Insurance Scheme. The units should be issue separate Master Policies for
  - i) Janashree Bima Yojana and
  - ii) Ordinary Group Insurance.
2. The cover under Ordinary Group Insurance Scheme is Rs. 30,000/- for natural as well as accidental death. In other words addition benefit is not payable in case of deaths due to accident
3. The premium of Rs. 100/- under Janashree Bima Yojana will be contributed as follows:

Rs. 40 /- by the members

Rs. 60 /- by Development Commissioner (Handlooms), New Delhi.
4. For Ordinary Group Insurance Scheme we would be changing Premium of Rs. 180 /- per member per annum (for cover of Rs. 30,000 /-). The set premium would be contributed equally by member as well as Development Commissioner (Handlooms), New Delhi.
5. Members are given an option of choosing either of the scheme or both.
6. The office State Director-in-Charge of Handlooms and Textiles and its subordinate offices in the field shall be the Nodal Agencies for implementation of the scheme.
7. Mater policies will be issued to the Nodal Agencies.
8. As these schemes are All India Schemes for every Master Policy there is no need to look for the stipulation regarding minimum membership.
9. The life cover would start from the date of receipt of members' share. Office of Development Commissioner(Handloom0 has paid an amount of Rs. 150 lakhs /- on 31<sup>st</sup> march, 2004 towards their share of premium viz. Rs 60 under

Janashree Bima Yojana and Rs. 90 /- under Group Insurance. This amount is lying in books of Central Office as deposits and will be adjusted towards premium on the basis of information received from Units in this regards on Monthly basis.

10. Development Commissioner(Handlooms) has proposed to cover eight lakhs handloom weavers during the tenth plan

11. If the membership for some of the policies is very less the same be taken up with State Director-in-Charge of handlooms and textiles and its subordinate's officers in the field at the renewal stage and if possible the master's policies should be merged at the time of renewal.

The changes are given below for ready reference.

**For Janashree Bima Yojana:**

Definitions: 8. annual premium and contribution – Para (II) to be changed as under.

Out of the annual premium of Rs. 200 /- mentioned above for every member 50% of the premium i.e. a sum of Rs. 100 /- unless revised, will be contributed as follows:

Rs. 40 /- will be paid by each member

Rs. 60 /- will be paid by Development Commissioner (Handloom)

This contribution shall be payable on the entry date and each subsequent annual renewal date.

**For Group Insurance Scheme:**

Section II (6) Contributions – to be changed as under.

The nodal agency shall pay to the Corporation an amount of Rs. 90 /-(Rupees Ninety) in respect of each member on the entry date and the relevant annual renewal date. The

balance Rs. 90/- (Rupees Ninety) shall be paid by the Development Commissioner (Handloom) i.e. is a sum of Rs. 180 /- unless revised

## **GROUP INSURANCE SCHEME FOR AANGANWADI WORKERS AND HELPERS**

The Group Insurance scheme for Aanganwadi Workers and Helpers has been finalized with the Department of Women and Child Welfare, Ministry of Human Resource Development. The scheme is implemented all over India, from all the P&GS units from 1<sup>st</sup> April, 2004.

It is called the “**AANGANWADI KARYAKARTRI BIMA YAJANA**”.

## **OBJECTIVES**

The objective of the scheme is to provide life insurance protection along with certain female critical illness benefits to Aanganwadi Workers and helpers aged between 18 to 59 years up to their attaining age 60 through a one year renewable group term assurance scheme.

## **ELIGIBILITY**

- All the identified Aanganwadi Workers and Helpers in the above age group can join the scheme.

## **NODAL AGENCY / MASTER POLICY HOLDER**

Each State Government / union Territory Administration will identify and nominate the appropriate nodal Agency to act for and on behalf of the insured members in all matters relating to the scheme. The normal duties and responsibilities of the Nodal Agency are as under:

- a) Enrollment of the members by collecting Application cum Nomination form from eligible persons.
- b) Submission of the same to the nearest P&GS unit of LIC of India along with a list of members and Members' contribution.
- c) Assisting the claimant in getting the benefits from LIC by forwarding to LIC the claim requirements.

