

From the Chair**The Life Insurance Corporation of India****Statement by the Chairman, Shri B K Kaul, I C S**

THE following is the statement made by Shri B K Kaul, Chairman, at the Seventy-Fifth meeting of the Life Insurance Corporation of India, held in Bombay on August 27, 1962.

I have great pleasure in welcoming you to this sixth anniversary meeting of the Corporation. The draft of the Annual Report and the Statement of Accounts for the year 1961 have been circulated and are now before us for our consideration.

**New Business**

During the year our new business amounted to Rs 608.82 crores under 14.70 lakhs policies as against Rs 497.54 crores under 12.58 lakhs policies in the previous year, thus showing an increase of 22.4%. In the context of the rise in the price level during the year and of the natural calamities like floods in some parts of the country, the increase of more than Rs 100 crores in the level of new business may be considered very satisfactory.

It is also gratifying to note that as many as 10.24 lakhs policies were taken by persons who were insuring for the first time. Thus out of every three persons insuring with us, two were seeking life insurance protection for the first time.

**Rural Development**

Out of the new business, as many as 5.3 lakhs policies assuring Rs 182.59 crores were issued to people in the rural areas. I may mention that for the purpose of the definition of rural area we have now adopted the same criterion as was used in the 1961 census. As the earlier statistics were compiled on a different basis, we do not have the comparative figures for the previous year. There is, however, little doubt that we have made a considerable headway in our efforts of systematically expanding the business in the rural areas.

The main difficulty that constantly crops up in regard to the rural

business is the lack of facilities for collection of premiums. We have launched early this year a pilot scheme in Rajasthan for collection of premiums through selected post offices. We are proposing to extend this scheme in due course to other areas, where banking facilities are not available, in consultation with the postal authorities.

**Non-Medical Business**

Another difficulty in propagating the message of life insurance in rural areas has been the paucity of medical examiners for conducting the medical examination of the lives to be assured. This has, to some extent, been solved by a wider application of non-medical schemes.

Under the general scheme, which now extends throughout the country, the medical examination is waived in respect of proponents within certain age groups, provided the total insurance on their lives does not exceed Rs 2,000. Under this scheme, new business of Rs 38.30 crores under 2.5 lakhs policies was completed during the year.

Besides this general scheme, we are also insuring, without medical examination, special categories of persons in civil employment upto a total sum assured of Rs 5,000/-, which limit was increased, during the course of the year, to Rs 10,000/- in the case of eligible persons, whose ages at entry do not exceed 30 years nearer birthday and also in the case of Category "A-1" of the commissioned officers in the Armed Forces. Under this scheme, new business of Rs 58.46 crores under 2.4 lakhs policies was completed bringing the total non-medical business to Rs 96.76 crores under 4.9 lakhs policies. Thus, one out of every three proposers was insured by the Corporation without medical examination.

The Corporation has no doubt provided adequate safeguards to ensure that the class of lives coming under the purview of these

schemes are of the usual standard who would experience a favourable mortality.

It is my desire that the scope of the scheme is gradually enlarged as we gain further experience of this class of business.

**Foreign Business**

In some of the foreign countries, where we operate, the political and economic conditions were not quite favourable for the development of our business. However, due to sustained efforts of our officers and agents, our total foreign business in 1961 came to Rs 10.03 crores under 8056 policies, as against Rs 9.70 crores under 7736 policies in the previous year. Special mention must be made here of our London Branch which wrote in 1961 a new business amounting to Rs 92 lakhs.

**Business in Goa**

Since the beginning of this year we have started transacting new business in Goa, Diu and Daman. Details of the scheme for taking over the life insurance business of the former Portuguese Companies are being worked out. In the meantime, we have extended to the Indian policyholders of these Companies facilities for the collection of premiums.

**Business in Force**

The total business in force at the end of 1961 was Rs 2,737 crores under 86 lakhs policies as against Rs 2,285 crores under 77 lakhs policies at the end of 1960, thus showing an increase of 19.8% during the year.

**Lapse Ratio**

The ratio of net lapses to the mean business in force was 7.0% in 1961 as compared with 6.6% in 1960. The rise in the net lapse ratio of the Corporation seems to reflect the deleterious effect of the increase in the general price level on the saving capacity of the insured population. Apart from the monetary loss to the policyholders as well as to the Corporation, which the lapses bring in their trail, the termination of life insurance pro-

tection for several lakhs of families every year is a matter of vital concern to us. Accordingly, I have been impressing, in the course of my discussions with the Development and other Officers, the imperative necessity to reduce the lapsation of policies to the minimum and to improve the quality of business to the maximum extent. The necessary machinery has been set up to review the lapse position periodically so that any adverse trend may be detected at an early stage and checked by taking suitable remedial action without loss of time.

