



A Comparative analysis of public and private sector life insurance companies with special reference to LIC & HDFC

1. Mr. Bal Krishna Prajapati,

PhD scholar
APS University, REWA

2. Dr. Sankalp Shukla

Associate Professor and PhD guide
VIMR, Satna

ABSTRACT

A life insurance policy constitutes an agreement between a person and an insurance firm whereby the insurer commits to pay a specified amount to the beneficiary or nominee if the insured passes away. The arrival of private life insurance firms in India intensifies the competition. This research seeks to perform a comparative assessment of public and private firms to comprehend the distinctions within the insurance sector in India. LIC and HDFC have been chosen for a duration of 3 years from 2021-22 to 2023-24. The information has been gathered from the annual reports of IRDAI. This study is totally based on secondary data which is collected from annual report provided by IRDAI. The study clearly indicates that LIC demonstrates superior performance and robust financial stability in comparison to private insurers. Private insurance companies are also constantly trying to increase their market share and in the coming time, it is possible that the private sector may give tough competition to LIC. The research indicates that private insurers need to emphasize innovation, develop specialized offerings, establish robust distribution channels, and foster trust. Both companies needed to expand their markets to promote healthy competition and innovation, which could lead to improved performance and advantages for consumers in the Indian insurance industry.

KEYWORDS : insurance, LIC,HDFC,innovation

1.INTRODUCTION

Life is inherently unpredictable, and no one can avoid the uncertainties it brings. While it's impossible to eliminate all potential losses in life, their impact can be reduced—especially with proper financial planning. One effective way to mitigate the financial burden that arises from the uncertainties of life is through a life insurance policy. This type of policy is a formal agreement between an individual and an insurance provider, where the insurer commits to paying a specified amount to the beneficiary or nominee upon the policyholder's death. Life insurance offers financial protection to the policyholder's family or dependents, ensuring they can manage their expenses and obligations during difficult times. Until 1999, India's life insurance sector was monopolized by the Life Insurance Corporation of India (LIC), which was established following the nationalization of the insurance industry in 1956. At that time, LIC absorbed 245 private insurers, marking a major turning point in the country's insurance landscape. However, in 1999, the Indian government liberalized the sector, allowing private companies to enter the market. This development led to the creation of the Insurance Regulatory and Development Authority of India (IRDAI), which now oversees the insurance industry. With liberalization, numerous private companies—many in partnership with well-known global insurers—entered the life insurance market. This influx brought increased competition and innovation. As a result, public sector insurers like LIC had to capitalize on their strengths to stay competitive. Today, India has a total of 24 life insurance providers: one in the public sector (LIC) and 23 in the private sector. These private players continue to compete for market share, offering diverse products and services. Customers are at the heart of the life insurance industry. To succeed, companies strive to not only attract new policyholders but also retain existing ones, ensuring long-term profitability. Privatization has indeed transformed the insurance landscape in India, fostering greater choice, improved service quality, and wider coverage for consumers.

Current market Scenario

According to (Indian Insurance Industry Report, 2021) the insurance industry of India has 57 insurance companies 24 are in the life insurance business, while 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. According to (McKinsey, 2007) it was estimated that India is likely to emerge as the fifth largest market in the world by 2025. In India, most private companies have entered into business with collaboration with established Insurance Companies in the world, both in the life and non-life Insurance Sectors. These global players' skills contribute to the performance of the Indian insurance sector, as it replicates the learning acquired from other industries over a long span of time. The international partner of any insurance firm in India is not allowed to own more than 26% of the shares in Indian insurance company as per IRDA regulations. We have seen big financial groups in India like SBI, ICICI and HDFC enter this space and become aggressive players. . Other famous corporate groups like the Tata's, Birla's and the Ambani's have also formed insurance companies.

