

Ph.D Thesis
On
**A COMPARATIVE STUDY OF PERFORMANCE OF PUBLIC AND
PRIVATE LIFE INSURANCE COMPANIES**

Submitted for
The Degree of Doctor of Philosophy in Commerce

By
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DECLARATION

I, Bhaswar Bagmita Parida, bearing registration number PhD/COM/00462, hereby declare that the thesis entitled, "A Comparative Study of Performance of Public and Private Life Insurance Companies", is an original work done by me, under the supervision of Dr. P K Deka, Professor, Department of Commerce, Nagaland University, Kohima Campus, Meriema, for the award of degree of Doctor of Philosophy in Commerce on fulfilment of minimum criteria laid down by the University.

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CERTIFICATE

This is to certify that the thesis entitled “**A Comparative Study of Performance of Public and Private Life Insurance Companies**”, submitted by Mr. Bhaswar Bagmita Parida bearing Reg. No. Ph.D/COM/00462 for the award of the degree of Doctorate of Philosophy in Commerce, Nagaland University, Kohima Campus, is a bonafide work carried under my supervision and guidance. He has been duly registered and the thesis presented is worthy of being considered for the Ph. D degree. The research work has not been submitted for any degree to any other university.

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CHAPTER-I
INTRODUCTION

Life insurance is a contractual agreement between an insurance provider and a policyholder. In exchange for consistent premium payments throughout the insured's lifespan, this policy requires the insurer to pay a specific sum to the designated beneficiaries upon the insured's death. The life insurance application must contain accurate information regarding the insured's medical history and any high-risk activities in order to validate the contract. If the primary breadwinner of a family passes away, the remaining members may find it difficult to meet their financial obligations. The insurance company's compensation provides financial assistance to the deceased's family, enabling them to maintain their livelihood and social status. Consequently, life insurance functions as a form of social security (Mittal, 2013)³⁷. The Life Insurance Corporation of India (LIC) was the solitary insurance provider in the country prior to liberalization, and it maintained a monopoly. Nevertheless, subsequent to liberalization, numerous foreign corporations established partnerships with Indian banks and insurance companies in order to penetrate the Indian market. The industry was characterized by intensive competition as the majority of private life insurance companies began operating between 2000 and 2001. LIC's market presence in the life insurance sector remains steadfast, despite this.

India's life insurance penetration is 2.74% of the total population, which is substantially lower than that of other major nations. This presents a significant opportunity for expansion, which has prompted numerous private companies to enter the market and challenge LIC's dominance. Currently, India has 21 life insurance companies, with LIC being the sole public sector insurer. The remaining 20 companies are private sector operators. The merger of Exide Life with HDFC Life and the acquisition of Sahara India by SBI Life resulted in a decrease in the number of private insurers. SBI Life, ICICI Prudential, HDFC Standard, Max Life, PNB MetLife, Bajaj Allianz, and Nippon Reliance are among the most prominent private life insurance companies. (IRDAI Hand Book, 2025)²⁶. LIC continues to be the sole public-sector organization that occupies a dominant position in the life insurance sector. There are numerous factors that contribute to its robust market presence. LIC was founded with the primary goal of serving the nation, a sentiment that was fueled by a sense of nationalism, following India's post-colonial period. Furthermore, the Government of India maintained control over LIC as a result of the socialist economic model that was influenced by the USSR. This structure endured until the economic reforms implemented in 1991 by the then Finance Minister, Dr. Manmohan Singh,

under the leadership of former Prime Minister Shri P.V. Narasimha Rao (LICI, 2025)³⁵. Trust and dependability have served as the foundation of LIC's enduring reputation. It has the most extensive network of offices and agents in the industry and offers services at affordable rates because it operates in the public interest. LIC's ongoing dominance in the life insurance sector is greatly influenced by its extensive reach and credibility.

Life insurance companies offer a variety of plans, such as term insurance, term insurance with a return of premium, unit-linked insurance plans, endowment policies, money-back policies, whole life insurance, group life insurance, child insurance plans, and retirement plans. Although there are numerous life insurance companies in India, only a small number, including LIC and HDFC, have international operations. The Insurance Regulatory and Development Authority of India (IRDAI), which was established in 1999 and is headquartered in Hyderabad, Telangana, regulates the insurance industry in India. IRDAI, which is overseen by former IAS officer Mr. Debasis Panda, is responsible for the protection of policyholders' interests and the overall growth and development of the insurance sector. It also establishes and enforces regulations to guarantee the efficient operation of insurance companies. A Comparative Study of Performance of Public and Private Life Insurance Companies concentrated on operations in India. Competition is essential for a fair market, as a monopoly in the insurance industry is not advantageous to consumers. Research in this field has broader societal implications, including the promotion of competition, the optimization of investment returns, the improvement of social security, the generation of employment, the improvement of fund mobilization, and the support of the country's economic development. LIC has expanded its presence to 688 out of 750 districts in India, encompassing 92% of all districts, as a result of the increasing competition. Private insurers, on the other hand, operate in 596 districts, covering 79%. LIC and private insurers have collectively expanded life insurance coverage to 92% of all districts in the country. Life insurance services are accessible to all districts in 24 of the 36 states and Union Territories (IRDAI Hand Book, 2025; LICI, 2025)^{26&35}. So tracking performance of both public and private life insurance companies is needed from time to time. To determine the position of both public and private life insurance companies the study has been conducted on 7 life insurance companies; LIC, Birla Sunlife, HDFC Life, ICICI Prudential, SBI Life, CANARA HSBC and

Kotak life. Highlighting the operational, financial performance and challenges and prospects of both public and private life insurance companies is the motive of undertaking the research.

1.1.HISTORICAL BACKGROUND OF INSURANCE

It is widely held that the history of insurance is as ancient as the history of humanity. Similar to the contemporary concept of insurance in ancient times. In the event of calamities such as fire, flood, epidemic, and famine, individuals were merging their resources with the intention of redistributing them. Despite the fact that contemporary insurance is the most advanced, It is hypothesized that its origins date back nearly 6,000 years. The use of insurance against losses in India is not an exception, as insurance is not an alien concept to human civilization. This insurance theory in India is sufficiently concrete. As there are numerous references to insurance in the writings of Manu (Manusmriti), Yognavalkya (Dharmasastra), and Kautily (Arthasastra) (IRDAI, 2021)²⁵. In ancient Greece and Rome, life insurance was founded between 600 and 100 BCE. Some of the inhabitants of these advanced early societies were granted a form of health and life insurance. The specific concept was first introduced by Gaius Marius, a Roman military general in ancient times. Marius envisioned a form of "burial club" among his fellow soldiers, in which the survivors would unite to cover the funeral expenses in the event of one of them being slain during a military campaign. The application of this concept was initially restricted to soldiers; however, it ultimately became widespread throughout ancient Rome and was embraced by all citizens. The households of deceased citizens were provided with care by these societies. These societies, which included funerary rituals, persisted for centuries in a variety of regions around the globe. The history of Ancient India has preserved the remnants of insurance in the form of marine trade loans and carriers contracts. The traditional insurance business was modernized under British rule, and the British manner of insurance business has evolved over time (Murphy, 2019)³⁸.

Pedro de Santarém authored the initial book on insurance, which was published in 1552. Insurance has undergone a significant transformation into a more sophisticated form of protection, offering a variety of coverage options, as the Renaissance concluded in Europe. Many regions were still dominated by friendly societies that collected money to cover medical

expenses and burials until the late 17th century. Nevertheless, London's significance in the realm of commerce experienced a significant increase at the conclusion of the 17th century. This also exacerbated the necessity for cargo insurance. London became a center for individuals or organizations that were willing to finance the operations of merchant traders and cargo ships. Lloyd's of London, a prominent insurer in the metropolis, continues to be a significant insurance entity. The origins of contemporary insurance can be traced back to the Great Fire of London, which transpired in 1666. Nicholas Barbon established a building insurance business subsequent to the destruction of over 30,000 dwellings. He subsequently established the city's inaugural fire insurance company. Accident insurance, which was introduced in the late 19th century, was strikingly similar to contemporary disability coverage. The history of life insurance continues in a modest coffeehouse in London in the 17th century, as we fast forward a few centuries. Merchants and mariners frequently convened at Edward Lloyd's establishment to discuss insurance transactions. The Society of Lloyds (later known as Lloyd's of London) was established as a more formal insurance association as a result of these conversations. The marine and trading industries were notoriously hazardous, and underwriters, who were typically wealthy members of society, assumed the risk. Later in 1774, the Society formalized their business by merging it with the royal exchange, thereby formalizing a business that was previously rather informal. The Life Assurance Act was implemented in Great Britain that same year to prevent insurance agents from corrupting their clients. Lloyd's of London is currently the most renowned life insurance company and has a global presence. The initial insurance company in the United States was established in 1732 in South Carolina with the purpose of providing fire coverage. In the 1750s, Benjamin Franklin established a company that solicited donations to prevent the destruction of buildings by catastrophic fires. With the arrival and passage of the 1800s, insurance companies underwent a transformation that encompassed comprehensive coverage, including life insurance. The United States did not require any form of insurance until the 1930s. Social Security was established by the government at that time. GI insurance was introduced in the 1940s. It alleviated the financial burdens of women whose spouses were killed in combat during World War II. It was not until the 1980s that the necessity for car insurance became so prevalent that measures were implemented to mandate it. Although insurance is a well-established industry, it is still in the process of evolving and will continue to do so in order to accommodate the changing requirements of consumers (Murphy, 2019)³⁸.

In 1818, the British operationalized the Oriental Life Insurance Company in Calcutta, introducing a modern insurance design. It was the first life insurance company in India to exclusively serve the European community. The life of Indian individuals was not guaranteed by the company. Oriental Life Insurance Company's operations were controversial. The people of India were discriminated against because Oriental Life Insurance Company was servicing the European community. The Madrasa Equitable commenced operations in the Madras Presidency in 1829. The dissatisfaction of Indians with the endeavors of eminent personalities is a result of the discriminatory practices of the British company. British companies are sealed by Babu Murthylal. Started insuring the lives of Indians; however, they charged a high premium due to the fact that Indian lives were considered substandard. This form of discrimination resulted in controversies, which ultimately led to the closure of Oriental Life Insurance Company in 1834. The British Insurance Act was enacted by British citizens in 1870. Bombay Mutual, India's first life insurance company, was established in 1871 with the objective of providing services to the Indian populace at a standard rate, without any form of discrimination. Oriental Life Insurance Company commenced operations in 1874 with a patriotic motive. Empire of India initiated its operations in Bombay in 1897. Despite the fact that Bombay Mutual was conducting business with a patriotic motivation, British companies continue to dominate the market. However, in 1896, the Bharat Insurance Company was established with a nationalism ideology. In 1914, insurance companies began publishing their returns in order to regulate themselves. However, the Act was created by British citizens to provide British life insurance companies with an advantage. Statistical data regarding life and non-life insurance was initiated by the government in 1928. The Act was amended for the first time in 1938, although amendments were made periodically. As a result of these amendments, there was no reduction in discrimination. Principal Agencies were abolished by this insurance Amendment Act in 1950, following India's independence. The government decided to nationalize the insurance companies during that period, as nationalism was at its peak. As a result, the Life Insurance Corporation of India (LICI) was founded in 1956 by merging various small life insurance companies. It was the sole life insurance company that dominated the entire life insurance sector during the post-independence era, and it continues to dominate the industry today, despite the intense competition from private life insurance companies (LICI, 2025)³⁵

1.2.IRDAI:

It is an acronym for the Insurance Regulatory and Development Authority of India. It is a statutory body that was established under the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999) by an Act of Parliament. Its primary objective is to oversee and promote the insurance sector in India. IRDAI regulates both life and general insurance. It was established on April 4, 2000, in accordance with the recommendations of the Malhotra Committee report from 1999. The headquarters of IRDAI are located in Hyderabad, Telangana, while the other two offices are in New Delhi and Mumbai (IRDAI, 2021)²⁵.

1.2.1. Brief history of IRDAI:

Insurance has completed a journey that has spanned nearly 200 years in this millennium. The early 1990s marked the commencement of the sector's reopening process, which has been significantly expanded over the past decade. The government established a committee in 1993, chaired by RN Malhotra, the former Governor of RBI, to suggest reforms in the insurance sector. The objective was to align with the reforms that had been implemented in the financial sector. In 1994, the committee submitted its report, which, among other recommendations, advocated for the private sector's entry into the insurance sector. They declared that foreign companies should be permitted to participate by establishing Indian companies, preferable in a joint venture with an Indian partner (IRDAI, 2021)²⁵.

The Insurance Regulatory and Development Authority (IRDA) was established as an autonomous entity in 1999, following the recommendations of the Malhotra Committee report, to regulate and promote the insurance sector in India. In April 2000, it was formally constituted as a statutory body. The primary objectives of IRDA are to ensure the financial stability of the insurance market, foster competition to enhance customer satisfaction, and expand consumer choice by reducing premiums. In August 2000, IRDA officially opened the market by inviting applications for registration, allowing foreign corporations to hold up to 26% ownership in Indian insurance companies. Empowered under Section 114A of the Insurance Act, 1938, IRDA has since framed regulations covering various aspects, including the registration of insurance companies and the protection of policyholders' interests. In December 2000, the subsidiaries of

the General Insurance Corporation of India (GIC) were restructured as independent entities, while GIC was transformed into a national re-insurer. Today, India's insurance sector comprises 24 life insurance companies and 34 general insurance companies, including specialized entities like the ECGC and Agriculture Insurance Corporation of India. The sector is growing rapidly at a rate of 15-20% annually and contributes approximately 7% to the nation's GDP, alongside banking services. A robust and well-developed insurance sector plays a vital role in economic growth by enhancing the country's risk-taking capacity and providing long-term funds for infrastructure development (IRDAI, 2021)²⁵.

1.2.2. The primary objectives of the IRDAI are as follows (IRDAI, n.d.-c)²⁴:

- The protection of the interests of policyholders.
- The expansion of the insurance sector.
- Prompt resolution of legitimate claims.
- Implementing a grievance redressal system that is effective.
- Fostering orderly conduct, transparency, and impartiality in financial markets.
- The insurance market is subject to stringent regulation to guarantee financial security.

Mission of IRDAI are;

1. Policyholder Protection: To safeguard the interests of policyholders and ensure they receive fair treatment.

2. Industry Growth: To foster the rapid and organized growth of the insurance sector, including annuities and superannuation payments, for the benefit of the general public, while mobilizing long-term funds to drive economic development.

3. Regulatory Standards: To establish, promote, monitor, and enforce high standards of integrity, financial stability, fair practices, and professional competence among regulated entities.

4. **Claims and Fraud Prevention:** To ensure timely settlement of legitimate claims, curb insurance fraud and malpractices, and implement efficient grievance redressal mechanisms.
5. **Market Integrity:** To encourage fairness, transparency, and orderly conduct in insurance-related financial markets, and to develop a robust management information system that upholds financial soundness among market participants.
6. **Enforcement:** To take corrective measures where regulatory standards are insufficient or inadequately enforced.
7. **Self-Regulation:** To promote an optimal level of self-regulation within the industry, aligned with the principles of prudent oversight.

(IRDAI, n.d.-b)²³

1.2.3. Duties, Power and Functions of IRDAI

The duties, powers, and functions of the Insurance Regulatory and Development Authority of India (IRDAI) are defined under Section 14 of the IRDAI Act, 1999. The Authority is mandated to regulate, promote, and ensure the orderly growth of the insurance and reinsurance sectors, in accordance with the provisions of the Act and other applicable laws. Its responsibilities include issuing, renewing, modifying, suspending, or canceling certificates of registration for insurers and intermediaries, as well as safeguarding policyholders' interests in areas such as policy assignment, nomination, insurable interest, claim settlement, surrender values, and contract terms. IRDAI is also tasked with setting qualifications, codes of conduct, and training standards for insurance agents and intermediaries, including loss assessors and surveyors. Additionally, it promotes efficiency in the insurance business, regulates professional organizations, levies fees, and conducts inspections, audits, and investigations to ensure compliance. The Authority controls rates, terms, and conditions for general insurance, oversees investment practices, ensures solvency margins, adjudicates disputes, and monitors the Tariff Advisory Committee. It also mandates the allocation of premium income for professional

organizations and requires insurers to fulfill rural and social sector obligations. Furthermore, IRDAI exercises any other powers necessary to achieve its objectives under the Act (IRDAI, 1999)²²

1.3.SIGNIFICANCE OF THE STUDY

The Indian economy is significantly reliant on life insurance companies, as they are responsible for the mobilization of public savings and the provision of social security. LIC is the largest life insurance company in the industry, with the maximum market share. However, it is experiencing a decline in annual revenue as a result of the intense competition from private sector life insurance companies. They are utilizing a variety of distribution channels to provide consumers with improved, innovative, and unique products and services in order to compete with one another and survive in the industry. It is evident from the available literature that there are few studies on the operational performance of life insurance companies with novel products and services, distribution channels, grievance redress systems, and infrastructure facilities. It is beneficial to foster competition among life insurance companies, as a company's viability is contingent upon its financial stability, whereas a company's financial performance may result in its closure. In the event that the organization endures in the marketplace, it will engage in competition with its peers. Therefore, it may be advantageous to encourage competition among life insurance providers. It indirectly benefits the customers by fostering competition among life insurers, which in turn encourages the development of innovative products that benefits the customers. Therefore, it may indirectly provide the consumer with a benefit. Life Insurance Company invests the funds of policyholders in a variety of channels to enhance the process of mobilization of funds. This study has the potential to enhance the process of mobilizing funds, as their investment decisions have an impact on the financial performance. (Pathak, 2011)⁴³

A limited number of studies have been conducted on the financial performance of life insurance companies. The primary issue is the operational and financial performance of public and private life insurance companies over the past decade, from 2012 to 2024. Therefore, it may be referred to as "A Comparative Study of the Performance of Public and Private Insurance Companies in India." Consequently, the investigation substantiates the

truth and makes recommendations for addressing the issue. The present research is conceptualized and undertaken in light of this context. The study's findings will serve to emphasize the financial deficiencies of life insurers, prompting the company to implement the requisite measures to resolve them. Therefore, it may be advantageous to enhance their financial performance by guaranteeing their survival and expansion.

1.4.STATEMENT OF THE PROBLEM:

The objective of the investigation is to monitor the operations of both public and private life insurance organizations. The efficacy of both public and private life insurance companies in terms of operation and finance is compared. India is the world's most populous nation, which makes it a significant market for the life insurance industry. Consequently, it is imperative to monitor their performance in the industry. Scenes Life Insurance is a fund-based business that must effectively and efficiently manage the funds of its policyholders. The operational performance of life insurance companies has been the subject of very few studies; therefore, it is imperative to evaluate their operations. In order to mobilize the funds from policyholders to life insurance companies, it is the responsibility of each life insurance company to return the funds with an additional benefit to the policyholder. It is imperative to evaluate the financial and operational performance of life insurance companies and compare it to that of private and public life insurance companies.

1.5.OBJECTIVES OF THE STUDY:

Life insurance companies are fund based business institutions. So it must remain efficient and financially sound so that it can meet its own financial obligations while maintaining the profitability. Every research is designed to attain specific objectives. So the objectives of the study are;

- 1 To review the existing scenario of life insurance business in India.
- 2 To analyze the operational performance of public and private life insurance companies
- 3 To study the financial performance of public and private life insurance companies.
- 4 To examine the challenges and prospects of public and private life insurance companies

1.6.HYPOTHESES OF THE STUDY

To reach at a conclusion conclusive statistics are used. So for this, few hypotheses are developed. According to the objectives few hypotheses have be developed and they are;

- 1 There is no significant difference between the operational performance of public and private life insurance companies.
- 2 There is no significant difference between the financial performance of public and private life insurance companies.

1.7.RESEARCH METHODOLOGY

This study is based on quantitative and qualitative approaches. Secondary data has been used for this study, while primary data has taken into the account for putting the light on challenges and the prospects of life insurance companies. Methodology of the research which has been employed has been discussed here in detail.

1.7.1. Sample of the study: In India, there are 26 life insurance companies, with 25 being private life insurers and only one public company, the Life Insurance Corporation of India (LIC). For the purpose of this study, a sample size of seven companies has been selected, comprising the sole public life insurer, LIC, and six private life insurance companies. Given that LIC is the only public life insurance company, it is automatically included in the sample, as there are no other public options to consider. However, rest six private life insurance companies have been picked on the basis of the amount of share capital and at least 10 years of running profitably. Criteria for selecting sample are Rs. 50000Cr to 100000Cr (Category-1), Rs. 100001Cr to 150000Cr (Category-2) and Rs. 150001Cr to 200000Cr (Category-3). For each criterion 2 companies have been chosen (Kothari, 2004)³³.

- Category-1: Canara HSBC OBC and Kotak Mahindra
- Category-2: ICICI Prudential and SBI Life
- Category-3: Aditya Birla SunLife and HDFC standard.

1.7.2. Tools for Data collection: By considering the nature of this type of research, data sheet has been used to process the collect data. This research is an also qualitative in nature, in which data relating to the challenges of life insurance companies and future prospects have been collected using a structured questionnaire. The questionnaire consists of seven questions relating to demographic profile and twenty four questions relating to challenges and the future prospects of life insurance companies. Attitudes of the respondents have been measured using Likert's scale. Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree (Kothari, 2004)³³.

1.7.3. Statistical techniques: To test reliability Cronbach Alpha has been used and validity test has been made using Average Variance Extracted. To test the suitability of factor analysis, Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett test of Sphericity has been conducted. To form a model Partial Least Square- Structural Equation Model (PLS-SEM) technique has been used. MS-word, excel and IBM SPSS and AMOS software have been used. Quantitative research techniques have been used to collect and analyze the data. To analyze the data, it has used Descriptive Statistics (Mean, Standard Deviation and Variance) and inferential statistics Structural Equation Modeling, t-test and z-test have been used. To test the normality of the distribution of data Kolmonogorov-Smrinov and Shapiro-Wilk test have been used (Kothari, 2004)³³.

Mean:

$$\bar{Y} = \frac{\sum Y}{n}$$

Standard Deviation:

$$\sigma = \sqrt{\frac{\sum (x_i - \mu)^2}{N}}$$

σ = population standard deviation
 N = the size of the population
 x_i = each value from the population
 μ = the population mean

Variance:

$$S^2 = \frac{\sum (x_i - \bar{x})^2}{n - 1}$$

S^2 = sample variance

x_i = the value of the one observation

$\bar{x}$ = the mean value of all observations

n = the number of observations

Cronbach's Alfa formula:

$$\rho_T = \frac{k^2 \overline{\sigma_{ij}}}{\sigma_X^2}$$

ρ_T = tau-equivalent reliability

k = number of items

σ_{ij} = covariance between X_i and X_j

σ_X^2 = item variances and inter-item covariances

T-test formula:

One-Sample T-Test

$$t = \frac{\bar{x} - \mu}{\frac{s}{\sqrt{n}}}$$

$\bar{x}$ = observed mean of the sample

μ = assumed mean

s = standard deviation

n = sample size

Two-Sample T-Test

$$t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

$\bar{X}_1$ = observed mean of 1st sample

$\bar{X}_2$ = observed mean of 2nd sample

s_1 = standard deviation of 1st sample

s_2 = standard deviation of 2nd sample

n_1 = sample size of 1st sample

n_2 = sample size of 2nd sample

Z-test formula:

$$Z = \frac{\bar{X} - \mu}{\sigma / \sqrt{n}}$$

$\bar{x}$ = sample mean
 μ = population mean
 σ = population standard deviation
 n = sample size

1.7.4. Accounting techniques:

Various ratios have taken into consideration to estimate the financial and operational efficiency of life insurance companies. These indicators have been mentioned in the following manner.

(Table-1.7.4(1)) Financial Performance Indicators		
S. No	Particulars	Formulas
1	Survival Ratio	(Net Technical Reserves/Average of Net Premium received in last 3 years)*100
2	Return on Equity	(PAT/Shareholders' Equity)*100
3	Investment Income Ratio	(Investment Income/Premium Collection)*100
4	Liquid Asset Ratio	(Liquid Asset/Total Asset)*100

To evaluate the financial performance various ratios have been utilized. These ratios are Return on Equity, Investment income ratio, Liquid Asset ratio and Survival ratio (Das et al., 2003)¹⁶. Their formulas are summarized in the above table.

(Table-1.7.4(2))Operational Performance Indicators		
S. No	Particulars	Formula
1	Operating Expenses Ratio	(Operating Expenses/Total Premium)*100
2	Expenses Ratio	(Total Expenses/Total Premium)*100
3	Commission Ratio	(Total Commission Paid/Total Premium)*100

Operating expenses includes office expenses, legal expenses and taxes paid. These above ratios have been employed in order to determine the operational efficiency of the public and private life insurance companies (Das et al., 2003)¹⁶.

1.7.5. Sources of Data: This study is based on both primary data and secondary Data. To throw the light on the future prospect and challenges of the public and private life insurance companies, the survey has been conducted on the employees of the above selected life insurance companies. Sample size of the for the survey is 534, it consist of 267 respondents are the employees of public life insurance company and rest 267 respondents are the employees of the above six private life insurance companies. Areas covered under this study are Kohima, Guwahati, Bhubaneswar, Cuttack, Hyderabad, Kolkata, Guntur, New Delhi and Mumbai. Primary data have been collected using convenient sampling technique. On the other hand secondary data have been collected from various secondary sources, these sources are listed below.

- 1 IMF Working Papers
- 2 Annual Reports of Life Insurers
- 3 IRDA Hand Book
- 4 Balance Sheets of Life Insurers

1.8.REVIEW OF LITERATURE

It is crucial to conduct a comprehensive evaluation of the literature for a variety of studies that have been conducted by different researchers. It furnishes the information regarding the results of those investigations. It provides information regarding the research methodology, samples, and dimensions of the studies. Additionally, the researcher acquires knowledge of the research lacuna, which necessitates the implementation of appropriate research. The researcher of "A Comparative Study of Public and Private Life Insurance Companies" has meticulously

reviewed a variety of PhD theses, articles, and reports prior to commencing the study. The researcher has conducted brief discussions of the literature, which are detailed below.

(Bharadi, 2002)⁸ He endeavored to disclose a variety of facts regarding the Life Insurance Corporation of India from an economic perspective in his study, "Performance of the Life Insurance Corporation of India: An Economic Analysis." According to the researcher, insurance is a social tool that mitigates the risk of loss of life or property. LIC encouraged individuals to save by providing a variety of schemes under various policies. However, LIC has faced criticism for its limited life insurance coverage and the low per capita sum assured in rural areas. The investment policies of LIC are nearly identical to those of insurance companies in other countries, and the importance of the private and cooperative sectors has been on the rise.

