

Comparative Analysis of Life Insurance Corporation of India (LIC) and Private Life Insurance Companies

Jalpaben I. Thakkar¹ | Dr. Manisha M. Barad^{2*}

¹Research Scholar, K.S.K.V. Kachchh University, Bhuj, Kachchh, Gujarat, India.

²Associate Professor, Department of Commerce, K.S.K.V. Kachchh University, Bhuj, Kachchh, Gujarat, India.

*Corresponding Author: drmanisha.kachchh.uni@gmail.com

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ABSTRACT

This research paper aims to compare market share, new business premium income, policies issues and benefits paid by Life Insurance Corporation of India and private life Insurance companies. All twenty four life insurance companies were selected for the study. Percentage, CAGR and T test was used for the analysis. The study concluded that LIC outperformed than private life insurance companies in all four criteria.

Keywords: Life Insurance Companies, Market Share, Premium, Policies Issued, Benefits Paid.

Introduction

Life insurance has a long history that commenced with British colonization in India. In 1818, the British established the first life insurance company in India, the Oriental Life Insurance Company, in Kolkata. But the company was targeted to serve only the British people and was not available to the local people of India. At about the same time, a numerous locally owned life insurance companies were established after some Indian business families and rulers realized how important financial security was. The first business to provide life insurance to Indians was the Bombay Mutual Life Assurance Society, which was established in 1870.

The life insurance industry began to grow more systematically, but it was still largely unregulated until the Life Insurance Act of 1912, which established regulations to protect policyholders. The Act ensured that insurance companies kept sufficient reserves and followed all regulations that increased industry transparency and trust. Foreign Players controlled a sizable share of the life insurance market until the middle of the 20th century.

The Indian government's plans to nationalize the life insurance industry marked a sea change for the country. 245 private insurance companies were merged in order to establish the Life Insurance Corporation of India (LIC) in 1956. The nationalization of LIC was a major move in providing people long-term financial stability and making life insurance more widely available. For many years, LIC dominated the life insurance industry and played a significant part in encouraging saving, providing life insurance, and funding the growth of the Indian economy.

The Insurance Regulatory and Development Authority of India (IRDAI) was founded in 1999, and private and foreign companies had permission to enter the market. As a result, many private insurers entered the market and offered variety of product and better services to capture the market. Now a days,

Customers can easily compare, buy, and manage policies online because to the growth of insurtech companies and technology.

Literature Review

Dr. Mousumi Parida and Dr. Tanmaya Kumar Pradhan (2018) in their research article analyzed the performance and growth of LIC and three private insurance companies-ICICI Prudential Life Insurance Company Limited, HDFC Standard Life Insurance Company Limited and SBI Life Insurance Company Limited. Study revealed that the private life insurance companies have shown a decrease in net profit and working fund management positions. Their operating expenses also raised.

Ms. Pooja Puri and Dr. Harinder Singh Gill (2017) in their research paper compared LIC and new private life insurance companies based on their overall operations, consumer happiness, awareness, and preference, as well as the quality of their services. Study reveals that on private company's respondents satisfied about Assurance, Empathy, Personalized financial planning while LIC respondents satisfied about corporate image, Assurance And Technology and product preferred to them.

Amish Patel and Dr. V.J. Dwivedi (2017) in their paper said that the life insurance industry in India has gone full circle, starting as an open competitive market, nationalizing it, and then returning to a liberalized one. Study shows Penetration, density, market share, total premium, new policies issued by public and private sector.

Dr. Rakesh Kumar and Dr. Surender Singh (2023), in their research article compared the performance of LIC and 23 private life insurance companies. Data analyzed by trend analysis and t test of five year study period. Study found that LIC outperforms than private life insurance companies when compared to market share, new business premium, policies issued and claim paid.