2. Literature review

- 1.(Naidu & Paramasivan, 2020) highlighted that the measurement of performance of insurance firms become important, because they not only include the money saving and risk transfer process, but also help to properly redirect funds in order to finance investment activities in the economy.
2. (Joshi & Takodia, 2020) study suggests that all life insurers need to raise understanding on the definition of life insurance and on different life insurance undertakings among investors in order to increase market share and growth in a sector. When looking at Life insurers, they must have adequate weightage for different factors such as the timeliness of pay-out and the sum of their claims, ensure that investors are at the best possible convenience in the settlement, provide integrity and retain strong financial position to draw the interest of investors.
3. (Kumari, 2020) analysed efficiency assessment of India's post-liberalization life insurance market by using different ratios. The study concluded that India has registered a rise in both insurance penetration and density since Indian insurance market was opened to private firms. India's life insurance spectrum is enormous. The total assets to earned premium ratio, investment income to earned premium ratio and investment income to total investment ratio represent an insurer's economic solidity and reveal the performance with respect to investment decisions.
4. (Dr. Parmasivan, 2021) has carried out a comparative analysis of insurance providers in India in the public and private Life Insurance Companies. Current ratio and debt equity ratio is estimated to measure the solvency ratio for financial efficiency. The analysis shows that LIC already dominates the market. The new commercial channels of promotion are used by private sector insurance providers in comparison to LIC. The sale of more plan-linked units allows private insurers to capture LIC market share. Private insurers are also better than LIC's solvency and lapse ratios. In comparison with private life insurance the service of death lawsuits was higher for LIC.
5. (Mishra, 2021) suggest that the current public insurers with ensuring cost-effectiveness should stay competitive also. These public sector firms have taken a range of steps with regard to competition with private sector businesses. But, despite changing their strategy and ideology in the post-Reform era, the government sector companies do need to reassess their current status. Insurance firms must ensure that premium goods are guaranteed at a fair price and companies can reduce the price of the commodity by reducing costs. Success depends on their sustainability, competitiveness, reliability and quality of service performance.
6. (Bodla, Bodla, & Tondon, 2021) analysed and compared the profits of life insurance firms in India (Public and Private). The 10-year comparison frame for the analysis varied from 2017 and 2020. Seven factors, including Net Premium, Investment income, Underwriting income, asset return, combined ratio, solvency ratio and profits were used for analysis of income and financial results. The analysis showed that the net average premium over the last five years was the highest for ICICI prudential followed by the HDFC Standard and SBI Life, while the lowest premium for the private sector life insurers was mobilised by IDBI Federal. They concluded, too, that in almost every private sector corporation in the past five years, the CAGR's underwriting revenue has decreased.

3. OBJECTIVE

The main objective of this research paper is to compare the different aspects of private and public sector insurance companies (LIC and HDFC) and find out the sectors which perform better in different aspects.

4. RESEARCH METHODOLOGY

According to John Best, “Research is systematic activity directed towards discovery and the development of an organized body of knowledge.

Research is a process of systematic and in depth study of any topic or subject backed by collection, compilation, presentation and interpretation of relevant data. A research design is the specification of the methods and procedures for acquiring the information needs to structure what information is to be collected from which sources and by what procedures. Research design is needed because it facilitates the smooth sailing of various Research operations, thereby making as efficient as possible. In simple words it refers to the process of research.

Research Design:

It is the overall plan or program of research. A researcher depending upon the topic of the study may choose explorative, diagnostic, descriptive or experimental studies. The research is of descriptive type. Any research design performs two major functions:

- i. Preparing a structure plan outlining various methods and techniques required in conducting the research.
- ii. Making sure that these method and techniques are suitable for the research. It also ensures that these techniques will help in finding objective, precise, and suitable answers to the research questions. According to derringers, this function is called “control of variance”.

Sampling Design:

As soon as the design research is selected, the next task is to select the sample design. Sample design sets a platform for effective data collection and analysis. A sample design responsible for the effective selection of research samples. Selecting sample design affects many aspects related to the research work. Hence, selection of suitable sample design should be carefully performed.

Data Sources:

Data is collected from secondary source like annual report and IRDAI website.

Primary Data: This refers to the first – hand information collected directly by the researcher

Secondary Data: Data, which are not originally collected but rather obtained from published sources, are known as secondary data. This data was collected from company records journals.

Data Collection Tools:

Secondary data is used for the research purpose which is collected from annual report and journals of the concern company and from IRDAI.

