**PERFORMANCE OF LIFE INSURANCE CORPORATION OF INDIA IN KARNATAKA-A CASE STUDY**

**SYNOPSIS OF THE PROPOSED RESEARCH WORK**

**Submitted To**

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**Introduction**

Insurance is described as a social device in reducing or eliminate risks of loss to life and property. It is a provision which a prudent man makes against inevitable contingences, loss or misfortune. Under the plan of insurance, a large number of people associate themselves by sharing risks attached to individuals as in private life; in business also there are dangers and risks of different kinds. The aim of all types of insurance is its make provision against such dangers. The risks which can be insured against include fire, the perils of sea (marine insurance), death (life insurance) and accidents & burglary. Any risk contingent upon these may be insured against at a premium a commensurate with the risk involved. Thus, collective bearing of risk is insurance.Insurance industries in India now a day have taken a giant shape especially after privatization and introduction of Insurance Regulatory & Development Authority (IRDA).

Life Insurance Corporation of India is one of the most significant public sector which plays excellent job in selling its products. It continues to be the dominant life insurer in the country and is moving fast on a new growth trajectory surpassing its own past records. From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business.

The Life Insurance Corporation of India popularly known as “LIC of India” was incorporated on September 1, 1956 by nationalizing 245 Indian as well as foreign companies. It is the largest life insurance company in India and also the country’s largest investor which function with more than 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. LICs ECS and ATM premium payment facility is an addition to customer convenience. The digitalized record of the satellite offices will facilitate anywhere to serve and other convenience in the future. LIC has crossed many milestones and has set unprecedented performance records in various aspect of life insurance business.

**The important objectives of Life Insurance Corporation of India (LIC) are:**

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.

**Types of Insurance Policies**

At present the different types of Life Insurance Plans are found in the market. As we know that Life Insurance is important for everyone to protect family in case of their demise the insured money will save their family for educating their children and marriage etc. According to once needs, one can choose Life Insurance Scheme of any form. The different types of policies existing with LIC of India include:

**i. Term Insurance Policy**

This policy is pure risk cover with the insured amount will be paid only if the policy holder dies in the period of policy time. The intention of this policy is to protect the policy holder’s family in case of death. For example, a person who takes term policy of Rs.500000 for 20 years, if he dies before 20 82 years then his family will get the insured amount. If he survive after 20 years then he will not get any amount from the insurance company. It is the reason why term policies are very low cost. So, this type of policy is not suitable for savings or investment.

ii. **Whole Life Policy**

As the name itself says, the policy holder has to pay the premium for whole life till his death. This policy doesn’t address any other needs of the policy holder. Because of these reasons this kind of policy is not very popular or insurance company not suggesting to take this policy.

**iii. Endowment Policy**

It is the most popular Life Insurance Plans among other types of policies. This policy combines risk cover with the savings and investment. If the policy holder dies during the policy time, he will get the assured amount. Even if he survives he will receive the assured amount. The advantage of this policy is if the policy holder survives after the completion of policy tenure, he receives assured amount plus additional benefits like Bonus, etc. In this kind of policy, policy holder receives huge amount while completing the tenure. In addition to the basic policy, insurers offer various benefits such as double endowment and marriage/ education endowment plans. The cost of such a policy is slightly higher but worth its value.

**iv. Money Back Policy**

Money Back Policy is to provide money on the occasions when the policy holder needs for his personal life. The occasions may be marriage, education, etc. Money will be paid back to the policy holder with the specified duration. If the policy holder dies before the policy term, the sum assured will be given to his family. A portion of the sum assured is payable at regular intervals. On survival the remainder of the sum assured is payable.

