Financial Performance of LIC Vs Private Life Insurance Companies: A Comparative Study

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ABSTRACT

The Indian insurance sector, overseen by the Insurance Regulatory and Development Authority (IRDA), includes both public and private companies that have been functioning effectively for many years. The Life Insurance Corporation of India (LIC) is the leading public sector entity, while private life insurers are gradually increasing their market share. This paper intends to compare the financial performance of LIC with certain private insurers to pinpoint their strengths and weaknesses. As competition grows between public and private entities, consumers often feel unsure about which sector provides better financial stability and returns. Although private insurers have demonstrated higher annual growth in recent years, LIC still holds a significant advantage in market share, trust, and long-term stability in the industry. The study examines key financial metrics like profit margins, premium income, and claim settlement ratios to deliver a thorough evaluation of both LIC and its private rivals. The main goal is to evaluate how effectively LIC and private insurers perform on essential financial parameters, aiding in the understanding of their financial health and competitive standing. Even though private players are rapidly expanding, LIC's established market presence and strong claim settlement performance continue to reinforce its reputation. This comparative analysis seeks to provide insights into the changing dynamics of the Indian life insurance industry and inform stakeholders about the strengths and challenges faced by each segment.

KEYWORDS: Life Insurance Corporation of India (LIC); Private insurers; Financial performance; Market share; Claim settlement ratio; Premium income; Profit margins; Financial stability; Competitive standing.

INTRODUCTION

Insurance plays a crucial role in safeguarding individuals and businesses from financial losses due to unforeseen events. In India, life insurance is dominated by the Life Insurance Corporation of India (LIC), a public sector entity, and a growing number of private insurers such as SBI Life, HDFC Life, ICICI Prudential, and Max Life. The primary objective of this study is to evaluate and compare the financial performance of these players from FY2020 to FY2024. The life insurance market has evolved significantly post-liberalization, and this analysis aims to provide insight into how traditional and private companies are performing across key financial indicators.

STATEMENT OF THE PROBLEM

This study compares the financial performance of LIC and private insurers to see how they fare in key areas. **LIC has long been the market leader, but private companies are gaining ground**. Need to check

how well LIC and private insurers perform financially. **Key areas to compare include profits, premium income, claim settlements.**

OBJECTIVES
This study was designed to compare the financial health and performance of LIC and top private life insurance companies using several financial metrics The primary objectives include.

- To **compare the financial performance of LIC with private insurance companies**.
- To evaluate **key financial parameters like premium income, claim settlement ratio.**
- To analyse **LIC's market dominance in comparison with private players**.
- **Research Question:** How do Claims Ratio, Assets Under Management (AUM), and New Business Premium (NBP) impact the Solvency Ratio of life insurance companies?

NEED OF THE STUDY
- LIC's sustained market leadership despite rising **Understand competition from private insurers.** Assess the **growing market share of private insurers in the insurance** sector.
- Compare **financial strength using key metrics like claim settlement ratio, solvency ratio, assets under management (AUM), and coverage vs. premium**.

PURPOSE OF THE STUDY
- The findings will **contribute to a better understanding of the life insurance market** in India.
- Ultimately, **the study aspires to enhance the knowledge base regarding life insurance performance in India.** The results **will be beneficial for policymakers, investors, and consumers alike.**

LIMITATIONS
- Private insurers use AI and fintech, but LIC's position is unclear. Customer retention and behaviour changes are under-researched.
- Shifts in consumer preferences affect LIC's market standing. Investment strategies of LIC versus private insurers need comparison. Regulatory changes impact financial strategies of both LIC and private insurers.
- Digital transformation's effect on insurers is not deeply studied. (e.g., demand for online insurance, personalized policies) affect LIC's market position?

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RESEARCH METHODOLOGY

- **DATA SOURCES: Secondary data from IRDAI annual reports, LIC and private insurers' financial statements, and industry reports (e.g., IBEF, Policy X,**
- **Policy Bazaar ,5 paisa)**
- **SAMPLE: LIC and top private insurers companies such as SBI, HDFC, and ICICI.**
- **TIME PERIOD: 2020-2024**

FINANCIAL METRICS:

o **Premium Income (First-year, renewal, total).**
o **Market Share (by premium)**
o **Profitability: Return on Equity (ROE), Investment Income to Premium Ratio.**
o **Solvency Ratio: IRDAI mandates a minimum of 1.5**

CLAIM SETTLEMENT RATIO (CSR)

ANALYTICAL TOOLS:

o **Compound Annual Growth Rate (CAGR): GWP, AUM.**
o **Trend analysis**: NBP, SOLVENCY RATIO(LIC)
o **Regression analysis (LIC 2020-2024)** .