(Das et al., 2003)¹⁶ have proposed a variety of financial indicators to assess the financial stability and performance of both general insurance companies and life insurance companies. The same information was disclosed in the IMF working papers in July 2003. The primary objective of the model is to assess the financial performance and stability. The CAMEL Model comprises six components: Capital Adequacy, Asset Quality, Reinsurance & Actuarial Issues, Management Soundness, Earnings & Profitability, and Liquidity. They recommended two sets of indicators: the Core set and the Encouraged set. Each component is composed of specific numbers of underlying Ratios.

(Gupta, 2013)²¹ In a study of the development and performance of the Life Insurance Corporation of India in the North Eastern region, it was discovered that the company was losing market share and that private insurance companies posed a significant threat to its business. The expensive cost of operation was causing significant losses for both LIC and private insurance companies. There was no discrepancy between the renewal premium amount and the new business premium amount. The buyer had a high level of confidence in LIC in comparison to other private insurance companies.

(Chandhok, 2009)¹² analyzed the performance of LIC and ICICI prudential in her PhD dissertation. She conducted an analysis of service performance and discovered that consumers have expectations regarding innovative services, lucrative approaches, product image, and populist return from LIC. Contemporary Methods Consistent Results Prompt guidance

Customers anticipate that ICIC prudential will communicate effectively. Some of the features of the LIC product include the efficient discharge of claims, the product profile, efficient logistics, an attractive image, and an appropriate facility. Two loyalty factors for both LIC are authentic terms and supporting services, while the beneficial factors of ICIC prudential are congruous service cost effectiveness and profound comfort. The product at ICIC prudential has features such as vibrant services, unique responsibility, streamlined system and service superiors, progressive operations, and corporate loyalty.

(Goswami, 2010)¹⁹ assessed the performance of the Life Insurance Corporation of India and several private insurance companies. The researcher provided insurance companies with guidance by emphasizing a variety of opportunities and obstacles. Key prospects include the emergence of a new market, the attractive investment vehicle, the growing middle class, and the growing bankable class, as well as the economic and social function of insurance penetration and per capita coverage in generating attractive profit. Life insurers encounter numerous obstacles, including the need to establish a compelling value proposition, the need to increase consumer awareness, the unfavorable stock market, the dominance of agents, and the investment in employee training and development.

(Manimala, 2010)³⁶ assessed the performance of the Life Insurance Corporation of India with a particular emphasis on the Madurai Division. The research revealed that the sum assured by LIC has increased from 1994 to 2009. Although the growth of total premium collection was consistent from 1994 to 1997, it increased by 3, 3, 4, and 5 percent in the Madurai Division after that. The overall expenses have increased over the past 15 years, and the loan on mortgage property has been increasing over the years. The claim settlement has increased by 17%, and the claim settlement due to death has grown by 14%. The majority of consumers delayed their payments; however, this trend increased in the years following 2008-09. The empirical relationship between total fixed asset and net fixed asset is predicted by the high level of consistency in the ratio between net fixed asset and total assets. It is also determined that the maintenance of a positive relationship between net fixed assets and total assets is indicative of the exceptional financial management of the LIC Madurai Division.

(Bala & Sandhu, 2011a)³ Examined a variety of factors that affect the perception of Life Insurance Corporation of India among agents. Staff coordination is the most critical factor that

influences the agent's perception, according to the researcher. Additionally, there are factors such as the target customer, competitive advantages, and the potential for product and process improvement, as well as service enhancement. The perception of agents is also influenced by exclusive attention.

(Devi, 2011)¹⁷ Her PhD thesis examined the effects of liberalization on the Indian life insurance industry. Insurance penetration and densities have increased, but they are still lower than those of Asia, according to research. In India, the percentage of rural businesses and the extent of rural penetration remain minimal. Although LIC is the dominant participant, it has only issued 26.39% of its new policies in rural areas. The efficiency of both public and private life insurance companies has improved over the period. Ombudsmen have resolved 80% of complaints, and the number of cases has increased in private companies.

(Bala & Sandhu, 2011b)⁴ studied the customers' perception towards service quality of life Insurance Corporation of India. A factor Analytic approach researchers found that proficiency is the key factor impacting customers perception other factors such as physical & Ethical excellence.

(Sangle, 2011)⁵¹ The impact of liberalization on the Indian life insurance industry was the subject of her doctoral dissertation. Despite an increase in insurance penetration and densities, they remain lower than those of Asia, as indicated by research. The percentage of rural enterprises and the extent of rural penetration in India are still minimal. LIC has only issued 26.39% of its new policies in rural areas, despite being the dominant participant. The efficacy of both public and private life insurance companies has increased over time. The number of cases in private corporations has increased, and ombudsmen have resolved 80% of complaints.

(Shinde, 2011)⁵³ a comparative study of the Life Insurance Corporation of India and Private Life Insurance Companies in India, the researcher emphasized the strengths, weaknesses, opportunities, and threats of the insurance industry. The researcher discovered that the competition between public and private sector players has been heightened by derogation, and that players are now obligated to conduct business in a professional manner due to the strict licensing requirements. Additionally, IRDA maintains a firm level of control. The monitoring system and reporting framework of public and private insurance companies are more dependent

on investment portfolios to generate income or gains. As a result of the intense competition in the financial market, the premium rate will remain under pressure. Private players require a significant amount of capital to operate their business, which could result in a halt in their growth. In order to align with the new product offering, the distribution channel, particularly tied agents, must be enhanced. Consumer education is lacking, which is a significant challenge for the insurance industry.

(Singh & Chakraborty, 2011)⁵⁴ made an effort to emphasize the current challenges in the marketing of life insurance services in India. According to researchers, life insurance companies are seeking to diversify their product offerings and packaged products, such as ULIPs, in order to mitigate risks that may negatively impact their business. The rapid expansion of competition among life insurance companies has resulted in a significant increase in the prevalence of marketing strategies that are occasionally detrimental to the public interest. Consequently, life insurers are encountering challenges in the micro insurance sector.

(Barde, 2012)⁶ A study was conducted on the Life Insurance Corporation of India, with a particular focus on the Nanded Division. The researcher discovered that LIC is a dominant market participant, with over 70% of the market. Most insurance products are sold through insurance agents. The level of awareness among the populace in both rural and urban areas is significantly low. Private life insurance companies are providing a plethora of new and appealing programs and products in order to hold a significant portion of the insurance market. Prior to the arrival of private actors, there was a significant lack of awareness and penetration, particularly in rural India. The number of new policies sold has increased by 8.21%. The premium has increased by 21.63% in the first year. The total premium collection growth rate was 18.32%, while the total income increased by 49.15%. LIC maintained an 82.3% market share.

(Chavare, 2012)¹⁴ Undertook Brand loyalty was examined with particular emphasis on the Life Insurance Corporation of India, which was discovered to possess a market monopoly. LIC is the most reputable organization in the marketplace. There are numerous investors who are unaware of any other companies besides the LIC. The benefits and value for money that individuals invest in LIC are considered. LIC is the most preferred bank among customers; however, it is contending with fierce competition from ICICI, Bajaj, Tata, HDFC, and Reliance. LIC's customers are devoted and are generating business for the company.

(Sundar & Kumar, 2012)⁶¹ The researchers at the Vellore Division of the Life Insurance Corporation of India (LIC) examined the demographic factors and job satisfaction of the employees. They discovered that the satisfaction levels vary with age. The satisfaction of personnel is influenced by their educational background. employment satisfaction is influenced by achievement, while hygiene factors, such as employment security, working conditions post-retirement, interpersonal relationships, and grievance systems, contribute to increased job satisfaction. The LIC Vellore division must conduct a periodic job satisfaction survey to prevent employee dissatisfaction caused by the promotion policy, recognition for work, and achievement.

(Gowd et al., 2012)²⁰ the study examined the performance and efficacy of the Indian life insurance industry, highlighting significant trends and developments. Between 2001 and 2010, life insurance density in India surged from USD 9.1 to USD 55.7, reflecting the growing prominence of the sector. The Life Insurance Corporation of India (LIC), the sole public life insurer, demonstrated consistent growth, with its total investments rising from Rs. 600 crore in 1998 to Rs. 10,45,539 crore in 2011. However, LIC's share in the total premium collection of the life insurance industry declined from 99.46% in 2001-02 to 69.78% in 2010, indicating increasing competition from private sector players. Among private insurers, ICICI Prudential emerged as a market leader, leveraging aggressive strategies, innovative products, and an extensive branch network to capture a significant portion of LIC's market share. Despite this, LIC maintained a strong position, particularly in claim settlements, where its performance remained superior to private insurers, although the latter showed an improving trend in this area. The study also noted that while India ranked ninth globally in life insurance premiums during 2010-11, its global share dipped slightly from 2.69% in 2010 compared to 2.45% in 2009. Insurance penetration in India increased from 2.15% in 2001 to 4.60% in 2009 but fell to 4.40% in 2010 due to slower premium growth relative to the economy. Overall, the insurance industry's density rose from 11.5% in 2001 to 64.4% in 2010, with penetration increasing from 2.71% to 5.10% during the same period. By March 2012, India had 24 registered life insurers, including 23 private companies and one public insurer (LIC). Total assets under management in the life insurance sector grew from Rs. 1,94,009.60 crore in 2001 to Rs. 14,30,117 crore in 2011, marking a 17.95% annual growth rate. The industry also turned profitable, posting a net profit of Rs. 2,657 crore in 2010-11, compared to a net loss of Rs. 989 crore in 2009-10, though only 12 of the 23 private insurers reported profits. The findings underscore the positive impact of

liberalization, privatization, and globalization (LPG) on LIC's performance, as evidenced by its rising investments and consistent operations. However, the growing competition from private insurers, particularly ICICI Prudential, has posed challenges to LIC's market dominance. Despite this, LIC's strong claim settlement record and operational stability have helped it maintain a leading position in the industry. The data highlights the dynamic nature of India's life insurance sector, with private insurers driving innovation and competition while LIC continues to play a pivotal role in the market.

(Irshad, 2016)²⁷ examined the performance of the Life Insurance Corporation of India and a few private life insurance companies in Tamil Nadu. The researcher assessed the performance of Bajaj Allianz, ICICI Prudential, Kotak Mahindra, Birla Sunlife, and LIC in his doctoral thesis. The performance was assessed by the researcher by taking into account a variety of factors, including the premium generated, the claim paid, and the management expenses. The research revealed that the expectations of consumers are increasing on a daily basis, and the discontinuation of policies is a result of billing issues. The life insurance industry experienced a significant expansion from 2000 to the present, as evidenced by the growth of office space, the addition of new business policies for agents, and the increase in premium income. LIC's market share is declining, and there is additionally a propensity to gradually regain its previous position. LIC has capitalized on the increased awareness of life insurance among customers, despite the fact that Life Insurance Corporation is conducting greater business than it has in the past decade.

(Chilumuri, 2013)¹⁵ conducted a study on the efficacy of SBI Life Insurance in the Indian insurance industry. The researcher discovered that SBI operates an effective business and has a large network. Until 2011-12, SBI Life maintained satisfactory profitability and operational performance. SBI Life's market share has increased from 2008-09 to 2011-12.

(Nena, 2013)⁴² assessed the effectiveness of the Life Insurance Corporation of India. The researcher discovered that the business of LIC has consistently grown, while LIC has maintained its market share. LIC has enhanced its products and services in response to the IRDA regulation, which has resulted in an increase in competition as private companies enter the market.

(Ahmad & Rao, 2013)¹ The "Performance Evaluation of Life Insurance Corporation of India and Other Private Life Insurance Companies" revealed that LICI has the highest market share, but it has been declining continuously since 2005. It has experienced positive profit growth, while only 11 private companies have achieved profitability, while the remaining 12 companies have experienced losses. LICI has attained the highest record in the AAM AADMI YOJANA and micro insurance schemes. The income disparity between LICI and private companies was substantial.

(Catherine nirmala, 2014)⁹ undertook the investigation entitled "An investigation into the performance of private sector life insurance companies in comparison to public sector companies and a study on the shift in customer preference toward private sector life insurance companies." The researcher identified several emerging trends, including the emergence of bancassurance, the misselling of insurance products, the fact that LIC is spending a significantly lower amount on training and development in comparison to the premium collected, while private companies are spending haphazardly and lacking in integrity. Additionally, private companies are providing services at a faster pace than LIC, and they are still not making a profit, whereas LIC has been profitable since its inception. 79% of respondents believe that the products of private life insurance companies are more need-based, while 82% prefer the services of private insurance companies due to their fast service. LICI is solely leveraging its goodwill, while private companies are investing more in training and marketing to establish a robust capital base.

(Sivakami & Ganesan, 2014a)⁵⁵ conducted an investigation into the role of agents in the marketing efficiency of Life Insurance Corporation. The researcher selected 100 LIC Agents to conduct the study and discovered that there is a disconnect between insurer customers and agents, which poses a challenge for the agents to serve the company and policyholders. Most agents are between the ages of 26 and 40, 89% are married, and 69% are employed as full-time agents. The payment of premiums and the details of lapse are being recorded by 50% of the agents. 36% of agents encounter their customers at their workplace. 46% of agents are collecting premiums from their policyholders to serve the customer, while 42% of agents communicate routinely with the development officer. Marketing efficiency is contingent upon the satisfaction level.

(Sivakami & Ganesan, 2014b)⁵⁶ implemented A study on the marketing efficiency of a life insurance corporation from the perspective of its customers The results of the research indicate that policyholders are content with the risk coverage and periodical. Life protection and income supplement options Kindness is the most responsible factor that contributes to policyholder satisfaction. The most significant CRM initiative for policyholders is the recognition of complaints. Factors such as life rating, revenue expectations, reliability issues, and retention practices are the most influential.

(Murthy, n.d.)³⁹ has conducted a study on the perception of the Life Insurance Corporation of India by agents. The researcher discovered that the most significant factor for agents is staff consideration, followed by customer Target competitive advantage. Service quality and fundamental India structure The perception of agents toward LIC in various fields is not significantly influenced by their education or work experience.

(Bardhan, 2015)⁷ examined the financial performance of life insurance companies in India An investigation that is analytical in nature. The researcher discovered that the underwriting income at Reliance, LIC, INGVYSSA, AVIVA, and PNBMET Life is below the industry average. The investment income to total investment ratio at Birla Sunlife, ICICI Prudential, AVIVA, and Reliance is above the industry average. The operating expenses to net premium ratio at PNBMET Life, Reliance, Aviva, INGVYSSA, MAX, and TATA AIA are maintained above the industry average level. The performance of Kotak Mahindraf, Birla Sunlife, ING VYSSA, SBI Life, TATA AIA, HDFC Standard, PNB MET Life & Max in terms of policy liabilities to net premium is below the industry average. Similarly, the performance of LIC, SBI Life, HDFC Standard, and ICICI Prudential is discouraging.

(Chandan & Arora, 2015)¹⁰ The private sector demonstrated a higher growth rate in total new business premium income compared to the public sector, leading to a decline in the market share of the public sector insurer, LIC, following the entry of private players. This trend was highlighted in the "Performance of Life Insurance Industry in India." Over time, private insurers managed to reduce their commission expenses more rapidly than LIC. However, the operational expenditure of LIC remained significantly lower, stabilizing at around 5 to 9 percent, while maintaining a solvency ratio of 1.30. In contrast, private sector insurers, except for HDFC Life Insurance Company, reported a higher percentage of lapsed policies and a higher claim rejection

ratio compared to LIC. Despite this, private insurers settled mortality claims more promptly than LIC. Throughout the study period, LIC consistently remained profitable, whereas private life insurers incurred losses during 2003-04 and 2004-05. However, private insurers gradually expanded their presence and began generating profits over time. In 2005-06, only two private life insurers were profitable, but by 2013-14, this number had risen to 17. The operational expenses of private insurers decreased due to reduced commissions and improved efficiency, while their solvency ratios remained above 1.50, reflecting strong financial health. In contrast, LIC maintained a solvency ratio of 1.30. Notably, HDFC Life stood out among private insurers with a lower lapse ratio compared to its peers. The study underscores LIC's consistent profitability and operational stability, even as private insurers made significant strides in reducing costs, improving efficiency, and increasing profitability over time. While private insurers faced challenges such as higher lapse rates and claim rejections initially, their ability to adapt and grow has reshaped the competitive landscape of India's life insurance industry.

(Jain, 2015)²⁸ In his PhD thesis, he exclusively employed secondary data to investigate the effects of liberalization on the life insurance industry. The researcher discovered that private life insurance companies experienced a remarkable growth of 12,500 times, whereas LIC only experienced a six-fold increase in growth compared to the pre-liberalization period. Consequently, private companies challenged LIC and achieved significant growth. LIC's market share decreased from 99.98% to 72.70%. While LIC experienced a twofold increase in growth, private policies did not. The new policies of LIC's Group Insurance business have experienced a 2.5-fold increase in growth, while the total premium collection has decreased by 50%. Growth has been observed in the Group Retirement policy on three separate occasions. The quantity that is insurable has experienced a remarkable increase of over 25 times.

(Ashraf S & Kumari, 2016)² assessed the investment performance of the private life insurance industry in India. Researchers discovered that 15% to 40% of life insurers have been on the CSR frontiers and 40% to 60% of life insurers have been on the VRS frontier. Additionally, 15% to 40% of the companies have been operating at their most productive scale during the study period. The investment efficiency of private life insurance companies has improved.

(Naidu & Paramasivan, n.d.)⁴⁰ implemented A comparative analysis of private and public life insurance companies in India The researcher selected LIC as the sample for public life insurance company, but they also selected ICICI Prudential, SBI Life, HDFC Standard, and Birla Sunlife. They discovered that LIC's competition had increased; however, LIC continued to dominate the market. Private life insurance companies have implemented a variety of distribution channels. In order to compete with LIC, private companies concentrate on unit-linked business. However, the lapse ratios of private companies are lower than those of LIC, and LIC's death claim payment is superior to that of any private life insurance company.

(Rakesh, 2015)⁴⁶ conducted an investigation into the financial performance of the Life Insurance Corporation of India (LIC) and determined that the organization has maintained consistent performance in defiance of fluctuations in the investments of policyholders' funds as a result of competition. LIC is currently overseeing its products; however, it is imperative that it maintains oversight of its operational expenditures.

(Shaju, 2015)⁵² The study titled "Performance and Structure of Life Insurance Corporations in India," with a specific focus on Kerala, revealed that despite the decline of other major life insurers, LIC of India (LIC) continues to hold a substantial market share. However, the business of Unit-Linked Insurance Plans (ULIPs) saw a significant downturn. The global financial crisis emerged as a pivotal moment for LIC, prompting the development of stronger regulatory frameworks. While the marketing of insurance products was deemed satisfactory, it lacked transparency and honesty. Additionally, LIC's performance in building and maintaining customer relationships was found to be mediocre. These findings highlight both the resilience of LIC in maintaining its market presence and the areas requiring improvement, particularly in transparency and customer engagement.

(Balaguruswamy, 2016)⁵ A study analyzing, The Financial Performance of Selected Private Sector and Public Sector Insurance Companies in India revealed varied outcomes among the companies. SBI Life Insurance Company showed negative growth, while Birla Sun Life Company Limited achieved significant improvements in return on capital employed and return on net worth. Reliance Life Insurance Company Limited demonstrated positive growth, contrasting with Bajaj Allianz, which emerged as the worst performer with a negative growth rate. ICICI Lombard General Insurance Company Limited also experienced negative growth,

which could have been mitigated through minor cost-cutting measures. Among the private players, TATA AIG General Insurance Company Limited stood out with the highest positive growth rate, although its performance was inconsistent year-on-year. These findings highlight the diverse financial trajectories of private sector insurers, with TATA AIG leading in growth despite fluctuations, while others struggled with declining performance.

(Chandarana & Doshi, 2016)¹¹ examined the business performance of private life insurance firms in India. The researcher discovered that the growth of premium income is extremely sluggish, with the first year's premium income increasing at a rapid pace. New business has experienced a significant decline, and private companies currently control 30.23% of the market.

(Chavare, 2012)¹⁴ A study on brand loyalty with a particular focus on the Life Insurance Corporation of India (LIC) revealed that the company has a monopoly in the Indian market, is the most preferred company among customers in India, and is providing the most trusted and safe services. Additionally, many investors are unaware of the existence of any other life insurance companies besides LIC.

(Kaur, 2016)³¹ conducted research on the efficacy of unit-linked insurance plans in the life insurance sector. In comparison to businessmen and retired individuals, the researcher discovered that servicemen and professionals invest more in ULIPs for tax benefits. In numerous instances, individuals acquire ULIPs for the tax benefits associated with their lives. The majority of investors invested for a period of three to five years. Investors favor LIC over private companies due to the trust and reputation that the public sector possesses. The majority of respondents are aware of the IRDA, its guidelines, and the resolution of grievances. Respondents are of the opinion that ULIPs are beneficial for risk-takers. A mere 42% of respondents comprehend the concept of ULIP operation as a result of its intricate features. Through her research, the researcher has illuminated the diverse factors that influence the insurance industry in the country. She discovered that the insurance business is substantially positively impacted by income and banking development, while the insurance business is negatively impacted by rising inflation, an increase in savings, and the price of a policy.

(Popat, 2016)⁴⁴ For his doctoral degree, he conducted a study on the "Performance Evaluation of Life Insurance Corporation of India." The study focused on a variety of aspects of

LIC, including its future development prospects, opportunities, and challenges. The researcher believes that LIC has the potential for development in the areas of health insurance, pensions, and life insurance. LIC is presented with numerous opportunities, including an untapped market, brand equity, the largest agency network, a high bonus payment, the unfolding of risk, bancassurance, a strong infrastructure, experienced professionals, and a lower premium, according to the researcher. However, LIC is currently confronted with a variety of challenges, including minimal investment for new issuers, high expectations from buyers, distribution networks, buyer education, brand development, e-services, technology use, bancassurance, human resources development, product innovation, and a focus on the rural population.

(Srivastava & Prakash, 2016)⁵⁷ A comparative study of public and private life insurance companies in India highlighted the dominant position of the public sector, particularly LIC of India (LICI), in the life insurance industry. However, the share of private companies in new life insurance premiums grew significantly, rising from 26.48% in FY 2005-06 to 30.73% in FY 2014-15. The issuance of new policies by private insurers also saw a notable increase, climbing from 10.92% in FY 2005-06 to 22.14% in FY 2014-15, while their total premium collection rose from 14.25% to 26.95% during the same period. Despite these gains, both public and private sectors experienced a downward trend in the number of policies issued and premium collections. LICI maintained its majority market share, largely due to the completion of its deposit commitments, underscoring its continued dominance in the industry.

(Venkatesan & Kumar, 2016)⁶⁵ investigated the attitudes of policyholders toward the services of the Life Insurance Corporation of India, with a particular emphasis on the Tiruchirappalli District. The researcher collected data using a Likert scale question from a 500-person sample. Of the total sample, 26%, 52.60%, and 21.40% exhibited high, medium, and low attitudes, respectively. The researcher discovered that the level of attitude is influenced by factors such as age, education, marital status, family size, number of earnings members, revenue, and awareness. However, factors such as sex, occupation, and patronage also have an impact. The level of Attitude was not influenced by mentality.

(Chandrapal, 2017)¹³ Our study on the financial performance and operational integrity of public and private life insurance companies revealed that the Life Insurance Corporation of India (LIC) is facing a decline in management efficiency. In contrast, private life insurance companies

are demonstrating stronger financial health and operational effectiveness. These private insurers are emerging as significant competitors, posing a substantial challenge to LIC's longstanding dominance in the life insurance sector.

(Jindal, 2017)²⁹ The study examined various factors influencing the growth of the private life insurance sector in India. It found that the regional presence of private life insurance offices plays a significant role in shaping their performance. Key factors contributing to high service standards include the Integrated Grievance Management System (IGMS), social initiatives, medical offerings, innovation, and overall performance. Additionally, technological advancements and the entry of new players are significantly impacting the operations and competitiveness of private life insurance companies. These elements collectively drive the expansion and evolution of the private life insurance industry in India.

(Sugantha, 2017)⁵⁹ In her doctoral dissertation, she assessed the effectiveness of the Life Insurance Corporation of India during the post-liberalization period. Thesis The researcher employed both primary and secondary data to conduct the study, which revealed that the paid-up capital of LIC had experienced a 28.01-1 growth rate, and the number of individual agents had increased to 3.04.1. The growth rate of the first year premium collection by LIC was 9.35-1, with a total premium collection of 15.15-1. However, the total market share experienced a negative growth rate of -3.05-1. 21.04% growth was observed in the benefits paid by LIC. Investment experienced a growth rate of 18.04-1; however, the Joint Sector and Cooperative sectors experienced negative growth rates of -23.06% and 2.09%, respectively. The investment in stock exchange instruments has increased by 19.12%. The development rate of 2.95% has been achieved by the advances provided by LIC. The satisfaction levels of male and female policyholders are significantly different, and the primary reason for purchasing life insurance is to save money on taxes.

(Dhar, 2018)¹⁸ The study explored the growth of the life insurance industry in India, highlighting its current expansion at a 27% growth rate, driven by the liberalization of the economy. This economic openness has significantly contributed to the sector's development, fostering competition among life insurers and encouraging the introduction of a wide variety of products and services tailored to customer needs. The Insurance Regulatory and Development

Authority (IRDA) has played a pivotal role in shaping the industry, ensuring its structured growth and enhancing its ability to meet the evolving demands of policyholders.

(Rani & Muthyswami, 2018)⁴⁷ have investigated the influence on private life insurance companies in India. The researcher discovered that the demonetization had a minimal impact on the life insurer business for a brief period. Private companies experienced difficulties with cash-related transactions, but the first-year premium collection increased. While some companies opened locations during the demonetization, life insurance companies were not affected. Investment experienced a decline as a result of demonetization; however, the solvency ratio is anticipated to continue to decline.

(Suganthamani, 2018)⁶⁰ has conducted a study on the operational efficacy of LIC in India. The two components that the researcher considered were total income and total expenditure. The total outgo is comprised of policy expenses, management expenses, and miscellaneous expenses, as the sub-components of total income have been considered by the researcher. This includes premium collection, investment income, and miscellaneous income. In addition to this researcher, there are numerous computerized metrics that pertain to business operations.

(Tandon & Chawla, 2018)⁶³ conducted a study on the work-life balance of female employees at Life Insurance Corporation of India. The researcher discovered that the number of women employees is on the rise, and their contributions to the organization are also on the rise. In the workplace, women employees are attention-seeking within a positive mindset. Women who are extrovert and receptive to experience are independent and sensible. Also, they possess a strong capacity to establish networks. These women are able to maintain a balance between their professional and personal lives. However, women who possess the neuroticism personality trait have the capacity to maintain a balance between their professional and personal lives.

(Thacker, 2018)⁶⁴ conducted an analytical analysis of the Life Insurance Corporation of India and selected private life insurance companies in India with regard to the Kachchh district (Gujrat). It was discovered by the researcher that the primary criterion for selecting a company is its brand image. Private companies were deemed to be the most effective in terms of the product mix, promotion mix, people and process mix, and physical evidence mix. LIC was ranked first in

the distribution mix, premium and bonus components of the price mix, and occupied second place in the product, people, and process mix.