**Insurance Plans in LIC**

The insurance plans of LIC provide the most suitable options that can fit customer’s requirement. They are: LIC Product Portfolio Children Plans,JeeevanAnurag CDA Endowment Vesting at 21, CDA Endowment Vesting at 18,Jeevan Kishore Child Career Plan, Child Fortune Plus Marriage Endowment or Educational Annuity Plan • JeevanChhaya • Child future Plan Plans for Handicapped Dependents JeevanAadharJeevanVishwas Endowment Assurance Plans • The Endowment Assurance Policy • The Endowment Assurance PolicyLimited Payment • JeevanMitra (Double Cover Endowment Plan) • JeevanMitra (Triple Cover Endowment Plan) • JeevanAnand • New Janraksha Plan • JeevanAmrit Joint Life Plan JeevanSathi Decreasing Term Assurance To Cover Home Loan Payment Mortgage Redemption Money Back Plans JeevanVarsha The Money Back Policy-20 years The Money Back Policy-25 years Jeevan Surabhi-15 Years Jeevan Surabhi-20 Years Jeevan Surabhi-25 Years.BimaBachat Special Money Back Plan for women • Jeevan Bharti-1 Whole Life Plans The Whole Life Policy The Whole Life Policy –Limited Payment The Whole Life Policy – Single Premium JeevanAnandJeevanTarang Term Assurance Plans • Two year Temporary Assurance Plan • The Convertible Term Assurance Policy • AnmolJeevan- 1 • AmulyaJeevan -1 Plans for High Worth Individuals Jeevan Shree-1 JeevanPramukh Unit Linked Plans • Market Plus –I • Profit Plus • Fortune Plus • Money Plus-I • Child Fortune Plus 96 Pension Plans • JeevanNidhi • JeevanAkshay-VI • New JeevanDhara-I • New JeevanSuraksha-I Group Scheme Group Term Insurance Schemes Group Term Insurance Scheme in Lieu of EDLI • Group Leave Encashment Scheme • Group Mortgage Redemption Assurance Scheme • Gratuity Plus • Group critical Illness Rider Special Plans Golden Jubilee Plan New Bima Gold Special Plan BimaNivesh 2005 JeevanSaralJeevanMadhur Health Plus Social Security Scheme • JanashreeBimaYojna (JBY) • SikshaSahayogYojana • AamAdmiBimaYojana

**Factors affecting life insurance Policies**

Life Insurance policy is a contract between the insurance company and the insured or the policy holder. The objective of buying a best life insurance policy in India is to cover individual adequately so that in case of his death, his beneficiary still manages to maintain the same lifestyle. The death benefit can also help pay off debts or overcome the contribution of his earnings. But nevertheless, buying a good life insurance policy covering his needs appropriately is absolutely dependent on him. He has to be very clear about what is dear to him and what he want to cover. If he is the only bread winner in the family then his goal should be to cover himself adequately or if there are other members like his spouse contributing to the earnings, get him and his spouse a good cover sufficient to protect his family in times of crisis. Many people look at life insurance policies critically, but it is the only financial support one can expect in critical times. This is also the reason we pay premium year after year to avail its service.

**The important factors predominantly affect once life insurance policies are:**

1. Age - The younger the person the premium will be cheap. The moments once get old the premium tend to rise. This is because the older the person more prone to risks than the younger people. An insurance company does this slotting as per the mortality chart available to them.

2. Sex - The women folks live longer than men; thus the premium of a man's life insurance policy is always on the higher side than that of a woman. It is also justified that the early death of man is because of stressful life they lead, the pressure of being the bread winner, etc.

3. Occupation - The premium of once policy will definitely be high because ther job involves high risk. And the insurance companies charge for covering the risk. If a teacher working in a low risk zone so his premium will be lower.

4. Health - Health is often the most important factor, followed by age and sex which affects once life insurance policy. Someone with poor health will have to pay a very high premium, or even be uninsurable. Poor health raises the rates for life insurance policy because it decreases the number of years likely to pay premiums and increases the risk of paying a claim early.

5. Lifestyle - If anyone leads a lavish life then premium to be paid will obviously be on the higher side. To enable the beneficiary to maintain the same grand lifestyle, one has to cover himself exponentially.

