

IMPACT OF INSURANCE SECTOR REFORMS ON THE  
WORKING AND PERFORMANCE OF  
LIFE INSURANCE CORPORATION OF INDIA

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9/11/2020

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ABSTRACT

Submitted to

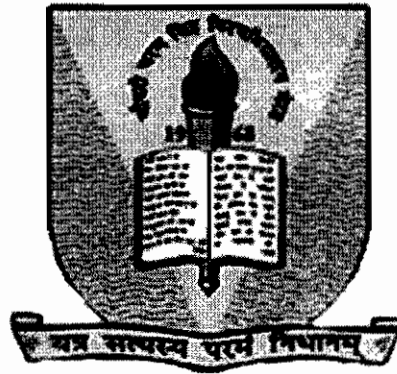
Chaudhary Charan Singh University, Meerut

for the Award of Degree of

DOCTOR OF PHILOSOPHY

in the faculty of

COMMERCE AND BUSINESS ADMINISTRATION



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Insurance is a contract between two parties, i.e. insurer and insured. Under which one party (Insurer) agrees to pay compensation to another party (insured), against the premium of actual loss occurs to property or life.

The present research work is to examine the business performance of LIC of India in the wake of insurance sector reforms. The study covers a period from 1993-1994 to 2014-2015.

The summary of the findings are as follows:

### **I. Evaluation of overall performance of LIC**

Performance refers to the successes and failures of the undertaking in achieving the targets and objectives.

1. New Business refers for approaching those people who have never availed of the benefits of Life-insurance as well as the existing policy holders. The compound growth rate of the entire period of study is 9.85%.

2. The business performance under individual insurance outside India shows that the compound growth rate of 0.0432197%.

3. Performance of corporation in new business in rural market shows a compound growth rate of number of new policies and sum assured for the entire period of study is 0.00280803% & 0.0717618%.

4. The performance of LIC in respect of total business under individual insurance reveals a significant growth rate.

5. The performance of LIC in the international market reveals compound growth rate of premium income of business in force out of India has been

0.07336363, number of policies is 0.01394453 and sum assured of offshore business in force for the entire study period is 0.07035303.

6. The performance of LIC in group insurance shows a compound growth rate of 2.42 and total annuity for the entire period is 25.29%.

8. The number of active agents increased from 524,427 in 1993-94 to 1,081,495 in 2014-15 showing tremendous growth over the period.

9. LIC also made an effort to increase the percentage share of first year premium especially after privatization.

10. In terms of average sum assured per policy, analysis reveals that in 1993-94, each policy sold by LIC was for an average sum assured was Rs. 38,894 which increased to Rs. 205006 in 2014-15.

11. LIC performance in respect of policies as well as sum assured shows a compound growth rate of 1.09%.

Thus, the overall performance of Life Insurance Corporation of India has been quite satisfactory in respect of almost all the parameters.

### **Evaluation of productivity of LIC**

Productivity is a combination of effectiveness and efficiency. Productivity of LIC may be measured in terms of the following indices.

1. New business under individual insurance shows the compound growth rate of 10.81%.

2. The analysis reveals that the average business done by each agent has increased from Rs 7.97 lakhs to Rs. 37.73 lakhs.

3. The productivity in terms of performance of agents shows an increment from 20 policies in 1993-94 to 30 policies in 2001-02 and again falls up to 18 policies per agent in the year 2014-15.

4. The productivity of branches in terms of premium income received by branches show an overall compound growth rate was 9.79%.

5. The performance of agent is highly linked with the premium they collect which was on an average remains 6.37%.

#### **1. Investment Portfolio of LIC**

Investment portfolio of LIC reveals that:

1. The total investments of funds shows that among the three sectors, a major investment have been made in the public sector by the LIC then comes the private sector and the least share in the co-operative sector.

2. The compound growth rate of the total amount of loan advanced for the entire period was 11.57% which was very significant.

Thus, it is concluded that the overall performance of LIC increment from 1993 to 2001 but started falling after the privatization, i.e., after 2001.

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