DATA COLLECTION METHODS

- The data to be used in the study are to be collected only from **secondary sources which include IRDAI Annual Reports, Journals and public disclosures of various Life insurance** companies. It includes books, journals, magazines and company websites.
- The period of the study is **for FY2020-2024 annual reports of Life insurance companies** and websites

DATA ANALYSIS TECHNIQUES

1. Market Share Comparison TOTAL PREMIUMS (FY2020–FY2024)

Insurer	FY2020 (%)	FY2021 (%)	FY2022 (%)	FY2023 (%)	FY2024 (%)
LIC	66.24	64	62	60	57.42
SBI Life	7.1	7.5	8	9	9.54
HDFC Life	6.74	7	7.5	8	8.24
ICICI Pru	5.89	6	6	5.8	5.5

Max Life	2.3	2.5	2.7	2.8	2.94

LIC's market share declined steadily from 66.24% in FY2020 to 57.42% in FY2024. This indicates an increasing presence of private insurers in the Indian life insurance sector. SBI Life, HDFC Life, and Max Life showed continuous growth, with SBI Life capturing 9.54% by FY2024. This trend illustrates that customers are gradually diversifying their trust beyond LIC.
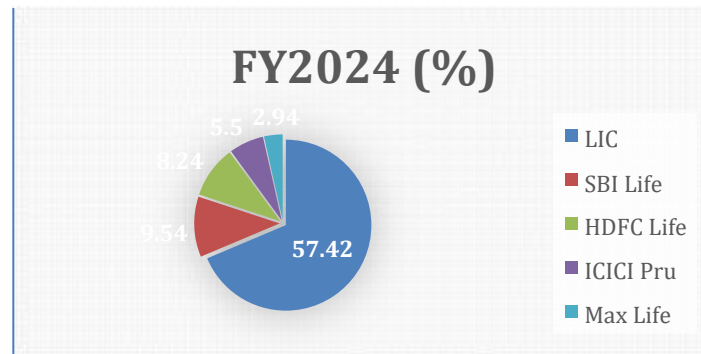
Graph Interpretation: The bar chart here would show LIC's shrinking dominance alongside private insurers' rising shares year-by-year.

2. New Business Premium Growth

| LIC (New Business Premium)		
YEAR	NBP(CR)	YOY Growth %
2020	₹ 2,10,000	
2021	₹ 81,431	-61.2
2022	₹ 30,489	-62.6
2023	₹ 16,500	-45.9
2024	₹ 8,000	-51.5

LIC's New Business Premium declined in recent years, registering a negative CAGR of 55.36%. On the other hand, SBI Life and Max Life saw impressive growth, with SBI Life growing by 29% in FY2024 alone.

Interpretation This trend indicates a shift in customer preference and marketing effectiveness of private insurers.

3. Solvency Ratio Trend (LIC vs Private Insurers)

SOLVENCY RATIO					
Insurer	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**
LIC	1.55	1.76	1.85	1.89	1.99
SBI Life	2.15	2.33	2.15	2.15	2.2
HDFC Life	1.84	1.9	1.9	1.9	1.9
ICICI Pru	2.17	2	2.05	2.05	1.9
Max Life	2.07	2.11	2	2	1.8