**Performance of LIC of India- A Review**

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company in India. Prior to 1912 India had no legislation to regulate insurance business. The Life Insurance Companies Act of 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it was much later on 1956 life insurance in India was nationalized. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

The life insurance industry started with a modest beginning in the year 1957 with Rs 82 Crores of funds. The business performance of life industry for the period ending 31.12.1957 was Rs 13 Crores First Year Premium on 9.5 lakh policies. The number of direct agents was 12387 in the year 1958 who contributed just 7% to the total business. As against this, the life fund of the industry scaled to Rs 154043 Crores in the year 2000 and the industry has underwritten Rs 26250 Crores of premium for the year ending 31.03.2000 on Rs.1.69 Crore number of policies. As against this back drop, the life insurance industry after first 10 years of its operation has done a business of Rs 109894 Crores of First Year Premium on Rs.5.32 Crores of new policies with 2978283 individual agents by 31st March, 2010. The industry also contributed significantly in Group Insurance. As at the end of March, Rs.2010, 8.07 Crores of lives were covered under 28,659 schemes by collecting Rs 27550.48 Crores of premium.

The growth of total funds under management of the industry is quite phenomenal since the opening up of the industry. From Rs 2,60,552Crores in the year 2002-03 the total funds under management scaled to Rs 12,05,155 Crores. The total life insurance premium garnered by Life Insurance industry in the year 1999-00 was Rs. 26250 Crores as against this the industry garnered Rs.2, 61,172 Crores in the year 2009-10. The capital deployed by Life Insurance Industry which was Rs.5 Crores in the year 2000 stood at Rs.28,943 Crores in 2010. The progress achieved by industry in the first decade of privatization is excellent and also indicates the extent of confidence of insuring public that its own.

The number of new policies marketed grew from 14.69 lakhs in 1961 to 2.18 croress in 2004-05 and the sum assured under this business rose to high of Rs.1, 79,886.66 croress in 2004-05 from Rs.336.67 croress in 1957. The total funds of the corporation also grew from Rs.702.80 cr. in 1961 to Rs.4, 16,910.36 cr. in 2004-05. Investments, which were Rs.329.74 cr in 1957 rose to a high of Rs.4, 13,800.95cr in 2007-08, all of which gets deployed for the development of the nation. The LIC has huge investible funds and the main source comes from the premiums collected from the policy holders. The Corporation invests funds in various states, industries and also in various other countries. The LIC, while investing its fund, has to consider various factors and forces such as safety, liquidity and productivity of fund with various other regulatory bindings in terms of investment norms, asset liability management etc. In short, the LIC has to make its investments within 97 the ambit of these bindings as a result, the corporation is not in apposition to pursue a prudent investment policy due to which its investment income may come under pressure. Adding fuel to the fire, the falling interest rate would also adversely affect the investment performance of the Corporation. Still at present LIC continues to be the dominant life insurer even in the post-liberalization phase of the Indian insurance industry. The average premium growth rate so far has been 20%. With the targeted Rs.1,75,000 crores total premium by the end of current fiscal, The life insurance giant has got a market share about 75%.The corporation has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The state- owned corporation is targeting a business of over Rs.3, 00,000 crores by 2011-12. The life insurance major expects its assets size to grow about Rs.6, 00,000cr or 75% in the next three years.

The setting up of the Insurance Regulatory and Development Authority (IRDA) was a clear signal of the end of the monopoly in the insurance sector. It has become imperative for LIC to face the competition posed by the entry of new private players. If under this pressure, Life Insurance Corporation of India improves its performance, the whole economy will be benefited. The insurance industry has undergone a drastic change since liberalization, privatization and globalization of the Indian economy in general and the insurance sector in particular. For almost four decades LIC has been sole player with virtual monopoly in the life insurance sector. The entry of so many companies in this sector was likely to affect the performance of Life Insurance Corporation. Thus the LIC public sector giant, which never faced competition earlier, now has to compete with the private players who boast of the rich and long experience of their partners from the developed countries of the world. It becomes imperative at this instance to appraise the performance of Life Insurance Corporation of India. Hence this study is proposed to undertake with a view to examine the performance of LIC in Karnataka.

**Measures for Challenges**

To separate themselves from the competition, some insurance companies have responded by changing the game. They develop their core processes to extend their capabilities. They provide customers with instant online and comparative quotes, Web-based documentation and faster claims processing, and are bundling products according to customers’ needs. The key to bringing in more business, improving the service to the business you already have and improving your core capabilities is to bring people, departments and systems together that were previously disconnected. Insurance companies need to help providers, underwriters, business partners and agents share information and capitalize on opportunities to better serve customers. Products must be flexible and interchangeable, the process necessary to deliver must be integrated, and the technologies that support must support the free flow of -information.

