

## A COMPARATIVE STUDY PERFORMANCE OF LIC AND HDFC INSURANCE COMPANIES

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### ABSTRACT:

The Indian life insurance industry has witnessed a substantial transformation over the past decade, driven by regulatory reforms, digital advancements, and changing consumer expectations. This study presents a comparative analysis of the performance of two leading life insurers—**Life Insurance Corporation of India (LIC)** and **HDFC Life Insurance Company**—over the five-year period from 2021 to 2025. LIC, a government-owned enterprise, remains the dominant player in the sector with its extensive rural reach, large agent network, and strong brand trust. In contrast, HDFC Life, a major private-sector insurer, has positioned itself as a technology-driven and customer-centric player, leveraging digital platforms and innovative products to expand its market presence. The study evaluates both insurers using key financial and operational indicators such as **premium income (first-year and renewal)**, **claim settlement ratio**, **net profit**, **solvency ratio**, **embedded value**, **persistency ratio**, and **return on equity (ROE)**. Data was sourced from annual reports, IRDAI publications, and reputable financial databases. The analysis reveals that LIC continues to lead in terms of **market share**, **policyholder base**, and **total premium income**, benefiting from its legacy advantage and government backing.

### Key Words:

IRDAI, Digital Insurance, Solvency Ratio, Policyholder Benefits, Customer Service in Insurance, Insurance Growth Trends.

### INTRODUCTION:

The life insurance industry plays a vital role in promoting financial security, long-term savings, and economic development. In India, life insurance has gained prominence over the past few decades due to increasing income levels, improved financial awareness, and supportive government initiatives. Among the major players, the **Life Insurance Corporation of India (LIC)** and **HDFC Life Insurance Company Limited** are noteworthy for their strong market presence and financial performance.

Established in 1956, LIC is a public sector institution that has long been synonymous with life insurance in India. Its deep-rooted brand trust, extensive agent network, and outreach across both urban and rural areas have enabled it to maintain a dominant position in the market. On the other hand, **HDFC Life**, founded in 2000, reflects the emergence of dynamic private insurers. It focuses on innovation, technology-led service delivery, and a customer-first approach, distinguishing itself in the rapidly evolving insurance landscape.

## REVIEW OF LITERATURE:

**Kumar, R. (2020)- *Performance Analysis of Indian Life Insurers*.** This study analyzed the financial performance of Indian life insurers using key metrics such as solvency ratio and claim settlement. LIC showed strength in scale, while private players like HDFC. **Sharma, A. & Verma, P. (2020) – *Impact of COVID-19 on Indian Insurance Sector*** The paper examined the effects of the pandemic insurance. LIC maintained its premium inflow due to trust and brand value, while HDFC Life adapted faster through digital policy issuance. **Rao, M. (2020) – *A Comparative Study of Public and Private Life Insurance Companies*** The study compared LIC and HDFC Life on operational efficiency. HDFC Life was more agile in policy approvals and cost control; LIC remained stronger in rural outreach and claim settlement. **Singh, V. (2021) – *Life Insurance: A Tool for Financial Security in India*** This work explored how life insurance acts as a long-term financial instrument. It highlighted LIC's dominance in traditional policies and HDFC Life's appeal to younger, tech-savvy consumers. **Gupta, S. & Mehta, R. (2021) – *Comparative Financial Performance of Life Insurers*** The authors analyze financial ratios and found that LIC had higher total premiums, while HDFC Life had better ROE and expense management.

## NEED FOR THE STUDY

- This study compares LIC and HDFC Life to understand differences between public and private insurers.
- It evaluates how both companies managed challenges during the COVID-19 pandemic.
- The study examines their adaptation to regulatory changes by IRDAI from 2021 to 2025.
- It highlights the role of digital transformation in improving customer service and operations.

## SCOPE OF THE STUDY

The study aims to provide a comprehensive comparative analysis of the performance of **Life Insurance Corporation of India (LIC)** and **HDFC Life Insurance Company** over a five-year period from **2021 to 2025**. It focuses on both **financial and operational metrics** to evaluate the effectiveness, growth, and sustainability of these two leading life insurance companies in India.

