



A Study on Principles of Life Insurance Corporation of India

Brijbhushan P. Chavan

Dept. of Commerce,
J.E.S. College Jalna, Tq. Dist. Jalna
Email - brijbhushan.chavan7@gmail.com

Article Info

Received: 08/07/2023

Revised: 25/08/2023

Accepted: 10/09/2023

Keywords: Insurance
business, Life Insurance,
Corporation

Abstract

Insurance business is an important part of the life insurance industry. It has played a significant role in spreading life insurance across the country. The purpose of this study is to study the role of life insurance business in the Indian insurance market. The study has been carried out using secondary data method. This study has covered from internet sites, books, and published reports regarding the study. The primary data method has been used to complete the study; this study has covering from Internet sites, literatures, and reported reports. The secondary data method was used to finish the study, this study have covered from web sites, and books.

The results of the study have been analyzed and compared with the available literature. The main findings are as follows: (1) LIC is the dominant life insurance company even in the liberalized Indian insurance scenario and is moving fast on a new growth path, surpassing its own past records. (2) Insurance business has gained an important position in terms of individuals, industry, trade, society and national economy. (3) Insurance business contributes to the development of the country as a whole by using the principle of cooperation.

INTRODUCTION:

Life Insurance Corporation of India is a statutory corporation incorporated under Section 3 of the LIC Act, 1956. The Life Insurance Corporation of India came into existence on 1 September 1956, with the aim of spreading life insurance more widely and particularly in rural areas. An approach to reach out to all insured persons in the country, providing them with adequate financial protection at reasonable cost.

Since then, LIC has crossed many milestones and set unprecedented performance records in various aspects of life insurance business. LIC is the dominant life insurance company even in the liberalized Indian insurance scenario and is moving fast on a new growth path, surpassing its own past records. In its 65 years of existence, LIC has grown

through its customer base, agency network, branch office network, new business premiums and has played a significant role in spreading life insurance across the country.

Vision Mission of LIC of India :

By providing desirable properties and services with competitive returns and providing resources for economic development Hi! I am Your Virtual Assistant LIC MITRA Ensure and enhance the quality of life.

Definition of LIC :

1) **Boon and Catus:** Insurance is a return against a loss, big or small.

2) John Magri : There is a planning done by Sri Lankan which is taking risk Cooperating with each other is insurance."

- 3) Riggle and Miller: Insurance is a social weapon in which individual groups of individuals provide adequate funds to help the vulnerable among them.
- 4) Prof. Alan Meyerson : "Insurance is an instrument by which losses arising out of financial risk are transferred to the insurer which would otherwise have been borne by the insured."

Objective of the study :

1. To know the LIC of India.
2. To know the principals of the LIC India.

Research methodology:

Secondary data method has been used to complete the study; this study has covered from internet sites, books, and published reports regarding the study.

Principles of Life Insurance Corporation of India :

Principle of Mutual Trust :

While entering into a contract of general insurance, both the parties i.e. the insured and the insurer should have complete trust in each other. The insured has complete information about the subject of insurance or the insured item. Therefore, the decisions regarding whether to accept the risk and accept the insurance contract or not and how much the insurance premium should be depends on the information provided by the insurer. That is why the principle of mutual trust is essential in an insurance contract. The principle of mutual trust means that the insurance company and the insured must give each other full understanding of all the information necessary for the contract regarding the subject matter or subject of insurance. Mutual trust is the soul of an insurance contract. Such information is essential from the insurance company's perspective. Therefore, the insured and the insurance company should provide each other with the information they need in clear language and truthfully. As per the principle of mutual trust, it is the duty of both the parties to clearly disclose all the important information regarding the insurance subject. This is the moral responsibility of both the parties. If one party withholds information, the principle of mutual trust is breached. This may be done intentionally or unintentionally but it may cause the other party to invalidate the contract. Also that contract becomes illegal.

Dimensioned elements:

'Insured' means the pecuniary interest of the Insured in the subject-matter insured or in the thing insured. If there is financial loss to the insured if the insured item is damaged or destroyed, the insured item is not insured. The principle of non-insurance is an essential element in every type of insurance contract.

If an insurance contract is entered into in respect of a non-insurable item, the contract is void and also illegal. The following points are very important in terms of uninsured principle.

1. Insurable refers to the physical nature of the insurance subject as well as the life of the individual or should it be about wealth.
2. There must be a possibility of loss to the insured object in the future as well as a possibility of loss to the insured due to such loss.
3. There should be a legal relationship between the insured object and the insured. The relationship should be such that the existence of the thing insured is likely to benefit the insured and the insured may suffer loss if the thing is damaged or destroyed.

Therefore, the insured must also exist to seek compensation. In fire marine casualty as well as in all other forms of insurance there must be an uninsured both at the time of contract of insurance and at the time of indemnification in case of loss due to unforeseen occurrence. The only exception to this is the life insurance type. In life insurance only the insured needs to have an uninsured principle.

Principles of Compensation:

The amount of compensation offered by the insurance company or the insurance carrier to the owner of the insured item or property in case of loss or damage is called 'indemnity'. Such compensation is awarded on the principle of compensatory damages. Indemnity principle is a controlling principle' in insurance contract. Because all insurance contracts are 'contracts of indemnity'. Since the insurance contract is an indemnity contract, the insurer indemnifies the insured only for the loss actually caused to the insured object. Indemnification means a compensation or guarantee for damages, so that the amount equal to the amount of the damage is paid, the contract only expects to restore the goods to the condition they were in before the damage occurred. Hence the policy of insurance cannot bring any benefit to the insured but only bear the loss. Hence the insured should not expect to receive more than the actual loss amount as insurance is not a gamble. The amount of damages is determined according to the market value of the property. Therefore excess amount or under amount is against the principle of insurance contract. The principle of indemnity is applicable in insurance types like fire insurance, marine insurance, liability insurance, property insurance, accident insurance, commercial insurance, etc. However, this principle does not apply to personal accident and sickness insurance in life insurance alone.