**Significance and Statement of the problem**

In this present world human life become so risky and life insurance is a very significant factor in human life.Life insurance being an important form of social security.The present study gives the perfect knowledge of life insurance and current situation of LIC plans.

The performance of LIC has shown considerable improvement in business, giving substance to the corporation’s objective of extending benefits of life insurance to the maximum number of people in the country.However a detailed performance evaluator study of this sector has not being made through a research effort. Hence this study is proposed in order to evaluate the performance of the LIC in India with a particular reference to Karnataka. Thus, the progress of Life Business of LIC will be evaluated by various parameters such as growth of new business, performance of business in force, benefits of insurance products etc. During the period from 2005 to 2016, the performance of Life Insurance business will be measured on the basis of gross premium income and net premium income. The term gross premium refers to the total premium earned from the customers. The insurers normally avail reinsurance on their policies to hedge against huge losses affecting their financial position for which they pay a portion of the premium earned. As the objectives of the Insurance policy is to spread of insurance awareness amongst prospecting public, increasing levels of insurance penetration and meeting rural and social obligations, this study also aimed toanalyze the major source of income of the sampled unit, as well as the significant heads of expenses of LIC to measure the performance during the period of the study.

**Review of Literature:**

In order to find out the gaps in the proposed research problem the literature already available needs to be reviewed. Hence an attempt is made here to examine the same which in turn enable to get an idea on the unexplored area on the performance of the LIC in Karnataka a more distinct study from other studies. The literature available is presented as below:

**Ram Mohan Roy (1941)** in his thesis entitled “Life insurance in India” has highlighted the significance of life insurance services. This study deals with some of the problems faced by the policy holders and throws light on the several scientific measures to expand the life insurance business. There are different types of investment, but in India many people prefer investing in insurance Investments are often made indirectly through intermediaries, such as banks, mutual funds, pension funds, insurance companies, collective investment schemes, and investment clubs... The investor becomes comfortable hence there is larger amount of confidence then can develop which makes the entire investment process enjoyable.

**K. Meena (1986)** in her dissertation titled “utilization of life insurance by policy holders of Madurai city” has studied the utilization of LIC products by policy holders, analysed the various factors which influence the level of utilization. She has concluded that unless LIC makes its schemes attractive and effective, with good returning capacity and high bonus to the policy holders, it is bound to fail in its operations. She has also suggested that heavy expenditure has to be curtailed so that LIC can pay better returns.

**RajanSaxena (1986)** in his article entitled “Life Insurance Services” discusses various issues relating to life insurance. The author insists on the importance of life insurance and discusses on various strategies of life insurance.

**Beenstock, *et al.,* (1986) and Browne and Kim (1993)** found that the role of the state in providing insurance services is a determinant of the demand for life insurance, because the level of education and the age dependency ratio are likely to differ across countries. According to Hofstede (1995) the level of insurance within an economy will depend on the national culture and the willingness of individuals to use insurance contracts as a means of dealing with risk.

**Seetaramaiah, M. (1992)** in his article entitled “Fluctuations in New Business” identified the reasons for heavy work load on new business during the year ending period. He suggested some steps to overcome them. They are closing the half yearly accounts in September, giving heavy discount for the premium received in the first quarter, giving a special rebate of premium in the lean months, and completing the promotion and posting of officials by the first week of April.

**Fukuyama (1995)** confirms that the finding of heterogeneity is likely to be conditional on the culture context of a given economy. Insurance will offer important economic benefits when the activities are generally seen as risky and risks are optimally managed through insurance contracts rather than by other risk transfer mechanisms. In this context, Fukuyama connects these cultural differences with the level of trust in the S.Revathy (1998) has concluded in her dissertation that a good insurance company is one that is financially strong and provides fair and prompt claims settlement and offer good service to attract investment.

**Beenstock*et al.,* (1998) and Outreville (1990)** studied by considering property-liability premium, but ignored other parts of insurance industry (such as long term insurance, motor insurance and etc). On other hand, Ward and Zurbruegg (2000) use aggregate variable of total insurance premium in their study.