Objective of the Study

- To determine the market share of LIC and Private life Insurance Companies
- To compare the new business premium income of LIC and Private life Insurance Companies
- To compare new individual policies issued by LIC and Private life Insurance Companies
- To assess the benefits paid by LIC and Private life Insurance Companies

Hypothesis

- H₀:** There is no significant difference in the market share of LIC and Private life Insurance Companies
- H₁:** There is significant difference in the market share of LIC and Private life Insurance Companies
- H₀:** There is no significant difference in the average new business premium income of LIC and Private life Insurance Companies
- H₁:** There is significant difference in the average new business premium income of LIC and Private life Insurance Companies
- H₀:** There is no significant difference in the average number of new individual policies issued of LIC and Private life Insurance Companies
- H₁:** There is significant difference in the average number of new individual policies issued of LIC and Private life Insurance Companies
- H₀:** There is no significant difference in the average benefits paid by LIC and Private life Insurance Companies
- H₁:** There is significant difference in the average benefits paid by LIC and Private life Insurance Companies

Sample of the Study

There were 24 life insurance companies operating in India at the time of the survey. All of the life insurance companies in India were included in the sample size. The companies that were selected as a sample are listed below.

(A) Public Sector
Life Insurance Corporation of India
(B) Private Sector
1. Aditya Birla Sun Life Insurance Co. Ltd.
2. AEGON Life Insurance Co. Ltd.
3. Ageas Federal Life Insurance Co. Ltd.
4. Aviva Life Insurance Co. Ltd.
5. Bajaj Allianz Life Insurance Co. Ltd.
6. Bharti AXA Life Insurance Co. Ltd.
7. Canara HSBC Life Insurance Co. Ltd
8. Edelweiss Tokio Life Insurance Co. Ltd
9. Exide Life Insurance Co. Ltd.
10. Future Generali Life India Life Insurance Co. Ltd.
11. HDFC Life Insurance Co. Ltd
12. ICICI Prudential Life Insurance Co. Ltd.
13. India First Life Insurance Co. Ltd.
14. Kotak Mahindra Old Mutual Life Insurance Ltd.
15. Max Life Insurance Co. Ltd.
16. PNB MetLife Life Insurance Co. Ltd.
17. Pramerica Life Insurance Co. Ltd.
18. Reliance Nippon Life Insurance Co. Ltd.
19. Sahara India Life Insurance Co. Ltd.
20. SBI Life Insurance Co. Ltd.
21. Shriram Life Insurance Co. Ltd.
22. Star Union Dai-ichi Life Insurance Co. Ltd.
23. Tata AIA Life Insurance Co. Ltd.

Source: Annual Reports of IRDA

Data Collection

This research is empirical in nature and based on secondary data. In this study IRDA annual report, various journals and websites has been used.

Period of the Study

The period of the study is from 2013-14 to 2022-23.