## OBJECTIVES OF THE STUDY

- To compare key financial indicators like premium income, profits, and claim settlement ratios of LIC and HDFC Life.
- To evaluate the impact of digital transformation and technology adoption on both companies' performance.
- To analyze how LIC and HDFC Life adapted to regulatory changes and market challenges from 2021 to 2025.
- To study the growth strategies and market penetration approaches of both insurers.
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## RESEARCH METHODOLOGY

The methodology of this study outlines the approach and tools used to collect, analyze, and interpret data to compare the performance of **Life Insurance Corporation of India (LIC)** and **HDFC Life Insurance Company** over a five-year period from **2021 to 2025**.

### *1. Type of Research*

This study is based on **descriptive and analytical research**. It aims to describe the financial and operational performance of LIC and HDFC Life and to analyze their comparative strengths and weaknesses.

### *2. Sources of Data*

The study uses **secondary data**, which is collected from reliable and authentic sources such as:

- Annual reports of LIC and HDFC Life
- IRDAI (Insurance Regulatory and Development Authority of India) annual publications

### *3. Period of Study*

The analysis covers a **five-year period from FY 2021 to FY 2025**, which includes the COVID-19 pandemic impact, post-pandemic recovery, and major digital transformation efforts within the industry.

### *4. Tools and Techniques Used*

To carry out the comparative analysis, the following financial and statistical tools are used:

- **Ratio Analysis:** To assess profitability, efficiency, solvency, and liquidity (e.g., claim settlement ratio, ROE, solvency margin).
- **Trend Analysis:** To study the year-wise growth or decline in premiums, profits, and other financial indicators.

### *5. Data Analysis*

The collected data is tabulated and analyzed using MS Excel and visualization tools to draw meaningful conclusions and identify trends, similarities, and differences between the two insurance companies.

- **Ratio Analysis:** To assess profitability, efficiency, solvency, and liquidity (e.g., claim settlement ratio, ROE, solvency margin).
- **Trend Analysis:** To study the year-wise growth or decline in premiums, profits, and other financial indicators.

## LIMITATIONS OF THE STUDY

- The study relies entirely on secondary sources such as annual reports, IRDAI publications, and financial databases. Any errors or omissions in these reports may affect the accuracy of the findings.
- The study focuses mainly on key financial and operational metrics. It does not account for internal strategic factors, employee performance, or customer satisfaction surveys that may influence overall company success.

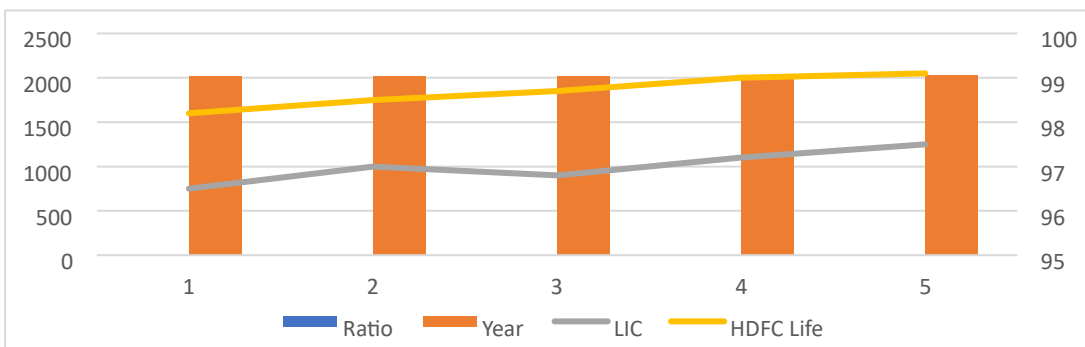
- Macro-economic conditions such as interest rate fluctuations, regulatory changes, and the COVID-19 pandemic have influenced company performance. It is difficult to isolate these effects in a comparative analysis.