#### **Premium and Other Income**

For the first time in the history of life insurance in this country, the premium income has crossed the Rs 100 crore mark, the actual premium in 1961 being Rs 112.30 crores as against Rs 96.89 crores in 1960. It may be mentioned that the total premium income in the year preceding nationalisation i.e. in 1955 was Rs 58.55 crores only.

The total income for the year 1961 was of the order of Rs 141 crores as against Rs 116 crores in the previous year.

#### **Life Fund, Investments and Total Assets**

The Corporation's life fund as at 31st December 1961 was Rs 631.59 crores registering a handsome rise of Rs 72.46 crores after taking into account the adjustments made to the life fund at the beginning of the year.

Of the total investments in India of Rs 501156 crores, the public sector accounted for 77.9% and the private sector 22.1%. During the year, 52 new issues were underwritten to the extent of an aggregate sum of Rs 759 lakhs.

The total assets of the Corporation as at the end of 1961 amounted to Rs 696.31 crores as against Rs 622.85 crores in 1960. The net increase in the assets of the Corporation, since its inception, amounted to Rs 281 crores.

#### **Rate of Interest**

The income from interest, dividends and rents before deduction of income-tax rose to Rs 27.95 crores in 1961 from Rs 23.97 crores in 1960. The gross rate of interest at 4.80% on the mean life insurance fund (4.58% in 1960) is the highest during the last five years.

I expect that the Corporation will be able to maintain this rate in future, if not improve upon it.

The steep rise in the net yield from 3.55% in 1960 to 4.68% in 1961 is, however, largely due to the fact that the net rate in 1960 was depressed, whereas the net rate in 1961 has been pushed up as tax refunds, accounted for in 1961, comprise refunds in respect of two years.

#### **Expenses of Management**

The overall expense ratio of the Corporation fell from 28.4% in 1960 to 28.0% in 1961, although the full effect of the ad hoc increase in dearness allowance sanctioned in 1960 was felt for the first time in 1961. The renewal expense ratio, which provides a better indicator of the economy of management, also fell from 12.9% in 1960 to 12.4% in 1961.

In the larger interests of the policyholders, the majority of whom consist of middle class people, there is an imperative need to keep a constant vigil on the expenses and to eliminate unproductive expenditure by strict budgetary control.

#### **Claims**

Claims for the year amounted to Rs 25.4 crores under matured policies and Rs 8.7 crores under policies becoming claims by death. The total claims for the year amounted to Rs 34.1 crores as compared with Rs 30.7 crores in 1960. The total benefits by way of claims during the period, 1st September 1956 to 31st December 1961, amounted to Rs 147 crores.

#### **Mortality Investigation**

The Actuarial Department at the Central Office set up, during the year, the necessary machinery for the collection of statistics for the purpose of continuous investigations into the mortality of lives assured with the Corporation. The object of this step is to keep the mortality experience under constant review so as to facilitate the construction of up-to-date mortality tables.

#### **Valuations**

In exercise of the powers conferred by Section 49(2) (k) of the Life Insurance Corporation Act 1956, the Corporation framed regulations, with the prior approval of the Central Government, for the

purpose of classification of policies for declaration of differential bonuses, and published the same during the year. These regulations came into force on 15th October 1961. The bonuses on policies which became claims by death or maturity before this date, were settled on the basis of the provisional classification of policies which was also approved by the Government.

The second biennial Valuation of the Corporation's business as at 31st December 1959 was completed during the year and, as a result thereof, Rs 24.29 crores were allocated amongst participating policyholders, the rates of reversionary bonus allotted both for policies issued by the Corporation as well as for policies issued by the erstwhile insurers being the same as those declared in respect of the first Valuation as at 31st December 1957. The amount allocated to the Central Government was Rs 1.28 crores.

The third biennial Valuation of the Corporation as at 31st December 1961 is in progress and the results of the same are expected to be available before the end of the year.

#### **Building Activities**

We have on hand construction of a large number of buildings to house our offices and also for investment purposes. Although the shortage of building materials has hindered our building activities to some extent, special efforts are being made to complete the various buildings, at different stages of construction, as early as possible. The housing of our offices in our buildings would relieve the present congestion and would lead to more efficient working. It is my idea that the Corporation should have its own buildings for its offices. Suitable plots of land are, therefore, being purchased for our Divisional and branch office buildings at various centres.