(Vijayalakshmi & SatishKumar, 2018)⁶⁶ examined the investment pattern of the Life Insurance Corporation of India. The research conducted on the investments made by LIC in the public sector revealed that the return and safety were the primary factors. The investments were analyzed by sector and instrument. LIC is effectively and efficiently administering its investment. LIC is adhering to the Norms of IRDA in the management of its investments.

(Johri, 2019)³⁰ Examined the financial performance of the Life Insurance Corporation of India in the Indian Financial Market Researcher has also analyzed the various sources of income and financial ration. The researcher discovered that LIC has a high current ratio, which contributes to its strong short-term solvency. The company generated its highest profit in 2011 and subsequently experienced a decline. Despite this, LIC remains profitable due to its substantial size.

(Radhika & Sataluri, 2019)⁴⁵ the study examined the influence of operating expenses on the profitability of life insurance in India. The researcher discovered that LIC, ICICI, and SBI are cost-effective life insurers. In India, companies are implementing digital techniques to manage operational expenses and improve the profitability of life insurance. It was discovered by the researcher that LIC, ICICI, and SBI are conducting life insurers that are cost-effective. In an effort to regulate their operational expenditures, organizations are implementing digital methodologies.

(Ratika, 2019)⁴⁹ conducted a study on the factors that influence the capital efficiency of life insurance companies in India from 2008 to 2018. The researcher discovered that the return on equity is adversely affected by the solvency margin and claim ration. Many private companies have a solvency margin that exceeds the prescribed limit, which has a negative impact on their return on capital. Conversely, public companies have maintained their solvency margins within the prescribed limit, which has a positive impact on their profitability.

(Reddy & Reddy, 2019)⁵⁰ A study on the performance of the Life Insurance Corporation of India (LIC) in the post-deregulation era revealed significant trends in its investments and income growth. The private sector emerged as the top beneficiary of LIC's investments,

recording the highest growth rate of 21.4%. In terms of total income, LIC achieved a remarkable 60.47% increase, outperforming the private sector. However, the cooperative sector experienced a decline of -4.3%. Instrument-wise, LIC's investments showed a maximum growth of 17.6% in the stock exchange, while loans grew at a modest rate of 2.5%. These findings underscore LIC's strong financial performance and its strategic focus on the private sector in the post-deregulation period.

(Subhanam & Nagrajan, 2019)⁵⁸ Researchers conducted a comparative analysis of public and private life insurance companies in India, evaluating the overall performance of the life insurance sector. The study found that despite aggressive efforts by private insurers to expand their market share, LIC of India (LICI) continued to dominate the market. Private life insurance companies adopted new distribution channels to promote their policies, enhancing their reach. In terms of investment patterns, private insurers demonstrated stronger solvency ratios compared to LICI. However, private insurers faced higher lapse ratios than LICI, indicating greater policy discontinuation rates. On the other hand, LICI outperformed private insurers in death claim settlements, showcasing its efficiency and reliability in meeting policyholder obligations. These findings highlight the competitive dynamics between public and private insurers, with LICI maintaining its leadership position despite the growing presence of private players.

(Tagra, 2019)⁶² While conducting research for her doctoral thesis, she attempted to conduct "A study of the life insurance sector in selected districts of Punjab." Upon analyzing and discussing the results of her research, she discovered that the insurance sector's penetration and density are still significantly lower than those of other developed nations. Insurance is still perceived as an investment option rather than risk coverage due to the low level of awareness among customers. The caliber of agent interaction is a concern for individuals who are investing in insurance policies. Policyholders are moderately satisfied with the product, price, and promotion. Policyholders are unaware of the grievance cell and the provisions of the IRDA. Agents of life insurers receive compensation periodically; however, they are dissatisfied with the magnitude of the incentives. The absence of agents' participation in the development of strategies is exerting pressure on them. The insurance industry is exclusively concentrated in urban areas.

(Narayan, 2020)⁴¹ According to the study "A Critical Study on Performance of Life Insurance Corporation of India in the Post-Liberalization Era," the life insurance sector has

witnessed significant growth and transformation. The number of private sector companies has risen to 23, reflecting increased competition. Over the past decade, the number of workplaces has surged from 13 to 8,768, as private companies aggressively expanded their operations by establishing more offices. The volume of premium payments has also grown substantially, increasing from ₹50,094.46 crores to ₹2,65,450.37 crores. This expansion has led to a larger market size and a rise in per capita premium payments, indicating greater penetration and acceptance of life insurance products in India. These trends underscore the dynamic growth of the sector in the post-liberalization era.

(Khimabhai, 2020)³² conducted an analytical analysis of the performance of a variety of public and private life insurance companies in India. In India, the Life Insurance Corporation has issued a greater number of life insurance companies, according to the researcher. The Solvenay Ratio of LIC is 1.56, while private companies have a higher ratio. LIC has the highest claim settlement ratio at 97.79%, while private companies are trailing behind this. Max Life Insurance, Bajaj Allianz, and Birla Sunlife are providing superior returns in comparison to other companies.

(Kulkarni, 2020)³⁴ After conducting a comparative study of stakeholder satisfaction with the Life Insurance Corporation of India, it was determined that the level of satisfaction was high. However, there was dissatisfaction with the quality of information provided through kiosks. Branch managers are the least content among all stakeholders, while development officers, agents, and policyholders are satisfied. Agents involved in marketing are satisfied with LIC, but customers are not as satisfied. Branch managers believe that there is a necessity. If changes are necessary for LIC to preserve its leadership position.

(Rathi, 2021)⁴⁸ Analyzed the performance of the Life Insurance Corporation of India. The researcher employed Dea and Fuzzy during 2018 and 2019. Dea approach was employed to determine that ICICI Prudential is the least efficient. The fuzzy arithmetic model indicates that India is the most efficient, followed by LIC, Max Life, Exidelife, DHFL Pramerica Life, CANARA HSBC, Bharti Axa, and Reliance Nippon. The fuzzy trapezoidal efficiency values indicate that LIC is the most efficient possibility approach in terms of optimistic and pessimistic perspectives. Ultimately, this study concluded that the Life Insurance Corporation of India, a public sector life insurance company, is efficient in both non-fazzy (conventional den) and fuzzy environments.

1.9.CHAPTERISATION:

Chapter –I : Introduction

Chapter – II : Overview of existing scenario of life insurance business in India

Chapter – III : Operational performance of public and private life insurance companies

Chapter – IV : Financial performance of public and private life insurance companies

Chapter–V : Challenges and prospects of public and private life insurance companies.

Chapter – VI : Summary and conclusion

1.10. LIMITATION OF THE STUDY:

Everything in the world is imperfect, and as a result, it is subject to a variety of constraints. Research is not an exception. It has a limited number of restrictions. LIC, HDFC Life, ICICI Prudential, Birla Sunlife, CANARA HSBC, SBI Life, and Kotak Life are the only companies included in this study. The operational performance of the life insurance company has been defined solely by operational efficacy, as operations have a broader scope. Commission ratios, expenses ratios, and operating expenses ratios have been assessed. The financial performance of life insurance companies is restricted to the return on equity ratio, investment income ratio, liquid asset ratio, and survival ratio. Bhubaneswar, Cuttack, Guwahati, Guntur, Hyderabad, Delhi, and Kolkata are the only areas that have been covered due to a lack of time and resources. The absence of an annual return precluded the consideration of additional private companies.

Upon reviewing these literatures, the researcher discovered that the majority of the studies focused on the evaluation of LIC's performance, the impacts of liberalization on LIC, the expectations and satisfaction of LIC policyholders, the strengths, weaknesses, opportunities, and threats of LIC, the marketing and HR practices of the life insurance industry, and the investment pattern and performance. In recent years, there has been a scarcity of comparative studies that

examine the operational and financial performance of public and private companies. Factors or forces that influence the life insurance industry are subject to change as time progresses. Therefore, it is crucial to analyze the operational and financial performance of both public and private life insurance companies by utilizing a limited number of critical indicators recommended by the CARMEL model. This analysis should emphasize the opportunities and obstacles that these organizations face. It is not an alien hypothesis that life insurance policies existed in ancient times; however, the modern insurance business was invented in Greece and Rome. Although insurance practices were being conducted in India, the modern insurance business was only introduced by Britishers in India. Following the nation's independence from British rule, all business entities were reorganized as government business organizations, which gave rise to LIC. The company's reliable performance and superior service record have earned it the trust of its customers. Private life insurance companies began operating following the LPG reforms, which expanded the level of competition. Therefore, in order to ensure that clients receive the most value for their money, it is imperative to compare the performance of both public and private life insurance companies. The study was conducted with a sample of seven life insurance companies, of which LIC is the sole public company. The remaining six companies are private life insurance companies, including Birla Sunlife, HDFC Life, ICICI Prudential, SBI Life, CANARA HSBC, and Kotak Life. The study aims to assess the financial and operational performance of the life insurance companies that were sampled. The data utilized in the investigation are secondary in character. Annual reports, the IRDA Handbook, IMF working papers, and a variety of publications are the primary sources of secondary data. The sum, mean, standard deviation, t-test, z-test, and Structural Equation Model have been employed to analyze the data. The subsequent five chapters provide a comprehensive explanation of the study's findings, which were obtained by analyzing the data collected from a variety of sources.

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CHAPTER-II

**OVERVIEW OF EXISTING SCENARIO OF LIFE INSURANCE
BUSINESS IN INDIA**

The concept of life insurance dates back to around 600–100 BCE in ancient Greece and Rome, where these advanced societies offered forms of health and life insurance to some citizens. The idea was first conceptualized by Roman military general Gaius Marius, who created a "burial club" among soldiers to cover funeral expenses if one of them died in battle. This practice, initially limited to soldiers, eventually spread throughout ancient Rome and was adopted by all citizens, providing care for families of the deceased. Similar societies, which included funerary rituals, persisted for centuries across various regions. In the 12th century, Anatolia introduced a form of state insurance, reimbursing traders for losses due to robbery. By the 14th century, standalone insurance policies emerged in Genoa, with the first documented policy appearing in 1347. Maritime insurance developed in the following century, with premiums based on risk, marking a significant shift as insurance became separate from contracts and loans. The first book on insurance, written by Pedro de Santarém, was published in 1552. By the end of the Renaissance, insurance had evolved into a more sophisticated system. In the late 17th century, London's rise as a trade hub increased demand for cargo insurance, with Lloyd's of London becoming a key player. The Great Fire of London in 1666 spurred the creation of fire insurance, pioneered by Nicholas Barbon. Accident insurance, similar to modern disability coverage, emerged in the late 19th century. The 17th-century coffeehouse of Edward Lloyd in London became a gathering place for merchants and sailors, laying the groundwork for the formal establishment of Lloyd's of London. In 1774, the Life Assurance Act was passed in Great Britain to curb corruption, and Lloyd's of London expanded globally. In the U.S., the first insurance company opened in South Carolina in 1732, offering fire coverage. Benjamin Franklin later founded a company to prevent fire-related disasters. By the 1800s, life insurance and other forms of coverage became widespread. Social Security, introduced in the 1930s, provided a financial safety net, reducing the life insurance industry's market share. The Supreme Court's 1944 ruling to regulate insurance federally was short-lived, as the 1945 McCarran-Ferguson Act returned oversight to the states. The industry continued to grow, with AXA Equitable drafting the first group life insurance policy in 1911. By 1930, U.S. life insurance policies totaled around \$117 billion, though fraud and deception were rampant due to lack of regulation. Despite challenges, the insurance industry has adapted over time, evolving to meet consumer needs and remaining a vital part of modern society (Murphy, 2019).

The story of insurance is as old as humanity itself, rooted in the instinct to protect against loss and disaster. From primitive times, people sought to mitigate the consequences of fire, flood, and death, making sacrifices to achieve security. While modern insurance has developed significantly over the past few centuries, its origins trace back nearly 6,000 years. In India, life insurance in its modern form arrived in 1818 with the establishment of the Oriental Life Insurance Company in Calcutta by Europeans. Initially, these companies catered only to Europeans, excluding Indians. However, efforts by figures like Babu Muttylal Seal led to foreign companies insuring Indian lives, albeit at higher premiums due to being labeled "sub-standard." The first Indian life insurance company, Bombay Mutual Life Assurance Society, was founded in 1870, offering coverage to Indians at standard rates. Inspired by nationalism, other companies like Bharat Insurance Company (1896) emerged, and the Swadeshi movement of 1905-1907 spurred the creation of more insurers, such as United India, National Indian, and Hindustan Co-operative Insurance Company. Before 1912, India lacked insurance regulation, but the Life Insurance Companies Act of 1912 introduced oversight, though it favored foreign companies. The industry grew rapidly, but the Insurance Act of 1938 brought stricter control. The demand for nationalization gained momentum, culminating in 1956 with the creation of the Life Insurance Corporation of India (LIC), which aimed to extend coverage to rural areas and provide affordable financial security. LIC expanded its operations, opening branch offices across districts and modernizing its services. By the 1980s, LIC had achieved significant growth, crossing milestones in new business and adopting advanced technologies like computerized branch offices, online premium collection, and satellite offices for customer convenience. Today, LIC remains a dominant force in India's insurance sector, issuing millions of policies annually and continuing its mission to provide security and protection to families across the country, inspired by the same principles that brought insurance to India over two centuries ago (LICI, 2025d).

2.1. Present Scenario of Life insurance industry

As per the Swiss-re sigma 03/2021, Ranking at India in insurance business was 11th in the world despite of being most populous country in this world. Share of India in global life insurance market was only 2.90% in the year 2020 which is very less in comparison to size of population. Market penetration is still very less as there is huge untapped market remains in India. When market penetration was 3.76% in the year 2019-20, it increased to 4.20% in 2020-

21. It recorded growth at the rate of 11.70% still life insurance penetration is very less despite of tremendous growth of 13.48%. Life Insurance business increased from 2.82% in 2019-20 to 3.20% in 2020-21. Life Insurance density has increased from USD 58 during 2019-20 to USD 59 during 2020-21. Total Numbers of Life Insurance companies are 23 previously it was 24 life insurance companies from 14th October 2023 Exide Life Insurance Company has been merged with HDFC Life Insurance Company. So there are 22 private life insurance companies are active while only pure public company, LIC is doing its business. Despite of very thought completions LIC holds more than 70% of market share of whole life insurance sector(LICI, 2022) .

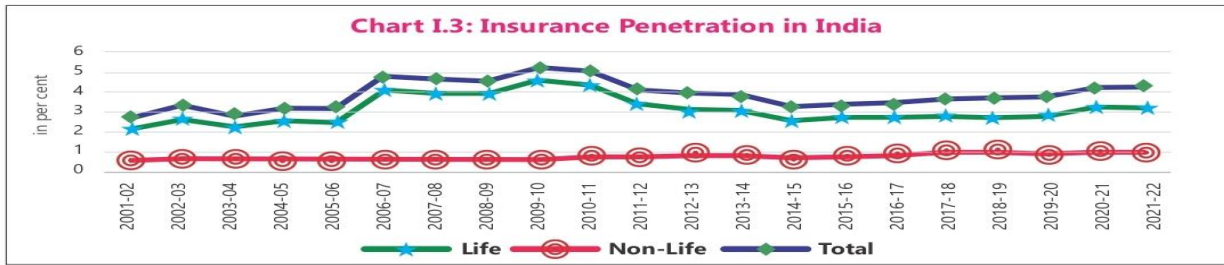
Market Penetration and density of life insurance business (Table-2.1.1)

Year	Penetration (%)			Density (USD)		
	Life	Non-Life	Total	Life	Non-Life	Total
2001-02	2.15	0.56	2.71	9.1	2.4	11.5
2002-03	2.59	0.67	3.26	11.7	3.0	14.7
2003-04	2.26	0.62	2.88	12.9	3.5	16.4
2004-05	2.53	0.64	3.17	15.7	4.0	19.7
2005-06	2.53	0.61	3.14	18.3	4.4	22.7
2006-07	4.10	0.60	4.80	33.2	5.2	38.4
2007-08	4.00	0.60	4.70	40.4	6.2	46.6
2008-09	4.00	0.60	4.60	41.2	6.2	47.4
2009-10	4.60	0.60	5.20	47.7	6.7	54.3
2010-11	4.40	0.71	5.10	55.7	8.7	64.4
2011-12	3.40	0.70	4.10	49.0	10.0	59.0
2012-13	3.17	0.78	3.96	42.7	10.5	53.2
2013-14	3.10	0.80	3.90	41.0	11.0	52.0
2014-15	2.60	0.70	3.30	44.0	11.0	55.0
2015-16	2.72	0.72	3.44	43.2	11.5	54.7
2016-17	2.72	0.77	3.49	46.5	13.2	59.7
2017-18	2.76	0.93	3.69	55	18	73
2018-19	2.74	0.97	3.70	54	19	74
2019-20	2.82	0.94	3.76	58	19	78
2020-21	3.2	1.0	4.2	59	19	78
2021-22	3.2	1.0	4.2	69	22	91

(Source: LIC Annual Report, 2022)

2.1.1. Market penetration is represented as the percentage of premium collection to the country's GDP. Above mentioned table represents market penetration and density of Indian Life Insurance Industry. Data have been summarized from the year 2001-02 to 2021-22. In the year 2002 market penetration was 2.15% that became 3.2% in the year 2022. Highest market penetration recorded in the year 2009-10 which was 4.60%. If these above data put into a line diagram then it will be as following(LICI, 2022).

Market Penetration (Fig-2.1.1)

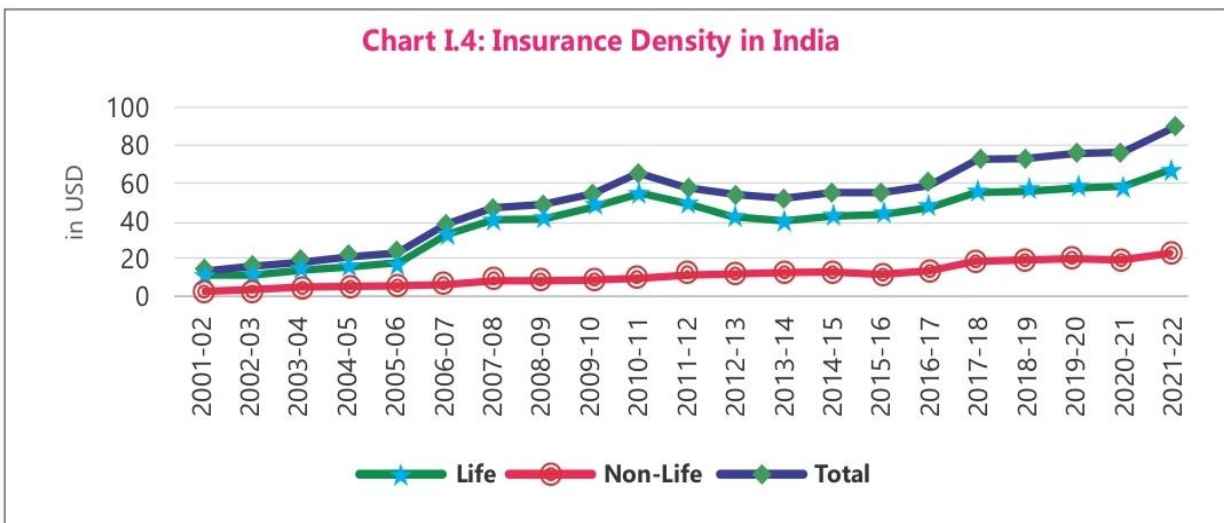


(Source: LIC Annual Report, 2022)

Above trend diagram says that market penetration of life insurance business in India started increasing from the year 2002 to 2010 from 2.15% to 4.60%. After that it started declining till 2015 at that time market penetration was only 2.60% from the year 2016 again it started increasing and it is stable in past few years as there is no much fluctuation.

2.1.2. Density: insurance density is measured as the ratio of premium to population of the country. Data relating life insurance density of India have been summarized in the above table. In the year 2002 life insurance density was 9.1 USD, which became 69 USD in the year 2022. Life insurance density recorded highest in the year 2022 in last 20 years. If these data are presented in a trend diagram then it will be like the following one(LICI, 2022).

Insurance Density (Fig-2.1.2)

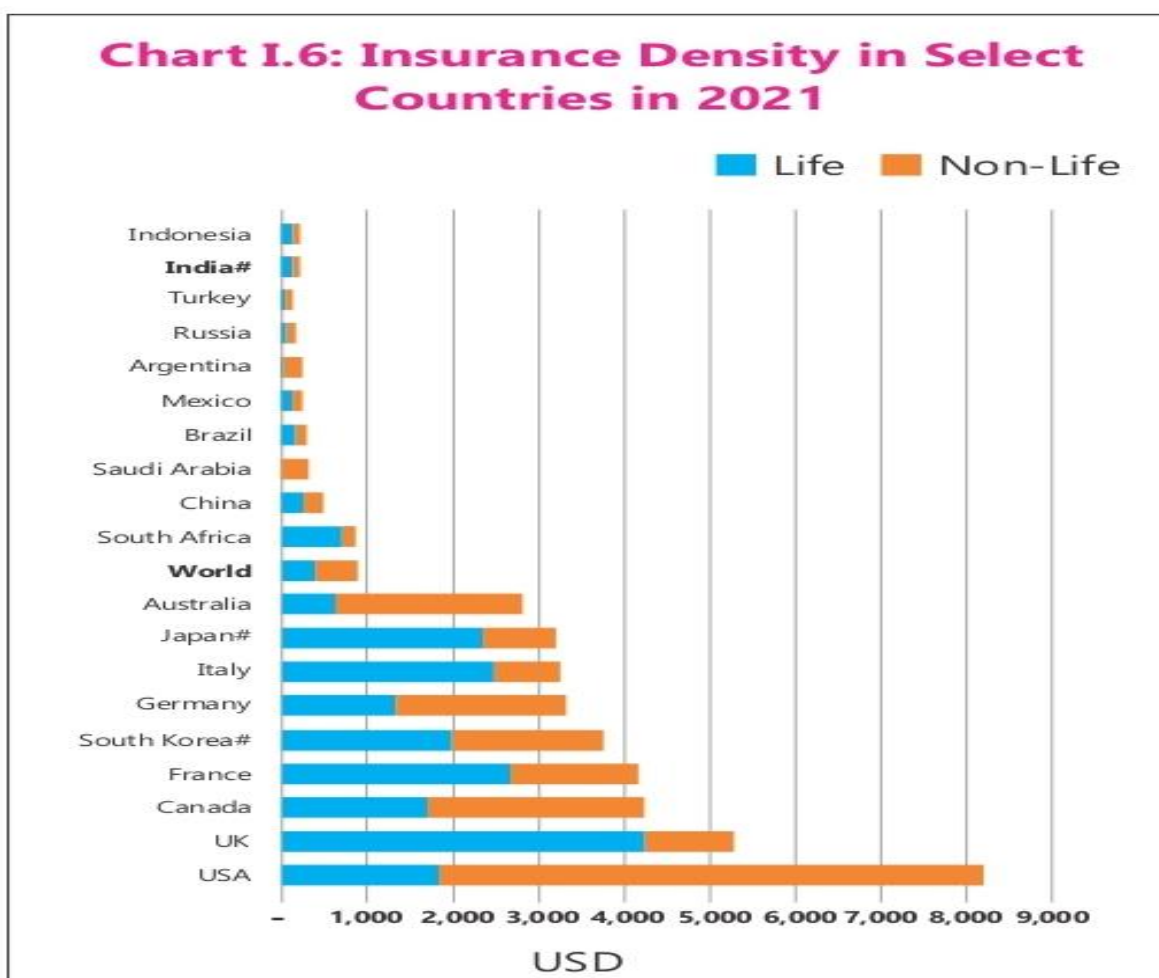


(Source: LIC Annual Report, 2022)

According to trend diagram it is clear that life insurance density has increasing trend and continuously, it is increasing as the spending of every Indian citizen for life insurance is

increasing. If the life insurance density is compared with rest of the world then it will be found that USA, UK, Canada, Australia, Japan, Germany, France, Italy and South Korea have huge amounts of insurance density, while position of India is weak as compared to them as India is positioned at the bottom of the list. But in case of Islamic Nations such as Turkey and Saudi Arabia life insurance density is even zero. These statements can be clearly understood with the following diagram(LICI, 2022).

Country-Wise insurance Density (Fig-2.1.2(1))



(Source: LIC Annual Report, 2022)

2.1.3. Market share has been represented in terms of premium collected from the policyholders by the public and private life insurance companies in India. Market shares of both public and private life insurance companies have been enlisted in the following manner.

MARKET SHARE (in %) (Table-2.1.3)		
PARTICULARS	PUBLIC	PRIVATE
2011-12	70.68	29.32
2012-13	72.70	27.30
2013-14	75.39	24.61
2014-15	73.05	26.95
2015-16	72.61	27.39
2016-17	71.81	28.19
2017-18	69.36	30.64
2018-19	66.42	33.58
2019-20	66.22	33.78
2020-21	64.14	35.86
2021-22	61.80	38.20

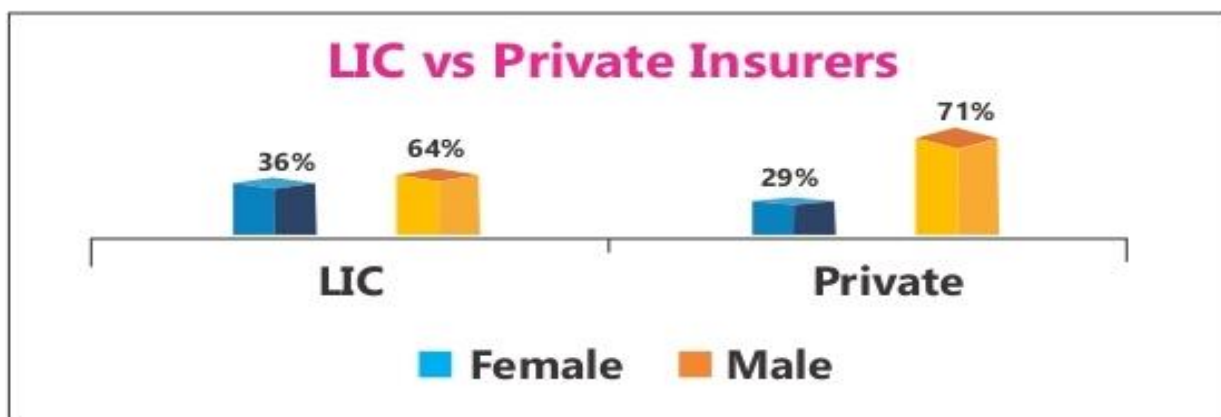
(Source: IRDAI Hand Books)

According to the above table in the financial year 2011-12 Public life insurance company had market share of 70.68% on the other hand private life insurance companies had 29.32% of market share. With the time market share of public life insurance company has declined to 61.80% in the financial year 2021-22 but scenario in case of private life insurance company is opposite as they have captured more market share at 38.20% (IRDAI Hand Book, 2025).