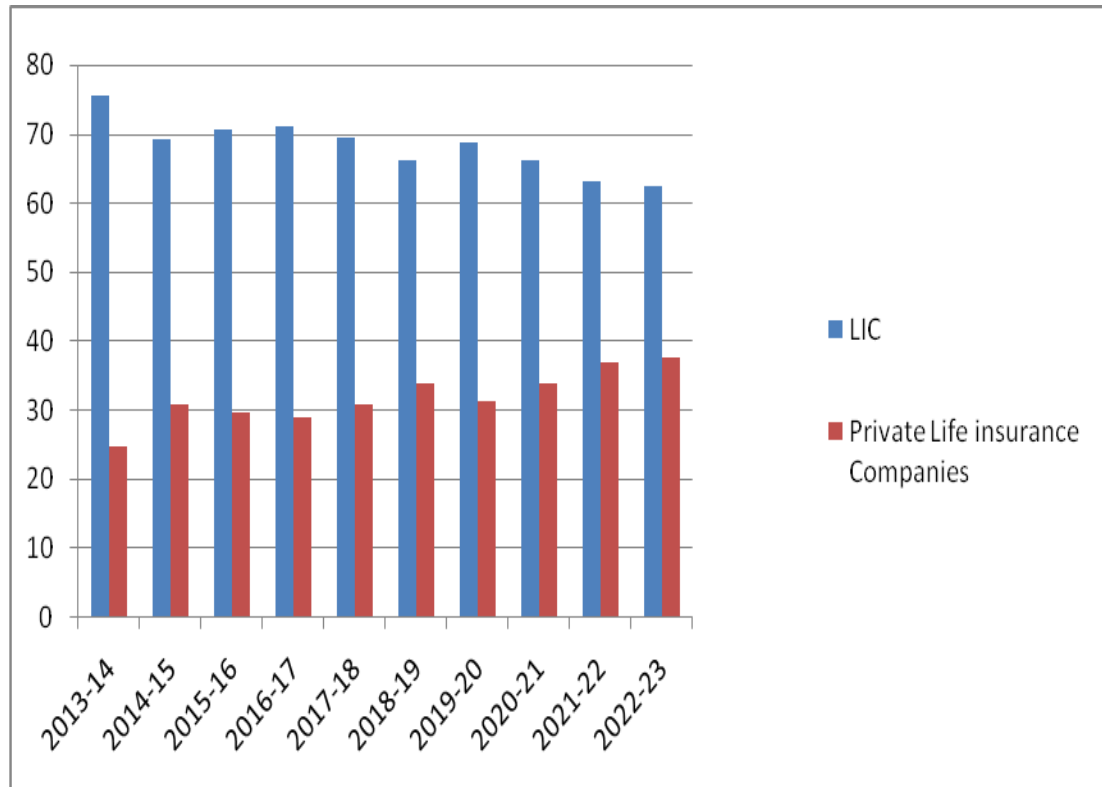
Data Analysis

The data was analyzed using the t-test to evaluate the independent variables Market Share, New Business Premium Income, Number of New Policies Issued, and Benefits Paid.

Table 1: Market Share of LIC and Private Life Insurance Companies (in %)

Year	LIC	Private Life insurance Companies	Total
2013-14	75.47	24.53	100
2014-15	69.27	30.73	100
2015-16	70.5	29.5	100
2016-17	71.11	28.89	100
2017-18	69.36	30.64	100
2018-19	66.2	33.8	100
2019-20	68.76	31.24	100
2020-21	66.17	33.83	100
2021-22	63.18	36.82	100
2022-23	62.51	37.49	100

(Source: Annual Reports of IRDA)

**Graph 1: Market Share of LIC and Private Life Insurance Companies (in %)**

From the Table 1, It can be observed that the Market share of Private life insurance Companies has been rising during the study period. LIC's market share dropped by almost 13% during the study period.

A t-test was performed to assess the null hypothesis, which states that there is no significant difference between the market shares of LIC and private life insurance companies. The results are shown below:

Table 1.1: t-Test: Two-Sample Assuming Unequal Variances

	LIC	Private Life insurance Companies
Mean	68.253	31.747
Variance	15.00937889	15.00937889
Observations	10	10
Hypothesized Mean Difference	0	
Df	18	
t Stat	21.0701628	
P(T<=t) one-tail	0.00	
t Critical one-tail	1.734063607	
P(T<=t) two-tail	0.00	
t Critical two-tail	2.10092204	

Table 1.1 shows that t Stat (21.0701628) is greater than t Critical two-tail value (2.10092204) and P Value (0.00) is less than 0.05. Therefore, null hypothesis is rejected. It means that Market share of LIC and Private Life Insurance companies is significantly different. . Mean score of LIC (68.253) and Private companies (31.747) also shows that LIC has a larger market share than private life insurance companies.

Table 2: New business Premium Income of LIC and Private Life insurance Companies. (in crores)

Year	LIC	Private Life insurance Companies	Total
2013-14	90808.79	29510.87	120319.66
2014-15	78507.71	34820.23	113327.94
2015-16	97891.51	40970.79	138862.3
2016-17	124583.31	50619.37	175202.68
2017-18	134671.69	59482.21	194153.9
2018-19	142335.96	72667.08	215003.04
2019-20	178276.24	80986.14	259262.38
2020-21	184429.55	94270.37	278699.92
2021-22	198932.18	115935.64	314867.82
2022-23	232050.6	139175.22	371225.82

(Source: Annual Reports of IRDA)