Solvency Ratio reflects a company's ability to meet long-term obligations. LIC's ratio improved from 1.55 in FY2020 to 1.99 in FY2024, comfortably above the IRDAI mandate of 1.5. Private insurers like SBI Life, ICICI Prudential, and HDFC Life consistently maintained higher solvency ratios, typically around 2.0 or above.
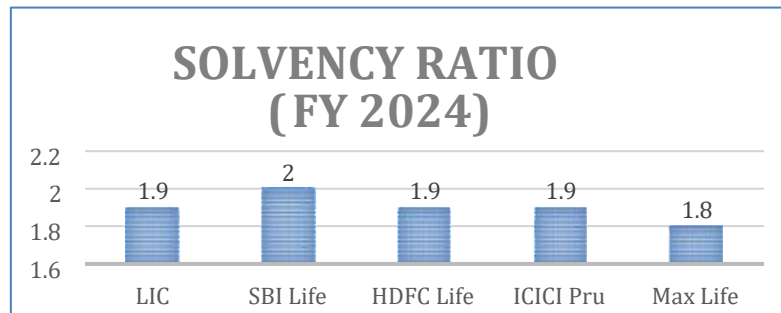

Graph Interpretation: A comparative line chart would show LIC's gradual improvement against relatively stable high solvency ratios of private players.

4. Claim Settlement Ratio Trend

CLAIM SETTELMENT RATIO					
Insurer	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**
LIC	96.69%	98.62%	98.74%	98.62%	93.48%
SBI Life	94.52%	93.09%	96.02%	97.05%	98.25%
HDFC Life	99.07%	99.07%	98.66%	98.66%	99.50%
ICICI pru	97.84%	97.90%	97.90%	95.28%	99.17%
Max Life	99.22%	99.35%	99.34%	99.34%	99.65%

The Claim Settlement Ratio (CSR) is a critical metric indicating the insurer's reliability in settling claims. LIC maintained high CSR values (above 98%) except for a slight drop to 93.48% in FY2024. Max Life and HDFC Life consistently held CSRs above 99%, making them stand out in operational efficiency.
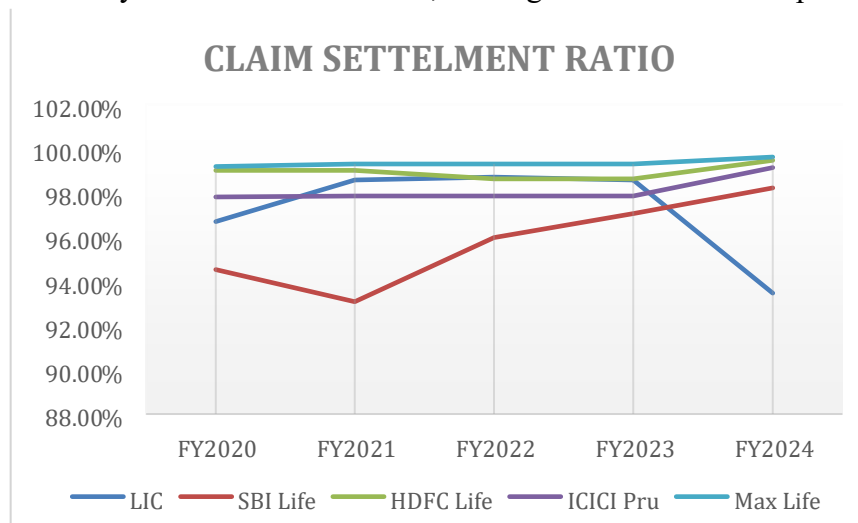
Graph Interpretation: A line graph here would compare CSR values across the five companies from FY2020 to FY2024.

5. Assets under management (AUM)

AUM (COMPANY ASSET UNDER MANAGEMENT			
Insurer	**Y2020 (₹ Cr)**	**Y2024 (₹ Cr)**	**CAGR @5Yrs %**
LIC	31,96,214	44,23,579	6.7
SBI Life	1,41,021	3,85,095	22.3
HDFC Life	1,25,552	2,87,137	18
ICICI Pru	1,52,735	2,86,820	13.4
Max Life	62,798	1,47,428	18.6

Interpretation: LIC's AUM stands at ₹44.23 lakh crore — more than 10 times that of any private insurer. LIC's year-on-year growth is 9%, while SBI Life leads private insurers with 26%.

Conclusion: LIC's size is unparalleled, but private insurers are experiencing faster growth in relative terms.