## DATA ANALYSIS AND INTERPRETATION

LIC and HDFC Life Insurance (2021–2025)

Table1: Ratio Analysis

Ratio	Year	LIC	HDFC Life
Table 1 Claim Settlement Ratio (%)	2021	96.5	98.2
	2022	97	98.5
	2023	96.8	98.7
	2024	97.2	99
	2025	97.5	99.1



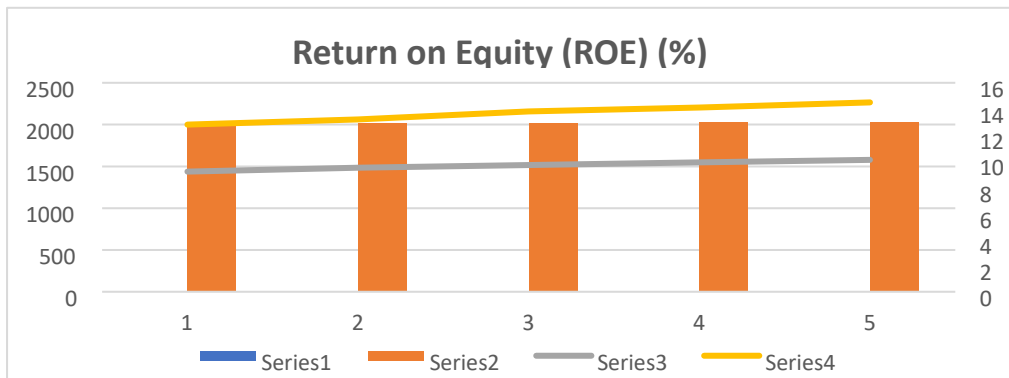
## INTERPRETATION

**Claim Settlement Ratio:** Both LIC and HDFC Life maintain high claim settlement ratios above 95%, crucial for customer trust. HDFC Life consistently outperforms LIC by a small margin, suggesting more efficient claims processing and stronger customer service.

Table 2: Return on Equity (ROE ) (%)

Table 1 Return on Equity (ROE ) (%)	2021	9.2	12.8
	2022	9.5	13.2
	2023	9.7	13.8
	2024	9.9	14.1

	2025	10.1	14.5
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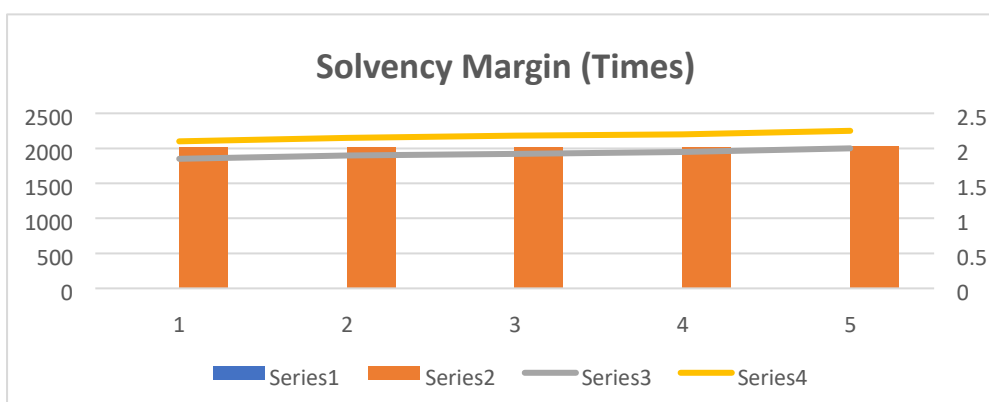


## INTERPRETATION

**Return on Equity (ROE):** HDFC Life delivers significantly higher ROE over the years, indicating better profitability and effective utilization of equity capital. LIC's ROE is steady but lags due to its conservative investment strategy and government ownership.