## **SCHEME CONTENT**

The scheme is renewable every year. The benefit is available only on death / disability / affliction by certain critical illnesses described below:

The two components of above scheme are as under:

- a) Present Janashree Bima Yojana of LIC of India.
- b) Certain benefits of Female Critical Illness.

## **PREMIUM**

- The total annual premium under the above scheme is Rs. 280 /- pre member i.e. Rs. 200 /- for JBY and Rs. 80 /- (for providing critical illness benefit)
- Rs. 180 /- per annum is to be contributed by the member / Government as given below:
  - i. Rs. 100 /- by the Government of India, and
  - ii. Rs. 80 /- by the insured Aanganwadi Worker / Helper.
- Balance Rs. 100 /- will be borne by the Social Security Fund.

### **BENEFITS UNDER JBY**

- Death (other than by accident) Rs. 20,000 /-.
- Death or Total Permanent Disability due to accident Rs. 50,000 /-.
- Permanent partial Disability due to accident Rs. 25,000 /-.

### **FEMALE CRITICAL ILLNESS (FCI) BENEFITS**

An amount of Rs. 20,000 /- is payable on the diagnosis of invasive cancers (malignant tumors) manifest in the following organs (subject to proof of affliction satisfactory to LIC).

- i. Breast
- ii. Cervix Uteri
- iii. Corpus Uteri
- iv. Ovaries
- v. Fallopian tubes
- vi. Vagina / Vulva

A malignant tumor characterized by the uncontrolled growth and spread of malignant cells and the invasion of tissue that originates in one of the above anatomical sites is covered.

However following are excluded:

- i. All tumors that are described historically as pre – malignant.

- ii. All tumors that are described historically as Carcinoma in Situ.
- iii. Dysphasia of the Cervix (CIN I, CIN II, CIN III).

## **SURVIVAL PERIOD**

To claim the above mentioned benefits the life assured should be alive for a minimum period of two months from the date of first diagnosis of the critical illness.

## **SHIKSHA SAHAYOG YOJANA**

A free add on scholar ship benefit is available for the children of the members who are covered under the scheme as on the 31<sup>st</sup> may of the immediately following academic year.

## **OTHER OPERATIONAL MODALITIES**

- An Aanganwadi helper / worker who desires to join the scheme shall be required to fill up an application cum nomination form and submit the same to the nodal agency. The nodal agency must ensure that the member is not already covered under any other JBY related scheme.
- On receipt of the premium amount, the list of members covered along with the Master Proposal form from the nodal agency, LIC shall issue to the nodal agency a Master Policy. Master Policy will be issued in favour of the identified nodal agency only after Government's share of premium is received.
- In case of death / disability / affliction by any of the Critical illnesses described, the nominee / beneficiary shall submit the prescribed claim form through the nodal agency. The nodal agency shall forward the claim to the P&GS unit within 15 days of the date of receipt of the claim.
- The claim should be settled promptly, if the claim forms with the allied reports if any are found in proper order. The claim amount should be sent by a cheque drawn in favour of the nominee / member to the Master Policy holder for onward transmission to the nominee.

## **CLAIM REQUIREMENTS**

- For JBY – The requirements for natural deaths and accidental deaths or disability benefits are as per JBY rules.
- For Critical Illness: A report from the appropriate medical practitioner and diagnostic reports such as Histopathological report, report from the attending physician and report from Oncologist and / or other test which the corporation may prescribe from time to time.

## **SCHEME FOR AUTO RICKSHAW DRIVERS**

Social Security group Insurance scheme – **Auto Rickshaw Drivers & Rickshaw pullers Rules.**

Dated: 4<sup>th</sup> October, 1988

In the scheme Rules in Section II Clause 6, 7 and 8 shall be substituted thereof.

6. **Assurance:** An assurance shall be affected on the life of each member in the One Year Renewable term Assurance plan for a sum assured of Rs.3000 with Double Accident Benefits as described in Rule 8 hereafter.