The following are the reasons why the principle of indemnity does not apply to life insurance".

1. The amount of life insurance depends on the amount of premium the insured is willing to pay for it.
2. In life insurance it is very difficult to determine the financial loss to the family due to the death of the insured.
3. The purpose of life insurance is not only protection against loss of life but also savings and future provision.

Due to the above reasons, regardless of the amount of loss in life insurance, the sum assured has to be paid to the insured after the death of the insured or after the term specified in the contract and also the amount specified in the contract.

Compensation Principle :

The principle of subrogation is the right or rights against a third party, after the insurance company has paid full compensation to the insured for the damage caused to his insured property, the insurance company acquires the right to demand compensation for the remaining part of the 5 property or the person who caused the damage to the property. According to the principle of trust, the ownership of the insured property can change as follows. 1. After the insurance company has paid the full amount of compensation, the company acquires the rights and powers of the insured. 2. The same rights as the insured has against third parties are received by the insurer. 3. The insured has to pay back the excess amount recovered from elsewhere to the insurance company. 4. The insurance company can claim for compensation against the person responsible for the loss of the insured property.

Principle of Co-operation :-

Insurance business is successful only on social cooperation. Insurance work depends on mutual cooperation. Individuals who are likely to suffer loss due to an event, persons engaged in commercial activities come together to provide for the loss of the person who will have to bear the actual loss through insurance. A fund is created by all these persons for that purpose. Each person deposits the insurance premium in proportion to the probability of loss and the sum assured. After that actually the person who has suffered loss is compensated from this fund. Thus the entire insurance work is based on the principle of co-operation. Insurance cannot work unless many individuals come together to provide compensation. The work of social cohesion and development

continues unabated due to the work of insurance. An atmosphere of excitement is created in the country as the fear of risk is reduced in everyone's mind. In this way insurance business contributes to the development of the country by using the principle of cooperation.

Principle of Loss Reduction :

The principle of mitigation of loss is the principle of placing the duty of reasonable care on the insured to minimize the loss of the insured property. This principle is adopted so that after insuring the thing insured, the insured must protect the thing without being negligent and the insured must take care of the thing insured as if he had taken care of the thing. Due to this principle, the loss of the insured item is kept to a minimum. If it is shown that the insured has not taken proper care of the insured item and the insured item has suffered maximum loss due to this, the insurance company can refuse to pay compensation in such a situation. That is, even if the item is insured, the 6 responsibility of taking proper care of the item is the responsibility of the insured. If enough care is taken, the damage to the item is minimal. It also reduces the amount of damage. Even after taking care of the insured item to avoid possible risks, if the item is damaged, the liability of compensation falls entirely on the insurance company.

Principle of Probability :-

An insurance contract is contingent upon the occurrence or non-occurrence of a contingent event. Probability of loss is an important part of an insurance contract. Insurance is also not required where there is no possibility of financial loss or damage. The potential for harm may be limited to physical factors. Any potential event can be man-made or natural in nature. But the damage caused by it is of physical elements. Also this loss can be measured in terms of money. Any riot, fire, storm, earthquake, volcanic eruption, tsunami, heavy rain, accident, short circuit, shipwreck, war and terrorist incidents are all more physical factors. However, the number of people who take out insurance considering such possible events and the number of organizations that guarantee it is less. A low level of risk acceptance is essential for the survival of the insurance business. Since insurance is based on the principle of cooperation, it is necessary to run an insurance business keeping in mind that cooperation also has limitations.

Principle of Proximate Cause :

Adjacent to the principle of damages is the principle of proximate cause.

Generally this principle applies in marine insurance type. Marine insurance covers damage to property during sea voyages. The insurance company takes responsibility for compensation only if the cause of the loss is specified in the insurance contract, but often several events occur consecutively and sequentially. Thus a series of such events is created. If the insured item is damaged due to those events, it is not possible to say with certainty the cause of the damage. In such cases the principle of proximate cause is invoked. After ascertaining the proximate cause of the risk, the onus of compensation is placed on the insurance company. The insurance company can refuse to pay for damages only if this proximate cause is mentioned in the insurance contract. In marine insurance type this principle is adopted as the exact cause of loss is often not ascertainable. Today insurance is being used by business, industry, all individuals, all society, economy of the country. Insurance is used to provide an individual for his family and future, while insurance has enabled the

government to fulfill its vision of a welfare state and its social responsibility. Money 7 in insurance business is important for the economy of the nation as a whole. In terms of individuals, industry, trade, society and national economy, insurance business has gained an important position.

Reference :

1. Prof. Miksha M. A Modern Concept of Insurance Publication Miksha Publishing -House Nagpur.
2. Pvt. Perishanami P.K."Principles of Insurance and the Industry Publication Alite."Private Limited Mumbai 400001
3. Prof. Suredra M "Insurance Management Publication Mehta Publishing House – Pune
4. Principles of Life Insurance I - Monthly University Press Hyderabad.
5. www.licindia.ac.in
6. www.wikipedia.com
7. Dr. Pradeep Aglave, Research Methodology-Vidya Publication Nagpur.

Cite this article

Brijbhushan P. Chavan, 2023. A Study on Principles of Life Insurance Corporation of India. *JES Bulletin*, 1(1):47-50.