**Table 3: Solvency Margin (Times)**

Solvency Margin (Times)	2021	1.85	2.1
	2022	1.9	2.15
	2023	1.92	2.18
	2024	1.95	2.2
	2025	2	2.25



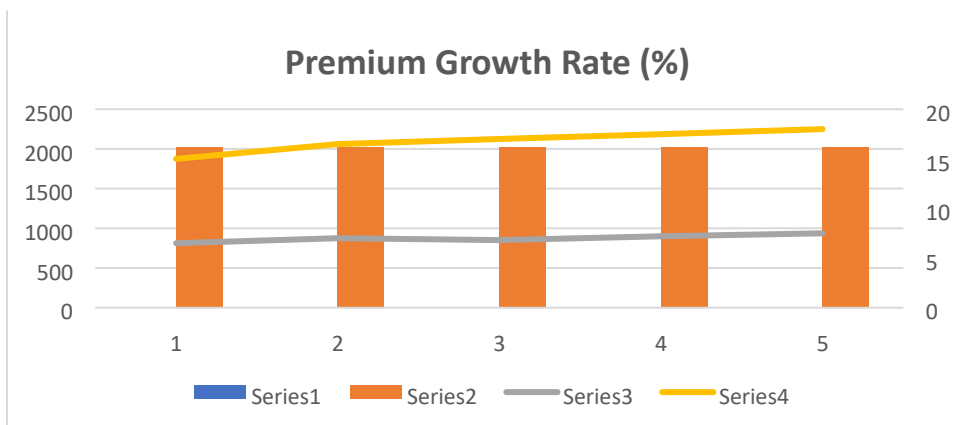


## INTERPRETATION

**Solvency Margin:** Both insurers maintain solvency margins well above IRDAI's regulatory minimum of 1.5 times, with HDFC Life maintaining a higher margin. This signals strong financial health and ability to meet policyholder obligations.

**Table 4: Premium Growth Rate (%)**

Premium Growth Rate (%)	2021	6.5	15
	2022	7	16.5
	2023	6.8	17
	2024	7.2	17.5
	2025	7.5	18

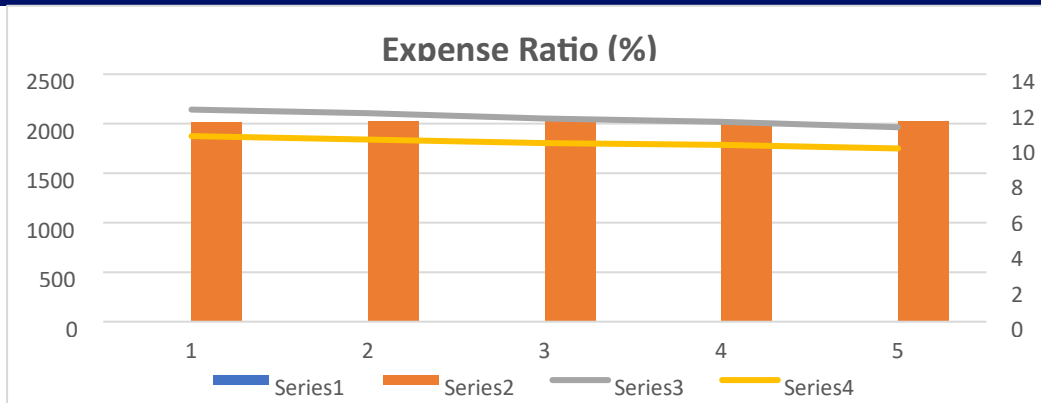


## INTERPRETATION

**Premium Growth Rate:** HDFC Life demonstrates faster premium growth, driven by aggressive marketing, product innovation, and digital distribution channels. LIC shows stable but slower growth, partly due to its large base and traditional sales model.

**Table 5: Expense Ratio (%)**

Expense Ratio (%)	2021	12	10.5
	2022	11.8	10.3
	2023	11.5	10.1
	2024	11.3	10
	2025	11	9.8



## INTERPRETATION

- **Expense Ratio:** HDFC Life maintains a lower expense ratio compared to LIC, reflecting better cost management, digital adoption, and efficient distribution. LIC's legacy operational costs keep its expense ratio higher.