7. Contribution: For securing assurance mentioned in rule 6 above the Contribution shall be at the rate of Rs. 30/- per member payable on the Entry Date and on relevant Annual Renewal Dates in respect of each member.

Out of the annual premium of Rs. 30/- mentioned above every member shall contribute a sum of Rs. 15/-(Rs. Fifteen only). This contribution shall be payable on the Entry Date and each subsequent Annual renewal date.

The amount of contribution of Rs. 15/- per member payable on Entry Date and each Subsequent Annual Renewal Date shall be adjusted out of the Social Security Fund set up by the corporation.

8. Benefits payable on death and disability prior to terminal date :

- A) Upon the death of a member prior to terminal date the sum assured of Rs. 3,000/- under the assurance then in force shall become payable to the Nodal agency for the benefit of the beneficiary.
- B) If the death of the member takes place due to accident and without Cause intervening, an additional sum of Rs. 3000/- shall become payable to The nodal agency for the benefit of the beneficiary.

Note: ‘Death due to Accident’ shall mean:

Death occurring within 90 days of the happening of bodily injury resulting solely and directly from accident caused by violent, and visible means independently of any other cause. However, due to accident shall not include death –

- 1. caused by intentional self-injury, suicide or attempted suicide, insanity, immortality or whilst the beneficiary is under the intake of intoxicating liquor, drug or narcotic, or
- 2. Taking place as a result while the beneficiary is engaged in aviation or aeronautics in any capacity other than that of a fare paying, part paying or

non-paying passenger in any aircraft which is authorized by relevant regulations to carry such passengers and flying between established aerodromes, the beneficiary having at that time no duties on board the aircraft or requiring descent there from.

3. Caused by injuries resulting from riots, civil commotion, rebellion war (whether war declared or not), invasion, hunting, mountaineering, steeple chasing or racing of any kind or
4. Resulting from beneficiary committing any breach of the law or
5. Arising from employment beneficiary in the armed forces or military service, of country at war (whether war be declared or not) or from being engaged in police duty in the military, naval or police organization.

C) If, as a result of accident before the terminal date, the member becomes permanently disabled with loss of sight of both eyes or amputate of both hands at or above wrist or amputation of both feet at or above the ankles, a minimum sum of Rs. 2,250/- shall become payable to the nodal agency. The balance sum of Rs. 750/- shall become payable on the members death.

D) If, as a result of accident before the terminal date, if partial disability occurs by way of loss of one eye only or amputation of one hand only at or above the wrist or amputation of one foot only at or above the ankle, a minimum sum of Rs. 1,500/- shall become payable to the nodal agency and the balance amount of Rs. 1,500/- shall become payable the death of the member

## **CHAPTER 6**

## **RECOMMENDATIONS AND**

## **SUGGESTIONS**

As far as the schemes are concerned, they have been designed very accurately in order to meet the needs of insurance of the Rural Consumer. LIC has done a fairly excellent job by taking into consideration all the aspects of the rural life style and income levels

while designing these schemes. Thus the schemes as such do not have any major flaws and are an excellent product to sell to rural masses.

The next point to highlight the **delivery mechanism** of these schemes to the rural people. As specified earlier LIC has a very specific link for the delivery of these schemes. The link is between LIC to Nodal agency to the actual Rural Consumer. Thus the major link between LIC and the rural consumer is a Nodal Agency. Thus ideally every possible nodal agency should be knowing what kinds of schemes are offered, should be their reach, who can it cover and so on. This responsibility lies in the hand of both the LIC and the nodal agency. But there is a complete lack of communication between LIC and their major intermediary i.e. a nodal agency. The responsibility of LIC to rethink their link and the delivery mechanism of these schemes. They mainly need to identify what kind of a problem is there in this mechanism and have can it be rectified in order to make rural insurance successful concept.

The problems will be solved only when such marketing and publicity practices are taken up by the insurance sector in general and not considered as the burden of the IRDA or the LIC alone. Even the IRDA has to make efforts to educate the rural masses on the concept of insurance.