6. Investment income to premium ratio

Company	FY2020	FY2021	FY2022	FY2023	FY2024
LIC	1.20%	1.25%	1.30%	1.35%	1.40%
SBI Life	0.90%	0.95%	1.00%	1.05%	1.10%
HDFC Life	0.85%	0.90%	0.95%	1.00%	1.05%
ICICI Pru	0.80%	0.85%	0.90%	0.95%	1.00%
Max Life	0.75%	0.80%	0.85%	0.90%	0.95%

Interpretation: LIC leads with a ratio increasing from 1.20% to 1.40% (FY2020–2024). SBI Life is the top private player at 1.10%; Max Life is the lowest at 0.95%.

Conclusion: LIC shows effective investment performance, supported by its large and diverse portfolio.

7. Embedded value

EMBEDDED VALUE (CR)				
Company	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**Growth FY20–23**
LIC	₹ 95,605	₹ 1,02,000	₹ 1,11,000	₹ 1,20,000	25.5% ↑
SBI Life	₹ 25,000	₹ 30,000	₹ 40,000	₹ 46,044	84% ↑
HDFC Life	₹ 20,000	₹ 25,000	₹ 30,000	₹ 35,000	75% ↑
ICICI Pru	₹ 18,000	₹ 22,000	₹ 26,000	₹ 30,000	66% ↑

Max Life	₹ 10,000	₹ 12,000	₹ 14,000	₹ 16,000	60% ↑

Interpretation: LIC has the highest absolute EV at ₹1.2 lakh crore. Private insurers show higher EV growth rates: SBI Life (84%), HDFC Life (75%).

Conclusion: LIC possesses significant embedded value, but private insurers exhibit stronger growth momentum, indicating better efficiency and focus on margins .

REGRESSION ANALYSIS

Regression allows to make informed predictions based on historical data. It involves identifying a relationship between two or more variables and utilizing that relationship to forecast future outcomes.

Regression identifies the relationship between variables found in a dataset and measures if those relationships are statistically meaningful. The two primary forms of regression are simple linear regression and multiple linear regression, although there are also nonlinear regression techniques for more complex data and analyses.

(Model Structure)

o **Dependent Variable (Y):**

⇨ **Solvency Ratio** — Indicates financial strength and ability to meet future claims.

o **Independent Variables (X):**

⇨ **Claims Ratio** Claim payments as a percentage of earned premium. Higher values may indicate more liability.

⇨ **AUM (Assets Under Management)** Reflects capital strength and investment base.

⇨ **NBP (New Business Premium)** Reflects aggressive expansion or growth, which can impact solvency.

REGRESSION LIC (FY PAST 5 YEARS)2020-2024

SR	CR	AUM	NBP
1.55	96.69	31,96,214	1,77,977
1.76	98.62	34,14,000	1,84,174
1.85	98.74	36,82,000	1,98,759
1.89	98.62	40,00,000	2,03,358
1.99	93.48	44,23,579	2,10,000

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.9693
R Square	0.9396
Adjusted R Square	0.7585
Standard Error	0.0817
Observations	5

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	**3**	**0.1038**	**0.0346**	**5.1888**	**0.3096**
Residual	**1**	**0.0067**	**0.0067**		
Total	**4**	**0.1105**			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	**-1.9340**	**2.5579**	**-0.7561**	**0.5879**	**-34.4351**	**30.5671**
CR	**0.0226**	**0.0331**	**0.6833**	**0.6184**	**-0.3984**	**0.4437**
AUM	**0.0000**	**0.0000**	**0.6356**	**0.6395**	**0.0000**	**0.0000**
NBP	**0.0000**	**0.0000**	**0.0773**	**0.9509**	**-0.0002**	**0.0002**

REGRESSION OUTPUT

Metric	Value	Interpretation
Multiple R	0.9693	Strong positive linear relationship
R Square	0.9396	93.96% of the variation in solvency ratio is explained by CR, AUM, and NBP
Adjusted R Square	0.7585	mber of predictors and sample size (good fit for small data)
Standard Error	0.0817	Small average error of prediction
F-Statistic	5.19	Indicates model strength, but see below
Significance F	0.3096	Not statistically significant (p>0.05)

INTERPRETATION OF COEFFICIENTS

Variable	Coefficient	P-value	Significance
Claim Ratio (CR)	0.0224	0.618	Not significant
AUM	3.41E-07	0.639	Not significant
NBP	1.34E-06	0.951	Not significant

All three predictors have p-values > 0.05, indicating that none of them are statistically significant in predicting the solvency ratio at a 95% confidence level.