2.1.4. Customer Profile

Life insurance business is a main source of employment, which gives opportunity for doing job to every citizen of the country. Women are roughly 49% of the total populations of India, rest 51% are male. Previously literacy among women was less as compared to men. But these days they are educated and doing jobs and business. They are also earning money. Their contribution is not limited to their family only but also they have started contributions in economy too. Women are also taking life insurance policies these days. In the year 2021-22 1.01 crores policies were sold to women out of 2.91 crores of total sales, which constitutes 34.7% of total sales, balance 1.90 crores of policies have been taken by men, which constitutes 65.3% . In the year 2020-21 it was only 33%. These facts denote that women participation in life insurance business is increasing. In case of public life insurance company (LIC) 36% of total policies were sold to women where as rest 64% of the total policies were sold to men but the picture in case of private life insurance companies is different. 29% of total policies were sold to women, rest 71% of total policies were sold to men(LICI, 2022).

Classification of Policyholders (Fig-2.1.4)



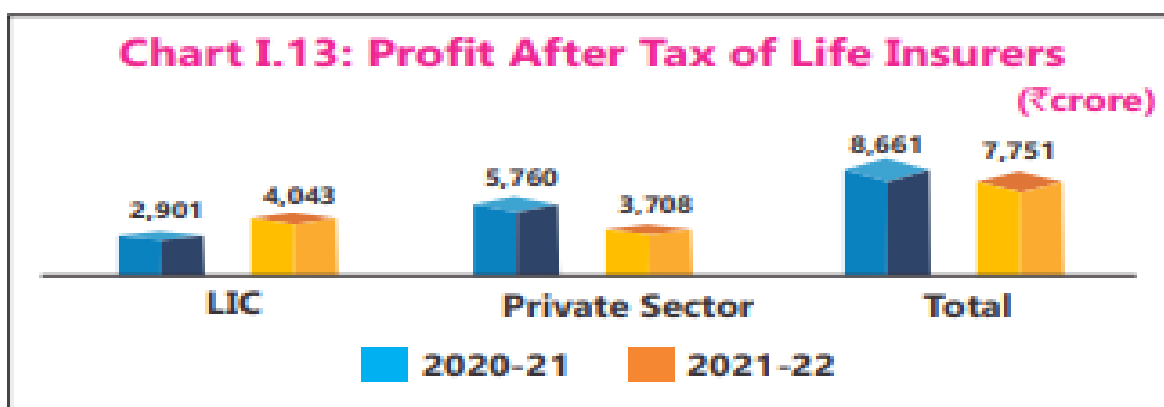
(Source: LIC Annual Report, 2022)

Top 5 states/ UTs where there are highest women participation in the life insurance business. Karnataka, Kerala, Sikkim, Goa and Arunachal Pradesh have highest share of women policyholders of 45%, 44%, 42%, 42% and 41% respectively. Women participation in southern and north-eastern states are highest in the country. Bottom 5 states/ UTs where there are lowest share of women policyholders; Jammu & Kashmir, Ladakh, Haryana, Rajasthan and Uttar Pradesh are of 26%, 26%, 27%, 30% and 30% respectively. This situation will be very challenging for both public and private life insurance companies to create awareness among the women population of these region. Apart from these women are involved in marketing of life insurance products too. As of March 31, 2022, the life insurance industry employs 6,99,429 women as agents, accounting for 29% of the total individual agency force. Among these women agents, private life insurers hold a 52% share, while LIC (Life Insurance Corporation of India) accounts for the remaining 48%. Within the private sector, Max Life Insurance Co. Ltd. leads with the highest percentage of women agents at 42.5%, followed closely by Ageas Federal Life Insurance Co. Ltd. at 42.4% and SUD Life Insurance Co. Ltd. at 41.7%. This highlights the growing presence and contribution of women in the life insurance sector. (LICI, 2022).

2.1.5. Profit After Tax: The life insurance industry experienced a 10.50 percent decline in profits during 2021-22, with the profit after tax (PAT) dropping to ₹7,751 crore from ₹8,661 crore in the previous year. Out of the 24 life insurers operating in 2021-22, 15 companies reported profits. Notably, LIC saw a significant increase in profits by 39.39 percent, while

private insurers collectively reported a loss of 35.62 percent during the same period. This trend is further illustrated in the accompanying chart (LICI, 2022).

Profit after Tax (Fig-2.1.5)



(Source: LIC Annual Report, 2022)

2.1.6. Area of Operation

As of March 31, 2022, LIC of India has established offices in 688 out of 750 districts across the country, covering 92% of all districts. In comparison, private sector insurers have offices in 596 districts, covering 79% of the total districts. Collectively, LIC and private insurers have reached 92% of all districts in India. In 24 out of 36 states and union territories (UTs), every district has at least one life insurance office. However, 59 districts in the country still lack a life insurance office, with 48 of these located in the northeastern states. Detailed figures on the number of offices operated by both public and private life insurance companies have been provided (LICI, 2022)

Distribution of Offices (Table-2.1.6)

(Number of Offices)

Location	As on March 31, 2021			As on March 31, 2022		
	LIC	Private sector	Total	LIC	Private sector	Total
Tier I	1,844	4,717	6,561	1,848	4,746	6,594
Tier II	559	735	1,294	561	706	1,267
Tier III	1,353	476	1,829	1,357	458	1,815
Tier IV	1,037	107	1,144	1,042	106	1,148
Tier V	123	29	152	123	30	153
Tier VI	54	26	80	54	29	83
Total	4,970	6,090	11,060	4,985	6,075	11,060

(Source: LIC Annual Report, 2022)

As on 31st March 2021 public life insurance company has 4970 offices while numbers of offices of whole 23 private life insurance companies where 6090 office all over India. Numbers of total offices of public life insurance company has increased to 4985 on 31st March 2022 but the case is opposite for private life insurance companies as numbers of offices of private life insurance companies of have declined to 6075 on 31st March 2022. Interestingly 77% of offices of private life insurance companies are located in Tier 1 cities which means majority of their business are concentrated in Tier 1 cities only on the other hand public life insurance company is operating in different kinds of cities that means it's business is not concentrated in one particular kind of city (LICI, 2022).

2.1.7. Numbers of Individual new policies issued:

Numbers of new policies issued by the public and private sector companies have been summarized in the following table.

(Table- 2.1.7) NUMBER OF INDIVIDUAL NEW POLICIES ISSUED (LIFE)										
Insurer	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
LIC	201.71	205.47	201.32	213.38	214.04	218.96	209.75	217.19	204.29	203.93
Private Sector	57.37	61.92	63.24	68.59	72.44	69.5	71.52	73.94	80.42	87.84
Total	259.08	267.38	264.56	281.97	286.48	288.47	281.27	291.13	284.7	291.77

(Source: IRDAI Handbook, 2025)

The table provides data on the number of individual new life insurance policies issued by the Life Insurance Corporation of India (LIC) and private sector insurers from 2014-15 to 2023-24. The analysis reveals trends in policy issuance, market share, and growth patterns for both LIC and private insurers over the decade.

1. LIC's Dominance:

LIC has consistently maintained a dominant position in the market, issuing the majority of new policies each year. For instance, in 2014-15, LIC issued 201.71 lakh policies, which grew marginally to 203.93 lakh policies in 2023-24. Despite its dominance, LIC's growth in policy issuance has been relatively stagnant, with minor fluctuations over the years. For example, policy

numbers peaked at 218.96 lakh in 2019-20 but declined to 203.93 lakh in 2023-24, reflecting challenges in sustaining growth.

2. Private Sector Growth:

Private sector insurers have shown steady growth in policy issuance, increasing from 57.37 lakh policies in 2014-15 to 87.84 lakh policies in 2023-24. This represents a compound annual growth rate (CAGR) of approximately 4.9%, significantly higher than LIC's near-stagnant growth. The private sector's market share has also increased over the years, from about 22.1% in 2014-15 to 30.1% in 2023-24, indicating a gradual shift in consumer preference toward private insurers.

3. Total Policies Issued:

The total number of new policies issued across both LIC and private insurers has remained relatively stable, ranging between 259.08 lakh in 2014-15 and 291.77 lakh in 2023-24. The peak was observed in 2019-20, with 288.47 lakh policies, followed by a slight dip in 2020-21 (281.27 lakh) due to the impact of the COVID-19 pandemic. However, the numbers recovered in subsequent years, reaching 291.77 lakh in 2023-24.

Trends and Insights:

1. LIC's Market Leadership: LIC continues to dominate the life insurance market, accounting for approximately 70-78% of total new policies issued annually. However, its growth has plateaued, indicating potential saturation in its traditional customer base.
2. Private Sector's Rising Share: Private insurers have steadily increased their market share, driven by innovative products, aggressive marketing, and digital distribution channels. Their ability to cater to niche segments and urban markets has contributed to their growth.
3. Impact of COVID-19: The pandemic caused a temporary decline in policy issuance in 2020-21, affecting both LIC and private insurers. However, the sector rebounded quickly, with private insurers showing stronger recovery.
4. Stagnant Overall Growth: The total number of new policies issued has remained relatively flat over the decade, suggesting that the life insurance sector is reaching

maturity in terms of policy penetration. This highlights the need for innovative strategies to tap into underserved markets, particularly in rural areas.

The data underscores LIC's continued dominance in the life insurance market, albeit with stagnant growth, while private insurers have steadily expanded their market share through innovation and customer-centric strategies. The overall stability in policy issuance indicates a mature market, with limited room for exponential growth without significant interventions. To sustain growth, both LIC and private insurers must focus on increasing insurance penetration in untapped regions, leveraging digital technologies, and introducing tailored products to meet evolving consumer needs. The rising share of private insurers also signals a shift in consumer preferences, emphasizing the importance of competition and innovation in driving the sector forward.

2.1.8. States or UTs wise performance:

There are 28 states and 8 union territories in India. Since in the most of the part of the country life insurance companies are providing their services, then it must be known about, which state is on the good and poor performing states or union territories have been listed in the following table.

Table-2.1.8: Good Performing States or UTs		
States/UT	Numbers of Policies	Premium Collected (in Crores)
Maharashtra	3143484	22291.90
Uttar Pradesh	3039062	11620.59
West Bengal	2553837	10443.22
TamilNadu	2024319	8985.48
Karnataka	2001430	9162.07
Andhra Pradesh	1889581	5780.24
Gujarat	1811249	9242.21
Madhya Pradesh	1658686	4796.92
Telangana	1424495	11337.01
Delhi (NCT)	1178506	6862.18
Poor Performing States or UTs		
Manipur	18356	115.43
Nagaland	17922	115.08
Puducherry	16996	170.17
Arunachal Pradesh	14717	162.40
Sikkim	9783	92.32
Daman, Diu, Dadra & Nagar Haveli	8080	57.36
Mizoram	7629	74.07
Andaman & Nicobar	4432	33.25
Ladakh	2575	17.09

Lakshadweep	104	0.75
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(Source: IRDAI Handbook, 2025)

The table provides data on the top ten states and union territories (UTs) in India based on the number of life insurance policies sold and the total premium collected (in crores). Maharashtra leads the list with 3,143,484 policies and a premium collection of ₹22,291.90 crores, reflecting its status as one of the most economically advanced states with a high level of insurance penetration. Uttar Pradesh follows closely in terms of the number of policies (3,039,062), but its premium collection (₹11,620.59 crores) is significantly lower than Maharashtra's, indicating a preference for lower-value policies, likely due to lower income levels and affordability constraints.

West Bengal ranks third with 2,553,837 policies and a premium collection of ₹10,443.22 crores, showcasing a strong insurance culture in the state. Tamil Nadu and Karnataka also feature prominently, with 2,024,319 and 2,001,430 policies, respectively, and premium collections of ₹8,985.48 crores and ₹9,162.07 crores. These states demonstrate a balanced mix of policy numbers and premium values, reflecting their economic development and awareness of insurance products.

Andhra Pradesh, Gujarat, and Madhya Pradesh show moderate performance, with Andhra Pradesh collecting ₹5,780.24 crores from 1,889,581 policies, Gujarat collecting ₹9,242.21 crores from 1,811,249 policies, and Madhya Pradesh collecting ₹4,796.92 crores from 1,658,686 policies. Telangana stands out with a relatively high premium collection of ₹11,337.01 crores from 1,424,495 policies, indicating a preference for higher-value policies in the state. Delhi (NCT) rounds out the list with 1,178,506 policies and a premium collection of ₹6,862.18 crores, reflecting its urban population's higher disposable income and awareness of financial security. It is observed that:

1. **Economic Influence:** States with higher economic development, such as Maharashtra, Tamil Nadu, and Karnataka, dominate in both policy numbers and premium collections.
2. **Affordability Factors:** States like Uttar Pradesh and Madhya Pradesh show high policy numbers but lower premium collections, suggesting a focus on affordable, low-value policies.

3. Urban vs. Rural Divide: Urban-centric regions like Delhi and Telangana exhibit higher premium collections per policy, indicating greater financial capacity and awareness among urban populations.
4. Regional Disparities: The data highlights significant regional disparities in insurance penetration, with economically advanced states leading in both policy adoption and premium contributions.

Among poor performing states, Manipur leads with 18,356 policies and a premium collection of ₹115.43 crores, followed closely by Nagaland with 17,922 policies and ₹115.08 crores collected. Puducherry and Arunachal Pradesh have collected the highest premiums among the listed states/UTs, at ₹170.17 crores and ₹162.40 crores, respectively, despite having fewer policies than Manipur and Nagaland. This suggests that the average premium per policy is higher in these regions. At the lower end of the spectrum, Ladakh and Lakshadweep exhibit the lowest insurance penetration, with 2,575 and 104 policies, respectively. Lakshadweep, in particular, has an extremely low premium collection of just ₹0.75 crores, indicating minimal insurance coverage. Overall, these figures reveal a significant gap in life insurance coverage in certain regions, especially in remote and smaller UTs like Ladakh, Andaman & Nicobar, and Lakshadweep, where awareness, accessibility, or affordability could be barriers. The data suggests a need for greater insurance outreach efforts in these areas to enhance financial security and risk protection for residents.

2.1.9. Death claims paid

Details of the death claims paid by the life insurance companies have been summarized in the following table.

INDIVIDUAL DEATH CLAIMS OF LIFE INSURERS (Table-2.1.9)										
Particulars	Amount of Benefit (₹Crore)									
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Claims pending at start of year (A)	451	452.09	444.23	307.81	188.43	191.88	454.65	623.26	489.04	341.13
Claims intimated / booked (B)	12,517	13,386.39	14,479.45	15,405.58	18,235.09	19,227.82	27,772.64	47,457.27	29,732.57	29,882.43

Total Claims (C=A+B)	12,968	13,838.48	14,923.68	15,713.39	18,423.52	19,419.71	28,227.29	48,080.54	30,221.61	30,223.56
Claims paid (D)	11,789	12,636.66	13,857.57	14,623.82	17,365.30	18,042.24	26,421.50	45,817.57	28,615.92	28,867.61
Claims repudiated/rejected (E)	702	736.51	657.77	532.21	564.32	575.49	924.70	1,291.58	1,049.59	893.18
Unclaimed (F)	24	21.08	100.41	363.98	302.07	347.32	257.83	482.36	205.96	48.44
Claims pending at end of year (G=C-D-E-F)	453	444.23	307.92	193.38	191.82	454.65	623.27	489.03	350.14	414.32

(Source: IRDAI Handbook, 2025)

The table provides a detailed overview of individual death claims handled by life insurers in India from 2014-15 to 2023-24, highlighting key metrics such as claims pending at the start of the year, claims intimated/booked, claims paid, claims repudiated/rejected, unclaimed amounts, and claims pending at the end of the year. The data reveals several important trends and insights into the efficiency and challenges of the life insurance sector in managing death claims.

1. Claims Intimated/Booked:

The number of claims intimated or booked has shown a consistent upward trend, increasing from ₹12,517 crores in 2014-15 to ₹29,882.43 crores in 2023-24. This growth reflects the increasing number of policies in force and the rising awareness of life insurance benefits. A significant spike was observed in 2021-22, with claims intimated reaching ₹47,457.27 crores, likely due to the impact of the COVID-19 pandemic, which led to a surge in mortality claims.

2. Claims Paid:

The amount of claims paid has also increased steadily, from ₹11,789 crores in 2014-15 to ₹28,867.61 crores in 2023-24. This indicates that insurers have been able to scale their claim settlement processes to handle the growing volume of claims. The highest payout was recorded in 2021-22 (₹45,817.57 crores), aligning with the spike in claims intimated during the pandemic.

3. Claims Repudiated/Rejected:

The amount of claims repudiated or rejected has also risen, from ₹702 crores in 2014-15 to ₹893.18 crores in 2023-24. This increase is proportional to the growth in total claims, suggesting that insurers maintain a consistent approach to evaluating claim validity. The highest

rejection amount was in 2021-22 (₹1,291.58 crores), coinciding with the pandemic-induced surge in claims.

4. Unclaimed Amounts:

Unclaimed amounts have fluctuated over the years, peaking at ₹482.36 crores in 2021-22 and dropping to ₹48.44 crores in 2023-24. This variability may be due to delays in claim processing or beneficiaries not being aware of their entitlements.

5. Claims Pending at End of Year: The amount of claims pending at the end of the year has shown fluctuations, ranging from ₹188.43 crores in 2018-19 to ₹623.27 crores in 2020-21. The increase in pending claims during 2020-21 and 2021-22 can be attributed to the overwhelming volume of claims during the pandemic. By 2023-24, pending claims stood at ₹414.32 crores, indicating that insurers are still managing a backlog, albeit at a reduced level compared to the peak pandemic years.

Pandemic Impact: The COVID-19 pandemic had a profound impact on the life insurance sector, leading to a sharp increase in claims intimated and paid in 2020-21 and 2021-22. Insurers faced significant challenges in managing the surge in claims, resulting in higher pending claims during these years. **Efficiency in Claim Settlement:** Despite the increase in claims, insurers have maintained a relatively high payout ratio, with the majority of claims being settled promptly. This reflects the sector's commitment to fulfilling its obligations to policyholders. **Rejection Rates:** The consistent rise in repudiated/rejected claims highlights the importance of accurate policy documentation and adherence to terms and conditions. Insurers must balance rigorous claim evaluation with customer satisfaction to maintain trust. **Unclaimed Amounts:** The decline in unclaimed amounts in recent years suggests improvements in claim processing efficiency and better communication with beneficiaries. The data underscores the life insurance sector's ability to handle increasing claim volumes, particularly during challenging periods like the COVID-19 pandemic. While the pandemic led to a temporary backlog in pending claims, insurers have demonstrated resilience and efficiency in settling claims. However, the rise in repudiated/rejected claims and the presence of unclaimed amounts highlight areas for improvement, such as enhancing customer awareness and streamlining claim processes. Overall, the sector's performance in managing death claims reflects its critical role in providing financial security to policyholders and their families.

2.1.10. Asset under Management:

Policyholders pay premium for their policies and life insurance invest these money in Government securities, infrastructure projects, equity shares, bonds etc. to generate investment income. It is necessary for running the business successfully and pays insurance claims lodged by the policyholders. Details of the investment made with policyholders' money have been mentioned in the following table.

ASSETS UNDER MANAGEMENT (INVESTMENTS) OF LIFE INSURERS (Table-2.1.10)					
Particulars	Category	2020-21	2021-22	2022-23	2023-24
Life Fund	Central Govt.- Securities	1279452.93	1433809.09	1621420.96	1806826.82
	State Govt. & Other Approved Securities	628647.05	638282.77	667427.05	747204.80
	Infrastructure Investments	298038.53	309561.36	333942.98	379865.88
	Approved Investments	573226.65	657957.03	754597.27	889464.27
	Other than Approved Investments	134918.53	155341.22	140992.84	98421.15
	Total (Life Fund)	2914283.69	3194951.47	3518381.10	3921782.92
Pension & General Annuity Fund	Central Govt. - Securities	391814.86	461265.19	560868.46	630428.83
	State Govt. & Other Approved Securities	415123.33	440817.16	492987.69	548305.33
	Approved Investments	235921.86	263603.04	282181.95	295615.06
	Total (Pension & General Annuity & Group Fund) Investments	1042860.05	1165685.39	1336038.10	1474349.21

(Source: IRDAI Handbook, 2025)

The table provides a detailed breakdown of the Assets Under Management (AUM) for life insurers in India, categorized into Life Fund and Pension & General Annuity Fund, from 2021 to 2024. The data highlights the allocation of investments across various categories, such as Central Government Securities, State Government & Other Approved Securities, Infrastructure Investments, Approved Investments, and Other than Approved Investments. The analysis reveals key trends in the investment strategies and growth of life insurers' AUM over the four-year period.

Life Fund Investments: The total AUM under the Life Fund grew consistently, from ₹29,14,283.69 crores in 2021 to ₹39,21,782.92 crores in 2024, reflecting a compound annual growth rate (CAGR) of approximately 10.3%. Central Government Securities constituted the largest share of investments, increasing from ₹12, 79,452.93 crores in 2021 to ₹18, 06,826.82 crores in 2024. This indicates a preference for low-risk, stable-return instruments. State

Government & Other Approved Securities also showed steady growth, rising from ₹6,28,647.05 crores in 2021 to ₹7,47,204.80 crores in 2024, highlighting the importance of government-backed securities in the investment portfolio. Infrastructure Investments grew from ₹2,98,038.53 crores in 2021 to ₹3,79,865.88 crores in 2024, reflecting the sector's contribution to nation-building and long-term returns. Approved Investments (including corporate bonds and other approved instruments) saw significant growth, from ₹5,73,226.65 crores in 2021 to ₹8,89,464.27 crores in 2024, indicating diversification into higher-yield assets. Other than Approved Investments declined from ₹1,34,918.53 crores in 2021 to ₹98,421.15 crores in 2024, suggesting a shift toward more regulated and secure investment avenues.

Pension & General Annuity Fund Investments: The total AUM under the Pension & General Annuity Fund also grew steadily, from ₹10,42,860.05 crores in 2021 to ₹14,74,349.21 crores in 2024, with a CAGR of approximately 12.2%. Central Government Securities formed the largest component, increasing from ₹3,91,814.86 crores in 2021 to ₹6,30,428.83 crores in 2024, underscoring the focus on safety and stability for pension funds. State Government & Other Approved Securities grew from ₹4,15,123.33 crores in 2021 to ₹5,48,305.33 crores in 2024, reflecting a balanced approach to risk and return. Approved Investments (including corporate bonds) increased from ₹2,35,921.86 crores in 2021 to ₹2,95,615.06 crores in 2024, indicating a gradual shift toward higher-yield assets while maintaining regulatory compliance. According to the above interpretations, it is found that;

1. **Preference for Government Securities:** Both Life Fund and Pension & General Annuity Fund investments are heavily weighted toward Central and State Government Securities, reflecting a conservative investment strategy focused on safety and regulatory compliance.
2. **Growth in Infrastructure Investments:** The steady increase in infrastructure investments highlights the sector's role in supporting national development projects while generating long-term returns.
3. **Diversification into Approved Investments:** The growth in approved investments (corporate bonds and other instruments) indicates a strategic shift toward diversifying portfolios to enhance returns while adhering to regulatory guidelines.

4. **Decline in Non-Approved Investments:** The reduction in non-approved investments suggests a move toward more secure and regulated asset classes, reducing exposure to higher-risk instruments.

The data demonstrates that life insurers in India have adopted a balanced and conservative investment strategy, prioritizing government securities and approved investments to ensure stability and regulatory compliance. The consistent growth in AUM, particularly in infrastructure and approved investments, reflects the sector's commitment to supporting economic development while safeguarding policyholders' funds. The decline in non-approved investments further underscores the focus on risk management and regulatory adherence. Overall, the investment trends highlight the life insurance sector's resilience and its critical role in channeling funds toward nation-building and financial security.

2.1.11. Lapsed Policies:

If the premium of the policy remains due for longer period of time, then policy gets lapsed. It reduce surrender value, even some cases do not provide maturity benefits. And it also defines the capability to retain customers of the life insurance companies. Numbers of lapsed policies of the life insurance companies have been summarized in the following table.

Insurer	(Table-2.1.11) Number of Lapsed policies in '000s									
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Public Sector										
Life Insurance Corporation of India	11259.40	7755.46	7178.67	6408.41	6415.17	7517.35	7694.27	7155.49	7138.31	5941.52
Private Sector										
Aditya Birla Sunlife	269.03	188.11	169.85	171.44	120.14	98.47	94.14	65.85	50.35	52.77
Canara HSBC Life	16.45	17.54	12.91	14.33	26.48	34.55	47.76	49.72	46.71	48.45
HDFC Life	156.35	112.10	213.59	225.02	241.92	229.17	185.14	154.08	169.51	217.48
ICICI Prudential Life	405.78	233.89	111.36	158.98	224.81	249.06	205.60	167.92	149.97	149.13
Kotak Mahindra Life	58.75	56.81	66.22	74.39	78.31	71.10	97.89	87.93	70.96	63.41
SBI Life	248.12	452.74	423.55	345.81	281.49	256.99	251.79	235.59	258.67	286.43

(Source: IRDAI Handbook, 2025)

The data provided illustrates the number of lapsed policies (in thousands) for both public and private sector insurers in India over a ten-year period from 2014-15 to 2023-24. The Life Insurance Corporation of India (LIC), a public sector insurer, consistently reported the highest number of lapsed policies, starting at 11,259.40 thousand in 2014-15 and showing a declining trend until 2023-24, where it reached 5,941.52 thousand. This indicates a significant reduction in lapsed policies over the decade, suggesting improved policy retention or changes in customer behavior. In the private sector, insurers such as Aditya Birla Sunlife, Canara HSBC Life, HDFC Life, ICICI Prudential Life, Kotak Mahindra Life, and SBI Life showed varying trends. Aditya Birla Sunlife experienced a steady decline in lapsed policies, from 269.03 thousand in 2014-15 to 52.77 thousand in 2023-24, reflecting effective policy management or customer retention strategies. Canara HSBC Life, on the other hand, saw fluctuations, with a notable increase from 16.45 thousand in 2014-15 to 48.45 thousand in 2023-24, indicating potential challenges in retaining policyholders. HDFC Life and ICICI Prudential Life both demonstrated a mixed trend, with periods of increase and decrease in lapsed policies. HDFC Life's lapsed policies peaked at 241.92 thousand in 2018-19 before declining, while ICICI Prudential Life saw a significant drop from 405.78 thousand in 2014-15 to 149.13 thousand in 2023-24, suggesting improved customer retention over time. Kotak Mahindra Life maintained relatively stable numbers, with minor fluctuations, while SBI Life showed a gradual decline from 248.12 thousand in 2014-15 to 286.43 thousand in 2023-24, despite some yearly increases. Overall, the data highlights a general trend of declining lapsed policies across most insurers, particularly in the public sector, which may reflect industry-wide improvements in policyholder engagement, customer service, or product offerings. However, variations among private insurers indicate differing levels of success in retaining customers and managing policy lapses.

