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**Abstract**

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*The Indian Life Insurance Industry has faced many obstacles and challenges to attain its current position. With the change in the consumer perception on life insurance and its awareness and penetration, the industry has witnessed a remarkable growth in its business. A major cause for this upliftment is indeed the acceptance and adaptation of liberalization privatization and globalization (LPG) in the year 1991. After 1991 the Indian life insurance industry has geared up in all respects, as well as it is being forced to face a lot of competition from many national and international private insurance players. The Case attempts to review the status of Life Insurance Corporation (LIC) of India while conducting SWOC analysis of the corporation. The insights gathered from the case shall benefit the respective stakeholders.*

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**Introduction:**

A thriving insurance sector is very important to every modern economy. Firstly because it encourages the habit of saving, secondly because it provides a safety net to rural and urban enterprises and productive individuals. And perhaps most importantly it generates long- term invisible funds for infrastructure building. Thus, life insurance is necessary as it provides protection to not only you but also to your family in case of any unwanted disaster. In a period of less than half a century the insurance sector in the country since independence has come a full circle, from being an open competitive market to complete nationalization and then back to a liberalized market. The setting up of the Insurance Regulatory and Development Authority (IRDA) ended the monopoly of LIC in the insurance sector. It has become imperative for LIC to face the competition post by the entry of new private players. If under this pressure, Life Insurance Corporation of India improves its performance, the whole economy will be benefitted. The LIC- A public sector giant, which never faced competition earlier, now has to compete with the private players, from the developed countries of the world.

## **Scenario of Life Insurance Corporation before nationalization, at the time of nationalization and post nationalization:**

### **Life Insurance before Nationalization:**

The Britishers were the pioneers in establishing the modern insurance system in India. It was originally intended to cover only the British Community but some Indians associated themselves with the insurance business which eventually resulted in the establishment of Indian insurance companies. The early companies failed because of bad management and competition from the British companies. The insurance movement in India was strengthened by the swadeshi movement of 1905, the Non- Co-Operation movement of 1919 and the Civil disobedience movement of 1930. During these years many new Companies came into existence and some of them disappeared due to competition from the foreign companies. However, during 1940-55, insurance mindedness increased and the insurance movement developed on modern lines. Still, the immense benefits of modern life insurance remained largely unknown to the masses in India.

### **Nationalization of Insurance Industry (1956):**

In 1956, the government of India merged over 250 private life insurance companies and provident fund societies into one nationalized corporation and the Life Insurance Corporation of India that is LIC was created. The nationalization was justified on the grounds that the state would be in a better position to manage the resources generated by insurance companies and to use them for nation building purposes. Making insurance reach the rural population and improving the standards of life insurance sector as a whole. The Malhotra committee appointed in 1999 to examine the structure of the insurance industry had recommended some changes to make it more efficient and competitive and allowed private enterprise to enter the insurance sector for the following reasons:

- Private players would increase the insurance penetration and awareness.
- Competition would result in better customer service and help to improve range quality and price of insurance products.

### **Post-Nationalization of LIC in India:**

After getting nationalized the Life Insurance Corporation became huge in life insurance industry and it gave an outstanding performance in achieving the various objectives of nationalization. But still it reach to the 24% of the insurable population which is quite low. So by following the recommendations of Malhotra committee in year 1999, the Indian

government finally opened the insurance sector for private players and to regulate the functioning of all insurance companies IRDA was found. From then to now, LIC has crossed several milestones and has set unprecedented performance records in varied aspects of insurance business. LIC continues to be the dominant life insurance underwriter even within the liberalized situation of Indian insurance and is moving quickly on a replacement growth flight surpassing its past records.

### Organizational Structure as on 31.03.2019

Central Office	1
Zonal Offices	8
Divisional Offices	113
Branch Offices	2048
Mini Offices	1200
Satellite Offices	1481

Source: [www.licindia.in](http://www.licindia.in).

### Business in force as on 31.03.2019

(In Crore)	Sum Assured /NCO (Rs in Crore)
Individual Policies 29.09	46,24,916
Group Policies(lives) 11.61	20,14,670.17

Source: [www.licindia.in](http://www.licindia.in).