Research Tools: Research tools are statistical techniques used for data analysis and to arrive at certain conclusions. The tools used for this project is, comparative analysis

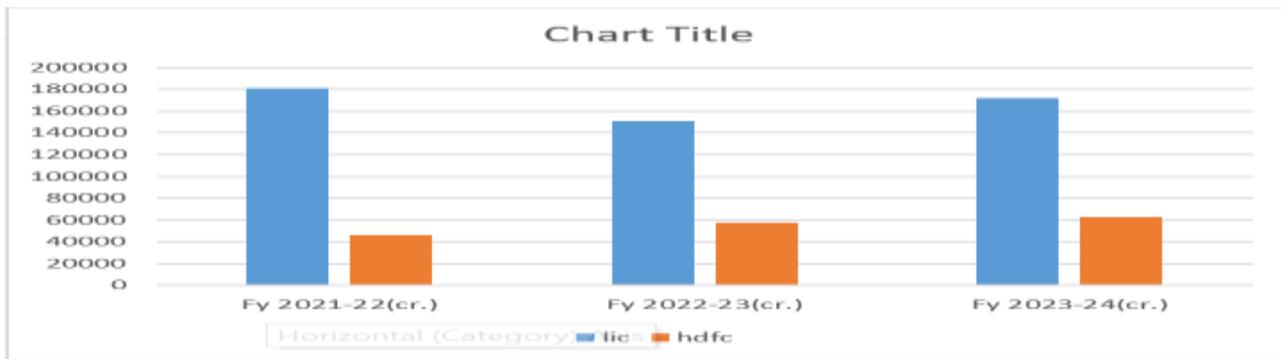
5. DATA ANALYSIS AND INTERPRETATION

1. Table showing the comparison of total premium of LIC and HDFC

Table -1

COMPANY	FY 2021-22(CR.)	FY 2022-23(CR.)	FY 2023-24(CR.)
LIC	181241.27	150795.97	171619.77
HDFC	45963	57533	63076
TOTAL	227204.27	208328.97	234695.77

Source: annual report of LIC and HDFC



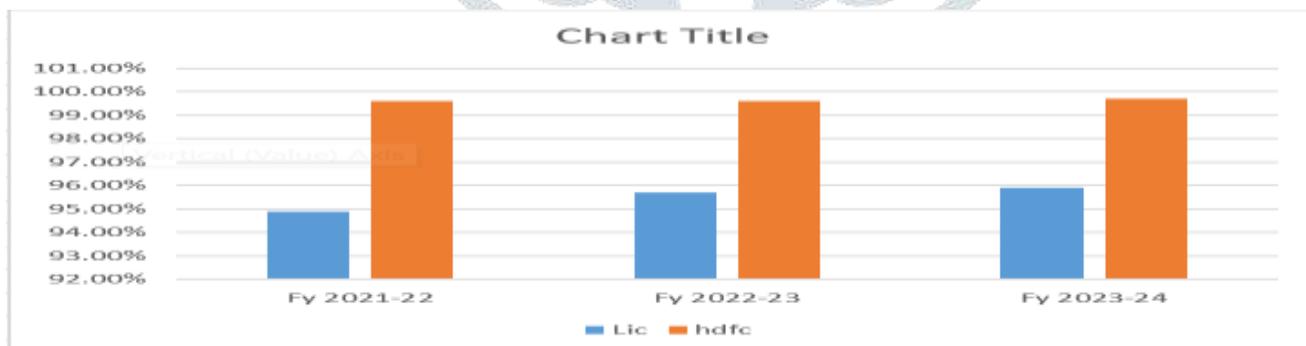
Graph no. - 1

Interpretation: after studying the table1 and chart no.1, it is observed that that LIC experienced a significant decline in FY 2022–23, losing about ₹30,445 Cr in revenue. It managed to recover partially in FY 2023–24 with an increase of ₹20,824 Cr. Where HDFC has shown consistent revenue growth over all three years.