2.2. Diversified actives:

Life insurance business is fund based business, to earn maximum income life insurance companies are investing money in different business such as mutual fund Company, credit card services, housing finance etc. diversified activities of LIC, HDFC Life and ICICI Prudential have been discussed in the following manner.

2.2.1. LIC

Life insurance Corporation of India is established in 1st September, 1956. It is statutory body under section 3 of LIC Act, 1956. Over the period of time it has spread its reach to rural areas of the country. Main intention of it is to provide sufficient life cover at very affordable price. It still continues to provide services to the nation. During such period of time it has achieved many milestones and dominates the whole life insurance industry. Now it has total 5004 offices all over India.

Table-2.2.1(1): Types of offices of LIC as on 31st, March, 2024

Offices	Numbers
Central Office	1
Zonal Offices	8
Divisional Offices	113
PGS Units	78
SSS Units	4
Branch Offices	2048
Satellite Offices	1584
Mini Offices	1168
Total	5004

(Source: Annual Report, 2024)

Central office is the head office of LIC. Since its structure is hierarchical central office is at the top of the hierarchy while branch offices are at the bottom of the hierarchy. This can be understood with the following pyramid.

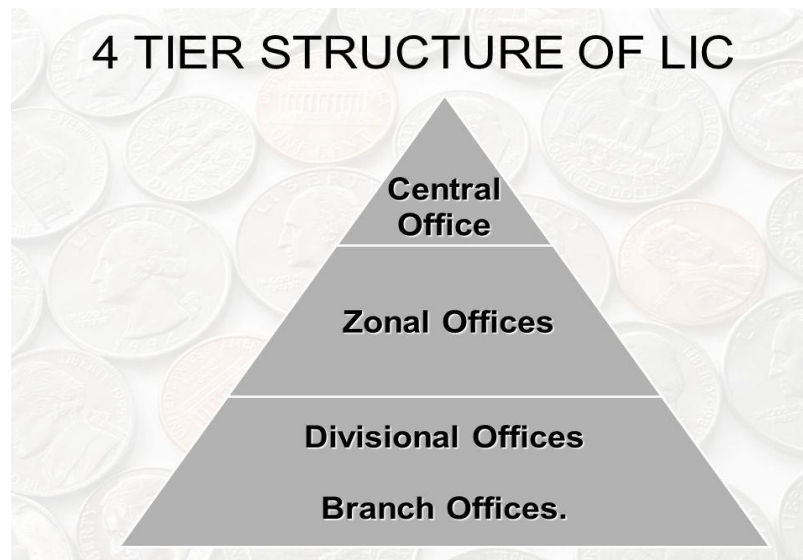


Fig-2.2.1

Certain performance indicators have been shown in the following table. On 31st, March 2024 LICI has total income of Rs 853661.86 crores, out of which total premium collection is of Rs 475069.58 crores. Policyholders were paid benefits of Rs 388809.33 crores. Total life fund is of Rs 4431416.08 crores, on the other hand Total assets are of Rs. 5285503.16 crores (LICI, 2024).

Table-2.2.1(2): Performance indicators as on 31st, March, 2024

Particulars	Amounts (Rs. in Crores)
Total Income	8,53,661.86
Total Premium Income	4,75,069.58
Payment to Policyholders	3,88,809.33
Total Life Fund	44,31,416.08
Total Assets	52,85,503.16

(Source: Annual Report, 2024)

Diversified Business Activities of LICI: Past days life insurance companies were selling conventional life insurance policies but these days they have started selling different policies life, health insurance policies Micro Insurance policies pension plans, mutual funds etc. with the passage of time definition at life insurance is changing with the diversified of its business. LIC as the biggest players in Life Insurance sector it has diversified business into different streams. LIC has various subsidiary and Associate companies (LICI, 2022).

1. Subsidiary Companies

- LIC Pension fund limited

The Government of India launched the New Pension System (NPS) on January 1, 2004. The Pension Fund Regulatory and Development Authority (PFRDA) appointed Life Insurance Corporation (LIC), State Bank of India (SBI), and UTI Asset Management Company (UTI-AMC) as Pension Fund sponsors through a competitive bidding process. Following its selection, LIC established LIC Pension Fund Limited, which was incorporated as a public limited company on November 21, 2007, under Part IXA of the Companies Act, 1956. The company, with an authorized and paid-up capital of ₹50 crores, received its Certificate of Commencement of Business from the Registrar of Companies, Maharashtra, Mumbai, on January 28, 2008. LIC Pension Fund holds the distinction of being the first

pension fund company in India to be incorporated and receive this certification from PFRDA. In April 2023, Siddhartha Mohanty assumed the role of Chairperson of LIC of India (LIC, n.d.).

- LIC cards services limited.

LIC Cards Services Ltd. (LIC CSL), a wholly owned subsidiary of LIC of India, was incorporated on November 11, 2008, with a capital of ₹1 crore. The company aims to provide credit card services to LIC employees, club member agents, and policyholders. Headquartered in Delhi, LIC CSL operates through 12 area offices located in Ahmedabad, Bangalore, Bhopal, Chandigarh, Chennai, Delhi (Local and Outside), Hyderabad, Kolkata, Mumbai, Lucknow, and Patna. The company has partnered with Axis Bank, Union Bank of India, and IDBI to issue co-branded and white-label credit cards. LIC CSL offers free credit cards with no joining, annual, or renewal fees, along with attractive benefits. The cards feature a "Chip-and-Pin" design for enhanced security and provide a convenient mode for premium payments, offering double reward points and zero convenience charges (LICI, n.d.).

2. Associate Companies

- **LIC mutual fund limited**

LIC Mutual Fund was established on April 20, 1989, by LIC of India. As an associate of India's most trusted and premier brand, LIC Mutual Fund has become a prominent name in the asset management industry. Known for its systematic investment approach, strong financial ethics, and corporate governance, it is increasingly becoming a preferred choice for investors. LIC Mutual Fund strives to create value for its investors through innovative and robust investment strategies, catering to diverse investor segments. Committed to delivering exceptional service and a superior investment experience, LIC Mutual Fund aims to bring joy and financial well-being to its customers and partners, truly embodying its promise of *Khushiyaan, Zindagi Ki* (LICI, 2025b)

LIC housing finance limited

Established in 1989, LIC Housing Finance Ltd (LICHFL) is one of India's leading housing finance companies, dedicated to providing long-term financial solutions for individuals to purchase or construct residential properties. Beyond home loans, LICHFL offers loans against existing properties for personal or business needs, as well as specialized financing for professionals to acquire or construct clinics, nursing homes, diagnostic centers, office spaces, and equipment. The company also extends financial support to builders and developers engaged in residential construction projects. LICHFL went public in 1994, and its shares are actively traded on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). As a pioneer in India's housing finance sector, LICHFL has played a significant role in promoting homeownership. With a robust business foundation, an extensive distribution network, and proven industry expertise, LIC Housing Finance Ltd has earned a reputation as a trusted and respected financial services provider (LICI, 2025a).

2.2.2. HDFC Life:

(HDFL, 2025) HDFC Life Insurance Company Limited, commonly known as HDFC Life, was established on August 23, 2000, as a joint venture between Housing Development Finance Corporation (HDFC), India's leading housing finance institution, and Standard Life Aberdeen, a global investment company. It was among the first private life insurers to enter the Indian market after the sector was liberalized in 2000, receiving its license from the Insurance Regulatory and Development Authority of India (IRDAI) in December 2001. In its early years, HDFC Life focused on traditional life insurance products such as term insurance, endowment plans, and money-back policies. Over time, the company expanded its portfolio to include innovative products like Unit-Linked Insurance Plans (ULIPs) and HDFC Life Click 2 Protect, a term insurance plan available online, marking its entry into digital distribution. By 2014, HDFC Life had crossed the milestone of 10 million policies in force, reflecting its growing market presence. In 2017, the company became a publicly listed entity after its Initial Public Offering (IPO)***, further solidifying its position as a leading private life insurer in India. Today, HDFC Life is known for its customer-centric approach, innovative products, and strong distribution network, offering a wide range of life insurance solutions to meet the diverse needs of its customers. The company continues to leverage technology and digital platforms to enhance customer experience

and expand its reach across urban and rural India. HDFC Life Insurance Company Limited operates under a well-defined organizational structure, ensuring effective governance and management. The company's leadership is divided into the Board of Directors and the Executive Management Team. Apart from this private life insurance companies have diversified their business activities too. HDFC Life has the following three subsidiary companies. They are: HDFC Pension Management Company Limited (HDFC Pension), HDFC International Life and Reinsurance Company Limited and Exide Life Insurance Company

- **HDFC Pension Management Company Limited (HDFC Pension)**

It is one of the leading pension fund managers in India, licensed by the Pension Fund Regulatory and Development Authority (PFRDA). It is a subsidiary of HDFC Life Insurance Company Limited, one of the largest life insurance companies in India. HDFC Pension offers pension fund management services under the National Pension System (NPS), which is a voluntary, defined contribution retirement savings scheme designed to provide regular income to subscribers during their retirement years. As a pension fund manager, HDFC Pension manages the investments of NPS subscribers across various asset classes including equities, fixed income securities, and alternative investments, with the objective of generating long-term returns while managing risks effectively. The company is dedicated to helping individuals plan for their retirement by offering a range of pension products and services tailored to their needs and preferences. HDFC Pension emphasizes transparency, reliability, and customer-centricity in its operations, aiming to provide subscribers with a seamless and rewarding experience throughout their retirement journey. With a strong track record of performance, robust risk management practices, and a focus on innovation, HDFC Pension is committed to being a trusted partner in helping individuals achieve their retirement goals and secure their financial future (HDFC Pension, 2025).

- **HDFC International Life and Reinsurance Company Limited**

It is also subsidiary of HDFC Life Insurance Company Limited, one of the leading life insurance companies in India. HDFC International operates as a reinsurance company, providing reinsurance solutions to insurers worldwide. The company offers a range of reinsurance products

and services including risk transfer, risk management, and capital optimization solutions to insurance companies globally. By partnering with insurers, HDFC International helps them manage their risk exposure, enhance their financial stability, and improve their profitability. Through its expertise in underwriting, actuarial analysis, and risk assessment, HDFC International assists insurers in developing innovative insurance products and optimizing their reinsurance strategies. The company aims to be a trusted partner for insurers, supporting their growth and success in the dynamic insurance industry landscape. HDFC International is committed to maintaining high standards of professionalism, integrity, and customer service, while contributing to the overall stability and sustainability of the global insurance market (HDFC Reinsurance, 2025).

- **Exide Life Insurance Company**

It is headquartered in Bangalore, India, is one of the leading life insurance companies in the country. Established in 2001, it is a part of the Exide Industries Limited group, which has a strong presence in the automotive and industrial sectors. Exide Life Insurance offers a comprehensive range of insurance products including term insurance, ULIPs (Unit Linked Insurance Plans), endowment plans, savings plans, retirement plans, and child plans. These products are designed to meet the diverse financial protection and wealth accumulation needs of individuals and families. With a strong focus on customer satisfaction, Exide Life Insurance emphasizes transparency, reliability, and efficiency in its operations. The company leverages technology to enhance customer experience and offers personalized solutions to meet the unique requirements of its policyholders. In addition to its extensive product portfolio, Exide Life Insurance has a wide distribution network comprising of branches, advisors, banc assurance partners, and online channels, ensuring accessibility and convenience for customers across India (HDFC Merged, 2025).

2.2.3. ICICI Prudential

ICICI Prudential Life Insurance Company, one of India's leading private life insurers, was established in 2000 as a joint venture between ICICI Bank, one of India's largest private sector banks, and Prudential Corporation Holdings, a global financial services group based in the UK. The company was among the first private life insurers to enter the Indian market after the sector

was liberalized in 2000, receiving its license from the Insurance Regulatory and Development Authority of India (IRDAI) in December 2000. Over the years, ICICI Prudential has grown significantly, offering a wide range of life insurance products, including term insurance, unit-linked insurance plans (ULIPs), savings plans, retirement solutions, and health insurance. The company has been a pioneer in adopting technology and digital platforms to enhance customer experience, launching innovative products like iProtect Smart, a term insurance plan, and PruHealth, a health-focused insurance product. ICICI Prudential became the first life insurer in India to be listed on the stock exchanges in 2016, marking a significant milestone in its journey. With a strong focus on customer-centricity, innovation, and financial stability, ICICI Prudential has consistently maintained a leading position in the private life insurance sector, serving millions of customers across India. ICICI Prudential is not an exception, to have financial gain it is also diversifying its business it has two joint ventures and they are; ICICI Prudential Pension Fund and ICICI Prudential mutual funds (IRDAI, 2021).

- **ICICI Prudential Pension Fund**

It is a subsidiary company of ICICI Prudential Life Insurance Company which is carrying out its business since May 2009. Tension company under National pension scheme and it is also getting regulated PF RDA (ICICI Prudential, 2025c).

- **ICICI Prudential mutual funds**

It is one of the leading Asset Management Company in India which provides Portfolio Management Services for investors in India. It also deals with acids like equity shares debentures real estate etc. It is also a joint venture between ICICI bank and Prudential PLC (ICICI Prudential, 2025b).

2.3. Types of Policies

According to (Rejda & McNamara, 2017) presently certain types of products are being sold by various life insurance companies in general. But every company offers its products by customizing different benefits that can attract more and more customers for purchasing life insurance policies. General classifications of current products have been summarized in the following manner.

1. Term Insurance Plan:

- It provides coverage for specified numbers of years.
- If any unfortunate events occur during that period, then nominee receives the sum assured in the policy.

2. Whole Life Policy:

- It provides coverage to the policy holders for the entire life i.e. up to 100 years of age.
- It offers guaranteed death benefit to the beneficiary in case of death at the policy holders.
- It offers dual benefits, savings & protection.

3. Endowment Policy:

- It is a type of insurance policy which offers life cover along with savings.
- It helps the policy holder to grow their money.
- At the maturity life insurance company provides certain amount of money to the policy holders which have been specified at the time of contract.

4. Money back policy:

- It provides dual benefits of Investment & protection.
- Policy holder receives return at regular interval during the policy term.
- It also provides sum assured in case of the death of policy holder.

5. Child Policy:

- It is a mixture of Investment & Insurance.
- It provides benefit at the maturity for study marriage etc.
- If policy holder dies then children will receive compensation.

6. Annuity Plan:

- It provides regular income during retirement.
- It helps in saving money to be used after retirement.
- Annuity amounts help policy holder in the time of illness, Injury etc.

7. Unit Linked Policies:

- It is combination of Insurance & Investment
- Some portion of premium invested in life insurance & rest invested in stock Bonds & Mutual Funds etc.
- Value of Investment in Stock Bond & Mutual Fund increases if stock market moves upward.

8. Health Insurance Policy:

- It provides support to the policyholder by paying medical bill for policyholder at the time of illness.
- Life insurance companies offer mediclaim policy individually or as combination with life insurance policy.

9. Micro-insurance Policy:

- Life insurance companies offer policies to individual customer or group of customers having low income.
- These kinds of policies are known as micro-insurance policies.
- Life insurance companies charge minimum amounts of premium to assure the life of policyholder.

The above mentioned policies are being sold in general but every life insurance company is not selling their policies with same terms and conditions, benefits and terms as compared to its competitors. Life insurance companies make necessary changes and keep distinct names so that customers will be attracted and willing to buy. In real life what they are selling can be known through the following list of products offered by different life insurance companies.

Presently there are 22 private life insurance companies mentioning the products of each private life insurance company is a very difficult task. For convenience only policies of sampled private life insurance companies have been mentioned.

2.3.1. LIC: As the biggest life insurance company in India LIC is presently selling the following policies (LICI, 2025c).

- **Endowment Plans:** Bimajyoti, Bima Ratna, Dhan Sanchay, Dhan Varsha, New Endowment Plan, New Jeevan Anand, Single Premium Endowment Plans, Jeevan Lakshya, Jeevan Labh, Aadhaar Stambh & Aadhaar Shila
- **Whole Life Plans:** Jeevan Umang
- **Money Back Plans:** Dhan Rakha, New Bima Bachat, New Money back plan-20 years, New Money back plan-25 years, Jeevan Umang, New children's Money Back Plan, Jeevan Tarun, Jeevan Shiromani & Bima Shree
- **Term Assurance Plans:** New Tech Terms, New Jeevan Amar & Saral Jeevan Bima
- **Pension plans:** Pradhan Mantri vya vandana yojana, Jeevan Akshay- VII, New Jeevan Shanti & Saral Pension
- **Unit Linked Plans:** Nivesh plus, SIIP, New Pension plus & New Endowment plus
- **Micro-Insurance Plans:** Bhagya Laxmi, New Jeevan Mangal & Micro Bachat Plan
- **Health Plan:** Cancer cover & Arogya Rakshak,
- **Pension & Group Schemes:** New Group Superannuation cash Accumulation plan, New Group Gratuity cash Accumulation plan, New Group leave Encashment plan, Group credit life insurance, Single premium group insurance, New one year renewable group term assurance-I, New one year renewable group term assurance-II, One year renewable group micro term assurance, Group Immediate Annuities, Pradhan Mantri Jeevan Jyoti Bima Yojana, Group Assurance Plan & Group Accident benefit rider.

Riders: these plans are the additional plans that can be taken by policyholders along with their main policies. For this they have to pay little extra premium for additional benefits. They are; Linked Accidental death benefit rider, Accidental Death & Disability benefit rider, Accidental benefit rider, Premium waiver benefit rider, New critical benefit rider, New term Assurance rider & Premium waiver benefit rider (with auto cover).

Presently there are 22 private life insurance companies mentioning the products of each private life insurance company is very difficult task. For convenience only policies of sampled private life insurance companies have been mentioned.

2.3.2. Birla Sun life: it is one of private life insurance companies which offers the following life insurance policies (ABSLI, 2025a).

- **Term Insurance Plan:** ABSLI Dig shield plan, ABSLI life shield plan & ABSLI Saral Jeevan Bima. Riders plans are; ABSLI Accidental Death & Disability Rider, ABSLI Accidental Death Benefit Rider Plus, ABSLI Critical Illness Rider, ABSLI Hospital care Rider, ABSLI Surgical care Rider & ABSLI waiver of premium Rider.
- **Child Plans:** ABSLI child's future Assured Plan & ABSLI vision star plan.
- **Endowment Plans:** ABSLI fixed Maturity Plan, ABSLI Assured Savings Plan, ABSLI Assured Income plus, ABSLI vision Life Income plus plan, ABSLI Secure plus plan, ABSLI vision life income plan, ABSLI vision Endowment plus plan, ABSLI Assured flexi savings plan, ABSLI Income Assured plan, ABSLI Jeevan Bachal Plan, ABSLI Monthly Income Plan, ABSLI savings plan, ABSLI vision life secure plan, ABSLI vision Money back plus plan & ABSLI Guaranteed Milestone plan.
- **Pension Plan:** ABSLI Guaranteed Annuity plus, ABSLI Empowerment pension plan, ABSLI Empower pension SP plan & ABSLI Saral Pension
- **Health Insurance:** ABSLI Cancer shield plan & ABSLI critishield plan.
- **ULIP Plans:** ABSLI Smart Growth Plan, ABSLI wealth Infinia, ABSLI wealth Assure plan, ABSLI wealth Max plan, ABSLI wealth secure plan, ABSLI fortune elite plan & ABSLI wealth aspire plan.
- **Group Insurance:** ABSLI Group protection solutions, ABSLI's Group Income Replacement Plan, ABSLI Pradhan Mantri Jeevan Jyoti Bima Yojana, ABSLI Group Asset Assure Plan, ABSLI Group Bima Yojana Plan (Micro Insurance) & ABSLI Group Smart Select Plan
- **SME Plans:** Partnership Scheme, Married women's property scheme, Keyman Scheme & Employer Employee Scheme.

2.3.3. HDFC Life: it is one of the best private life insurance companies with very good product portfolio; it is currently selling the following life insurance policies in the market (HDFC Life, 2025).

- **Term Plan:** HDFC Life, click 2 protect super, Quick protect by HDFC life, HDFC life click 2 protect life, HDFC Saral Jeevan Bima, HDFC Life Smart Term Pro, HDFC Life Smart Term Edge & HDFC Life Term with Return of Premium.
- **Savings Plan:** HDFC Life Sanchay Plus, HDFC Life Sanchay Fixed Maturity Plan, HDFC Life Sanchay Par Advantage, HDFC Life classic Assure plus, HDFC Life super Income plan, HDFC Life Sampoon Samtridhi Plus, HDFC Life Uday, HDFC Life Pragati, HDFC Life Saral Jeevan, HDFC Life Smart Income Plan, HDFC Life Assured Gain Plus, HDFC Life Star Saver, HDFC Life Guaranteed wealth plus, HDFC Life New Creating Life Insurance plans, HDFC Life Sampoorna Jeevan, HDFC Life secured Income RP, HDFC Life Guaranteed Income Insurance Plan, HDFC Life Income Advantage Plan, HDFC Life My Assured Income Plan, HDFC Life Saral Bachal, HDFC Life Secured Income Insurance Plus & HDFC Life New Fulfilling Life.
- **Unit Linked Insurance Plan:** HDFC Life Sampoon Nivesh, HDFC Life Progrowth Plus, HDFC Life Click 2 wealth, HDFC Life click 2 Invest ULIP, HDFC SL Progrowth Super 11, HDFC SL Crest, 4HDFC SL Pro Growth Flexi, HDFC Life Smart Woman Plan, HDFC Life classic One, HDFC Life Capital Shield, HDFC Life Wealth Builder, HDFC Life Wealth Elite & HDFC Life Wealth Maxima.
- **Retirement Plans:** HDFC Life New Immediate Annuity Plan, HDFC Life Systematic Retirement Plan, HDFC Life Systematic Pension Plan, HDFC Life click 2 Retire, HDFC Life Pension Guaranteed Plan, HDFC Life Guaranteed Pension Plan, HDFC Life personal Pension Plan, HDFC Life Assured Pension Plan, HDFC Life Saral Pension & HDFC Life Smart Pension Plan.
- **Health Plan:** Click 2 Protect Optima Restore, Click 2 Protect Optima Secure, HDFC Life Cardiac Care, HDFC Life cancer care, Click 2 Protect Corona Shield, HDFC Life Easy Health & HDFC Life Sanjeevani.
- **Child Plans:** HDFC Life click 2 Wealth-Premium Waiver, HDFC Life SL Young Star Super Premium & HDFC Life Youngstar Udaan
- **Group retirement plans:** HDFC SL Group Traditional Plan, HDFC Life Group Unit Linked Pension Plan, HDFC Life Group Variable Employee Benefit Plan, HDFC Life New Group Unit Linked Plan, HDFC Life New Immediate Annuity Plan & HDFC Life Group Gratuity Product.

- **Protection Plan:** HDFC Life Group Poorna Credit Suraksha, HDFC Life Group Credit Protect Plus Insurance Plan, HDFC Life Group Term Insurance Plan, HDFC Life Pradhan Mantri Jeevan Jyoti Bima Yojana Plan, HDFC Life Group Jeevan Suraksha Plan, HDFC Life CSC Suraksha – Term Insurance Plan, HDFC Life Group Suraksha, HDFC Life Group Poorna Suraksha, HDFC Life Group Term Life, HDFC Life Group loan suraksha & HDFC Life Group Micro Term Insurance.
- **Health Plans:** HDFC Life Group Health Shield.

2.3.4. ICICI Prudential: is presently selling the following policies (ICICI Prudential, 2025a).

- **Term Insurance:** ICICI Pru I protect Smart, ICICI Pru I protect Return of Premium, ICICI Pru Saral Jeevan Bima, ICICI Pru I care II, ICICI Pru Precious Life, ICICI Pru Life Raksha, ICICI Pru POS I protect smart, ICICI Pru POS Life Rakshak, ICICI Pru Loan Protect & ICICI Pru Loan Protect Plus.
- **Health Insurance Plans:** ICICI Pru Heart Cancer Protect
- **Unit Linked Insurance Plan:** ICICI Pru Signature, ICICI Pru Smartkid with Smart Life, ICICI Pru I wealth, ICICI Pru Life Time Classic, ICICI pru Guaranteed wealth protector, ICICI Pru Smart Life, ICICI Pru Smart Couple Plan & ICICI Pru Ezy Grow.
- **Money Back Plan:** ICICI Pru Sukh Samruddhi, ICICI Pru Guaranteed Income For Tomorrow, ICICI Pru Cash Advantage, ICICI Pru Svings Suraksha, ICICI Pru Assured Savings Insurance Plan, ICICI Pru Future Perfect, ICICI Pru Lakshya & ICICI Pru Lakshya Life Long Income.
- **Child Plan:** ICICI Pru Smart Kid with Smart Life.
- **Retirement Plan:** ICICI Pru Guaranteed Pension Plan Flexi, ICICI Pru Guaranteed Pension Plan, ICICI Pru Saral Pension, ICICI Pru Easy Retirement SP & ICICI Pru Easy Retirement. Riders plans; ICICI Pru Corona Protect Rider & ICICI Pru Corona Protect Plus Rider
- **Group Plan:** ICICI Pru Group Term Plus, ICICI Pru Immediate Annuity, ICICI Pru Group Loan Secure, ICICI Pru Group Insurance Scheme for pradhan Mantri Jeevan Jyoti

Bima Yojana, ICICI Pru Shubh Raksha Credit, ICICI Pru Shubh Raksha One, ICICI Pru Shubh Raksha Life, ICICI Pru Super Protect-Credit, ICICI Pru Super Protect-Credit, ICICI Pru Group Unit Linked Super Annuation, ICICI Pru Group Unit Linked Employee Benefit Plan, ICICI Pru Group Suraksha Plus & ICICI Pru Group Suraksha Plus Super Annuation. Rural Plans; ICICI Pru Sarv jana Suraksha Micro Insurance & ICICI Pru Anmol Bachat.

