

CHAPTER – 2

ORGANIZATIONAL STRUCTURE OF LIC

ORGANIZATION STRUCTURE

To perform the functions of the Life Insurance Corporation of India, a committee consisting of 15 members is appointed by the Central Government. One of these members is also appointed as the chairman. The organization structure of Life Insurance Corporation of India has four-tier structure. They are (A) Central Office (B) Zonal Offices (Seven) (C) Divisional Offices (100) (D) Branch Offices (2048). The Central Office is to perform the activities relating to investments, framing and administering the rules and laws of the corporation. Branch Offices carryout almost 90% of the functions related to policyholders. There are seven Zonal Offices and 100 Divisional Offices, which are established on the basis of geographical areas. They are discharging their co-ordinating functions relating to the Central Offices and Zonal Offices. The Central Office of Life Insurance Corporation of India is located in Mumbai. There are several executive committees appointed by the Government of India from time to time to review the activities of the Life Insurance Corporation of India.

2.1 ORGANIZATION AT CENTRAL LEVEL

The Central Office of the Corporation is a policymaking and coordinating body and its direct executive responsibility is only in a very limited field. Mainly it co-ordinates the activities of the various zones and

confines itself to giving broad policy directions and decisions on inter-zonal matters. Investment policy and investing of funds in accordance with it are the sole responsibilities of the central office. In addition to formulation of underwriting standards, the central office also does underwriting of proposals for large amounts and for sub-standard lives beyond the authority delegated to the Divisional offices. Submission of returns etc. in accordance with statutory requirements is the sole responsibility of the central office. Standardization of procedures and forms, drawing up to prospectus, premium rates, policy conditions and making arrangements with regard to reinsurance are also looked after by the central office. It has also been the responsibility of the central office to conduct national publicity campaigns on a wide scale. Inspection of the various offices of the corporation as also the financial internal audit of the Branch, Divisional and Zonal Offices are the responsibility of the central office. A Research and Statistics Bureau has been set up, for research on specific lines. In general, the policy decisions are made by the Chairman, the Executive committee and the various committees already mentioned who in turn, report to the Board.

At the central office, in addition to the chairman, there are two Managing Directors, three Executive Directors, a Chief Actuary, a Chief of the Investment department, a Chief Accountant, a Chief of Housing & Mortgage development Department, a Chief Engineer, a Chief Law Officer and a Chief Internal Auditor.

The Chief of the Investment Department has under him the Investment Department. This Department is in charge of actual day-to-day management of the Investment Portfolio. There is a research wing attached to this department. The work relating to the Investment Committee is also