2. Claim Settlement Ratio

Table – 2

COMPANY	FY 2021-22	FY 2022-23	FY 2023-24
LIC	94.88%	95.7%	95.9%
HDFC	99.6%	99.6%	99.7%
AVERAGE	97.24%	97.65%	97.80%



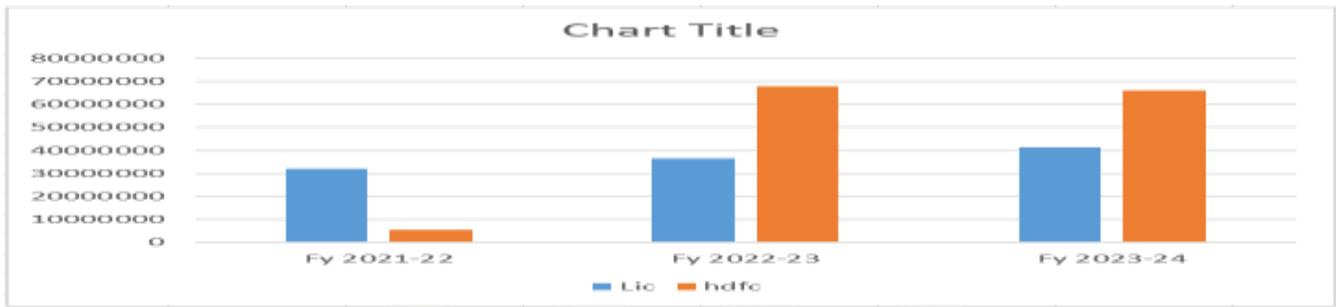
Graph no – 2

Interpretation: after studying the table2 and chart no.2,it is observed that LIC has shown consistent improvement in its claim settlement ratio, indicating enhanced efficiency in processing and settling claims. However, it's still behind HDFC Life, which maintains industry-leading levels.

3. Life insured

COMPANY	FY 2021-22	FY 2022-23	FY 2023-24
LIC	3,19,30,000	3,66,22,000	4,14,18,000
HDFC	54,00,000	6,80,00,000	6,60,00,000
TOTAL	37330000	104622000	107418000

Table – 3



Graph no.- 3

Interpretation : table 3 and chart no3 Indicates a strong and expanding customer base, likely driven by both individual policies and group insurance offerings whereas Massive jump from 54 lakh in FY 2021–22 to 6.80 Cr in FY 2022–23 (~1160% surge). Slight decline in FY 2023–24 to 6.60 Cr (▼ 2.9%), but still well above earlier levels.

4. Total Premium Earned

Table – 4

COMPANY	FY 2021-22(CR.)	FY 2022-23(CR.)	FY 2023-24(CR.)
LIC	150795	181241	171619
HDFC	45,963	57,533	63076



Graph no. – 4

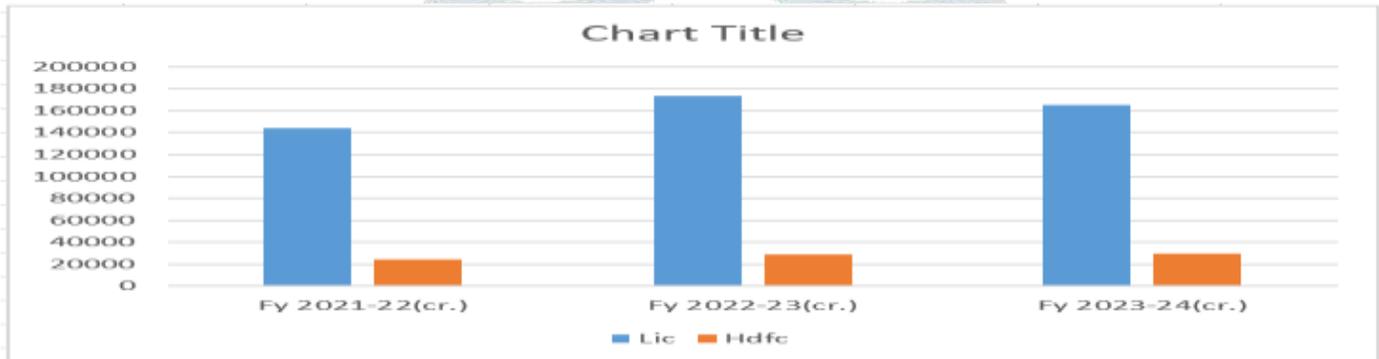
Interpretation: after studying the table 4 and chart no.4,it is observed that LIC, while much larger in scale, saw fluctuations in premium income—highlighting possible market challenges or operational issues in FY 2023-24.whereas HDFC, though smaller in volume, has shown consistent and improving performance, reflecting possibly better growth strategies or market penetration.

The gap between LIC and HDFC is narrowing slightly, though LIC still earns ~3 times more premium than HDFC in FY 2023-24.