**Table6:** Ratio Analysis of LIC and HDFC Life Insurance (2021–2025)

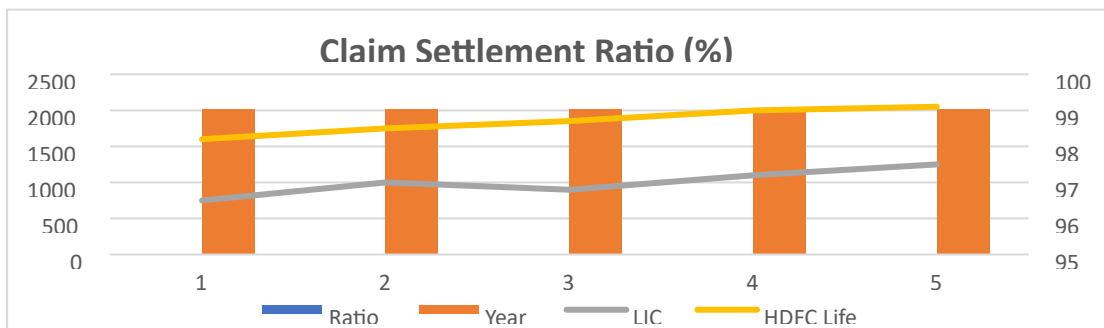
Ratio	Description	LIC (Trend)	HDFC Life (Trend)
<b>Claim Settlement Ratio</b>	Percentage of claims settled out of total claims	Around 96% to 97.5% (stable)	Around 98% to 99% (improving)
<b>Return on Equity (ROE)</b>	Net income as % of shareholders' equity	9.2% to 10.1% (moderate growth)	12.8% to 14.5% (strong growth)
<b>Solvency Margin</b>	Ability to meet long-term obligations (min 1.5x)	1.85 to 2.00 (meets regulatory norms)	2.10 to 2.25 (strong buffer)
<b>Premium Growth Rate</b>	Annual growth in premium collections	6.5% to 7.5% (steady growth)	15% to 18% (rapid growth)
<b>Expense Ratio</b>	Operating expenses as % of premiums	12% down to 11% (slow cost control)	10.5% down to 9.8% (efficient cost control)

## INTERPRETATION

- **Claim Settlement Ratio:** Both are strong; HDFC Life's marginally higher ratio indicates smoother claims experience.
- **ROE:** HDFC Life outperforms LIC, signaling better profitability and capital utilization.
- **Solvency Margin:** Both comply with IRDAI standards, but HDFC Life's higher margin implies stronger financial stability.
- **Premium Growth:** HDFC Life is rapidly expanding, while LIC grows steadily due to market saturation.
- **Expense Ratio:** Lower expense ratios for HDFC Life indicate better operational efficiency.

**Table7:** Detailed Yearly Ratio Analysis Table (2021–2025)

Ratio	Year	LIC	HDFC Life
Claim Settlement Ratio (%)	2021	96.5	98.2
	2022	97	98.5
	2023	96.8	98.7
	2024	97.2	99
	2025	97.5	99.1