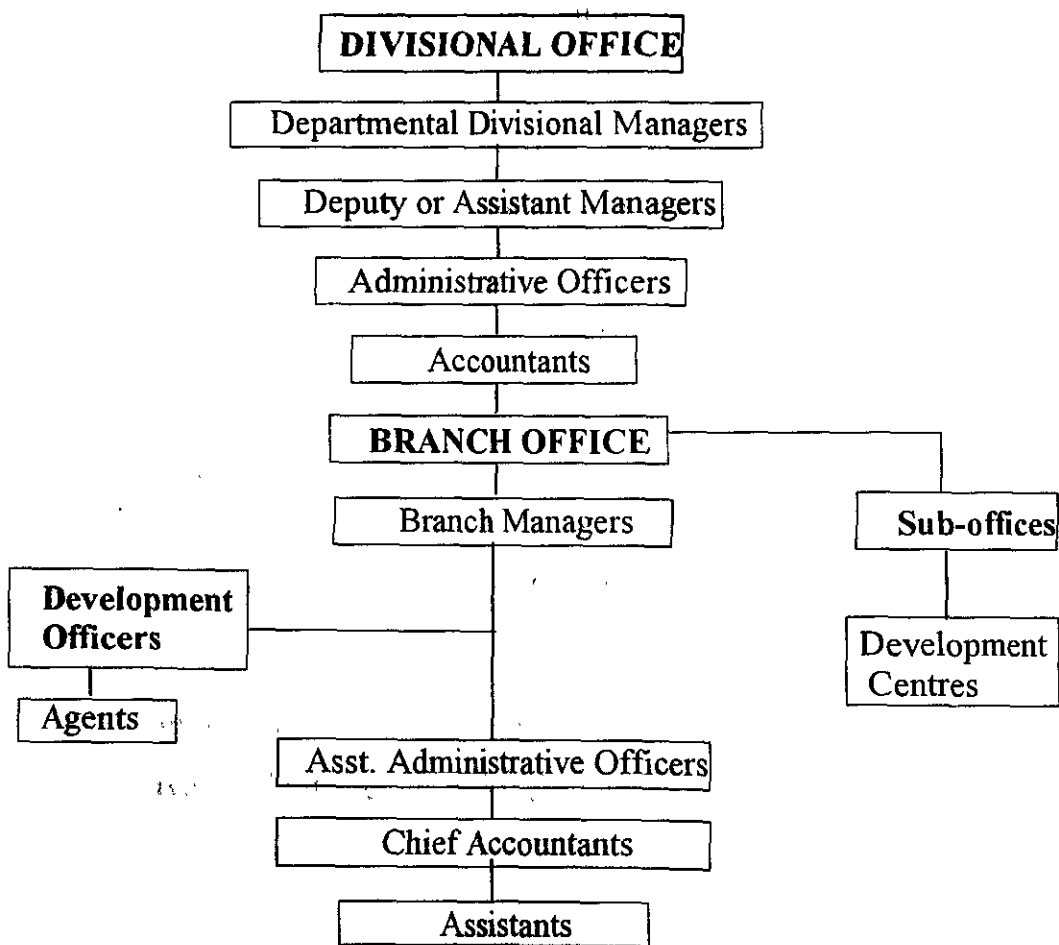
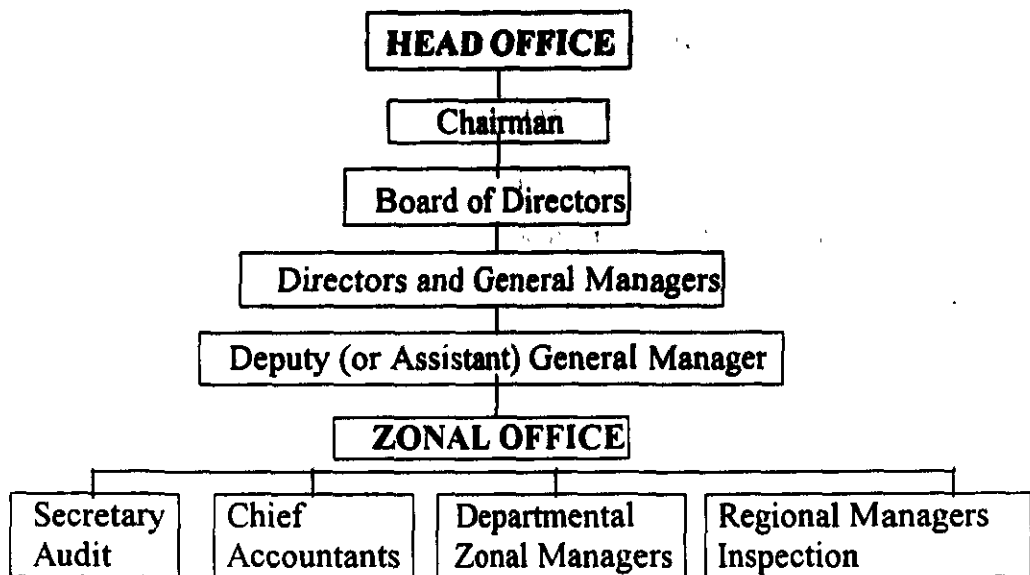
looked after by the Investment Department. The Chief (Investment) is assisted by the Secretary (Investment) and the Secretary (Investment Research). The Chief (Investment) also looks after the mortgages Department. The Mortgages Department attends to work relating to loans on mortgage of property and loans under housing schemes.

The Actuarial Department is under the charge of the Chief Actuary and controls the actuarial work in all the zones and also keeps under constant review the underwriting methods and standards of the offices. It has also under it a Central Undertaking Section for underwriting proposals for large amount and on sub-standard lives. The Chief Actuary has also under him the E.D.P. Department, the Organization & Methods Department and the Claims Section.