**Ranade and Ahuja (1999)** presented an overview of life insurance operations in India, and have identified the emerging strategic issues in light of liberalization and the impending private sector entry into insurance. The need for private sector entry has been justified on the basis of enhancing the efficiency of operations, achieving a greater density and penetration of life insurance in the country, and for a greater mobilization of long-term savings for long gestation infrastructure projects.

**Balasubramanian, T.S. and Gupta, S.P. (2000)** in their book on “Insurance Business Environment” explains at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business environment is also discussed analytically to have a clear understanding of the challenges faced by the insurance industry.

**Mishra, K.C. and** Simita **Mishra (2000)** in their article on “Insurance Industry: Recipe for a Learning Organization” say that like any other industry, insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

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**MitraDebabrata (2000**) in the thesis entitled “Employees and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India” opines that the State-owned Undertakings provide all sorts of facilities and amenities to employees along with usual emoluments. But, their productive rate is low when compared it with the private sector undertakings. In the Jalpaiguri Division, the employee relationship with the LIC is clearly discussed and some suggestions are also given in the thesis.

**Ward and Zurbruegg (2000)** examine the casual relationship between growth in the insurance industry and economic development by recognizing that the economic benefits of insurance are conditioned by national regulations, economic systems and culture. Further, they argued that an examination of the inter-relationship between insurance and economic growth needs to be conducted on a country-by-country basis.

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**Wadikar Ashok Laxaman (2001)** in his thesis on “Innovativeness in the Insurance Industries”, Ph.D. Thesis submitted to the Department of Management, University of Pune, Pune, 2001. Confirms a general opinion that innovativeness in every activity alone rules and dominates the industry. But, at the same time, the practicality and economic justification of that innovativeness are also to be analysed.

**BalachandWran, S. (2001)** in his book on “Customer Driven Services Management” concludes that the insurance industry is fast growing and mostly becoming a customer driven and customer centric one. He also advocates that when the insurance products are attractive to the customers, then only the insurance industry flourishes in the market and serves its purpose of profit earning and also income generation.

**Srivastava, D.C. and Srivastava, S. (2001)** in their book on “Indian Insurance Industry–Transition and Prospects” discuss analytically the financial significance of insurance industry, its contribution to Indian economy and alsothe transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players.

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**Mark S. Dorfman (2002**) in his book on “Introduction to Risk Management and Insurance” reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.

**Charles P Jones (2002)** in his book on “Investment Analysis and Management” explains clearly about the framework for evaluating portfolio performance through return and risk considerations. The Risk-Adjusted measures of performance and also the problems associated with Portfolio Measurement are also discussed.

**Ajay Mahal (2002)** in his article on “Assessing Private Health Insurance in India–Potential Impacts and Regulatory Issues” asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes.

**PatilKallinath, S. (2002)** in his thesis on “Life Insurance Corporation of India, Its Products and their Performance Evaluation: A Special Reference to Gulbarga District” conducts a study which covered a period of five years from 1994-95. During this period, the Corporation launched various new plans. It is found that the incidence of insurance coverage of agricultural groups and agricultural labour is very low and the insurance products with fewer premiums and covering more risk are the most preferred policies by the people. The study further reveals that the entire insurance business is urban biased and the demonstration of product features by the agents is not satisfactory.

**Rajan, R.V. (2003)** in his article on “Covering the Countryside –Opportunities and Issues in Rural Insurance” analyses the findings of a Research Based Study on “Rural Insurance – Issues, Challenges and Opportunities” organized by the Foundation of Research, Training and Education in Insurance in India (FORTE). He opines that the study rightly recommends the use of regional press and regional and local cable TV Channels to promote insurance in rural India. The study had also given detailed information on consumer profile, penetration of different products and the premium loads that the consumers can bear on different insurance policies.

**Vijaya Kumar, A. (2004)** in his article on “Globalization of Indian Insurance Sector – Issues and Challenges” argues that the opening up of the insurance sector fostered competition, innovation and productive variations. However, in this context, one has to consider various issues like demand for pension plan, separateness of banking from insurance sector, role of information technology, possible use of postal network for selling insurance products and above all the role of the regulator.