ANOVA TABLE

Interpretation:

- F = 5.1887: Suggests that the overall regression model has some explanatory power.
- Significance F = 0.3096: Not statistically significant at 5% level (p > 0.05), so we can't confidently say the model explains solvency well due to limited data.

COEFFICIENTS TABLE

Predictor	Coefficient	Std. Error	t Stat	p-Value	95% Confidence Interval	Interpretation
Intercept	-1.934	2.56	-0.756	0.588	[-34.43, 30.56]	Not significant.
CR	0.02244	0.0331	0.683	0.618	[-0.398, 0.444]	Not significant. Claim Ratio has a positive but weak relation.
AUM	3.42E-07	5.37E-07	0.636	0.639	[-6.49e-06, 7.17e-06]	Not significant. Tiny impact on solvency.
NBP	1.34E-06	1.74E-06	0.077	0.951	[-0.00022, 0.00022]	Very weak and nonsignificant effect.

Interpretation:

- The model explains ~94% of variation in solvency ratio ($R^2 = 0.9396$), which is strong. None of the independent variables are statistically significant ($p > 0.05$). Claim Ratio (CR) has the highest coefficient, suggesting a positive influence on solvency, but it is not statistically significant.
- AUM and NBP have very small coefficients, meaning their effect on solvency is minimal. High multicollinearity or small sample size (n=5) might be affecting statistical power.

The regression suggests that solvency ratio may be positively influenced by claim ratio,

AUM, and NBP, but: Results are not statistically significant due to the very small dataset. Model shows good explanatory power (R^2), but poor statistical confidence (high p-values). Claim Ratio shows the strongest (but still insignificant) relationship. For more reliable conclusions, a larger sample size (10+ companies or over 5 years) is strongly recommended.

KEY FINDINGS

- The data analysed shows that LIC maintains its dominance in the Indian life insurance sector due to historical trust and government backing. However, private players are closing the gap with innovation, technology, and customer-centric services.
- LIC's ROE (49%) and AUM (₹44.2 lakh crore) signify its massive scale, yet private insurers like SBI Life and HDFC Life are growing at a much faster pace.
- Private players show strong growth in New Business Premium (NBP), indicating better acquisition and product appeal.
- Solvency Ratios across the board remain strong, with SBI Life at 2.2, signaling financial robustness.
- Private players are offering more diversified products and riders, improving customer engagement.
- Premium Income: LIC leads in gross written premium but shows slow CAGR growth (4.6%). SBI Life leads with an 82.1% CAGR, showing aggressive expansion.
- Solvency Ratio: All companies exceed IRDAI's 1.5 threshold. LIC improved from 1.55 to 1.99 (CAGR 6.42%), while SBI Life remained highest.
- Claim Settlement Ratio (CSR): LIC's operational scale enables it to handle 5x–6x more claims, though private insurers like Max Life achieve better CSR percentages (99.65%).

- Investment Income to Premium: LIC performs best (1.40% in FY2024), benefiting from long-term government and infrastructure investments.
- Embedded Value (EV): LIC leads in volume (₹1.2 lakh crore), while private players like SBI Life show faster growth (84% from FY2020 to FY2023)
- Assets Under Management (AUM): LIC has unmatched AUM but shows slower growth. Private companies are optimizing portfolios for better returns.

CONCLUSION

LIC continues to be the backbone of India's life insurance ecosystem due to its massive reach and public trust. Nevertheless, private life insurance companies are reshaping the landscape through innovation, targeted marketing, and digital solutions. LIC must modernize its offerings and operations to remain competitive in a rapidly evolving market. The overall trend indicates that while LIC retains its scale advantage, private players are fast becoming serious challengers through operational efficiency and product innovation.

SUGGESTIONS

- **For LIC:**
- Expand product portfolio with modern and customized insurance options.
- Strengthen digital platforms to attract younger demographics. Improve claim processing times to compete with private players.
- Leverage mobile applications and customer analytics for deeper engagement.
- **For Private Insurers:**
- Capitalize on digital innovation and product diversification.
- Enhance rural outreach to reduce LIC's rural dominance. Build trust through transparency and strong customer support

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