The Internal Audit Department is under the charge of the Chief Internal Auditor. The principal function of the department is to make concurrent audit of the transactions of the Corporation as recorded in the books of accounts of the various offices in the light of the administrative policy, standards and procedures laid down for the purpose.

The Chief Law Officer has under him a Legal Department whose main functions are to advise other departments on legal issue to look after the conduct of litigation in courts.

ORGANIZATION STRUCTURE OF LIC



2.2 ORGANIZATION AT ZONAL LEVEL

Each zonal office is in charge of a number of divisions and has authority to execute decisions of the corporation and to co-ordinate the working of those divisions. It is the primary responsibility of the Zonal Office to ensure that uniformity of working is maintained and efficiency of these offices are kept at the highest level. Briefly the zonal offices have the following particular functions; they are discussed below department wise.

2.2.1 Actuarial Department.

- (i) Directions to Divisional Offices regarding underwriting revival cases beyond divisional office level.
- (ii) Supervision and control over Medical Examiner's appointment, rules for medical examination and directions to medical examiner.
- (iii) Implementation of health propaganda and medical servicing schemes.
- (iv) Statistical analysis of all death claims.
- (v) Supply of Premium, Surrender Value, etc., quotations to Divisional Offices in individual cases etc.

2.2.2 Accounts Department.

- (i) Preparation of combined accounts for the whole zone and their audit.
- (ii) Procedure for Zonal Office accounts.
- (iii) Maintenance of Zonal Office cashbooks and operation of zonal office bank accounts.
- (iv) Technical advice and directions to Divisional Offices on accounting problems.
- (v) Naming the authorities for the Divisional Offices and Branch Offices under the (Financial Powers) Standing Order.
- (vi) Budgetary control over the Divisional and Branch Offices.
- (vii) Supervision over all machine accounting operations at the Zonal Office etc.

2.2.3 Development Department.

(a) Development

- (i) Planning and implementation of the development program for the zone.
- (ii) Periodical review of business progress.

- (iii) **Organizational cost control over development officers and branch offices.**
 - (iv) **Maintenance of service records for all salaried field staff of the Zone.**
 - (v) **Planning rural development etc.**
- (b) **Training of development personnel.**
- (i) **Supervision of Training schools.**
 - (ii) **Arrangement for all publicity in the zone including participation in exhibitions etc.**

2.2.4 Secretarial and Personnel department.

- (a) **Personnel.**
- (i) **Maintenance of Service Records of all employees in the zone (other than field staff.)**
 - (ii) **Arranging for salary disbursements, payment of taxes.**
 - (iii) **Enforcement of Service Rules at all Offices within the Zone.**
 - (iv) **Dealing with all personnel problems of the Zonal Office etc.**

(b) Legal and Mortgages.

- (i) Supervision of all existing mortgages and maintenance of mortgage accounts.
- (ii) Scrutiny of proposals for mortgages and submitting them to the central office for sanction.
- (iii) Advice to Divisional Offices on all doubtful claims.
- (iv) Decisions regarding repudiation of claims etc.

(c) Establishment and buildings.

- (i) Maintenance of existing investments in real estate.
- (ii) Collection of rent, payment of taxes and maintenance of the respective accounts.
- (iii) Supervision over all new building activities of the Corporation in the Zone, subject to the directions of the Central Office (Buildings Department).
- (iv) Legal action in connection with investments in real property.
- (v) Supply of stationery to all offices in the Zone and rules regarding purchase of stationery by Divisional and Branch Offices.

- (vi) **Printing of all the forms and literature for Zonal, Divisional and Branch Offices and maintenance of record of forms and of their supply etc.**

(d) Integration.