Last but not the least, rural insurance and its significance is well understood by LIC of India being a government entity, but this concept and its importance needs to be communicated to all the other players in the market to achieve all round development of the insurance sector in rural areas. This responsibility fall in the hands of the IRDA. The Authority should take necessary steps and form necessary rules and regulations if required to communicate to the private players the importance of rural insurance in the over all development of the sector.

## **CHAPTER 7**

## **CONCLUSION**

An attempt has been made in this project to view in detail the concept of rural life coverage and rural insurance in a country like ours. Rural India is seen as one of the biggest markets in the world. It has maximum potential and this potential is being tapped by all the companies in all the possible sectors be it FMCG or Banking, Telecom or Information Technology and so on. But for no valid reason the insurance companies are still reluctant to enter the rural areas even after seeing such wide

potential and such assurance of success. The reason being unknown apart from LIC of India, no other company seems to be actually interested in tapping the huge market of over 70 % out of the 1 billion people.

The question is not only of tapping the untapped market but also using life insurance as a tool for security and progress of Rural India. It needs to be explained to the people that this concept of rural insurance is much better than their traditional and most of the modern forms of savings and the sudden need for money can be satisfied very well in any case. The popularity of insurance is not as expected in these areas. Even though LIC has done 50 % of its business in the rural areas this year, this has all come from the richer section of rural population in India. The under developed still remain to be illiterate about the concept.

As far as I am concerned, I have learned a lot about the potential requirements of rural India while doing this project. It's not only related to insurance but all basic requirements and having conditions in Rural India. The number of schemes and policies brought out by LIC and a few other companies are quiet remarkable and work towards the cause needs to be intensified. To sum up the project it's been an excellent learning experience over all

## **Will LIC remain Insurer No. 1?**

The Life Insurance Corporation (LIC) so far reigned supreme. And the result, LIC became almost synonymous with life insurance. With an army of **6,28,301** dedicated agents, thousands of policyholders, and 2048 branches around the country, it can truly afford to boast of its gigantic size. The insurance industry is witnessing a never before transformation. The LIC is no more a monopoly. Private insurers have charged in and newspapers these days are splattered with insurance advertisements like never before. Global insurers are all set to woo customers with their products and have brought in their professionalism and improved service, which will hopefully ensure a much better treat for the Indian customer. The battle for garnering a larger market share has begun already between the behemoth and a number of private insurers. While the

private insurers, to create awareness have increased their mediaspend, if recent reports are any indication LIC seems to be benefiting out of the exercise. Private insurers are learning from LIC's failures and drawbacks and LIC's advantage is the monopoly it enjoyed so far, the long standing goodwill - its asset as also its huge established network of agents while private insurers have only made a beginning and have a long way to go. It is too early for private insurers to take on a giant as the LIC. But it is certain that competition will increase and in course of time innovative, never-before insurance products will hopefully be rolled out. And the ultimate winner will be the consumer.

## **ANNEXURES**

### **SCHEMES BY ICICI PRUDENTIAL**

#### **Rural Plans**

ICICI PruLife Rural Products are designed to meet the needs of the rural consumers. These products offer the following features:

1. Low and Affordable Premiums
2. Life Cover

3. Savings Option
4. Hassle free procedure

ICICI Prudential offers 2 specially designed rural plans.

- ICICI Pru Mitr – Endowment Plan
- ICICI Pru Suraksha - Regular Premium

**ICICI Pru Mitr** offers the following features:

- Life Cover and Savings
- Regular Premiums
- Age at entry : 18 - 45 Yrs
- Premium Mode : Half Yearly / Yearly
- Term : 5,10,15 Yrs
- Sum Assured : Rs.5,000 -20,000
- Premium / Year : Rs. 507 - 553 ( SA: Rs.10,000)
- Maturity/Death benefit : Sum Assured

**ICICI Pru Suraksha** is a regular premium policy with the following features:

- Individual policy
- Only Life cover
- Term - 3 & 5 Yrs
- Age independent premium
- Age at entry : 18 - 45 Yrs
- Sum Assured : Single
- Premium / Year : Rs 50 - 200

- Maturity/Death benefit : Rs.5,000 - 20,000
- Death Benefit : Sum Assured

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