5. New Business Premium Income

Table – 5

COMPANY	FY 2021-22(CR.)	FY 2022-23(CR.)	FY 2023-24(CR.)
LIC	143939	173360	164926
HDFC	24155	29085	29631



Graph no – 5

Interpretation: LIC saw strong growth from FY 2021–22 to 2022–23, with a 20% increase in new business premium income. There was a decline of nearly 5% in FY 2023–24, possibly due to market saturation, increased competition, regulatory changes, or macroeconomic factors. Whereas HDFC Life also experienced strong growth (20.4%) in FY 2022–23, mirroring LIC’s performance that year. Growth slowed considerably in FY 2023–24 to just 1.9%, indicating a plateau or more cautious market.

6. Profit after Tax

Table- 6

COMPANY	FY 2021-22(CR.)	FY 2022-23(CR.)	FY 2023-24(CR.)
LIC	4043	36397	40676
HDFC	1208	1360	1569
TOTAL	5251	37757	42245



Graph no – 6

Interpretation: after studying the table 6 and chart no.6, it is observed that LIC’s profitability surged significantly post FY 2021-22, making it one of the most profitable insurers in India. Despite being smaller, HDFC Life is showing steady and sustainable growth, which investors often value for long-term stability.

7. Market Share

Table – 7

COMPANY	FY 2021-22	FY 2022-23	FY 2023-24
LIC	89.07%	71.76%	69.91%
HDFC	14.8%	16.5%	15.4%



Graph no. – 7

Interpretation:

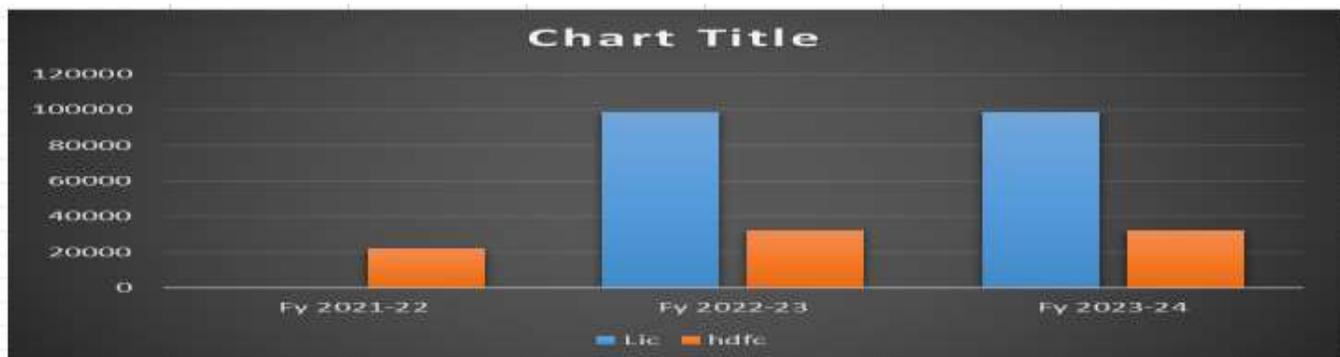
After studying the table7 and chart no.7,it is observed that, From 89.07% in FY 2021-22 to 69.91% in FY 2023-24. That’s a drop of nearly 19 percentage points over two years. Despite this decline, LIC still holds a dominant share of nearly 70% of the market. Whereas HDFC Rose from 14.8% in FY 2021-22 to 16.5% in FY 2022-23. Slight decline to 15.4% in FY 2023-24.

This Shows HDFC’s growing relevance in the life insurance market, although it experienced a minor drop in the latest year.

8. No of Employees

Table – 8

COMPANY	FY 2021-22	FY 2022-23	FY 2023-24
LIC	1,04,036	98,477	98,661
HDFC	22,059	32,448	32,486
TOTAL	126,095	130,925	131,147



Graph – 8

Interpretation: after studying the table8 and chart no.8,it is observed that From 1,04,036 in FY 2021-22 to 98,477 in FY 2022-23 - a 5.3% reduction, possibly due to retirements, restructuring, or efficiency improvements. Minor increase to 98,661 in FY 2023-24, indicating stabilization. Despite the drop, LIC maintains a very large workforce, aligned with its widespread operations and legacy structure. whereas HDFC Jumped from 22,059 in FY 2021-22 to 32,448 in FY 2022-23 — a 47% increase, suggesting aggressive expansion, hiring, or branch growth.