**Harrington and Niehans (2004)** in their book on “Risk Management and Insurance” provide a brief overview of major life insurance and annuity products which are very much suitable to the lower and middle class customers. The tax benefits available to these products and also their pricing procedures are discussed.

**Murthy, G.R.K. (2004)** in his article on “Foreign Direct Investment in Insurance: That’s What the Economy Needs” states that the proposed increase in the FDI Cap from 26 to 49 per cent has got a very good potential to have a competitive edge over other organizations and there is an urgent need to infuse huge amount of capital into insurance by the foreign insurance collaborators.

**Nageswa Rao, R. (2005)** in his article on “Deregulation of Banking and Life Insurance Sector in India – A Comparative Study of the Market Leaders’ Challenge” explains clearly the impact of the deregulation process of the Government on the Banking and Insurance organizations. The Challenges so accompanying this deregulation and also suitable remedial measures are discussed.

**Anand Bansal (2005)** in his article on “Insurance Sectors: Is Privatization on the Right Track?” concludes that the outcome of privatization process over a period of time has been proved positive and identified as the beginning of new era with many heights to achieve. But there is an urgent need to adopt professionalized approach for the bright future of the industry.

**Krishanaveni, M. (2005)** in her article on “Issues and Challenges of Indian Insurance Industry” highlights the fact that detailed standards should be issued by the Regulator covering the constitution and also the methods of calculating reserves and provisions to ensure that all companies have to follow and adopt policies of capital adequacy standards in time and in tune with the best of the international practices. She also asserts that an Insurance Information Bureau should be created with data on underwriting policies, incidents of loss, claims and insurance brand.

**Krishnamurthy. S, Mony S.V, Jhaveri. N, Bakhshi.S, Bhat.S and Dixit M.R (2005),** in the paper titled “Insurance Industry in India: Structure, Performance and Future Challenges”, has clearly explained the status and growth of Indian Insurance Industry after liberalization and also presents future challenges and opportunities linked with the Insurance.

**Sam Ghosh, (2005)** in his article, “Changing Horizon of Insurance Sector advocates that the Insurance landscape in India is undergoing a major change”. The increasingly tough competition has actually changed the rules of the insurance game. The market is flooded with an array of products. In such a scenario, the differentiators among different players are the product, pricing and service.

**Sandeep Batra (2006)** in his article entitled “The Insurance Scenario and Opportunities for Chartered Accountants” mentions that the insurance game has barely begun in India. The insurance market is still growing at 17 per cent, with the private companies growing at 3-4 times more that rate. In the present scenario, more and more Chartered Accountants are joining this sector in various capacities.

**Jagendra Kumar (2006)** in his article on “Insurance Industry on Growth Path” mentions that the LIC settles a large number of death claims every year, yet it is compelled to repudiate death claims in case where full disclosures of material information at the time of taking the policy was not made.

**NaliniPravaTripathy and Prabir Pal (Eds.) (2007)** in their compendium of the papers titled “Insurance Theory and Practice” provide an insight into the operational policies, practices and issues relating to the insurance business with the ever-changing and latest trends in the sector. It also provides for the current stage of development of the insurance industry and future prospects of industry in our country for a better tomorrow.

**Justin Paul and Padmatha Suresh (2007)** in their book on “Management of Banking and Financial Services” explain in detail the concept, benefits and tax concessions of insurance. The waves of globalization and liberalization and their impact on insurance industry are also analysed vividly in the book.

**Shashi K. Guptaet.al. (2007)** in their book on “Financial Institution and Markets” explain that the reason on the basis of which the opening up of the insurance sector to private players can be justified and also the size of the large potential market adequate enough for all companies. The present low insurance penetration ratio is a good prospect for rural and social sector and the funds so mobilized are very much needed for the development of an economy and also for employment generation.

**AmitabVerma (2008)** in his article on “Retention of Life Insurance Business – Need for Improvement” opines that high business retention ratios indicate the health of a company and further adds that insurers should adopt dynamic methods of insuring so that a customer does not go out of their reach.

