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PREMIUM INCOME OF LIFE INSURANCE

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Abstract:- Insurance is a contract between insurer and insured. For a valid contract there must be a consideration. Premium is the consideration in the insurance contract and it is paid by the assured in advance to the insurer.

Keywords: Premium Income , Insurance

INTRODUCTION:

Thus LIC charges some amount from the assured for providing him risk coverage. Premium is the only amount, which helps the Corporation to meet the expenses and liabilities arising through death of the assured or maturity of policy. This is the amount, which is invested mostly in public sector undertaking to earn income and to help the Government to meet the society's objectives of the economy. The details of premium income are shown in following table.

Table-1
Premium Income

(Rs. in crore)

Year	Individual Insurance Premium	Individual Pension scheme premium	Group Insurance Premium	Total Premium	%of Growth
1991	4802.19	254.33	544.28	5600.80	-
1992	5984.75	294.05	681.12	6959.92	24.27
1993	7187.76	73.16	726.32	7987.24	14.76
1994	8810.46	51.16	873.38	9735.32	21.88
1995	10443.57	50.16	1034.07	11527.80	18.41
1996	12159.73	42.96	1979.08	14181.77	23.02
1997	14573.89	146.05	1631.45	16351.39	15.30
1998	17146.99	40.92	2064.16	19252.07	18.55
1999	20317.00	53.3	2435.50	22805.80	18.46
2000	24630.37	107.16	2724.18	27461.71	20.42

Source : LIC Annual Reports.

The above table shows that total premium income, which consists of individual insurance premium, pension scheme premium and group insurance premium. The share of individual premium income to total premium

Premium Income of Life Insurance

income is the highest and has shown increasing trend throughout the period. It has increased more than 5 times during the period of ten years. Premium income from group insurance, too has increased in the same proportion. It was Rs. 544.28 crore in 1991, which rose to Rs. 2724.18 crore in the year 2000. But the pension scheme premium did not increase satisfactorily.

As far as total premium income is concerned it has shown increasing trend throughout the period and it has increased near-about 5 times during the period 1991- 2000. Increasing premium income is the sign of success in mobilising savings from public. But percentage of growth over previous position is not uniform; it is fluctuating and it ranged from 14 percent to 24 percent during the period of ten years.

Total Income, Total Outgo and Surplus Position

The financial efficiency of the Corporation can be accessed on the basis of its total income, total outgo and the funds. Following Table shows that the actual position in this regard.

The main composition of the income of the Life Insurance Corporation of India is renewal premium, Single Premium for annuities, income from investments, first year income and miscellaneous.¹⁹ This income helps the Corporation to meet its expenses and liabilities and the excess of income over expenditure represents as surplus which is transferred to life insurance fund. (Refer Table No. 2) The total income shows increasing trend. It was Rs. 8,517.98 crore in 1991, which increased to Rs. 44,729.61 crore in 2000. Thus, it increased more than 5 times during the period of ten years. Income from investments and miscellaneous too shows increasing trend. The increasing trend of total income indicates healthy business progress.

Total outgo includes the payment to policyholders as claims, expenses of Management and other expenses which were Rs.3,588.85 crore in 1991, which were increased to Rs. 1,8101.93 crore in 2000. The increase in outgo in the period of 10 years from 1991 to 2000 is less than that of the increase in total income. Such situation is an indication of sound business where income is increasing at a faster rate than the total outgo.

Table No. 2
Total Income, Total Outgo, Surplus and Percentage of Growth

Year	Total Income						Total Outgo								Surplus	
	Total Premium Income	%of Growth	Income from Investments & Other Income	%of Growth	Total Income	%of Growth	Payment to Policyholders	% of Growth	Management Expenses	% of Growth	Other Expenses	% of Growth	Total Outgo	%of Growth	Total Suplus	% of Growth
1991	5600.80	-	2917.18	-	8517.98	-	1951.42	-	1301.40	-	336.03	-	3588.85	-	4929.13	-
1992	6959.92	24.27	3730.77	27.88	10690.69	25.30	2422.11	24.12	1549.80	19.09	428.36	27.48	4400.27	22.61	6290.42	27.62
1993	7987.24	14.76	4256.99	14.10	12244.23	14.53	3580.83	47.84	1828.43	17.98	528.48	23.28	5937.33	34.93	6306.90	0.26
1994	9735.32	21.88	5476.99	28.66	15212.31	24.24	3845.45	7.39	2124.85	16.21	574.48	8.79	6544.78	10.23	8667.53	37.43
1995	11527.80	18.41	6574.52	20.03	18102.32	19.00	4666.48	21.35	2466.34	16.07	656.42	14.26	7789.24	19.01	10313.08	18.99
1996	14181.77	23.02	7864.99	19.63	22046.76	21.79	5353.04	14.71	2948.58	19.55	943.98	43.80	9245.60	18.70	12801.16	24.13
1997	1635.39	15.30	9581.70	21.83	25933.09	17.53	6599.31	23.38	3503.85	18.83	738.42	21.78	10841.58	17.26	14979.90	17.01
1998	19252.07	18.55	11480.53	19.82	30732.60	18.51	7823.11	18.54	3953.22	12.82	883.34	19.63	12659.67	16.77	18072.93	20.65
1999	22805.80	18.46	13546.79	18.00	36352.59	18.29	9105.82	16.40	4669.50	18.12	1021.10	15.60	14796.42	16.88	21556.17	19.27
2000	27461.71	20.42	17267.90	27.47	44729.61	23.04	11167.94	22.65	5810.86	24.44	1123.13	9.99	18101.93	22.34	266227.67	23.53

