

LIC planning to invest Rs 2.25 lakh crore this year

The Life Insurance Corporation of India (LIC), the country's largest insurer, is planning to invest a total of Rs 2.25 lakh crore this year. Speaking to Business Standard, Thomas Mathew T, current-in-charge chairman of LIC, who took over last week, said it would focus on business growth and leadership, opening offices in all tier-IV towns, adding more agents and better investment returns in the current financial year.

Investment focus and returns

LIC invested Rs 2 lakh crore as a whole last year in segments such as government securities, bonds, infrastructure, debenture and equity. "This year, we hope to invest Rs 2.25 lakh crore, in which 15-20 per cent would be in equity," said Mathew. He added LIC was making prudent long-term investments and was able to "generate good reasonable yields for our investment to be given back to our policyholders".

LIC is also looking at increasing its returns from equity investments. Mathew said last year, the company made a 33 per cent growth in profit booking and booked Rs 21,000 crore profit from sale of equities and churning of the portfolio. This year, LIC is looking to book Rs 25,000 crore as profit from churning of its equity portfolio. Mathew said the LIC research team studies each company and its fundamentals and the company is a long-term investor. "We have a contrarian view. Any market is good for us. If market is low, it is an opportunity for us to buy. If the market is up, it is an opportunity for us to book profits and reach the Rs 25,000-crore target," he said. LIC usually invests in the Nifty and Nifty Junior segments. He said keeping in mind the improvement in the stock market, LIC will devise and develop products to encash on this revival in the market. LIC is also planning to bring out its online term plan by the end of this financial year.

Areas of growth

Mathew said LIC's main focus will be to retain and consolidate its market leadership by excellent business growth, both in terms of premium and number of policies. LIC's market share is 83 per cent in the number of policies and over 71 per cent in terms of premium.

LIC is also planning to open offices in all tier-IV towns by the end of this financial year. "As a life insurance company, committed to the nation, one responsibility is to spread insurance to every nook and corner of the country and not only the metros. During the current year, according to the finance minister's Budget statement, we are going to open LIC offices in all centres with 10,000 and above population," he said.

The life insurer is planning to open 1,800 new offices this year. Mathew said the

company was gearing up for this process by putting in place systems and infrastructure, upgrading its premium points, collaborating with public general insurers and banks. He said the most important area was to leverage their own agents and development offices and upgrade these to LIC offices.

A paperless mechanism is another area of focus, he said. "We are taking IT initiatives in customer service areas. The process is becoming paperless to offer customer service anywhere and anytime. We have data management systems by which we are scanning and putting all existing files, to the tune of almost 300 million, online. We have completed the process for old files and in the process of digitising current files," he said.

Agent attrition and recruitment

Mathew said agents were an important resource for LIC. He added the insurer would focus on inducting more and arrest attrition. While Mathew agreed attrition was an issue for the sector and for LIC as well, he added with the agent recruitment process made simpler by the Insurance Regulatory and Development Authority (Irda), more would be added. He said, "We are looking to recruit more than 100,000 agents this year." LIC has 1.2 million agents across its 2,067 offices. Apart from this, he said LIC was making efforts to increase training and marketing initiatives, so that agents are able to do more business and continue in this profession.

New traditional product guidelines

Although Mathew said this was a concern, he added LIC was taking proactive steps to refile products. The deadline for refiling new products for individual segment is October 1. He said, "Our appointed actuary and product development departments are on the job for developing new products with new features that can be filed with Irda. We are informed the new team in Irda has put in place measures to see products are approved in a very short time. Though products have to be refiled, both our proactive steps and Irda's initiatives for quick approvals will ease the anticipated process and I am hopeful the second half of the current financial year will also go well."

Real estate portfolio growth

Mathew said LIC uses its real estate portfolio to house its own offices and staff quarters. Further, it constructs a large quantity of investment buildings and lets it out at attractive rates. He said, "We want to leverage this real estate segment and get more rental income for LIC. We have a target of approximately Rs 400 crore as rental income." Last year, it collected Rs 326.76 crore as rental income. Further, since LIC still has some offices in rental premises, the insurer is looking to shift those into their own offices.

Vision 2020

LIC has devised a Vision 2020 to give an insurance policy to every Indian by 2020. Mathew explained that LIC was progressing well in this area and hopes to cover every insurable person in the next seven years. He further said that it would need to do about 600 million more policies in the next seven to eight years to achieve this target. "With an increase in number of agents and opening up offices in tier-4 towns, we would be able to achieve it," he said.

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