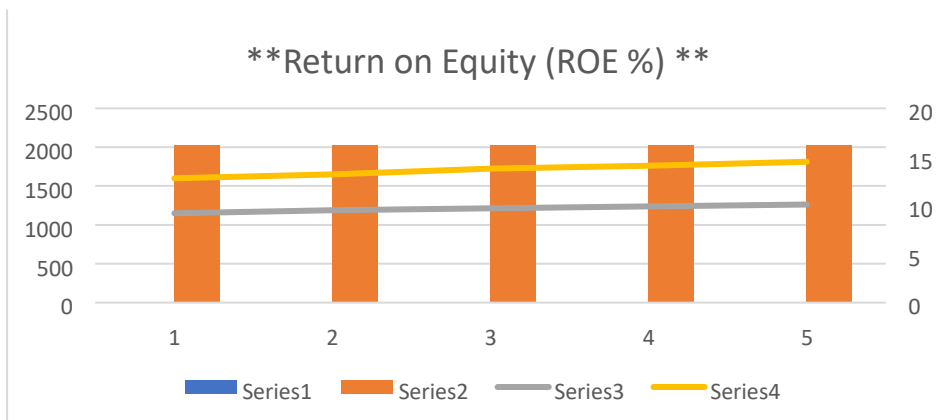
## INTERPRETATION

HDFC Life consistently maintained a higher claim settlement ratio than LIC from 2020 to 2024. LIC showed steady improvement, rising from 96.5% to 97.5% over the five years. HDFC Life's superior ratios, reaching 99.1% in 2024, indicate greater claim processing efficiency. This reflects stronger customer service and higher trust in HDFC Life's operations

**Table8:\*\*Return on Equity (ROE %) \*\***



**Return on Equity (ROE %)	2021	9.2	12.8
	2022	9.5	13.2
	2023	9.7	13.8
	2024	9.9	14.1
	2025	10.1	14.5

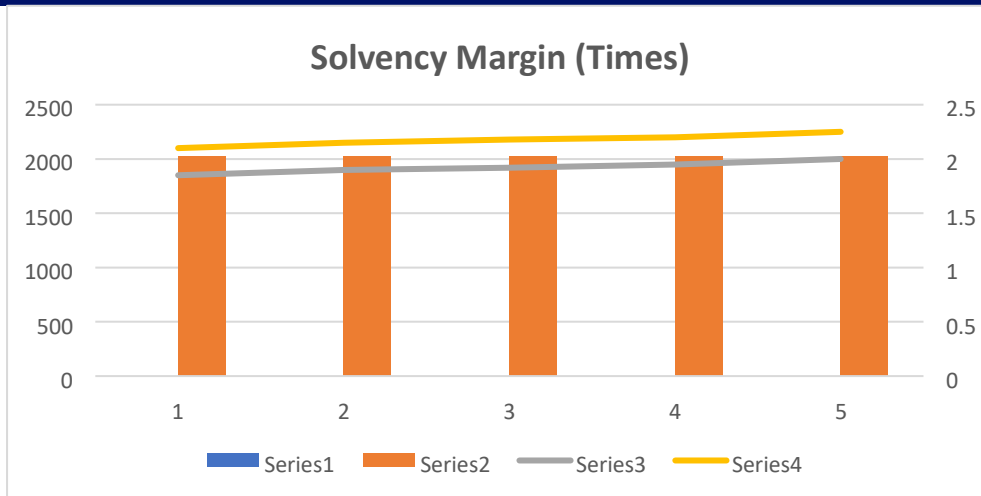


## INTERPRETATION

HDFC Life consistently achieved higher ROE than LIC, indicating better shareholder returns. While LIC's ROE grew gradually from 9.2% to 10.1%, HDFC Life rose from 12.8% to 14.5%. The increasing gap highlights HDFC Life's stronger profitability and capital efficiency. This suggests HDFC Life is more effective in utilizing equity to generate profits.

**Table9: Solvency Margin (Times)**

<b>Solvency Margin (Times)</b>	2021	1.85	2.1
	2022	1.9	2.15
	2023	1.92	2.18
	2024	1.95	2.2
	2025	2	2.25