- (i) **Planning and coordinating all integration activities.**
- (ii) **Planning detailed 'transfer and receipt' procedure and schedules for existing business records and for staff in consultation with divisional offices of the zone of the one hand and transferring or receiving zones on the other.**
- (iii) **Supervision over building up complete records for servicing of existing policies for purpose of decentralization of Divisional offices in the same and in other Zonal Offices.**
- (iv) **Servicing of existing business of the Units at Zonal Headquarters through the I. H. O. and I. B. O. Groups etc.**

Table 2.1
ZONAL OFFICES OF LIC

Name of the Zone	Place of Office
1. Northern	Delhi
2. North Central	Kanpur
3. Central	Bhopal
4. Eastern	Kolkata
5. Southern	Chennai
6. South Central	Haidrabad
7. Western	Mumbai

Source : www.licindia.com

2.3. ORGANIZATION AT DIVISIONAL LEVEL

There are 100 divisional offices, which are under the charge of senior – Divisional Managers and /or divisional Managers in different parts of the country. Development of organization, new business planning and executing various new business drives, policyholders’ servicing, and underwriting of new business, as well as scrutiny and settlement of claims, are the primary functions of the divisional office, which has liberal limits for underwriting purposes. The maintenance of accounts is so far as the above are concerned is also a main part of its functions. Each divisional office has the following organization and functions.

2.3.1 New Business Department.

- (i) Underwriting of proposal except those to be forwarded to the Central Underwriting Section at the Central Office.
- (ii) Follow-up of pending proposals.
- (iii) All proposals' correspondence.
- (iv) Appointment of Medical Examiners.
- (v) Maintenance of Medical Examiners' records.
- (vi) Taking action through the branches to ensure equitable distribution of cases among medical examiners.
- (vii) Age admission at the proposal stage.
- (viii) Printing and issue of policies and all correspondence relating thereto.

2.3.2 Policyholders' Servicing Department.

All policy servicing after the stage of issue of policy up to settlement of claims, such as (i) issue of premium notices (ii) maintenance of policy registered (iii) maintenance of policy files and index (iv) registration of nominations and assignment (v) lapses and revivals (vi) alterations including paid-up actions (vii) loans and surrenders (viii) A. N. F. notices and records (ix) age admission (after issue of policy) and (x) claims.

2.3.3 Cash and Accounts Department.

- (i) **Scrutiny of Branch Cash Income and Imprest Statements.**
- (ii) **Maintenance of all ledger accounts and preparation of trial balance.**
- (iii) **Settlement of Renewal and Bonus commission and maintenance of Agency Accounts.**
- (iv) **Control of suspense accounts.**
- (v) **Reconciliation of Bank Accounts etc.**

2.3.4 Development Department.

- (i) **Execution of the Development Programme for the whole Division.**
- (ii) **Supervision and control of the Branch Offices field organization.**
- (iii) **Maintenance of business records of Agents, Development Officers and Branch Offices; also compilation of center wise business records.**
- (iv) **Appointment of Development Officers, review of their work; review of Branch progress; tours by Branch Managers and Assistant Branch Managers.**

- (v) **Organizational cost control.**

- (vi) **Advice and instructions to Branch Office on organizational matters etc.**

2.3.5 Establishment Department.

- (i) **Maintenance of service records of all employees in the Division.**

- (ii) **Dealing with all personnel problems under the direction of the Zonal and Central Offices.**

- (iii) **Supply of stationery and literature to the different departments of the Divisional Offices and also to the Branch Offices.**

- (iv) **Inventory of furniture and office equipment for all the offices in the Division; maintenance and new supplies for the Divisional Office only.**

- (v) **Inward and Outward mail and other services etc.**

2.4. ORGANIZATION AT BRANCH LEVEL

There are 2048 Branch Offices at present under the control of various divisional offices. Normally, a branch office is constituted on the basis of at least Rs.1 crore businesses during the year. Generally the

Branch Offices have the following particular functions and these are discussed below department wise.

2.4.1 New Business

- (i) Scrutiny and registration of proposals and forwarding the proposals to Divisional Office for decision; follow up of incomplete proposals.
- (ii) Issue of first premium receipts.
- (iii) Maintaining Medical Examiners' records, settlement of medical fees.
- (iv) Taking action to ensure that cases are reasonable uniformly distributed over various Medical examiners.

2.4.2 Policyholders' Servicing.

- (i) Maintaining policy registers (ledgers) and Index.
- (ii) Collection of premiums, Issue of renewal premium receipts and default notices.
- (iii) Follow-up of amounts kept in deposits.
- (iv) Attending to simple queries from policyholder on premium etc.