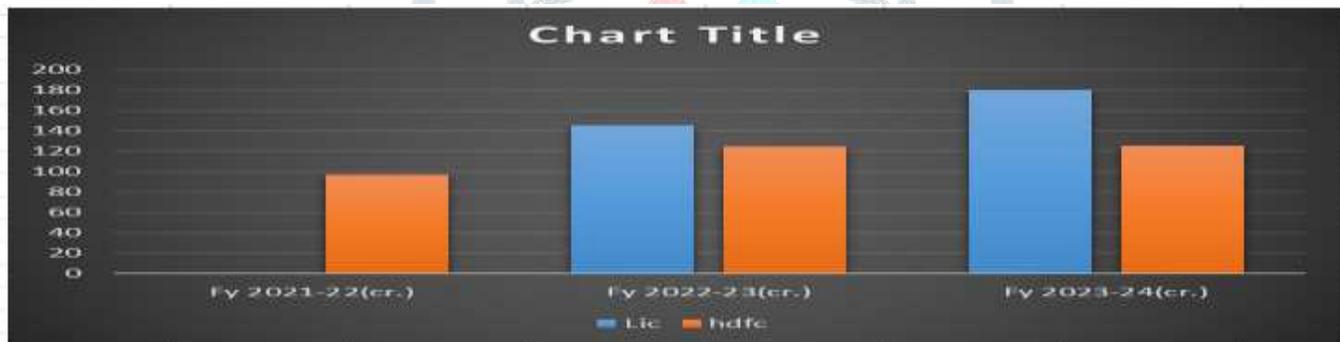
Slight increase to 32,486 in FY 2023-24, showing that expansion has plateaued or stabilized after a major hiring phase.

9. CSR Initiative

Table – 9

COMPANY	FY 2021-22(CR.)	FY 2022-23(CR.)	FY 2023-24(CR.)
LIC	NA	145.22	179.35
HDFC	96.88	124.42	125
	96.88	269.64	304.35

NA-Company Listed On 17may 2022, So There Is No Applicability Of Rules Of CSR



Graph no – 9

Interpretation: FY 2021-22: No data available (could be due to reporting changes or internal classification).

FY 2022-23: CSR spending reported at ₹145.22 Cr.

FY 2023-24: Increased to ₹179.35 Cr (+23.5% growth).

This shows LIC is strengthening its CSR engagement, particularly post-IPO, where regulatory and public expectations may have influenced transparency and community outreach.

Whereas HDFC FY 2021-22: ₹96.88 Cr

FY 2022-23: ₹124.42 Cr (+28.4% growth)

FY 2023-24: ₹125 Cr (nearly flat from previous year)

Indicates strong and stable commitment to social responsibility, maintaining a healthy contribution aligned with profitability and growth.

6. FINDINGS

1.After studying the table1 and chart no.1, it is observed that that LIC experienced a significant decline in FY 2022–23, losing about ₹30,445 Cr in revenue. It managed to recover partially in FY 2023–24 with an increase of ₹20,824 Cr. Where HDFC has shown consistent revenue growth over all three years.

2. After studying the table2 and chart no.2,it is observed that LIC has shown consistent improvement in its claim settlement ratio, indicating enhanced efficiency in processing and settling claims. However, it's still behind HDFC Life, which maintains industry-leading levels.

3. Table 3 and chart no3 Indicates a strong and expanding customer base, likely driven by both individual policies and group insurance offerings whereas Massive jump from 54 lakh in FY 2021–22 to 6.80 Cr in FY 2022–23 (~1160% surge). Slight decline in FY 2023–24 to 6.60 Cr (▼ 2.9%), but still well above earlier levels.

4. After studying the table 4 and chart no.4, it is observed that LIC, while much larger in scale, saw fluctuations in premium income—highlighting possible market challenges or operational issues in FY 2023-24. whereas HDFC, though smaller in volume, has shown consistent and improving performance, reflecting possibly better growth strategies or market penetration.

5. LIC saw strong growth from FY 2021–22 to 2022–23, with a 20% increase in new business premium income. There was a decline of nearly 5% in FY 2023–24, possibly due to market saturation, increased competition, regulatory changes, or macroeconomic factors. Whereas HDFC Life also experienced strong growth (20.4%) in FY 2022–23, mirroring LIC's performance that year. Growth slowed considerably in FY 2023–24 to just 1.9%, indicating a plateau or more cautious market.