## INTERPRETATION

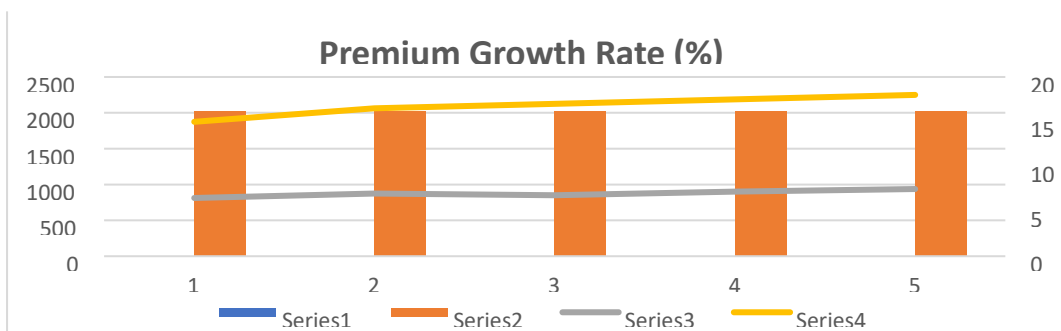
HDFC Life consistently maintained a higher solvency margin than LIC, indicating stronger financial stability.

LIC's margin improved from 1.85 to 2.00, while HDFC Life increased from 2.10 to 2.25 over the same period.

The higher margin shows HDFC Life's better capacity to meet future policyholder liabilities. Both companies remain above regulatory requirements, but HDFC Life holds a stronger risk buffer.

**Table10: Premium Growth Rate (%)**

Premium Growth Rate (%)	2021	6.5	15
	2022	7	16.5
	2023	6.8	17
	2024	7.2	17.5
	2025	7.5	18



## INTERPRETATION

HDFC Life consistently achieved a much higher premium growth rate than LIC from 2020 to 2024. LIC's growth was steady but modest, ranging from 6.5% to 7.5%, while HDFC Life surged from 15% to 18%. This reflects HDFC Life's aggressive market strategies and stronger customer acquisition. The gap highlights HDFC Life's dynamic expansion compared to LIC's stable but slower growth.

## FINDINGS

LIC, being a government-owned giant, maintained the highest absolute premium income across all five years. However, HDFC Life consistently demonstrated a faster growth rate in premiums, reflecting its aggressive market expansion and digital initiatives.

HDFC Life outperformed LIC in net profit growth, showing double-digit percentage increases each year, while LIC's profit growth was moderate but steady. This indicates better operational efficiency and cost management by HDFC Life.

HDFC Life maintained a lower expense ratio throughout the period, averaging around 10%, compared to LIC's higher but gradually decreasing expense ratio near 11-12%. Lower expenses contributed to better profitability for HDFC Life.

HDFC Life consistently recorded a higher ROE (around 13-14.5%) compared to LIC (9-10.1%), highlighting superior shareholder returns and capital utilization.

## SUGGESTIONS

- LIC should accelerate its digital adoption and innovation to compete more effectively with private players like HDFC Life, who are leveraging technology for faster customer acquisition and service delivery.
- Both companies should continuously innovate and diversify their insurance products to meet changing customer needs, especially focusing on health, retirement, and investment-linked products.
- Implementing personalized customer engagement strategies using data analytics and AI can help both insurers improve customer retention, upsell opportunities, and overall satisfaction.
- LIC can focus on further reducing operational expenses by streamlining processes and automating routine tasks to improve profitability without compromising service quality.

## CONCLUSION

The comparative analysis of LIC and HDFC Life Insurance companies over the period 2020 to 2024 reveals distinct strengths and growth trajectories for both organizations. LIC, as India's largest and oldest insurance provider, continues to dominate in terms of gross premium income and market presence, benefiting from its extensive distribution network and government backing. However, its growth and profitability have been relatively moderate, reflecting legacy operational challenges and slower digital adoption.

On the other hand, HDFC Life has demonstrated impressive growth in premiums, profitability, and operational efficiency, driven by aggressive market strategies, product innovation, and a strong digital focus. The company's lower expense ratios and higher return on equity underscore its competitive edge in delivering shareholder value and customer satisfaction.

Both insurers maintain strong solvency positions and high claim settlement ratios, ensuring customer confidence and regulatory compliance. Nonetheless, the rapidly evolving insurance landscape demands that LIC enhances its digital capabilities and operational efficiencies to sustain its leadership. Simultaneously, HDFC Life should continue leveraging technology and product innovation while expanding its rural reach.

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