2.3.5. SBI Life is currently selling the following policies (SBI Life, 2025).

- **Savings Plan:** SBI Life- Smart Lifetime Saver, SBI Life- Smart Platina Plus, SBI Life- Smart Platina Assure, SBI Life- New Smart Samridhi, SBI Life- Smart Future Choices, SBI Life- Shubh Nivesh, SBI Life- Smart Bachat, SBI Life- Smart Humsafar, SBI Life- Smart Swadhan Plus & SBI Life- Saral Swadhan Plus
- **Protection Plan:** Arogya Shield, SBI Life- shield next, SBI Life- Saral Jeevan Bima, SBI Life- Sampoonn Cancer Suraksha, SBI Life- Smart Shield & SBI Life- Grameen Bima (Micro-Insurance)
- **Wealth Creation Plan:** SBI Life- Ewealth Insurance, SBI Life- Smart Insure wealth plus, SBI Life- Saral Insure Wealth Plus, SBI Life- Smart Wealth Builder, SBI Life- Smart Wealth Assure, SBI Life- Smart Power Insurance, SBI Life- Smart Elite & SBI Life- Smart Privilege.
- **Retirement Plan:** SBI Life Retirement Smart Plus, SBI Life Retire Smart, SBI Life Saral Retirement Saver, SBI Life Saral Pension & SBI Life Smart Annuity Plus.
- **Child Plan:** SBI Life- Smart Champ Insurance & SBI Life Smart Scholar.
- **Money Back Plans:** SBI Life- Smart Money Back Gold, SBI Life- Smart Money Planner & SBI Life- Smart Income Protect. Rider Plan; Wealth Suraksha Plus, Bachat Suraksha Plus, Wealth Suraksha, Bachat Suraksha, Retirement Suraksha & Elite Sampoonn Suraksha.
- **Group Plans:** Corporate Solutions Plans; SBI Life Kalyan ULIP Plus, SBI Life- Pradhan Mantri Jeevan Jyoti Bima Yojana, SBI Life- CapAssure Gold, SBI Life- Sampoonn Suraksha & SBI Life- Swarna Jeevan Plus, Group Loan Protection Plan; SBI Life RiNn Raksha, Group Micro Insurance Plan: SBI Life- Grameen Super Suraksha

2.3.6. CANARA HSBC is presently selling the following policies (Canara, 2025).

- **Term Insurance Plans:** iSmart Smart360 Term Plan, Canara HSBC Life Insurance-Saral Jeevan Bima, Canara HSBC Life Insurance-POS-Easy Bima Plan, Canara HSBC Life Insurance-iSelect Star Term Plan
- **Savings Plan:** Canara HSBC Life Insurance- iSelect Guaranteed Future, Canara HSBC Life Insurance- Savings Plan, Canara HSBC Life Insurance-Guaranteed Fortune Plan, Canara HSBC Life Insurance- Guaranteed one pay Advantage, Canara HSBC Life Insurance- Flexi Edge, Canara HSBC Life Insurance-Guaranteed Income 4 Life, Canara HSBC Life Insurance- Invest 4G, Canara HSBC Life Insurance- Titanium Plus Plan, Canara HSBC Life Insurance- Smart Life Long Plan, Canara HSBC Life Insurance – Smart Future Income Plan, Canara HSBC Life Insurance – Insure Smart Plan, Canara HSBC Life Insurance- Future Smart Plan, Canara HSBC Life Insurance – Grow Smart Plan, Canara HSBC Life Insurance – Guaranteed Income Plan, Canara HSBC Life Insurance – Easy Bachat Plan, Canara HSBC Life Insurance – Smart Future Plan, Canara HSBC Life Insurance – Jeevan Nivesh Plan, Canara HSBC Life Insurance – Money Back Advantage Plan, Canara HSBC Life Insurance –Guaranteed Income Advantage Plan, Canara HSBC Life Insurance – Guaranteed SURaksha Kavach & Canara HSBC Life Insurance – Health First Plan
- **Unit Linked Plan:** Canara HSBC Life Insurance – Wealth Edge, Canara HSBC Life Insurance – Invest 4G, Canara HSBC Life Insurance – Titanium Plus Plan & Canara HSBC Life Insurance – Smart Goal Plan
- **Child Plan:** Canara HSBC Life Insurance – Invest 4G, Canara HSBC Life Insurance – Smart future Plan, Canara HSBC Life Insurance – Jeevan Nivesh Plan, Canara HSBC Life Insurance – Future Smart Plan, Canara HSBC Life Insurance – Money Back Advantage Plan & Canara HSBC Life Insurance – Smart Junior Plan
- **Health Insurance:** Health First Plan
- **Group Insurance Plan:** Group Advantage Term Plus, Group Term Edge Plan, Pradhan Mantri Jeevan Jyoti Bima Yojana, Sampoorana Kavach Secure, Group Asset Secure, Group Secure Plan & Group Traditional Plan

(Source: <https://www.canarahsbclife.com/>)

2.3.7. Kotak Mahindra is currently selling the following policies (Kotak, 2025).

- **Term Plan:** Kotak Saral Jeevan Bima, Kotak Term Plan & Kotak e-Term Plan
- **Savings Plan:** Kotak Assured Income Accelerator, Kotak Assured Savings Plan, Kotak Premier Endowment Plan, Kotak Invest Maxima, Kotak Premier Moneyback Plan, Kotak Classic Endowment Plan, Kotak Smart life Plan, Kotak Premier Income Plan, Kotak Sampooran Bima Micro- Insurance Plan, Kotak Single Invest Plus, Kotak Single Invest Advantage, Kotak Platinum Plan, POS Bachat Bima Plan, Kotak Guaranteed Savings Plan, Kotak Ace Investment, Kotak e-Invest, Kotak Wealth Optima Plan & Kotak Premier Life Plan
- **Health Plans:** Kotak Health Shield
- **Retirement Plan:** Kotak Premier Pension Plan, Kotak Assured Pension, Kotak Saral Pension, Kotak Life Time Income Plan, Riders; Kotak Accidental Death Benefit Rider, Kotak Term Benefit Rider, Individual Rider, Kotak Permanent Disability Benefit Rider, Kotak Permanent Disability Benefit Rider (Linked), Kotak Accidental Death Benefit Rider (Linked) & Kotak Critical Illness Plus Benefit Rider
- **Group Plans :** Group Gratuity / Leave Encashment; Kotak Gratuity Plus Group Plan, Kotak Leave Encashment Group Plan, Kotak Secure Return Employee Benefit Plan, Kotak Group Secure Capital Plan & Kotak Corporate Benefit Plan, Group Superannuation; Kotak Group Secure Capital Plan, Kotak Secure Return Super Annuation Plan, Kotak Super Annuation Group Plan-II, Kotak Assured Return Employee Benefit Plan (Linked), Kotak Assured Return Employee Benefit Plan (Non-Linked) & Kotak Corporate Benefit Plan, Group Term Plan; Kotak Raksha Group Micro Insurance Plan, Kotak Term Group Plan, Kotak Group Secure One & Kotak Pradhan Mantri Jeevan Jyoti Bima Yojana, Group Credit Life Insurance Plans; Kotak Credit Term Group Plan, Kotak Group Shield, Kotak Group Assure & Kotak Complete Cover Group Plan.

(Source: <https://www.kotaklife.com/>)

2.4. Factors Impacting Life Insurance Business

It is observed that existing performance of life insurance businesses are influenced by the certain environmental factors and they are listed in the following manner.

1. **G.D.P:** Due to Nationwide lock down all economic activity suddenly stopped that pushed GDP growth in to negative GDP growth Rate in the year 2017-18 was 6.8%. In 2018-19 was 6.5% 2019-20 was 3.7% in 2020-21 was -6.6%. But in the year 2021-22 is recovered by recording 9.1% at GDP Growth Rate. RBI has released the GDP related data recently for the year 2022-23. Despite of global economic slowdown India recorded GDP growth rate at 7.2% which is very positive sign for prosperity of Indian economy (LICI, 2022).
2. **Equity & Debt Market:** Due to global Pandemic situation world economy went into complete Lockdown India was no exception to this global stock markets including Indian stock market were crashed since LIC has huge amount at investment. Specifically LIC has plan for listing in stock market which shifted Further for multiple times. Many life insurance companies suffered a lot due to stock market crash on 16th March 2020 sensex planned by 2713.14 points almost 8% ended at 91997.40 points due to global retention. It was the one of the worst fall in the history (LICI, 2022).
3. **Inflation:** Covid-19 lock down and Russia-Ukraine crisis hit India in terms of Inflation as the price of crude oil giant up so commodity prices also increases consumer price Index (CPI) was 5.52% in the year 2021-21 which increased to 6.95% in 2021-22. Whole sale price Index was 7.89% in 2020-21 which increased to 14.55% in 2021-22, almost double increased. Now in CPI is 5.66% in March 2023 while WPI is 1.34% in March 2023 (LICI, 2022).
4. **Monetary Policies:** Due to lockdown many small & medium business were shut down to due to shortage of funds. So Government availed loan at affordable rate of interest so for that RBI kept the Repo rate & reverse repo rate unchanged which was standing at 4% & 3.35% respectively. To the liquidity position of banks RBI provided & repay the outstanding amounts of funds availed under Targeted loans Term Repo operation and also provide under Targeted Loans Term Repo Operation and also provided facility of 14 day variable Rate reverse repo auction amounts on a fortnightly basis Government of India took additional measures like loan guarantee scheme for covid-19 affected sector, Emergency credit line guarantee scheme & credit guarantee scheme for micro-finance institution (LICI, 2022).
5. **Covid-19 Virus out break:** For the first time in human history covid-19 virus infection out broke in Wuhan, China in the month at December 2019 but Chinese Authority

informed about it in January 2020. First case of covid infection found in Kerala in 30th January 2020. Considering the spread of infection Government of India Imposed nationwide lockdown from 25th March 2020 again second wave of covid-19 started in March 2021. Unlocking process at lock down continued up to 31st March 2022. Since for the Long time whole nation went into Lockdown so all the business activities suddenly since in person meeting was not allowed it hampered insurance business a lot and Life Insurance companies realized the need of online platforms to sell the life insurance policies and also announced policies specifically designed for covid-19 with the promise to pay medical bill for treatment of covid patient and to pay even claim in case of death at patient example (LICI, 2022).

These days Life Insurance companies are selling their policies through their partner banks. Both public and private life insurance companies prefer to sell their policies through their partner bank. This is known as Bancassurance. This new concept is now a trending. Digital marketing is getting popularity those days due to digital revolution in India. Agents & companies want to sell their policies online. Covid-19 pandemic provided trust to it. During lock down companies & agents shifted to online platform to create awareness about life insurance policies & sell their products online. Unified Payment Interface (UPI) platforms are selling life insurance policies and collect renewal premium also. These days various online web portals are facilitating comparison of multiple life insurance policies that are being offered by various life insurance companies, it helps to choose the best policy for him/her. Influencer marketing is also an emerging trend in which insurance experts educates and make aware through different social media platforms like YouTube and face book, eventually they also promote life insurance products and sell them to their audience too. As the public life insurance company LIC is still continuing from the year 1956, but from the year 2001 and 2002 most of the private life insurance companies have commenced their business. Market penetration in India was 2.15% in 2002 which increased to 3.2% in 2022. Density increased to 69 USD from 9.1 USD in 2002. Women participation in life insurance business has increased over the period of time. 36% of policyholders of public life insurance company are women while 27% of policyholders of private life insurance companies are women. Southern and north-eastern states have top positions in

women participation while northern states are bottom in the list. Public company has earned highest amounts of profit in the industry while private life insurance companies have less amounts of profit after tax has declined. Public life insurance companies have 4970 offices while private companies have altogether 6090 offices all over India. LIC still continues to dominate the whole life insurance industry with market share over 60%. Still competition has increased significantly from the private life insurance companies. Public Sector Company has sold highest numbers of policies last year, but its growth has become stagnant while private companies have shown tremendous growth in numbers of policies sold by them. Maharastra is the number one state where highest numbers of policies were sold but in Lakshadweep least numbers of policies were sold. States with more development are buying costly policies while states with less development buy cheaper policies. Over the period of time life insurance companies are emphasizing on government securities in order to reduce the list, this is clearly understood with the assets under management. both LIC has diversified its business into mutual funds, housing finance etc... factors such as covid-19 outbreak; GDP, Monetary policy, inflation and equity and debt market have affected life insurance business badly (LICI, 2022).

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CHAPTER-III

OPERATIONAL PERFORMANCE OF PUBLIC AND PRIVATE

LIFE INSURANCE COMPANIES

The operational aspects of life insurance have undergone significant transformation since its origins around 600–600 BCE in ancient Greece and Rome. In these early societies, rudimentary forms of health and life insurance emerged through communal support systems. A notable development came from Roman military general Gaius Marius, who created a "burial club" for soldiers. This system ensured that if a soldier died in battle, the surviving members would collectively cover funeral costs. Over time, this practice extended beyond the military, becoming a widespread tradition in ancient Rome, where societies provided financial assistance to families of deceased citizens. These early insurance mechanisms, often linked to funerary practices, endured for centuries and laid the foundation for more structured systems. By the 12th century, state-sponsored insurance emerged in Anatolia, where traders robbed in the region were compensated by the state treasury. The 14th century marked a pivotal shift with the introduction of standalone insurance policies in Genoa, distinct from loans or contracts. The first documented insurance policy appeared in 1347, followed by the development of maritime insurance, where premiums were adjusted based on risk. This separation of insurance from other financial arrangements was a critical milestone, shaping the future of the industry. The formalization of insurance continued with the publication of the first book on the subject by Pedro de Santarém in 1552. During the Renaissance, insurance evolved into a more sophisticated system, with London becoming a central hub for trade and insurance by the late 17th century. The Great Fire of London in 1666 prompted the creation of fire insurance companies, such as those founded by Nicholas Barbon. Concurrently, Edward Lloyd's coffeehouse became a meeting place for merchants and sailors, eventually leading to the establishment of Lloyd's of London, a cornerstone of modern insurance. The 18th and 19th centuries brought further advancements, including the Life Assurance Act of 1774 in Great Britain, which aimed to reduce corruption, and the introduction of accident insurance in the late 19th century. In the United States, the first insurance company opened in 1732, offering fire coverage. Benjamin Franklin later established a company focused on fire prevention. By the 1800s, life insurance and other forms of coverage became increasingly common. The 20th century saw significant regulatory developments, such as the Social Security Act of 1935, which provided a financial safety net for Americans and influenced the life insurance market. The McCarran-Ferguson Act of 1945 reaffirmed state-level regulation of the industry, a framework that remains in place today. Despite challenges like fraud and market fluctuations, the insurance industry has continually adapted to evolving consumer

needs, from the introduction of group life insurance policies in the early 20th century to the rise of mandatory car insurance in the 1980s. Today, insurance remains a dynamic and indispensable component of global financial security (Murphy, 2019)¹¹.

The operational evolution of insurance is deeply intertwined with the history of human civilization. The innate desire to protect against loss and disaster, which drives modern businesses to secure themselves, has existed since ancient times. Early humans sought ways to mitigate the consequences of fire, flood, and death, often making sacrifices to achieve a sense of security. While the modern concept of insurance has largely developed over the past few centuries, particularly after the industrial era, its origins can be traced back nearly 6,000 years. In India, life insurance in its modern form was introduced by the British in 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. Initially, these early insurance companies catered exclusively to the European community, excluding Indian natives from coverage. However, due to the efforts of influential figures like Babu Muttylal Seal, foreign insurers began to insure Indian lives, albeit at sub-standard rates with heavy extra premiums. This discriminatory practice persisted until 1870, when the Bombay Mutual Life Assurance Society became the first Indian-owned life insurance company to offer coverage to Indians at standard rates. This marked the beginning of a wave of Indian insurance companies driven by patriotic motives, aiming to promote social security and financial protection across society. The Swadeshi movement of 1905–1907 further fueled the growth of Indian insurance companies. During this period, several companies were established, including United India in Madras, National Indian and National Insurance in Calcutta, and Co-operative Assurance in Lahore. In 1907, the Hindustan Co-operative Insurance Company was founded in Calcutta, in the home of the renowned poet Rabindranath Tagore. These companies, such as Indian Mercantile, General Assurance, and Swadeshi Life (later Bombay Life), played a pivotal role in expanding insurance coverage in India. Before 1912, the insurance industry in India operated without regulatory oversight. The passage of the Life Insurance Companies Act and the Provident Fund Act in 1912 introduced the first legal framework for the industry, requiring actuarial certification of premium rates and valuations. However, the Act favored foreign companies over Indian ones, creating an uneven playing field. Despite this, the insurance sector experienced rapid growth in the early 20th century, with the number of companies increasing from 44 to 176 between 1912 and 1938.

However, this period also saw the rise of financially unstable companies, many of which failed. The Insurance Act of 1938 marked a significant milestone, introducing comprehensive regulation for both life and non-life insurance businesses and establishing stricter state control. The demand for nationalization of the life insurance industry gained momentum in 1944, culminating in the nationalization of life insurance on January 19, 1956. At the time, there were 154 Indian insurance companies, 16 foreign companies, and 75 provident societies operating in India. The nationalization process occurred in two stages: first, the management of these entities was taken over, followed by their ownership. The Life Insurance Corporation (LIC) of India was formally established on September 1, 1956, with the mission of expanding life insurance coverage, particularly in rural areas, and providing affordable financial protection to all insurable individuals. At its inception, LIC operated with 5 zonal offices, 33 divisional offices, and 212 branch offices. Recognizing the long-term nature of life insurance contracts and the need for extensive servicing, LIC underwent significant reorganization in subsequent years, expanding its network to include branch offices in every district headquarters. This restructuring decentralized operations, making branches the primary units for accounting and servicing, which dramatically improved LIC's performance. From a new business sum assured of Rs. 200 crore in 1957, LIC crossed Rs. 1,000 crore by 1969–70 and Rs. 2,000 crore by 1979–80. By 1985–86, following further reorganization, LIC had surpassed Rs. 7,000 crore in new business sum assured. Today, LIC operates with a vast network of 2,048 fully computerized branch offices, 113 divisional offices, 8 zonal offices, 1,381 satellite offices, and a corporate office. Its Wide Area Network connects all divisional and branch offices, while partnerships with banks and service providers enable online premium collection and digital payment facilities such as ECS and ATM payments. LIC has also introduced online kiosks, IVRS, and info centers in major cities, along with Satellite Sampark offices—smaller, customer-centric units designed to enhance accessibility and convenience. Despite the liberalization of the Indian insurance sector, LIC remains the dominant life insurer, consistently setting new performance benchmarks. In 2005, LIC issued over one crore policies, achieving a growth rate of 16.67% over the previous year. Since then, LIC has continued to break records, driven by the same mission that inspired its founders: to bring the message of insurance and financial security to as many households as possible, ensuring that families across India are protected against life's uncertainties (IRDAI, 2021b; LIC, 2025)^{5&8}.

3.1. Operational Performance of Life Insurance Companies in India

The operational performance of life insurance companies in India is a critical aspect of their overall effectiveness and sustainability. It encompasses various dimensions, including efficiency in policy issuance, claims management, customer service, distribution networks, and technological adoption. In a rapidly evolving market, life insurers must continuously enhance their operational capabilities to remain competitive and meet the growing demands of policyholders. This essay examines the operational performance of life insurance companies in India, focusing on key metrics, challenges, and strategies for improvement, supported by insights from industry reports, books, and academic studies (Gupta, 2017)³.

The efficiency of policy issuance and underwriting processes is a key indicator of operational performance. Life insurance companies in India have made significant strides in streamlining these processes through the adoption of technology. For instance, the use of automated underwriting systems and digital platforms has reduced the time required to issue policies, enhancing customer satisfaction. According to the (IRDAI, 2021a)⁴, the average turnaround time for policy issuance has improved significantly, with many insurers achieving same-day or next-day policy issuance for standard cases (IRDAI, 2021a)⁴. However, challenges remain, particularly in underwriting non-standard risks and ensuring accurate risk assessment. The lack of comprehensive health data and reliance on manual processes in some cases can lead to delays and errors. To address these issues, insurers are increasingly leveraging data analytics and artificial intelligence (AI) to improve underwriting accuracy and efficiency (Kumar & Singh, 2020)⁷.

Claims management is a critical component of operational performance, as it directly impacts customer trust and satisfaction. The efficiency of claims settlement processes is often measured by metrics such as the claims settlement ratio (CSR) and the average time taken to settle claims. According to the IRDAI Annual Report (2021-22), the life insurance industry in India achieved an overall CSR of 98.02%, with private insurers outperforming public sector players in some cases (IRDAI, 2021a)⁴. Despite the high CSR, delays in claims settlement due to documentation issues, fraud detection, and disputes remain a concern. To improve claims management, insurers are adopting digital tools such as blockchain for secure and transparent

record-keeping, as well as AI-powered fraud detection systems (Sharma & Gupta, 2021)¹³. These technologies not only enhance operational efficiency but also reduce the likelihood of errors and fraudulent claims.

Customer service is a cornerstone of operational performance in the life insurance sector. With increasing competition, insurers are focusing on delivering superior customer experiences through personalized services and proactive engagement. The adoption of customer relationship management (CRM) systems and omnichannel communication platforms has enabled insurers to interact with customers more effectively and address their queries promptly. However, the sector faces challenges in managing customer expectations, particularly in rural and semi-urban areas where awareness and accessibility are limited. According to a study by (Mishra & Das, 2019)¹⁰, the lack of financial literacy and inadequate distribution networks in these regions hinder the operational performance of life insurers. To overcome these challenges, insurers are investing in financial literacy programs and expanding their agent networks to reach underserved populations.

The distribution network is a critical driver of operational performance, as it determines the reach and accessibility of insurance products. Life insurance companies in India rely on a mix of traditional and modern distribution channels, including agents, bancassurance, corporate agents, and digital platforms. While agents remain the dominant channel, accounting for a significant share of premium income, the growth of digital channels has transformed the distribution landscape. The COVID-19 pandemic accelerated the shift towards digital distribution, with insurers leveraging online platforms and mobile apps to sell policies and service customers. According to a report by (McKinsey & Company, 2021)⁹, digital channels are expected to account for a growing share of insurance sales in India, driven by increasing internet penetration and smart phone usage (McKinsey & Company, 2021)⁹. However, the integration of digital and traditional channels remains a challenge, requiring insurers to adopt a hybrid distribution strategy.

Technological adoption is a key enabler of operational performance in the life insurance sector. Insurers are increasingly investing in digital transformation initiatives to enhance efficiency, reduce costs, and improve customer experiences. Key technologies being adopted

include AI, machine learning, block chain, and robotic process automation (RPA). For instance, AI-powered chat bots and virtual assistants are being used to handle customer queries and provide personalized recommendations. Similarly, RPA is being deployed to automate repetitive tasks such as data entry and policy renewals, freeing up resources for more value-added activities. According to a study by Deloitte (2020), insurers that have embraced digital transformation have reported significant improvements in operational efficiency and customer satisfaction (Deloitte, 2020)².

Despite the progress made, (Reddy, 2018)¹² has mentioned that the operational performance of life insurance companies in India faces several challenges. These include:

1. **Regulatory Compliance:** Insurers must comply with stringent regulatory requirements, which can increase operational complexity and costs.
2. **Fraud and Mis-selling:** The prevalence of fraud and mis-selling practices undermines customer trust and increases operational risks.
3. **Talent Shortage:** The sector faces a shortage of skilled professionals, particularly in areas such as data analytics and digital technologies.

On the other hand, the sector presents significant opportunities for improvement. The growing adoption of InsurTech solutions, the expansion of distribution networks, and the increasing focus on customer-centricity are expected to drive operational excellence in the coming years.

The operational performance of life insurance companies in India is a reflection of their ability to adapt to changing market dynamics and customer expectations. While challenges such as regulatory compliance, fraud, and talent shortage persist, the sector is well-positioned to leverage technological advancements and innovative strategies to enhance efficiency and customer satisfaction. By focusing on policy issuance, claims management, customer service, distribution networks, and technological adoption, life insurers can strengthen their operational performance and contribute to the growth and stability of the Indian insurance industry.

3.2. Operational Performance (Public vs. Private Life Insurance Companies)

Business operation is the set of specific activities that are carried out for the purpose of earning money by manufacturing of products, providing service, selling and distributing the products. Life insurance business is fund based business that supports mobilization of funds. Life insurance companies offer various life insurance policies such as; Term insurance, term insurance with return of premium, Unit Linked insurance plans, endowment plans, money back policy, whole life insurance, group life insurance, children plans, and retirement plans to its customers for specific period of time. For assuring the life policyholder pays premium in lump sum or monthly or quarterly or half yearly or yearly. In exchange of premium of paid by the policyholder over the longer period of time life insurance companies provide benefits to the policyholder at the time of maturity or surrender of the policy or death of the person, insured. To carry out these activities they need office premises, get registered with the government and pay tax from time to time. To run the business they need employees and in exchange of their services, insurance companies pay salary. Over the period of time importance of life insurance has grown in India. With that pace life insurance business has compounded and industry has become bigger. As a result of such competition LIC has faced tough fight from the private. As a result of this LIC has lost its dominance against private life insurance companies. Private life insurance companies are operating in a better way than Public Sector Company. To find the points, where private companies are doing well, it needs to compare the operational performance of public sector Company with the private sector companies. Operational performance can be measured with the operational efficiency. (Das et al., 2003)¹ suggested that to determine the operational efficiency certain ratios have taken into account and these operational indicators have been summarized in the following table.

Operational Performance Indicators		
S. No	Particulars	Formula
1	Operating Expenses Ratio	Operating Expenses/Total Premium
2	Expenses Ratio	Total Expenses/Total Premium
3	Commission Ratio	Total Commission Paid/Total Premium

For the measurement of Operational Performance of Life Insurance companies, the financial statistical tools such as Operational Expenses Ratio (OER) and Commission Ratio (CR) were used. Further, t-test and z-test were used to measure the statistical significance between Public and Private Life Insurance companies.

3.2.1. Operational Expenses Ratio (OER)

Operational Expenses ratio (OER) of Public Life insurance and Private Life Insurance companies are hereby analysed by taking items such as office expenses, legal charges and service tax paid with respect to Total Premium collected. It is a key financial measurement technique used to assess the efficiency of a company's operations (Das et al., 2003)¹.

Operational Expenses Ratio(*OER*)

$$= \frac{\text{Office expenses} + \text{Legal charges} + \text{Service Tax paid}}{\text{Total Premium Collected}}$$

TABLE 3.2.1(1):

Operational Expenses Ratio (OER) of Public vs. Lists of Private Life Insurance Companies (As on 31st March)

Year	Public Company	Private Company					
	LICI	Birla Sun Life	HDFC Standard	ICICI Prudential	SBI Life	Canara HSBC	Kotak Mahindra
2012	0.002	0.039	0.025	0.010	0.017	0.016	0.030
2013	0.002	0.044	0.025	0.012	0.024	0.015	0.032
2014	0.016	0.015	0.014	0.012	0.010	0.011	0.021
2015	0.013	0.014	0.010	0.004	0.009	0.015	0.019
2016	0.013	0.014	0.009	0.007	0.008	0.010	0.015
2017	0.011	0.013	0.010	0.007	0.007	0.009	0.013
2018	0.011	0.010	0.009	0.007	0.006	0.010	0.010
2019	0.011	0.009	0.009	0.008	0.006	0.010	0.009

2020	0.010	0.008	0.009	0.010	0.006	0.009	0.008
2021	0.009	0.007	0.008	0.010	0.005	0.010	0.007
2022	0.008	0.017	0.007	0.013	0.005	0.020	0.007
2023	0.007	0.015	0.008	0.016	0.005	0.017	0.007
2024	0.006	0.000	0.006	0.011	0.004	0.018	0.009

Source: compiled from the secondary data

Operating Expenses Ratios of Public Life Insurance Company is less than the private life insurance companies. Over the period of time OER of both public and private companies have decreased, which means they have controlled the operating expenses. But CANARA HSBC has failed in this regard, because over the period of time OER has increased.