**Chandarana Harish Kumar Muljibhai (2008)** in his thesis on “Performance Evaluation of Life Insurance Corporation of India” explains the different facets of the performance management of the LIC of India. The impact of liberalization and the entry of new insurers into the industry on the performance of the public sector insurer are also discussed elaborately in his thesis.

**Phani Kumar, B.V.R.D. (2008)** in his dissertation on “Changes in Insurance Sector (A Study on Public Awareness)” concentrates his emphasis mostly on the opinions and satisfaction of investors about life insurance on the basis of their socio-economic background.

**Anuradha Sharma (2008)** in her article on “Life Insurance Evaluation– Current Perspective” observes that the demand for life insurance products is driven by several economic factors like prices of insurance, government tax, the general economic environment, income, inflation and interest rates. The burgeoning insurance market in India has been able to generate considerable interest and awareness among people. Insurance field has been creating new vistas for attracting talent and in this process had reduced unemployment.

**Mishra, K.C. and MangalaBakshi (2009)** in their book on “Insurance Business Environment and Insurance Company Operations” have blended the modern day advancements in the field of insurance with conventional insurance knowledge and practice. This book has given a revised standard in the field of insurance academics, giving them a platform to build upon for posterity.

**Swarup Committee (2009)** recommendations for the insurance industry calling for the abolition of selling commissions borne by policy holders have made the players unhappy. The agents are worried that collecting money from policyholder would prove difficult. The regulator and the insurance players have also voiced grievances against these recommendations.

**Dutta Subit (2010)** in his thesis on “Marketing Strategy of Life Insurance Corporation of India in the context of Liberalisation of Insurance Sector (A Study with Special reference to Silchar Division)” makes a study of the insurance marketing strategies of the public sector giant after liberalisation in Silchar Division and finds that the customer awareness has improved on insurance products and also the efficiency of marketing of these products by the Corporation is also augmented due to increased competition from private insurance players.

**Shendey B.K. and Neelkant Rao, (2010)** in his article on “Trends in Insurance Industry in India since 21st Century” finds that the entry of new players has enabled up the spread of life insurance. The monopoly of LIC of India has come to end in insurance sector. Total life insurance premium of an Indian Insurance Industry has increased four-folds since liberalization of insurance industry. LIC has been taking measures to increase its policyholder base through various new schemes like children education, pension plans and constant monitoring of these policies.

**Ashvin Parekh (2010)** in his article on “Importance of Training in Insurance – Value creator and Enabler of Performance” stresses the need to train in human resources in order that corporate goals are achieved. He opines that insurance is a difficult product to sell owing to the financial complexity, low financial literacy and lack of awareness among the consumers of the need for such a product. Hence, training modules must be in tune with the organization’s vision, mission and strategic objectives.

**AyemPerumal, S. (2010)** in his article on “Impact of Economic Globalization and Consumer Expectation in Life Insurance” explains that the business environment for the insurance sector has been fast changing, bringing new opportunities and posing new challenges. He further asserts that the major challenges are market volatility, ever-changing customer needs and structural limitations.

**Ramanathan, K.V. (2011)**’sresearch has resulted in the development of a reliable and valid instrument for assessing customer perceived service quality, awareness level, and satisfaction level of customers towards life insurance industry.

**Ames, P.C., (2011)** emphasizes in his article on “ERM for Insurers – The Core Agenda” that risk management for insurer is not merely a one-off sporadic exercise but an on-going management strategy which is at the core of their governance. There is a strategic side to operations that lies at higher corporate levels and is prone to large failures when done wrongly. Strategies are translated into day to day decision-making properly and promptly

**Research Gap:**

The above review of literature survey highlight the various studies made on the working of insurance sector across the developing countries. Although substantial amount of works were done by different scholars in this field, an effective research is not properly done in finding out the performance of LIC in Karnataka. The present study focus on performance of LIC in Karnataka

**Objectives:**

1. Tofind out the importance of Life Insurance in human life and to evaluate the benefits of the insurance on policy holders in the study area.

2. To study and evaluate the growth of insurance industry in India with reference to Karnataka.

3. To measure the operational efficiency of the working of LIC with reference to insurance products delivered (policies) and itsperformance in the study area.