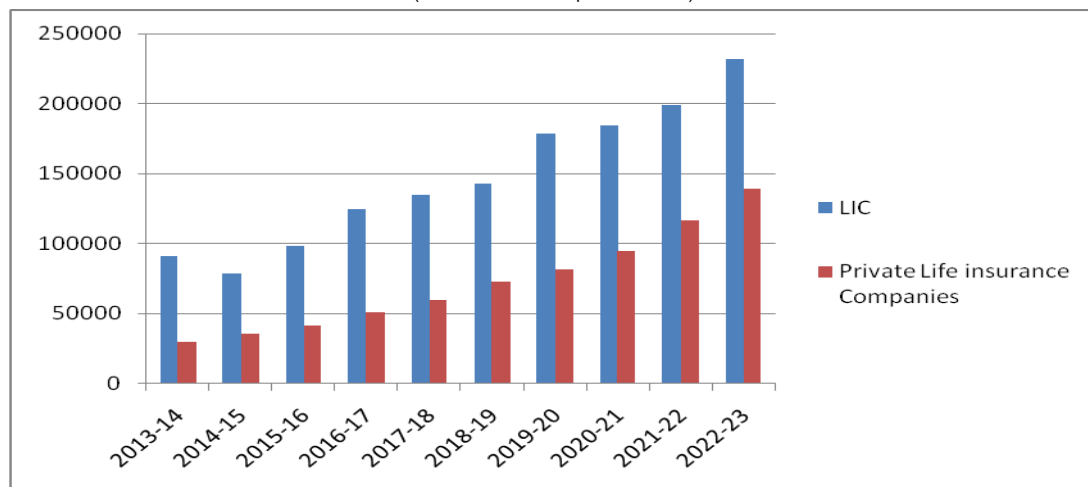
**Graph 2: New business Premium Income of LIC and Private Life insurance Co. (in crores)**

Table 2 shows the rise of new business premium of both LIC and Private life Insurance Companies. Compound Annual Growth Rate (CAGR) was 9.84% of LIC and 16.78% of private life insurance companies which indicates new premium business income of private companies increasing rapidly as compared to LIC. Still total amount of new business premium of LIC remains higher each year during the study period.

A t-test was performed to assess the null hypothesis, which states that there is no significant difference in the average new business Premium Income of LIC and private life insurance companies. The results are shown below:

Table 2.1: t-Test: Two-Sample Assuming Unequal Variances

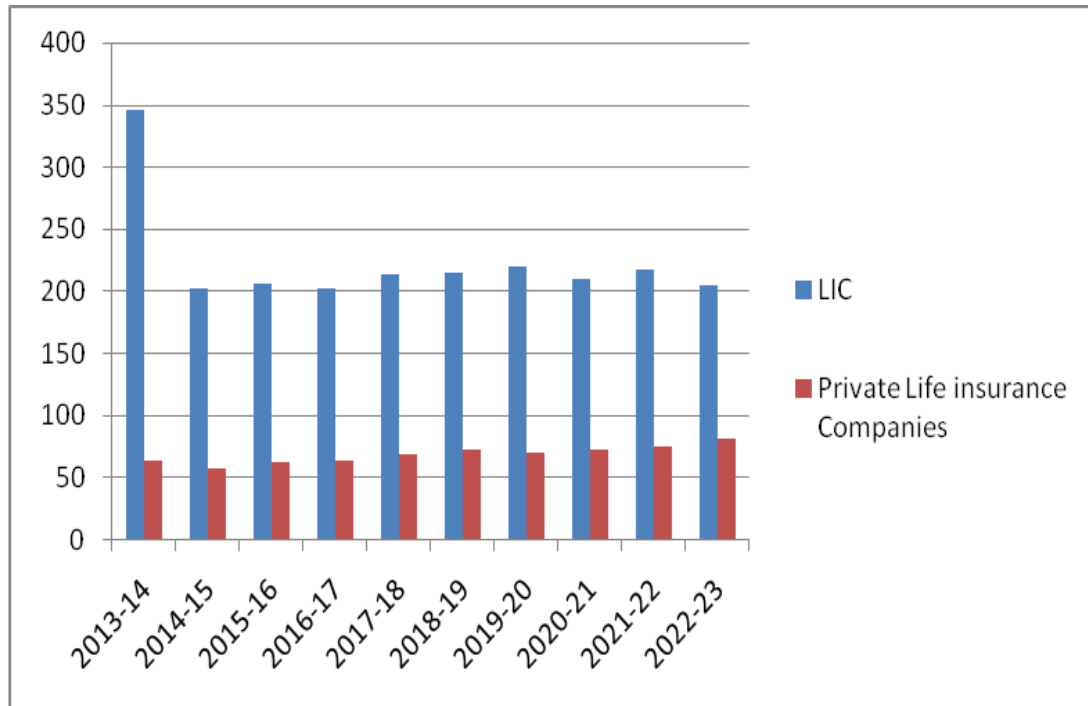
	LIC	Private Life insurance Companies
Mean	146248.754	71843.792
Variance	2582291636	1309341274
Observations	10	10
Hypothesized Mean Difference	0	
Df	16	
t Stat	3.771689785	
P(T<=t) one-tail	0.000834775	
t Critical one-tail	1.745883676	
P(T<=t) two-tail	0.001669549	
t Critical two-tail	2.119905299	