### Other Performance Parameters as on 31.03.2019

Particulars	(Rs in Crore)
Total Income	5,60,784.39
Total Premium Income	3,37,185.40
Payment to Policyholders	2,50,936.23
Total Life Fund	28,28,320.12
Total Assets	31,11,847.28

Source: [www.licindia.in](http://www.licindia.in).

### CASE DISCUSSION:

#### Strength, Weakness, Opportunity and Challenge (SWOC Analysis)

SWOC analysis is a strategic planning method used to research external and internal factors which affect company success and growth. Firms use SWOC analysis to determine the strengths, weaknesses, opportunities, and challenges of their firm, products, and competition. "T" in SWOT changed to be "C" for SWOC because the term Threat is originated from military strategy and using "C" as Challenge or Constrains is recommended to create more

positive attitude. Challenge is replaced to represent an obstacle that can be achieved and using the motivation mind set to overcome competitor's power points.

**So, here is the SWOC analysis of Life Insurance Corporation's of India:**

- **Strengths of LIC**

**India's largest Insurance service provider:** LIC currently has pan India operations with 2,048 fully computerized branch offices, 8 zonal offices, around 113 divisional offices, 2,048 branches and 1481 satellite offices and corporate offices. The entire country is classified under 54 customer zones and 25 metro-area service hubs based across various cities and towns of India. Currently, LIC has 1,337,064 individual agents, 242 Corporate Agents, 89 Referral Agents, 98 Brokers and 42 Banks for selling life insurance to the general public.

**Brand Image:** LIC has a strong branding in India. Its tagline "**Yogakshemam Mahamyaham**" which means welfare for all is well recognized. The Economic Time Brand Equity Survey of the year 2015 voted LIC as the most trusted Insurance provider in India.

**Fund Base:** LIC has a huge fund base of around 150 billion USD and also India's biggest investor making it immensely powerful in the domain of finance in India.

**A network of Agents:** LIC has around 1,337,064 individual agents, 242 Corporate Agents, 89 Referral Agents, 98 Brokers and 42 Banks across India who cover each nook and corner of the country.

- **Weaknesses of LIC**

**Culture:** LIC has been strongly associated with the government and thus follows a very slack and slow paced work culture. This works as a weakness when compared to modern-day private insurance players who are adept at strategy.

**Poor advertisement strategy:** In comparison to its private counterparts LIC does not spend too much on advertisement and this shows in the quality of ads that they release.

**Too many restrictions:** The Company has a lot of restriction imposed on it being a government entity and there is always red tape challenges. This makes decision making slow at LIC.

**Labor overheads:** LIC has a huge employee's strength and most of them work from their own setups. Paying their salaries and managing them is often a huge challenge for the company.

- **Opportunities of LIC**

**Cyber security:** There are many cases of information threats and breaches in security systems. Thus at an age where cyber security is a threat Insurance policies against this can prove to be a huge opportunity.

**Online Services:** As online services grown people have started looking more into options like insurance and the awareness levels are also higher than the earlier days. This presents an opportunity for providers like LIC which are labor intensive to cut down costs by replacing people with technology.

**Shift from protection to prevention:** There is a general shift of trend from protection to prevention which is a pointer for insurance companies who should now be focusing on risk prevention than risk mitigation policies.

**More disposable income:** Insurance today is seen not as a protection but also as a form of investment. By capitalizing on this new approach insurance companies can design new products.

- **Challenges of LIC**

**Customer Service:** In order to be able to serve its customers better, LIC had a well-organized grievance redressal system. The grievance redressal system consisted of Grievance Redressal Officers, complaint cells, a claims review committee, policyholders' councils, an advisory board, a consumers' affairs committee and a citizens' charter. Grievance redressal officers were designated by LIC at all levels of the organization.