Average Operational Expenses Ratio (OER) of Public vs. Private Life Insurance
Companies (As on 31st March)

Table-3.2.1(2) OER: Public Vs. Private		
Year	Public Company	Private Company
2012	0.002	0.023
2013	0.002	0.026
2014	0.016	0.014
2015	0.013	0.012
2016	0.013	0.011
2017	0.011	0.010
2018	0.011	0.009
2019	0.011	0.009
2020	0.010	0.009
2021	0.009	0.008
2022	0.008	0.012
2023	0.007	0.011
2024	0.006	0.008
Mean	0.009	0.012
Standard Deviation	0.004140	0.005651

Source: compiled from the secondary data

In this case performance of public life insurance company is better than private company. Private life insurance companies are not being able to control their operating expenses because of legal expenses. And the variation in OER in case of private company is more than public company which indicates that the increase or decrease in OER is not consistent.

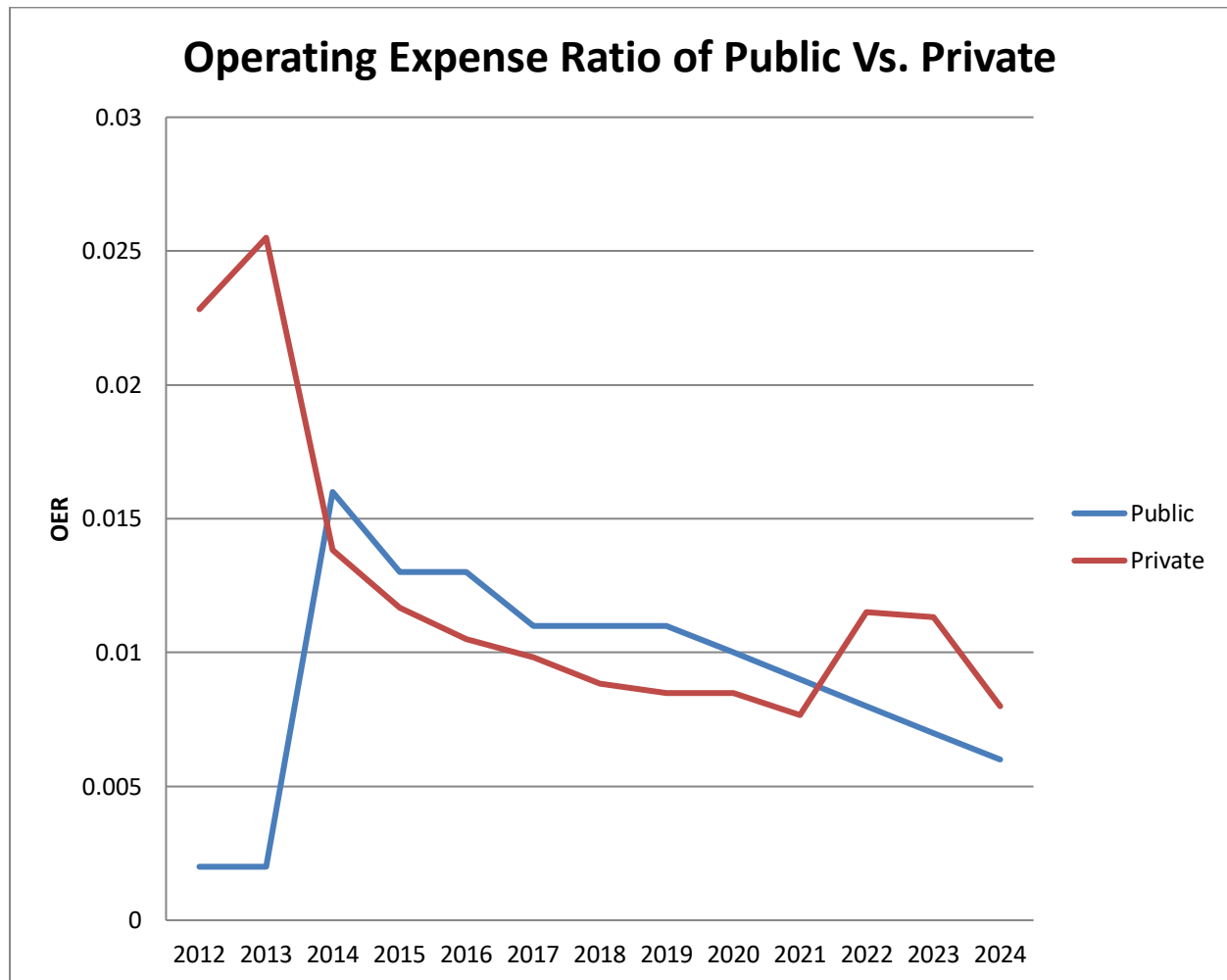


Fig.3.2.1: Operational Expense Ratio (OER) of Public vs. Private Life Insurance Companies

The operational expenses ratio of Public Life insurance companies is lower than Private Life insurance companies. Investors use the operational expenses ratio to assess the operational efficiency of a company. In this regard Public Life insurance companies are better than Private Life insurance companies. Also, OER can be used to set budgets and plan for future expenses. It helps in identifying cost-saving opportunities and improving overall financial planning.

Table-3.2.1(3) t-Test: OER		
<i>Particulars</i>	<i>Public Company</i>	<i>Private Company</i>
Mean	0.009153846	0.012192308
Observations	13	13
Hypothesized Mean Difference	0	
df	22	
t Stat	-1.56873395	
P(T<=t) one-tail	0.065491039	
t Critical one-tail	1.717144335	
P(T<=t) two-tail	0.130982078	
t Critical two-tail	2.073873058	

Source: compiled from the secondary data

The table highlights the operational performance differences between Public and Private Life Insurance companies. Although, both the sectors mean difference is coming very nominal but the Pearson correlation is coming negative (-1.56), this signifies there is no correlation of operational efficiency performance between two sectors. Further, the p-value (significant value) of t-test is coming 0.130 (more than 0.05), this leading to the acceptance of null hypothesis alternative hypothesis (Kothari, 2004)⁶. This supports the hypothesis '*there is a significant difference between the operational efficiency of public and private life insurance companies*' is coming true.

According to the Operating Expenses Ratios private sector companies were more inefficient than the public sector company, because most of the private sector life insurance companies were in their initial phase of their business and in this phase more investments are required to establish the business. This is very common to every new business. But after the Covid pandemic in the year 2020 and 2021, there is a sudden rise in operating expenses of private life insurance companies. It happened due to certain factors and these reasons have been elaborated in detail.

Table-3.2.1(4) LEGAL EXPENSES (in crores) (As on 31 st March)							
YEARS	PUBLIC COMPANY	PRIVATE COMPANY					
	LICI	BIRLA SUN LIFE	HDFC STANDARD	ICICI PRUDENTIAL	SBI LIFE	CANARA HSBC	KOTAK MAHINDRA
2012	93	19	80	43	39	3	10
2013	62	2	94	39	46	5	11
2014	48	12	74	56	51	5	14
2015	45	10	82	44	60	9	14
2016	54	14	75	43	71	6	15
2017	59	19	106	44	84	6	17
2018	49	13	127	66	90	6	17
2019	55	12	181	111	130	11	18
2020	51	11	210	139	164	11	23
2021	36	11	182	172	142	13	19
2022	30	9	190	309	157	21	28
2023	44	16	289	396	183	20	23
2024	25		181	237	224	22	32

(Source: Annual Reports)

Legal expenses of LICI has reduced significantly but the spending of private life insurance companies in the legal matters have increased in multiple times. It may be due to the increase in the numbers of disputes between policyholders and life insurance companies. Sudden jump in legal expenses of private life insurance companies have witnesses from the year 2019 because in that year there was sudden outbreak of Corona virus and because of infections people died in large numbers. ICICI Prudential is spending highest amounts of money in its legal matters among the private life insurance companies. If it is observed thoroughly it can be understood that public sector is facing less disputes while private sector is getting involved in more disputes. It indicates the customers trust in Public Sector Company rather than private sector companies.

Table-3.2.1(5) Office Expenses (in crores) (As on 31 st March)							
YEARS	PUBLIC COMPANY	PRIVATE COMPANY					
	LICI	Birla Sunlife	HDFC Life	ICICI Prudential	SBI Life	Canara HSBC	Kotak Life
2012	297	84	78	114	46	18	37
2013	307	81	64	96	50	16	39
2014	335	71	92	84	51	16	42
2015	381	62	61	71	45	16	42
2016	419	62	69	96	50	14	43
2017	475	57	84	103	56	14	47
2018	472	49	79	122	62	21	47
2019	511	54	79	146	67	22	53
2020	543	55	77	192	81	23	54
2021	603	54	103	174	89	38	50
2022	667	55	109	184	92	22	52
2023	720	54	150	225	96	31	62
2024	792		148	244	104	20	74

Source: Annual Reports

According to the above table-3.1(5) office expenses of both public and private sector companies have increased except Birla Sunlife, ICICI Prudential and Canara HSBC. LICI as the biggest public company has more than 5000 branch offices across the country, so it is quite obvious it spends a lot of money to run those offices but it is more efficient than any private company in this aspect, as it spends proportionately less amounts of premium to run offices than private life insurance companies. In case of Birla Sunlife office expenses have reduced because it is its offices at many places. Canara HSBC has good numbers of offices, still the numbers have not increased that much. Rests of the three private life insurance companies have expanded their presence by opening more offices. Among the private players, SBI Life has more than 1000 offices. ICICI Prudential is a different case that it is closing its offices, still spending so much money for running its offices.

(Table-3.2.1(6))Numbers of Offices										
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
LICI	4877	4892	4897	4908	4932	4955	4970	4985	5001	5004
Birla Sunlife	507	507	452	452	445	416	386	358	365	377
HDFC Life	414	398	414	414	412	421	390	372	498	535

ICICI Prudential	545	519	510	503	506	516	516	470	470	470
SBI Life	750	774	801	825	908	937	947	952	992	1040
Canara HSBC	30	30	29	34	37	41	50	50	102	103
Kotak Mahindra	212	228	235	228	244	245	230	253	289	292

Source: Annual Reports

3.2.2. Expense Ratio (ER)

The Expense Ratio (ER) is a financial measurement technique used to measure the efficiency of a company's operations by comparing its operating expenses to its total premium collected. It helps to analyse how efficiently a company is managing its operating costs relative to its revenue. A lower ratio indicates better efficiency, as the company is spending less to generate each unit of revenue (Das et al., 2003)¹.

Investors and analysts use the Expense Ratio to evaluate a company's profitability. Lower ratios are desirable as they suggest that the company is able to convert more of its premiums into profits or benefits for policyholders.

(Table-3.2.2(1))Expense Ratio (ER) of Public vs. Lists of Private Life Insurance Companies (As on 31st March)

Year	Public Company	Private Company					
	LICI	Birla Sun Life	HDFC Life	ICICI Prudential	SBI Life	Canara HSBC	Kotak Mahindra
2012	0.496	0.242	0.156	0.121	0.193	0.130	0.222
2013	0.508	0.272	0.166	0.171	0.290	0.123	0.260
2014	0.565	0.253	0.152	0.178	0.397	0.130	0.334
2015	0.544	0.230	0.179	0.145	0.305	0.159	0.368
2016	0.522	0.297	0.185	0.241	0.295	0.134	0.376
2017	0.540	0.283	0.210	0.126	0.225	0.147	0.383
2018	0.589	0.268	0.235	0.259	0.201	0.167	0.374
2019	0.659	0.324	0.248	0.207	0.274	0.176	0.400

2020	0.612	0.396	0.324	0.220	0.237	0.207	0.379
2021	0.636	0.328	0.362	0.267	0.261	0.211	0.396
2022	0.740	0.395	0.416	0.361	0.344	0.327	0.479
2023	0.623	0.263	0.336	0.293	0.249	0.243	0.385
2024	0.674	0.000	0.373	0.372	0.258	0.284	0.381

Source: Annual Reports

The expense ratios provided in the table represent the percentage of a company's assets that are used to cover operational and administrative expenses. A lower expense ratio generally indicates better cost efficiency, as more of the company's resources are being allocated towards investments or returns for policyholders rather than overhead costs. Here's an interpretation of the trends and comparisons between public and private companies over the years:

- 1) **LICI (Public Company):** LICI consistently has the highest expense ratios among the listed companies, ranging from 0.496 in 2012 to 0.740 in 2022. This suggests that LICI has relatively higher operational costs compared to its private counterparts. However, there is a noticeable decline in 2023 (0.623) and a slight increase in 2024 (0.674), indicating some volatility in cost management.
- 2) **Private Companies:** Private companies like Birla Sun Life, HDFC Standard, ICICI Prudential, SBI Life, Canara HSBC, and Kotak Mahindra generally exhibit lower expense ratios compared to LICI. This indicates better cost efficiency in their operations. For example:
 - a. **Birla Sun Life:** Its expense ratios have fluctuated over the years, peaking at 0.396 in 2020 but dropping significantly to 0.000 in 2024, which may indicate a data anomaly or a significant improvement in cost management.
 - b. **HDFC Life:** Shows a gradual increase in expense ratios from 0.156 in 2012 to 0.416 in 2022, reflecting rising operational costs over time.
 - c. **ICICI Prudential:** Maintains relatively stable expense ratios, with a peak of 0.361 in 2022, suggesting consistent cost management.
 - d. **SBI Life:** Exhibits moderate expense ratios, with a peak of 0.397 in 2014 and a decline to 0.258 in 2024, indicating improved efficiency.

- e. **Canara HSBC:** Maintains the lowest expense ratios among the private companies, ranging from 0.123 in 2013 to 0.327 in 2022, showcasing strong cost control.
- f. **Kotak Mahindra:** Shows a steady increase in expense ratios over the years, peaking at 0.479 in 2022, reflecting rising operational costs.

Across the board, there is a general upward trend in expense ratios from 2012 to 2022, which could be attributed to inflation, increased regulatory costs, or expanded operational activities. However, in 2023 and 2024, some companies show a decline, possibly due to improved cost management strategies or operational efficiencies. Comparison between Public and Private Companies: The public company (LICI) consistently has higher expense ratios compared to private companies, which may reflect differences in scale, operational complexity, or efficiency. Private companies, on average, demonstrate better cost control, with Canara HSBC being the most efficient. In summary, while LICI faces higher operational costs, private companies like Canara HSBC and ICICI Prudential show better cost efficiency. The overall trend suggests rising expenses across the industry, but recent years indicate efforts to improve cost management.

To compare the performance of the Public and Private life insurance companies average expenses ratios have been calculated and summarized in the following table.

Table-3.2.2(2) Average Expenses Ratio: Public Vs. Private Life Insurance Company (31st March)		
Year	Public Company	Private Company
2012	0.496	0.177
2013	0.508	0.214
2014	0.565	0.241
2015	0.544	0.231
2016	0.522	0.255
2017	0.54	0.229
2018	0.589	0.251
2019	0.659	0.272
2020	0.612	0.294
2021	0.636	0.304
2022	0.74	0.387
2023	0.623	0.295
2024	0.674	0.278
Mean	0.593	0.264
Standard Deviation	0.072641	0.051661

Source: compiled from the secondary data

Higher expense ratio indicates inefficiency or higher costs of operation. This could be due to excessive administrative costs, high agent commissions or inefficiencies in business processes. A consistently high ratio might indicate financial concerns or poor cost control. In this case private life insurance companies are efficient enough than public life insurance company.

Table-3.2.2(3) t-Test		
<i>Particulars</i>	<i>Public Company</i>	<i>Private Company</i>
Mean	0.593	0.264
Observations	13	13
Hypothesized Mean Difference	0	
df	24	
t Stat	13.318	
P(T<=t) two-tail	0.000	

Source: compiled from the secondary data

According to the above discussion it is found that there is difference between the expenses ratio of public and private sector life insurance companies. By employing the t-test, it is found that p-value is 0.00 which is less than 0.05 (Kothari, 2004)⁶. So it can be concluded that difference between the efficiency of public and private companies is significant.

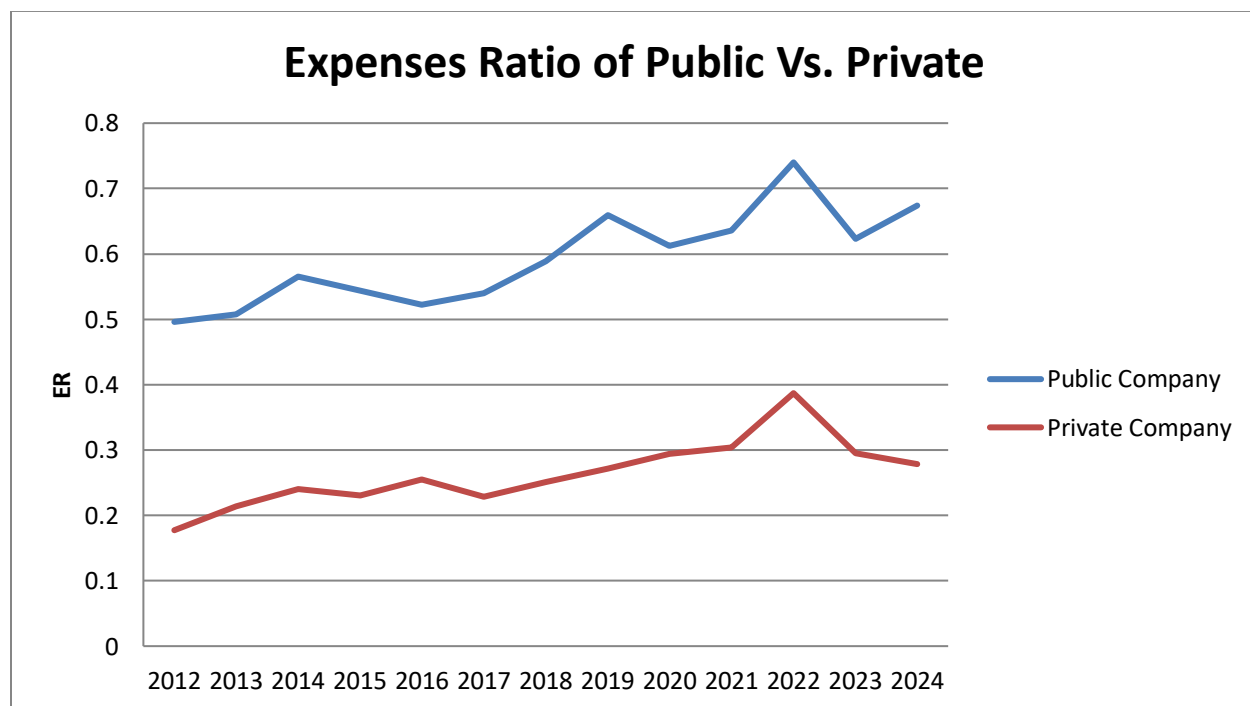


Fig.3.2.2: Expense Ratio (ER) of Public vs. Private Life Insurance Companies

If we analyse the trend of expense ratio, public sector life insurance companies are much lower than private sector companies. In public sector, there is a slow growth in expense ratio where as in private sector it was much higher. Between 2021 to 2023 there is sudden rise in expense ratio of both public and private sector life insurance companies. Since the public life insurance company is spending a large portion of its premium for its operation than any private life insurance company, so there is question in which way it is spending more money. Then it can be understood with the net benefit paid to total premium ratio.

$$\text{Net benefit paid to Total premium ratio} = \frac{\text{Net Benefit paid}}{\text{Total Premium Collected}} \times 100$$

Table-3.2.2(4) Net Benefit Paid to Total Premium Collection(As on 31st March)							
Years	LICI	Birla Sunlife	HDFC Life	ICICI Prudential	SBI Life	Canara HSBC	Kotak Mahindra
2012	37.43	4.59	1.53	2.39	10.12	0.86	6.46
2013	37.78	6.52	2.40	3.83	16.76	1.43	8.70
2014	41.54	8.27	3.88	5.35	28.31	1.57	15.18
2015	40.73	7.77	7.10	5.42	20.18	2.14	16.46
2016	39.54	15.12	7.55	15.72	19.35	1.69	17.94
2017	40.48	13.54	9.88	4.91	13.80	2.05	19.78
2018	45.37	12.27	12.22	16.16	11.05	2.78	20.55
2019	53.17	17.00	14.91	11.46	18.73	4.40	23.41
2020	47.88	23.94	21.36	13.25	15.58	5.80	23.48
2021	50.61	19.61	26.35	18.86	19.05	7.28	25.14
2022	60.51	25.73	31.91	27.21	27.03	16.13	33.83
2023	47.84	11.45	22.17	19.30	16.72	9.23	23.80
2024	52.91		22.70	23.59	18.28	11.29	23.35

Source: compiled from the secondary data

LICI is only company in the industry which paying highest benefits to its policyholders. According to the above table LICI is distributing various benefits like maturity claim, death claim and pension to its policyholders. It is utilizing more than 50% of its total premium

collected in paying such benefits to its policyholder. But this proportion is around 20% in case of the private life insurance companies. Such difference indicates that private life insurance is saving huge money by paying less benefit to its policyholders. This kind of practice of private sector companies, represent their cost controlling and profit oriented approach. Ultimately that is making them more efficient than Public Sector Company. But Public Sector Company is following altogether different approach, because it is satisfying the policyholders' interest instead of being too much greedy for profit. Hence it can be said that it is serving in the interest of the public.

3.2.3. Commission Ratio (CR)

Evaluating the financial performance of life insurance companies using commission paid involves analysing the relationship between commission expenses, premium income and overall profitability. High or low commissions can reflect various aspects of the company's business model and performance (Das et al., 2003)¹.

$$\text{Commission Ratio} = \frac{\text{Commission Paid}}{\text{Total Premium Collected}}$$

Table-3.2.3(1) Commission Ratio (CR) of Public vs. Private Life Insurance Companies
(As on 31st March)

Year	Public Company	Private Company					
	LICI	BIRLA SUN LIFE	HDFC STANDARD	ICICI PRUDENTIAL	SBI LIFE	CANARA HSBC	KOTAK MAHINDRA
2012	0.069	0.055	0.057	0.034	0.040	0.045	0.038
2013	0.071	0.058	0.057	0.055	0.049	0.029	0.042
2014	0.070	0.049	0.043	0.050	0.052	0.020	0.051
2015	0.063	0.045	0.042	0.036	0.047	0.029	0.060
2016	0.058	0.039	0.043	0.032	0.045	0.027	0.065
2017	0.055	0.045	0.041	0.034	0.037	0.030	0.063
2018	0.057	0.046	0.046	0.052	0.044	0.045	0.057
2019	0.057	0.056	0.038	0.050	0.041	0.053	0.058
2020	0.056	0.057	0.046	0.046	0.039	0.057	0.050

2021	0.055	0.051	0.044	0.040	0.035	0.057	0.045
2022	0.055	0.051	0.043	0.042	0.036	0.062	0.045
2023	0.053	0.058	0.051	0.047	0.044	0.059	0.053
2024	0.055		0.085	0.086	0.039	0.059	0.061

Source: compiled from the secondary data

The commission ratios provided in the table reflect the percentage of a company's revenue allocated to paying commissions, which are typically paid to agents or intermediaries for selling insurance policies. Lower commission ratios indicate that a smaller portion of revenue is being spent on commissions, which can be a sign of cost efficiency or a shift in distribution strategies. Over the years, LICI, the public company, has maintained relatively stable commission ratios, ranging from 0.069 in 2012 to 0.055 in 2024, suggesting consistent commission structures. In contrast, private companies show more variability. For instance, Birla Sun Life's commission ratios fluctuated between 0.055 in 2012 and 0.058 in 2023, while HDFC Standard and ICICI Prudential exhibited a gradual increase, with HDFC Standard reaching 0.085 and ICICI Prudential reaching 0.086 in 2024, indicating a potential rise in commission payouts. SBI Life and Canara HSBC maintained relatively moderate commission ratios, with SBI Life showing a decline from 0.040 in 2012 to 0.039 in 2024, and Canara HSBC peaking at 0.062 in 2022. Kotak Mahindra's commission ratios increased steadily from 0.038 in 2012 to 0.061 in 2024, reflecting a growing reliance on commission-based distribution. Overall, while LICI demonstrates stability, private companies exhibit more variability, with some showing rising trends in commission ratios, possibly due to increased competition or changes in distribution strategies.

Table- 3.2.3(2) Average Commission Ratios: Public Vs. Private Life Insurance companies (As on 31st March)		
Year	Public Company	Private Company
	LICI	
2012	0.069	0.045
2013	0.071	0.048
2014	0.07	0.044
2015	0.063	0.043

2016	0.058	0.042
2017	0.055	0.042
2018	0.057	0.048
2019	0.057	0.049
2020	0.056	0.049
2021	0.055	0.046
2022	0.055	0.047
2023	0.053	0.052
2024	0.055	0.055
Mean	0.060	0.047
Standard Deviation	0.006424	0.003949

Source: compiled from the secondary data

Low commission ratio shows lower dependency on agents/ intermediaries for selling policies which can suggest better cost control where as high commission ratio indicates aggressive growth through intermediaries, which can drive premium growth but might reduce profitability in the short term. Dependency of public life insurance company is higher than the private life insurance companies.

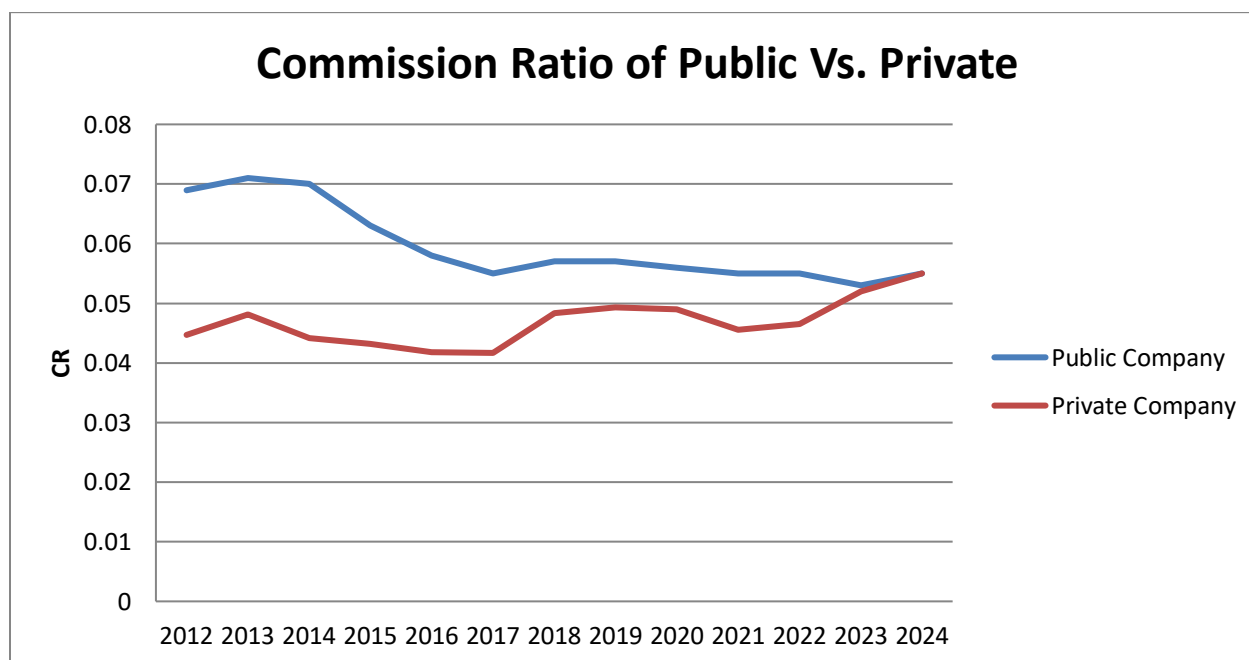


Fig-3.2.3

Over the period of time dependency on agents in case of public life insurance company has decreases while such dependency has increased in case of the private life insurance companies. In the year 2023 and 2024 agents' dependency of both public and private companies has reached same level.