Table 2.1 shows that t Stat (3.771689785) is greater than t Critical two-tail value (2.119905299) and P Value (0.001669549) is less than 0.05. Therefore, null hypothesis is rejected. It means that new business premium Income of LIC and Private Life Insurance companies is significantly different. Mean score of LIC (146248.754) and Private companies (71843.792) also shows that LIC received more new business premium than Private Life insurance companies.

Table 3: New Individual policies issued of LIC and Private Life insurance Companies. (in lakhs)

Year	LIC	Private Life insurance Companies	Total
2013-14	345.12	63.6	408.72
2014-15	201.71	57.37	259.08
2015-16	205.47	61.92	267.39
2016-17	201.32	63.24	264.56
2017-18	213.38	68.59	281.97
2018-19	214.04	72.44	286.48
2019-20	218.96	69.5	288.46
2020-21	209.75	71.52	281.27
2021-22	217.19	73.94	291.13
2022-23	204.24	80.42	284.66

(Source: Annual Reports of IRDA)



Graph 3: New Individual policies issued of LIC and Private Life insurance Co. (in lakhs)

Even though the market share of private companies rise but LIC was still dominated the insurance sector as can be observed from the data of new policies issued. Total 408.72 lakhs new policies issued in 2013-14 out of which 345.12 (84.44%) lakhs policies issued by LIC and 63.60(15.56%) lakhs policies issued by private life insurance companies. Total 284.66 lakhs new policies issued in 2022-23 out of which 204.24 (71.75%) lakhs policies issued by LIC and 80.42 (28.25%) lakhs policies issued by private life insurance companies.

A t-test was performed to assess the null hypothesis, which states that there is no significant difference in the average number of New Individual policies issued of LIC and private life insurance companies. The results are shown below:

Table 3.1: t-Test: Two-Sample Assuming Unequal Variances

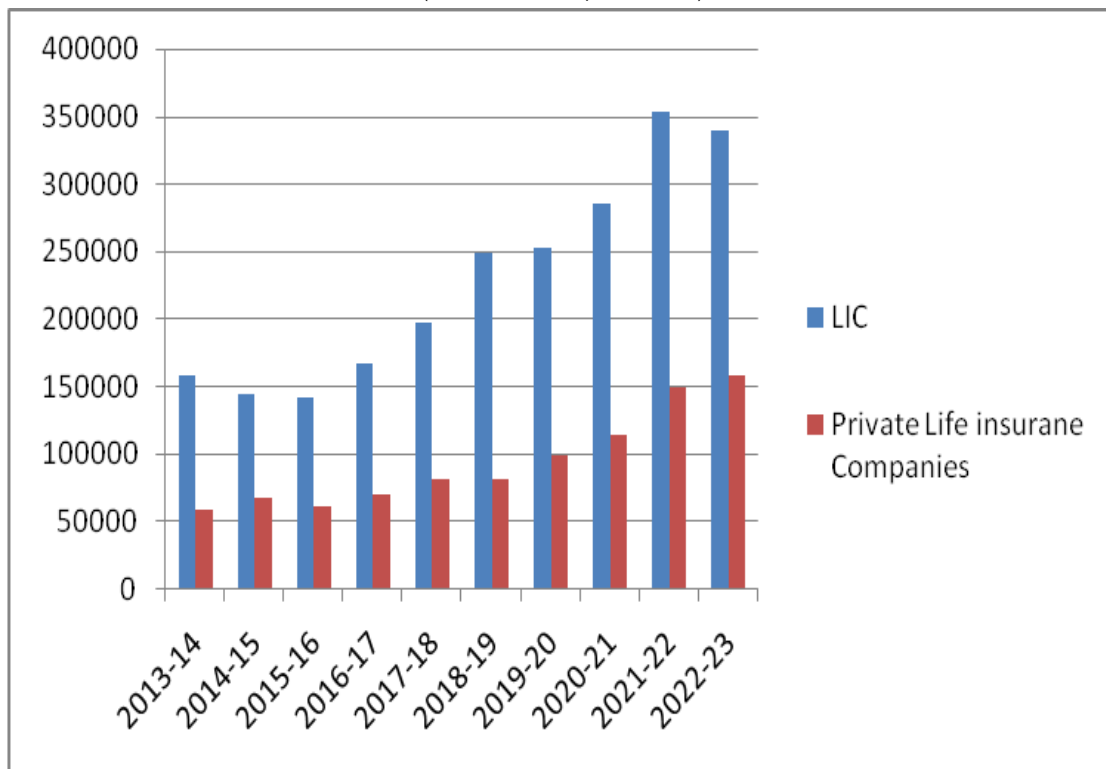
	LIC	Private Life insurance Companies
Mean	223.118	68.254
Variance	1877.127373	46.17531556
Observations	10	10
Hypothesized Mean Difference	0	
Df	9	
t Stat	11.1667464	
P(T<=t) one-tail	0.0000	
t Critical one-tail	1.833112933	
P(T<=t) two-tail	0.0000	
t Critical two-tail	2.262157163	