#### **Mortgages**

The scheme for grant of loans on mortgage of immovable properties has now been extended to 21 cities. It is expected that an increasing number of property owners would avail of this facility. The scheme for grant of loans to policyholders for construction of houses is being revised with a view to en-

abling the middle class people to own their homes with the help of loan facilities to be provided by the Corporation. The scheme is to operate in the first instance in 56 cities.

#### Administrative and Development Training

I am glad to report that the work of training the administrative staff is progressing satisfactorily, the total number of assistants trained till 31st December 1961 being

5,597. The Officers' Training College at Nagpur is also doing good and systematic work and has by now trained 741 Officers. The effect of this training will, in course of time, be reflected in the increased efficiency of our offices. On the development side too, the training centres are doing useful work. So far 6,617 Development Officers And 10,665 agents have been trained.

I have always received sincere co-operation and valuable advice

from my colleagues on the Board and on the Investment Committee. I offer my grateful thanks to them. I take this opportunity to record my appreciation of the services rendered by the officers and staff at all levels. It is their services which have solely contributed to the fine results achieved by the Corporation. Finally, I thank all the agents who have done such excellent work in enabling the Corporation to break its previous records in the matter of our new business,

#### Around Bombay Markets

## Equities Rise, React

Thursday, Morning

AFTER edging its way further up

Dalai Street hesitated for a while and later developed an easier tendency which was particularly marked at the week-end. Not only were all the early gains erased but most counters showed small losses over their previous week-end quotations. Early rise took Vyapar's equity share index back to its August 2 rally point of 141.59 but later the index came down to 139.35 on Wednesday and the closing was only a little higher at 140.05. The volume of business continued to be on the low side and interest was selective. Outside public interest was very poor due to lack of any exciting news to give a big push to the market either way.

Earlier rise was due more to scarcity of offerings than to any important bull buying. And the week-end setback was caused more by lack of support than by any aggressive selling. Only two counters, namely, National Rayon and Telco, experienced something like real selling near the week-end. The selling in National Rayon seemed to have been inspired by reports discounting prospects of a rise in rayon yarn prices. And the selling in Telco reflected market's disappointment over some of the observations made by the chairman at the company's annual meeting on 28th August. The shareholders did not seem satisfied with the chairman's assurance about the dividend being barely maintained. Nor were they happy with his statement that the production of trucks was unlikely to suffer to any noticeable

extent as a result of the possible cut in foreign exchange allocations to the company. Apparently, the shareholders had gone to the meeting with high expectations, which, however, could scarcely be justified in the light of what the chairman had already said in his statement circulated along with the directors' annual report.

The weakness in National Rayon and Telco had an unsettling effect on the general trading sentiment. Steel shares, however, held steady-to-firm on hopes of an early announcement on steel retention prices. And if one could depend on the statement, made in the Lok Sabha on Wednesday, by the Minister for Steel and Heavy Industries, the market will not perhaps have to wait for long for the official decision on retention prices. In reply to a question, Shri C. Subramaniam stated that the decision on steel retention prices would be taken "very soon". The announcement on steel retention can have a considerable influence on the mood of the market which guides short-term fluctuations.

#### Cotton

#### Futures Steadier

COTTON futures which had been somewhat subdued in the preceding week were steadier again last week. The March contract moved up from Rs 735.75 to Rs 744.50 and Wednesday's closing of Rs 743 showed a net gain of Rs 6 per 3 quintals over the week. Last week's improvement was due more to scarcity of offerings than to any

aggressive bull support. The volume of business continues to be on the low side. Outside public interest in the market can be said to be virtually absent. The authorities cannot blame the speculator for pushing up cotton futures which are quoted around the highest level for over a decade. Conditions in the spot market indicate near-famine conditions. New crop cotton coming from the irrigated areas of Baramati and Porbandar is quoted about Rs 150 to Rs 175 per 3 quintals about the revised ceiling prices.

Weather reports from almost all the cotton producing areas have continued to be fairly encouraging up to now and yet few expect the crop to exceed 51/52 lakh bales. The crop could be smaller if the weather takes an unfavourable turn in coming weeks. One can hope and pray for the best but who could ever be certain about the weather. Neither the upward revision of the 1961-62 crop estimate from 43 to 46/47 lakh bales nor the prospect of a good crop has caused any easiness in the market which only underlines the serious nature of the imbalance between demand and supply resulting from a virtually static production and rising domestic consumption. Total internal consumption of cotton in 1961-62 is estimated around 57 lakh bales against 53.73 lakh bales in 1960-61 and 51.05 lakh bales in 1959-60. Notwithstanding huge imports over the past three seasons, near-famine conditions prevail in the cotton market. With the up-