4. To find out the macro economic factors that effected life insurance marketing business activities of LIC in the study area

5. To explore how different factors predominantly affected once life insurance policies and to

Identify major attributes for the success of such plans in the study area.

6. To identify the major challenges for the insurance sector and how they affected the

Insurance business in the study area.

**Hypothesis of the study:**

H1: The performances of LIC in Karnataka is significant as it increased its business turnovers with larger benefits to its policy holders in the study area.

H11: The Life Insurance Corporation faced with severe competition from various other similar insurance industries in the study area.

**Methodology**

This proposed research work would focus on the different research questions related to the performance LIC sector in Karnataka with a particular reference two district in Karnataka. Present study based on both primary and secondary data. The study plans to use sample survey method to collect the primary data by using questionnaire and personal scheduled interview and the secondary data will be collected from insurance regulatory offices and LIC offices in Karnataka.

**Study Area**

For the purpose of proving the objectives and testing the proposed hypothesis, conveniently, the state of Karnataka is considered to the ideal macro case study area .However, to arrive at meaningful field based survey analysis and suggest a few policy recommendations Davangere and Shimoga districts are selected for the study purpose. Because Davangere and Shimoga areas are those regions are larger areas covered with larger number of insurance companies. High number of policy holders and insurance companies are there and will get a good number of samples for the study. The study is between the 2000 and 2016. A stratified sample method will be adopted besides the use of different statistical variables and methods.

**Data Collection**

The present study is based on both the primary and secondary data. The primary study will be based on the field based survey which will be done through a set of questionnaires addressing to the respondents – stakeholders- insurance policy holders.The total sample respondents cover 500 policy holders from each Davangere and Shimoga districts.

The secondary source of data and information will be extracted from Annual Reports LIC of India. The study will be conducted by using the 15 years Balance Sheet and Profit & Loss Account of the sampled unit of LIC in Karnataka. It is also to be supported by various published journals, literatures of the LIC. Sampling is the insurance industry and for the purpose of the coverage of this study the Life Insurance Corporation of India is selected; the proposed case study is in Karnataka.The present study covers secondary data of LIC of India for the study period. Besides, commission expenses and operating expenses of LIC have also been included for the analysis of operating efficiency. The period of the study will be from 2001 to 2016 i.e. of 15 years. The researcher has proposed to use the tools as per the need and type of the study. The profit and loss accounts of LIC to be collected. Besides these, it is also proposed to collect information on different insurance marketing products and its demand potential in the study area. The information so collected will be classified, tabulated and analysed as per the objectives of the study. As per the nature of the data available the graphical presentation is also be done. As per the objectives of the study F-test is to be applied.The present study analyse the collected data through simple statistical techniques like central tendency and ANOVA and appropriate techniques will be used.

**Scope and Limitations of the study:**

Insurance is a very significant factor in human life. The present study gives the perfect knowledge of life insurance and current situation of LIC plans. This insurance industry is also one of the fastest growing industries in the country and offers unlimited growth potential.This study is restricted or limited to Life Insurance Corporation (LIC) of India only. It should be noted that the suggestions and conclusion viewed here would be as per the data collected by the researcher.

The study is only representative and not an exhaustive one. Insuranceindustry is both extensive in area and complex in structure. An accuratepicture of the present conditions of the industry could be drawn without afurther detailed analysis of the specific conditions at different places and ondifferent lines of trade. A comparative study between the two districts of Karnataka is scheduled to be attempted in the study on the basis of some selected variables only. But, there can be a greater diversity of the variables taken from other angles. Hence, it should be noted that the suggestions and conclusion viewed would be as per the data collected by the researcher.

**Chapter Scheme:**

**Chapter I:** Introduction

**Chapter II:** Review of literature

**Chapter III:**Importance of Life Insurance and the benefits of the insurance on policy holders

**Chapter IV:**The growth of insurance industry in India with reference to Karnataka.

**Chapter V:** The macroeconomic (demand and supply) factors effect LICmarketing business

**Chapter V1:** The major challenges for the insurance sector and their effect on thegrowth of insurance business

**Chapter V1I:** Summary and Conclusion

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