SOURCE: Annual Reports

As far as surplus is concerned it is ever increasing. It was Rs. 4,929.13 crore in 1991 which was increased to Rs. 26,627.68 crore in 2000 i.e. an increase of more than 5 times during the last 10 years.

Declaration of Bonus on Policies -

Declaration of bonus on various policies is one of the methods of the operational efficiency of LIC. The LIC has done well in this respect. The bonus rate offered in 1991 on whole life and endowment policies was Rs. 84 and Rs.67 per thousand sums assured respectively, which increased to Rs. 93 on whole life policy and Rs.76 on endowment policies in the year 1999.

Table No. 3
Declaration of Bonus on Policies

Years	Whole Life	Endowment Policies
1961	16.00	12.80
1971	22.00	17.60
1981	35.00	28.00
1991	84.00	67.00
1992	84.00	67.00
1993	84.00	67.00
1994	84.00	67.00
1995	86.00	69.00
1996	86.00	69.00
1997	88.00	71.00*
1998	91.00	74.00*
1999	93.00	76.00*
2000	95.00	78.00*

Source: Annual Reports of LIC

Endowment type of policies excluding Money Back Policy, Jeevan Surbhi, Jeevan Mitra, Jeevan Saathi and Limited Endowment Policies have term 21 years and above.

Table No 3 shows the efficiency of LIC in declaration of bonus on various policies. The bonus rate shows an increasing trend throughout the period on both the types of policies, i.e. on whole life as well as endowment policies. In addition to the regular bonus LIC declares final (additional) bonus with the sum assured on participating policies resulting in to claim by death or maturity. Provided such policies are in force for the full sum assured at the time of claim and premiums have been paid for 15 years or more.

A medium of the operating efficiency of the Corporation is its declaration of Bonus on various with-profit-policies. The LIC has done well in this respect also.

The bonus rate offered in 1957 on whole life and endowment insurance was Rs. 16.00 and Rs. 12.80 per thousand sums assured respectively. The same was Rs.91.00 and Rs. 74.00 per thousand sum assured respectively in 1998 and in year 2000. It was Rs.95.00 and Rs.78.00 for the policies for more than twenty one years and above respectively.

Investments Operations by LIC

(a)Investment in Socially Oriented Scheme–

Life Insurance Corporation of India, utilised people's money for planned economic development of the country. One of the objectives of nationalisation of LIC was channelising of its funds for the benefit of the community at large. In pursuance of this objectives. LIC has been investing a major part of its funds in socially oriented schemes. (Refer table No. 2.20)

Table No. 4
Investments in Socially Oriented Schemes

Year	Investment during the year (Rs. in crore)	% of Growth.
1992	3189.58	-
1993	3196.82	0.03
1994	8199.00	156.47
1995	7927.40	-3.3
1996	9535.59	20.29
1997	11,794.95	23.69
1998	14,006.06	18.95
1999	18,998.89	35.65
2000	26,026.56	36.99

Source : Annual Reports of LIC

Table No. 4 shows that the investments in 1992 were Rs.3,189.58 crore, which increased to Rs.26,026.56 crore in the year 2000. i.e. more than 8 times during the period of 9 years. This indicates that LIC's performance in channelising its funds for the benefit of the community is quite good.

(b) Sector-Wise Investments -

With view to Channelising the funds for the benefit of the community, LIC invests its funds in various sectors i.e. Public Sector, Co-operative Sector and Private Sector. Table No. 2.21 shows the sector-wise distribution of investments in India. It is clear from this table that there is significant increase in these sectors. In 1991 investments in public sector, co-operative sector and private sector were Rs. 19979.76 crore Rs. 1,444.47 crore, and Rs.3,475.42 crore respectively, which went up to Rs. 1,17,058.95 crore, Rs.2,129.31 crore and Rs. 19,843.89 crore respectively in the year 2000. The Corporation has invested its funds to the extent of 84.20 per cent in public sector and 1.53 per cent in co-operative sector in the year 2000. Thus, through these investments the LIC helps to build the nation and to achieve its objectives.