- (v) **Payments as authorized by the Divisional Office.**

2.4.3 Accounts.

- (i) **Maintenance of daily Cash Income Book and Cash Paid Book.**
- (ii) **Reconciliation in Imprest Cash Account.**
- (iii) **Maintenance of Collecting Bank Accounts and their reconciliation.**
- (iv) **Settlement of Agents' Commission on 1st installment of premium.**

2.4.4 Development.

- (i) **Maintenance of Agents' and Development Officers' business records.**
- (ii) **Preparation of periodical business statements and their submission to Divisional Office.**
- (iii) **Appointment of Agents, procreation of License for them and maintenance of records for Agents and Development Officers.**
- (iv) **Periodical review of Development Officers' business progress; review of their tours.**

2.4.5 Establishment.

- (i) Maintenance of service records for all administrative staff of the Branch Office.
- (ii) Inward, Outward Mail and other services.
- (iii) Stationery and literature supply.
- (iv) Inventory of furniture and office equipment.
- (v) Granting of leave to staff and maintenance of leave accounts.

2.5 SUB-OFFICES.

A Sub-Office is normally opened in areas, which yield comparatively smaller business than the Branch Offices but not less than Rs.75 lakhs during the year. The Sub-Offices have mainly the procurement of new business as their function. They do not normally have other administrative functions and serve as Headquarters of an Assistant Branch Manager (Development) or a Development Officer and are meeting places for the local organization. In a few Division, however, the sub-Offices, though called by that name, function in the same manner as full fledged Branch Offices.

2.6 DEVELOPMENT CENTRES.

In many underdeveloped areas, offices are being opened which are termed as Development Centres, with a view to developing business, recognizing that though the areas have enough potential, it would need some time before this can be fully tapped. The expectation of business from these offices during the year is Rs.50 lakhs.

Number of Offices of LIC

The number of offices of LIC has not increased satisfactorily. As compared to the bank-branches, the expansion in LIC offices has been almost negligible. The total offices of LIC have increased from 735 in 1963 to 888 in 1980 and 1160 in 1985 and 1603 in 1990. The number of branch offices has been growing from 340 in 1963 to 738 in 1980 and 1023 in 1984 and 1528 in 1990. The number of sub-offices increased to 179 in 1963 and declined to only been decreasing from 175 in 1963 to 100 in 1980 and further to only 5 in 1985. The total number of LIC offices in 1995 was 2128, out of which 2021 were branch offices.

Table 2.2
NUMBER OF OFFICES OF LIC

As on	Zonal Offices	Divisional Offices	Branch Offices	Sub Offices	Development Centres	Total Offices
Dec.31, 1957	5	33	105	45	-	278
Mar.31, 1963	5	36	340	179	175	735
Mar.31, 1970	5	41	424	115	123	703
Mar.31, 1975	5	41	651	29	105	831
Mar.31, 1976	5	41	659	23	110	838
Mar.31, 1981	5	42	738	4	100	888
Mar.31, 1984	5	43	826	-	63	936
Mar.31, 1985	5	43	1023	-	12	1083
Mar.31, 1989	5	64	1107	-	5	1160
Mar.31, 1990	6	69	1427	-	-	1496
Mar.31, 1994	7	100	1528	-	-	1603
Mar.31, 1995	7	100	2008	-	-	2115
Mar.31, 1996	7	100	2021	-	-	2128
Mar.31, 1997	7	100	2021	-	-	2128
Mar.31, 1998	7	100	2023	-	-	2130
Mar.31, 1999	7	100	2046	-	-	2153
Mar.31, 2000	7	100	2048	-	-	2155
Mar.31, 2001	7	100	2048	-	-	2155
Mar.31, 2002	7	100	2048	-	-	2155
Mar.31, 2003	7	100	2048	-	-	2155
Mar.31, 2004	7	100	2048	-	-	2155

Source : Insurance – Principles & Practice by M.N. Mishra

The total number of LIC offices increased to 2155 in 2004 of which 2048 were branch offices. Total number of offices increased almost 8 times from the year 1957 to year 2004.