**Channel of Distribution:** LIC had a large network of 8 lakh agents for distributing its products. The company had several marketing personnel designated as 'Development Officers' in each branch. These development officers, in turn, employed and trained a number of agents, and received incentives for the business generated by these agents, in addition to their regular salaries. However, this network was not very cost-effective as LIC had to pay bonuses and commissions twice - to the agents as well as the development officers – for every new policy and every subsequent renewal. Despite the efforts of the development officers, the retention of agents had become difficult.

**Marketing Strategy:** Until the Indian insurance industry was liberalized, LIC did not have any clear marketing strategies. Since it enjoyed monopoly status, it could afford to have a very limited focus on marketing. For the average Indian, LIC became synonymous with life insurance, and over the years it built up an enviable brand image in both rural and urban areas. The company grew by leaps and bounds, with people buying its policies due to the tax concessions attached to it. On account of its position as a monopoly, LIC did not standardize its practices nor did it focused on providing better customer service to the policyholders.

**Human Resources:** LIC has had many problems relating to the efficient use of its human resources since the time it was set up. Many of these problems related to the fact that it was a public sector organization. The corporation's managers were too bureaucratic. The work culture in the organization was sloppy. Strong trade unions made it difficult for managers to get the work done. The corporation's development officers focused on their own earnings and incentives, rather than on customer satisfaction.

#### **CASE CONCLUSION:**

LIC has been successfully able to create value for its customers or policy holders. By analyzing the pre and post performances, it is showing a respectable growth in its business. There is enormous potential for life insurance and no doubt that LIC still enjoys immense goodwill in our country. But private players are giving cut throat competition, So LIC has to made more efforts to enhance its business in terms of technology distribution network, technological innovations, client relationship and quality. Though all the private players are trying together to grow and eating up market share of LIC but still LIC stands like a rock in the market. Thus, G. Krishnamurthy once rightly said about LIC that “LIC is not just a company, it is the heart of our nation, and it is the love and faith of our people. So, LIC will remain as long as India and world will remain.

#### **TEACHING NOTES FOR THE CASE:**

##### **TEACHING OBJECTIVES:**

The following Teaching Objectives may be considered with respect to the case:

1. To gather an understanding on the essence of LIC in India & present the facts & figures associated with its existence.
2. To present the SWOC analysis of LIC & discuss the inferences from the study.

### **LEVEL OF ANALYSIS:**

The present case is a type of teaching case with focus on Appraisal Case approach. The analysis attracts understanding of perspective & dilemma surrounding the Insurance Sector. This case is suitable for the practical & case study approach at the level of Management Students. To be specific BBA students, B.COM students, M.COM students & MBA Students shall have a deserving benefit out of this General Management case. Industry at large will be a party to the benefits of the learning from the case.

### **CASE ASSIGNMENTS:**

As part of the case study delivery, participants may be assigned certain tasks pre & post delivery of the case.

**Pre discussion Task:** Gather the information related to the past and present performance of life insurance corporation of India.

**Post discussion Task:** Compare the performance of LIC and share your views related to future scope of LIC in India and also enlighten SWOC of the company.

### **BROAD DISCUSSION QUESTIONS:**

Q.1: "Insurance is essential for all, be it for life or be it for savings". Elaborate the statement & discuss the significance of Insurance in Indian Context.

Q.2: Review the SWOC analysis presented in the case while stating your views pertaining to the SWOC of LIC of India.

Q.3: Discuss about the journey of LIC of India while highlighting the Strengths & Opportunities of the corporation.

Q.4: Discuss role of Insurance companies in India towards strengthening the economy.

### **READING REFERENCES:**

The following references may be helpful in gaining further insights on the theme of the case:

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### **POTENTIAL BENEFITS OF THE CASE:**

➤ **Benefits for Higher Education:**

The Case will benefit the students with the valuable knowledge of Insurance Sector. The information provided in the case will help students in analyzing the performance and growth of LIC in Pre and Post LPG era and analyze the future trend of business of LIC of India.

➤ **Benefits to the Companies:**

The case will be beneficial for the companies as they will study the case and they will get the answer regarding the challenges and opportunities. The present case will help the company in determining the present competition in the Insurance and effective strategies to overcome the competition.

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