Table No. 5
Sector-wise Investments

(Rs. in crore)

Year	Public Sector		Co-operative Sector		Private Sector	
	Invest-ments	% to total	Invest-ments	% to total	Invest-ments	% to total
1991	19979.76	80.20	1444.47	5.80	3475.42	14.00
1992	24457.27	80.4	1562.63	5.1	4382.51	14.5
1993	28983.24	79.8	1657.56	4.6	5681.31	15.6
1994	36246.48	82.1	1716.06	3.9	6199.01	14.00
1995	44318.93	82.87	1793.05	3.35	7367.49	13.78
1996	54245.63	84.63	1857.63	2.90	7996.52	12.47
1997	65917.41	84.58	1938.98	2.49	10078.80	12.93
1998						
1999	96410.45	84.49	2094.53	1.84	15597.70	13.67
2000	117058.95	84.20	2129.30	1.53	19843.89	14.27

Source : Annual Reports of LIC

Membership of Various Agent's Club -

Agents are the primary under writers of Life Insurance. LIC Agents can modify the negative attitude of their customers by suggesting suitable policies to meet their requirements. In order to judge the performance efficiency and to motivate the agents to complete specific target, the LIC has introduced membership of various clubs with differed designations from 1 April 1971. From the financial year 1999 a new club membership known as "Distinguished Agents Club" was introduced to promote professionalism among a large number of members of agents and to enhance insurance coverage at faster pace. There are regular four types of club membership viz. (i)

Chairman's Club (ii) Zonal Manager's Club, (iii) Divisional Manager's Club and (iv) Branch Manager's Club. Apart from these, there are Millionaire Agents Club, MDRT Membership Club and Distinguished Agents Club etc. created especially to increase the efficiency of agents and to enhance insurance coverage. A club membership is awarded as per agent's performance. A club member is provided various amenities in the form of telephone facilities, car facility, reimbursement of office expenses, loan for construction of houses etc.

Table No. 5 shows club membership of agents. In 1991 club membership figures of Chairman, Zonal Manager, Divisional manager, Branch manager, Millionaire agents and MDRT were 1,441, 1,289, 3,377, 12,808, 69,308, and 83 which went up to 7,841, 7,020, 17,303, 44,280, 232, 623, and 327 respectively in the year 2000.

The distinguished agent club members were 73,566 in the year 2000. The membership in the respective club has been growing year after year which is a healthy trend as the qualifying standards demand consistency over a period of 10 years. Thus, LIC's performance is satisfactory in this respect.

Table 6
Membership of Various Agents Club

Year	Chair-man's Club	Zonal Manager' s Club	Division Manager' s Club	Branch Manager' s Club	Total	%of Growth	Millianaire Agents	% of Growth	MDRT Member ship
1991	1441	1289	3377	12808	18915	-	69308	-	83
1992	1929	1598	4377	16177	24076	27.29	83431	20.38	91
1993	2333	2139	6006	19684	30162	25.28	93588	12.17	71
1994	3005	2711	7139	24242	37097	22.99	110250	17.80	92
1995	3142	3118	7959	27155	41374	11.53	145286	31.78	113
1996	3424	3453	9008	29674	45559	10.12	134905	-7.16	134
1997	4056	3746	10216	33370	51388	12.79	155093	14.96	140
1998	4935	4575	12384	37202	59096	15.00	168759	8.81	171
1999	6191	5686	14652	41533	68062	15.17	193703	14.79	214
2000	7841	7020	17303	44280	76444	12.32	232623	20.00	327

Source : Annual Reports of LIC

Active Agents -

Another factor to judge the performance of agent is his average new business. Active agents are those who are actively involved in business. The table No. 2.23 shows the number of active agents and their average new business.

Table No. 7
No. of Active Agents and Their Business

Year	No. of Active Agents	Average New Business Rs.
1991	414820	678344
1992	464505	690293
1993	495745	725309
1994	524427	797324
1995	519504	1063101
1996	513897	1008286
1997	533133	1064284
1998	558517	1139047
1999	598217	1259013
2000	683190	1328292

Source : Annual Report of LIC

Table No. 7 shows clearly that the number of active agent was 4,14,820 in 1991 increased to 6,83,190 in the financial year 2000 which has significant growth during the period of 10 years.

The average business performance per active agent in financial year 2000 went up to Rs.13, 28,292 as against Rs.6,78,344 in the financial year 1991. This indicated that performance of the agent is good in terms of average new business output.

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