Table 3.1 shows that t Stat (11.1667464) is greater than t Critical two-tail value (2.262157163) and P Value (0.0000) is less than 0.05. Therefore, null hypothesis is rejected. It means that number of new policies issued of LIC and Private Life Insurance companies is significantly different. Mean score of LIC (223.118) and Private companies (68.254) also shows that LIC is selling more policies in comparison to Private Life insurance companies during study period.

Table 4: Benefits paid by LIC and Private Life insurance Companies (in crores)

Year	LIC	Private Life insurance Companies	Total
2013-14	158015.54	58380.09	216395.63
2014-15	144125.5	67054.52	211180.02
2015-16	141201.05	60565.05	201766.10
2016-17	166876.88	69463	236339.88
2017-18	196718.04	81235.59	277953.63
2018-19	249184.86	80393.42	329578.28
2019-20	252760.62	97916.46	350677.08
2020-21	285121.81	113650.66	398772.47
2021-22	353437.58	148659.34	502096.92
2022-23	339312.67	157552.46	496865.13

(Source: Annual Reports of IRDA)

**Graph 4: Benefits paid by LIC and Private Life insurance Companies (in crores)**

Benefits paid include Death Claim, Maturity Claims, Surrender Values, Pensions and Annuities etc. Benefits paid by LIC were 158015.54 in 2013-14 and 339312.67 in 2022-23 which was almost double. Benefits paid by Private insurance companies were 58380.09 in 2013-14 and 157552.46 in 2022-23.

A t-test was performed to assess the null hypothesis, which states that there is no significant difference in the average benefits paid of LIC and private life insurance companies. The results are shown below:

Table 4.1: t-Test: Two-Sample Assuming Unequal Variances

	LIC	Private Life insurance Companies
Mean	228675.455	93487.059
Variance	6291859255	1276475661
Observations	10	10
Hypothesized Mean Difference	0	
Df	13	
t Stat	4.9140463	
P(T<=t) one-tail	0.000141469	
t Critical one-tail	1.770933396	
P(T<=t) two-tail	0.000282937	
t Critical two-tail	2.160368656	

Table 4.1 shows that t Stat (4.9140463) is greater than t Critical two-tail value (2.160368656) and P Value (0.0002) is less than 0.05. Therefore, null hypothesis is rejected. It means that benefits paid by LIC and Private Life Insurance companies were significantly different. Mean score of LIC (228675.455) and Private companies (93487.059) also shows that LIC paid more benefits in comparison to Private Life insurance companies.

Scope of the Study

The study focuses on four variables- market share, new business premium, new policies issued and benefits paid during the period of 2013-14 to 2022-23 of LIC and private life insurance companies. Further study can be done by taking another variables and time period.

Conclusion

This study has looked the relative performance of LIC and private life insurance companies with respect to market share, income from new business premiums, new business policies, and benefits paid. The results show a distinct difference. Private insurers showed stronger growth trajectory in new business premiums and policies, indicating a growing consumer preference for innovative and customer-centric products. On the other hand, LIC continue to dominate in terms of overall market share, thanks to their broad reach, government support, and widespread public trust.

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