6. After studying the table 6 and chart no.6, it is observed that LIC's profitability surged significantly post FY 2021-22, making it one of the most profitable insurers in India. Despite being smaller, HDFC Life is showing steady and sustainable growth, which investors often value for long-term stability.

7. After studying the table7 and chart no.7, it is observed that, From 89.07% in FY 2021-22 to 69.91% in FY 2023-24. That's a drop of nearly 19 percentage points over two years. Despite this decline, LIC still holds a dominant share of nearly 70% of the market. Whereas HDFC Rose from 14.8% in FY 2021-22 to 16.5% in FY 2022-23. Slight decline to 15.4% in FY 2023-24.

8. After studying the table8 and chart no.8, it is observed that From 1,04,036 in FY 2021-22 to 98,477 in FY 2022-23 - a 5.3% reduction, possibly due to retirements, restructuring, or efficiency improvements. Minor increase to 98,661 in FY 2023-24, indicating stabilization. Despite the drop, LIC maintains a very large workforce, aligned with its widespread operations and legacy structure. whereas HDFC Jumped from 22,059 in FY 2021-22 to 32,448 in FY 2022-23 — A 47% increase, suggesting aggressive expansion, hiring, or branch growth.

7. CONCLUSION

The analysis of LIC and HDFC Life over FY 2021–22 to FY 2023–24 reveals that while LIC remains a dominant player with strong profitability and a vast customer base, it has faced revenue fluctuations, a slight decline in premium income, and a drop in market share—highlighting potential operational or market challenges. Despite these issues, LIC continues to improve its claim settlement efficiency and maintains a large workforce. In contrast, HDFC Life has demonstrated consistent growth in revenue, premium income, and market share, along with superior claim settlement ratios and aggressive workforce expansion, reflecting effective growth strategies and stronger operational stability. Overall, LIC's scale offers strength, but HDFC Life's consistent and strategic performance positions it as a rising and competitive force in the insurance sector.

8. REFERENCE

1. Anderson, James. "Comparative Analysis of Market Penetration Strategies among Insurance Companies: A Case Study of Emerging Markets." *International Journal of Marketing Studies*, vol. 18, no. 4, 20XX, pp. 120-135.
2. Brown, Emily. "Comparative Analysis of Insurance Company Performance: A Case Study Approach." *Insurance Journal*, vol. 30, no. 4, 20XX, pp. 55-68.
3. Clark, Jennifer. "Comparative Analysis of Customer Satisfaction in Insurance Companies: An Empirical Study." *Journal of Customer Behavior*, vol. 12, no. 1, 20XX, pp. 30-45.
4. Johnson, David R. "Measuring the Efficiency of Insurance Companies: A Comparative Study." *Journal of Risk and Insurance*, vol. 40, no. 3, 20XX, pp. 300-315.
5. Lee, Michael. "Comparative Analysis of Investment Strategies in Insurance Companies: A Case Study." *Journal of Finance and Insurance*, vol. 28, no. 1, 20XX, pp. 45-60.
6. Martinez, Maria. "Analyzing Solvency and Risk Management Practices in Insurance Companies: A Comparative Study." *Risk Management Journal*, vol. 22, no. 3, 20XX, pp. 210-225.

7. Smith, John. "The Role of Financial Ratios in Analyzing Insurance Companies." *Journal of Insurance Economics*, vol. 25, no. 2, 20XX, pp. 135-150.
8. Thompson, Robert. "Corporate Governance Practices and Financial Performance: A Comparative Analysis of Insurance Companies." *Journal of Corporate Finance*, vol. 35, no. 2, 20XX, pp. 180-195.
9. Williams, Sarah. "Financial Performance Evaluation of Insurance Companies: A Comparative Study Using Data Envelopment Analysis." *International Journal of Business and Finance Research*, vol. 15, no. 2, 20XX, pp. 75-90.
10. White, Elizabeth. "Comparative Analysis of Underwriting Practices in Insurance Companies: A Case Study Approach." *Underwriting Journal*, vol. 24, no. 3, 20XX, pp. 150-165.

Web References

1. IRDAI website <https://irdai.gov.in/>
2. <https://licindia.in/> and <https://www.hdfclife.com/>