TABLE 3.2.3(3):

Commission Ratio (CR) of Public with respect to Private Life insurance companies
(As on 31st March)

Table- t-Test		
<i>Particulars</i>	<i>Public Company</i>	<i>Private Company</i>
Mean	0.060	0.047
Observations	13	13
Hypothesized Mean Difference	0	
df	24	
t Stat	6.069	
P(T<=t) two-tail	0.000	

Source: compiled from the secondary data

The t-test of mean difference between Public and Private Life insurance company reveals there is significant difference exist since the p-value of test is coming 0.000 (less than 5 per cent). Hence null hypothesis is rejected (Kothari, 2004)⁶. Further, the mean value of Private Life insurance company is less than Public Life insurance company. *So it can be concluded that difference between the commission ratio of public and private life insurance company is significant.*

Table-3.2.3(4) Numbers of Individual agents							
Years	LICI	Birla Sunlife	HDFC Life	ICICI Prudential	SBI Life	Canara HSBC	Kotak Mahindra
2012	1278234	131297	106244	138883	86989	0	31297
2016	1061560	110658	82381	121016	92619	0	86303
2020	1208826	85995	107662	190924	130417	54	124690
2024	1414743	59938	138686	182000	246078	126	

Source: IRDAI Handbook

Birla Sunlife is the only company which has reduced its numbers of agents. On the other hand every private life insurance companies have increased their dependency over the period of time. From the beginning, the business model of LIC was the employing more agents so as to increase sales. If the trends of commission ratios of the above life insurance companies are compared with the numbers of agents, then it can be clearly understood that agents are the main source of sales. Previously most of the private life insurance companies were focusing on online sales and it was successful for them and most profitable too. But it was limiting their capabilities to compete. So to expand their market and to compete with LIC they are adopting the agents driven business model.

3.3. Hypothesis testing:

In the Chapter-I, one of the objectives have been highlighted that to compare the operational performance of public and private life insurance companies. To draw an inference the following Null hypothesis has been developed.

H₀: There is no significant difference between the operational performance of Public and Private life insurance companies.

(Table-3.3.1) z-test: Two Sample for Means

	<i>Public Company</i>	<i>Private Company</i>
Mean	0.220538462	0.107547009
Known Variance	0.073278781	0.013556447
Observations	39	39
Hypothesized Mean Difference	0	
z	2.394583152	
P(Z<=z) one-tail	0.008319635	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.01663927	
z Critical two-tail	1.959963985	

Source: compiled from the secondary data

As the result of the z-test, it is found that p value is less than 0.05, so it can be concluded that private life insurance companies are more efficient than public life insurance company. And that difference is significant. So the null hypothesis is rejected (Kothari, 2004)⁶. Alternatively it can be said that; *there is a significant difference between the operational performance of public and private life insurance companies.*

Operational performance of public and private sector life insurance companies have been discussed here in the detailed manner. Also compares the operational performance of public life insurance company with private life insurance companies. To determine the operational performance various operational indicators have been taken into account. They are operating expenses ratio, total expenses ratio and commission ratio. These ratios primarily track the efficiency of life insurance Company on the basis of control over the cost. If the control over the cost is better than it is said that the company is managing its expenses efficiently. In case of the poor cost control it develops the inefficiency in running business. Basically inefficiency in business ultimately affects the profitability of the company and make it worst. According to the above discussion, operating expenses ratio of private sector companies are higher than the public life insurance company. Such inefficiency of private life insurance company is only because of its office expenses and legal expenses. Since, LIC is the biggest life insurance company it has highest numbers of branch offices across the country and most of the time, it has been observed that its premises are of its own property and very big in size. Main intention of LIC is to operate in the market permanently. On the other hand private life insurance companies have less numbers of offices than LIC and their offices are mostly on rented properties. So it spends more money for paying rents. If they don't see enough demand for their products, they shut down or curtail their operation. Legal expenses of private life insurance companies are increasing while it is decreasing for Public Sector Company. It indicates that private life insurance companies are facing many legal disputes; it may be the disputes between life insurers and policyholders or with other parties. Increasing numbers of legal disputes represents lack of trust of policyholders or other parties on the private sector companies. Expenses ratios of the public sector company is much higher than private sector companies, because LIC has been provided maximum benefits to its policyholder in the form of maturity claim, death claim settlement and pension. But the

motifs of private sector life insurance companies are mostly profit oriented. They focus on more profit while LIC is not very profit oriented. Commission ratios of LIC are higher than the private life insurance companies. It represents the higher dependency on agents. Private life insurance companies were not dependent on agents as much as LIC. But in past few years their dependency on agents has increased despite of strong online infrastructure. As a result of the study it is found that private sector life insurance companies are more efficient than public life insurance company.

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CHAPTER-IV

**FINANCIAL PERFORMANCE OF PUBLIC AND PRIVATE LIFE
INSURANCE COMPANIES**

(Murphy, 2019)⁸ has discussed about the financial aspects of life insurance have a rich history dating back to ancient civilizations, where early forms of insurance were developed to address societal needs. Around 600–100 BCE, ancient Greece and Rome introduced rudimentary systems of health and life insurance. A notable example was the "burial club" conceptualized by Roman military general Gaius Marius, where soldiers pooled resources to cover funeral expenses for comrades killed in battle. This idea later expanded to include all Roman citizens, providing financial support to families of the deceased. These early systems laid the groundwork for communal risk-sharing, a principle that would evolve over centuries. In the 12th century, Anatolia introduced state insurance, reimbursing traders for losses due to theft. By the 14th century, standalone insurance policies emerged in Genoa, marking a significant shift from insurance tied to contracts or loans. The first documented insurance policy appeared in 1347, and maritime insurance soon followed, with premiums adjusted based on risk. This separation of insurance from other financial agreements was a pivotal development, shaping the future of the industry. The first book on insurance, published in 1552 by Pedro de Santarém, further formalized the concept. The 17th century saw rapid growth in insurance, particularly in London, which became a hub for trade and cargo insurance. The Great Fire of London in 1666 spurred the creation of fire insurance companies, while Edward Lloyd's coffeehouse became the birthplace of Lloyd's of London, a cornerstone of modern insurance. By the 18th century, life insurance gained traction, with the Life Assurance Act of 1774 in Great Britain addressing corruption and formalizing the industry. In the U.S., the first insurance company opened in 1732, offering fire coverage, and by the 1800s, life insurance and other forms of coverage became widespread. The 20th century brought significant changes, including the introduction of Social Security in 1935, which provided a government-backed safety net and impacted the life insurance market. The industry faced challenges such as fraud and lack of regulation, leading to federal oversight in 1944 and subsequent state control under the McCarran-Ferguson Act of 1945. Group life insurance policies, like those introduced by AXA Equitable in 1911, gained popularity, and by 1930, the U.S. life insurance industry held policies worth \$117 billion. Today, insurance continues to adapt to consumer needs, maintaining its role as a vital financial tool while evolving with technological and societal changes.

(IRDAI, 2021c; LIC, 2025)^{4&6} have explained the story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – past few centuries – yet its beginnings date back almost 6000 years. Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage. The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force as Rs.22.44 crore, it rose to 176 companies with total business-in-

force as Rs.298 crore in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. Life Insurance Corporation had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of Life Insurance Corporation took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of New Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for Life Insurance Corporation to cross 2000.00 crore mark of new business. But with re-organisation happening in the early eighties, by 1985-86 Life Insurance Corporation had already crossed 7000.00 crore Sum Assured on new policies. Today Life Insurance Corporation functions with 2048 fully computerized branch offices, 113 divisional offices, 8 zonal offices, 1381 satellite offices and the corporate office. Life Insurance Corporation's Wide Area Network covers 113 divisional offices and connects all the branches through a Metro Area Network. Life Insurance Corporation has tied up with some Banks and Service providers to offer on-line premium collection facility in selected

cities. Life Insurance Corporation's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, Life Insurance Corporation has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future. Life Insurance Corporation continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. Life Insurance Corporation has issued over one crore policies during the current year. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year. From then to now, Life Insurance Corporation has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at Life Insurance Corporation to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families. Though the importance of life insurance has increased both domestically and globally, it becomes necessary to study the financial performance of public and private life insurance companies in India.

4.1. Financial Performance of Life Insurance Companies in India

The life insurance sector in India has undergone significant transformation since the liberalization of the economy in 1991. With the entry of private players and the subsequent increase in competition, the financial performance of life insurance companies has become a critical area of study. This essay examines the financial performance of life insurance companies in India, focusing on key metrics such as profitability, solvency, and market share, while referencing relevant literature and data. The life insurance industry in India is dominated by the Life Insurance Corporation of India (LIC), which holds a significant market share. However, private players such as HDFC Life, ICICI Prudential, and SBI Life have steadily gained ground. According to the Insurance Regulatory and Development Authority of India (IRDAI), the life insurance sector witnessed a compound annual growth rate (CAGR) of 12.6% in premium

income from 2016 to 2021 (IRDAI Annual Report, 2021). This growth has been driven by increasing awareness, rising disposable incomes, and the introduction of innovative products (IRDAI, 2021a)².

4.1.1 Profitability of Life Insurance Companies

Profitability is a key indicator of financial performance. Life insurance companies in India have shown mixed results in terms of profitability. LIC, being a state-owned entity, has consistently reported profits due to its vast customer base and economies of scale. However, private players have faced challenges in achieving profitability due to high operational costs and intense competition. A study by (Sinha & Chatterjee, 2018)¹⁰ the profitability of life insurance companies in India. The study found that private insurers struggled to achieve break-even in their initial years due to high customer acquisition costs and regulatory compliance expenses. However, over time, companies like HDFC Life and ICICI Prudential have improved their profitability through efficient cost management and diversified product portfolios.

4.1.2. Solvency Margins and Financial Stability

Solvency margins are a critical measure of an insurer's ability to meet its long-term obligations. The IRDAI mandates a minimum solvency ratio of 1.5 for life insurance companies. Most insurers in India have maintained solvency ratios well above the regulatory requirement, indicating strong financial stability. According to the IRDAI Annual Report (2021), LIC reported a solvency ratio of 1.55, while private players like SBI Life and Max Life reported ratios of 2.1 and 2.3, respectively. This indicates that private insurers are maintaining higher capital buffers to ensure financial stability and gain customer trust (IRDAI, 2021b)³.

4.1.3. Market Share and Competitive Landscape

LIC continues to dominate the Indian life insurance market with a market share of over 60% in terms of premium income. However, private insurers have been steadily increasing their market share. As of 2021, HDFC Life held a market share of 7.2%, followed by ICICI Prudential at 6.8% and SBI Life at 6.5% (IRDAI Annual Report, 2021). A book titled *"Insurance in India: Changing Policies and Emerging Opportunities"* by (Rao & Kumar, 2022)⁹ highlights the

strategies adopted by private insurers to capture market share. These include aggressive marketing, digital transformation, and the introduction of unit-linked insurance plans (ULIPs), which have gained popularity among investors seeking both insurance and investment benefits.

4.1.4. Challenges and Future Outlook

Despite the growth, the life insurance sector in India faces several challenges. These include low insurance penetration (3.76% of GDP in 2021), regulatory hurdles, and increasing competition. Additionally, the COVID-19 pandemic has underscored the need for innovative products and digital distribution channels. The future outlook for the sector remains positive. According to a report by McKinsey & Company (2022), the Indian life insurance market is expected to grow at a CAGR of 14-15% over the next five years, driven by increasing awareness, digital adoption, and government initiatives like Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) (McKinsey & Company, 2021)⁷.

The financial performance of life insurance companies in India reflects a dynamic and evolving sector. While LIC continues to dominate, private insurers have made significant strides in improving profitability and market share. Solvency margins remain robust, indicating financial stability. However, challenges such as low penetration and regulatory complexities need to be addressed to unlock the sector's full potential. With the right strategies and regulatory support, the life insurance industry in India is poised for sustained growth in the coming years.

4.2. Financial Performance (Public vs. Private Life Insurance Companies)

Life insurance business is completely fund based business. It takes money from the policyholders and invests them in different securities. When policyholders lodge claim, Life Insurance Company provide the benefit as it promised before. So to provide the benefits to the policyholders it must be financially sound. It must maintain the required amounts of money so that it can mitigate the risk and ensure the smooth run in long term. For the measurement of Financial Performance of Life Insurance companies, the following technical tools of financial measurements are illustrated as below:

Financial Performance Indicators		
S. No	Particulars	Formulas
1	Survival Ratio	(Net Technical Reserves/Average of Net Premium received in last 3 years)*100
2	Return on Equity	(PAT/Shareholders' Equity)*100
3	Investment Income Ratio	(Investment Income/Premium Collection)*100
4	Liquid Asset Ratio	(Liquid Asset/Total Asset)*100

(Source: IMF Working paper)

According to the above table Survival ratio, Return on Equity, Investment Income ratio and Liquid Asset ratio have been calculated and interpreted in the following manner. On the basis of these ratios the performances of public and private life insurance companies have been compared.

4.2.1. Survival Ratio

Survival ratio is the ratio between technical reserve and three years average premium collected. Technical reserve is maintained to tackle the loss due uncertain insurance claims. It mainly mitigates the risk. Normally undertaking new business represents an obligation for the life insurance company because, it has to pay when the policyholders claim for compensation. So life insurance companies maintain technical reserve. If the survival ratio is high then it is the shield against the loss due to claims. If survival ratio is low then it will be treated as more exposure to risk of loss. To calculate the survival ratio, the following formula is used (Das et al., 2003)¹.

$$\text{Survival Ratio (SR)} = \frac{\text{Technical Reserve}}{\text{Three Years Average Premium}} \times 100$$

Table-4.2.1(1) Survival Ratio (As on 31st March)							
Years	LICI	BIRLA SUN LIFE	HDFC STANDARD	ICICI PRUDENTIAL	SBI LIFE	CANARA HSBC	KOTAK MAHINDRA
2012	3.10	4.56	2.16	19.59	8.52	6.72	3.49
2013	2.94	5.14	1.94	26.05	16.11	6.54	10.53
2014	3.63	5.55	1.79	27.09	21.48	6.86	19.68
2015	3.52	5.13	4.04	22.42	23.11	7.54	25.03
2016	3.17	4.81	7.38	19.00	23.32	6.07	25.46
2017	3.21	4.69	9.30	21.02	21.25	5.45	25.57
2018	3.05	4.55	11.49	18.99	21.20	4.49	26.18
2019	2.90	3.57	12.47	17.59	19.58	3.74	27.36
2020	3.37	3.75	15.19	18.26	19.40	5.97	27.50
2021	3.21	4.52	16.61	19.78	18.09	6.45	31.85
2022	3.01	5.16	29.26	20.27	17.83	5.84	30.36
2023	3.31	6.55	19.05	20.97	17.91	5.73	32.08
2024	3.28		19.45	21.33	16.86	6.76	30.86

(Source: Annual reports)

Table 4.2.1(1) provides the survival ratios for various insurance companies, including LICI, Birla Sun Life, HDFC Standard, ICICI Prudential, SBI Life, Canara HSBC, and Kotak Mahindra, from 2012 to 2024. The survival ratio, which measures the likelihood of entities continuing operations, reveals significant variability across companies and years. LICI maintains relatively stable but low survival ratios, ranging between 2.90 and 3.63, indicating consistent but modest performance. Birla Sun Life shows moderate ratios, peaking at 6.55 in 2023, but with a noticeable decline in 2024, suggesting potential challenges. HDFC Standard demonstrates a remarkable upward trend, starting at 2.16 in 2012 and reaching 29.26 in 2022, reflecting significant growth and resilience, though it slightly declines afterward. ICICI Prudential consistently records high survival ratios, ranging from 17.59 to 27.09, indicating strong performance and stability. SBI Life also performs well, with ratios peaking at 23.32 in 2016 but gradually declining to 16.86 by 2024, signaling a potential slowdown. Canara HSBC shows fluctuating ratios, with a peak of 7.54 in 2015 and a low of 3.74 in 2019, suggesting variability in its operational stability. Kotak Mahindra stands out with a steady upward trend, starting at 3.49 in 2012 and reaching 32.08 in 2023, highlighting its robust growth and resilience.

Overall, the data reveals distinct patterns among the companies, with some demonstrating strong and improving survival ratios (e.g., HDFC Standard, Kotak Mahindra), while others exhibit stability (e.g., ICICI Prudential) or gradual declines (e.g., SBI Life). These trends reflect

differences in operational efficiency, market strategies, and adaptability across the insurance sector.

Table-4.2.1(2) Average Survival Ratio(As on 31st March)		
Years	Public	Private
2012	3.10	7.51
2013	2.94	11.05
2014	3.63	13.74
2015	3.52	14.55
2016	3.17	14.34
2017	3.21	14.55
2018	3.05	14.48
2019	2.90	14.05
2020	3.37	15.01
2021	3.21	16.22
2022	3.01	18.12
2023	3.31	17.05
2024	3.28	15.88

(Source: Annual reports)

Table 4.2.1(2) represents the survival ratios for public and private sectors over a span of years from 2012 to 2024. The survival ratio is a metric that indicates the likelihood of entities within each sector to continue operating over time. In the public sector, the survival ratio fluctuates moderately, ranging from a low of 2.90 in 2019 to a high of 3.63 in 2014. The ratios generally hover around the 3.0 to 3.5 range, suggesting a relatively stable but modest survival rate for public entities. Notably, the ratio dipped slightly in 2019 but recovered in subsequent years, reaching 3.37 in 2020 and stabilizing around 3.2 to 3.3 in the following years. In contrast, the private sector demonstrates a significantly higher and more dynamic survival ratio, starting at 7.51 in 2012 and steadily increasing to a peak of 18.12 in 2022. This upward trend indicates a strong and improving likelihood of survival for private entities over the years. However, there is a slight decline in 2023 and 2024, with ratios dropping to 17.05 and 15.88, respectively, suggesting a potential stabilization or minor downturn after a period of significant growth. Overall, the data highlights a clear disparity between the public and private sectors, with private entities consistently exhibiting higher survival ratios. This could reflect differences in operational efficiency, adaptability, or market conditions between the two sectors. The private sector's robust

performance underscores its resilience and capacity to thrive, while the public sector maintains a more consistent but lower survival rate.

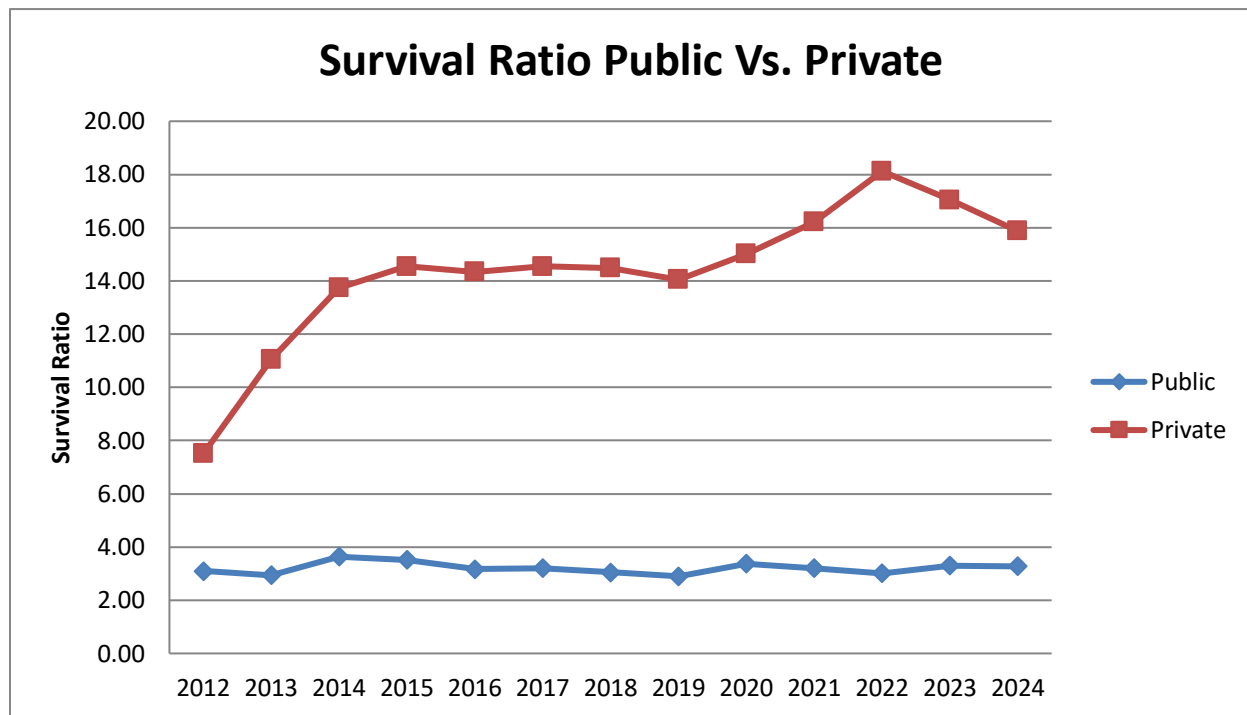


Fig: 4.2.1(1)

According to the above interpretation performance of Private Sector Company is robust and better than the public sector company. For the public sector company survival ratio is stable. To measure the performance gap between the public and private sector life insurance companies, t-test has been employed and the result of the t-test has been presented in the following table.

Table-4.2.1(3) t-Test: Two-Sample Assuming Unequal Variances

<i>Particulars</i>	<i>Public</i>	<i>Private</i>
Mean	3.206438779	14.34903084
Variance	0.047219735	7.170013587
Observations	13	13
Hypothesized Mean Difference	0	
df	12	
t Stat	-14.95452194	
P(T<=t) one-tail	0	
t Critical one-tail	1.782287548	
P(T<=t) two-tail	0	

Table 4.2.1(3) presents the results of a t-Test conducted to compare the mean survival ratios of the public and private sectors, assuming unequal variances between the two groups. The test aims to determine whether the observed differences in survival ratios between the sectors are statistically significant. The mean survival ratio for the public sector is 3.206, while the private sector has a significantly higher mean survival ratio of 14.349. The variance for the public sector is relatively low at 0.047, indicating that the survival ratios in this sector are tightly clustered around the mean. In contrast, the private sector has a much higher variance of 7.170, reflecting greater variability in its survival ratios. Both sectors have 13 observations, representing data from 2012 to 2024. The t-Test results show a t-statistic of -14.9545, which is a large negative value, indicating that the mean survival ratio of the public sector is significantly lower than that of the private sector. The degrees of freedom (df) for the test are 12. The p-value for both the one-tailed and two-tailed tests is 0, which is well below the conventional significance level of 0.05. This suggests that the difference in survival ratios between the public and private sectors is statistically significant. The critical t-values for the one-tailed and two-tailed tests are 1.782 and 2.179, respectively. Since the absolute value of the t-statistic (14.9545) exceeds both critical values, the null hypothesis, that there is no difference in the mean survival ratios between the public and private sectors can be confidently rejected (Kothari, 2004)⁵. The t-Test results provide strong evidence that the private sector has a significantly higher survival ratio compared to the public sector, and this difference is not due to random chance. The private sector's higher mean survival ratio, combined with its greater variability, suggests it is more dynamic and resilient, while the public sector's lower and more stable survival ratios indicate a consistent but less robust performance.

4.2.2. Investment Ratio

It compares the investment income against total premium collection, always premium collected is treated as the obligation. If company collects premium today, one day it will return policyholders money with share profit. Investment income is the most important aspect for Life Insurance Company; because the money is invested for generating investment income is the policyholders' money. If there is sufficient investment income then only companies can return

the total deposit with extra profit to the policyholders. Investment ratio is computed using the following formula(Das et al., 2003)¹.

$$\text{Investment Ratio (IR)} = \frac{\text{Investment Income}}{\text{Premium Collection}} \times 100$$

Table-4.2.2(1) Investment Income Ratio (As on 31st March)							
Years	LICI	BIRLA SUN LIFE	HDFC STANDARD	ICICI PRUDENTIAL	SBI LIFE	CANARA HSBC	KOTAK MAHINDRA
2012	41.58	-1.40	2.82	0.44	5.38	-2.16	9.85
2013	56.27	41.91	23.09	47.11	43.30	25.63	36.47
2014	60.35	54.02	43.00	77.27	61.05	51.17	41.58
2015	70.02	103.89	83.95	125.81	81.75	113.64	89.83
2016	58.93	14.19	12.01	9.43	23.12	0.93	15.75
2017	63.85	76.01	58.47	67.41	46.14	68.25	48.97
2018	64.42	53.78	37.70	44.34	35.14	37.94	29.03
2019	66.01	44.24	32.37	35.10	35.51	32.44	28.88
2020	62.04	7.26	-8.78	-35.47	8.55	-20.66	4.26
2021	69.13	81.19	86.37	134.91	63.96	82.61	61.17
2022	59.10	45.54	42.33	66.66	42.09	44.29	34.89
2023	57.69	23.78	22.19	24.95	22.56	18.68	18.39
2024	76.61		61.90	107.67	64.58	69.42	52.47

(Source: Annual reports)

The investment income ratio of life insurance companies in India, as reflected in the data, provides insights into their ability to generate returns from their investment portfolios, which is a critical component of their financial performance. Over the years, the Life Insurance Corporation of India (LICI) has consistently demonstrated strong investment performance, with its investment income ratio remaining significantly higher than most private insurers. For instance, LICI's ratio started at 41.58 in 2012 and peaked at 76.61 in 2024, showcasing its robust investment strategies and ability to generate stable returns even during volatile market conditions. This is largely attributed to LICI's vast investment portfolio, which includes a significant allocation to government securities and other low-risk instruments, ensuring consistent income generation.

In contrast, private insurers such as Birla Sun Life, HDFC Standard, ICICI Prudential, SBI Life, Canara HSBC, and Kotak Mahindra exhibited more variability in their investment

income ratios. For example, Birla Sun Life experienced significant fluctuations, with a low of -1.40 in 2012 and a high of 103.89 in 2015, reflecting the impact of market volatility and strategic shifts in its investment portfolio. Similarly, ICICI Prudential showed remarkable growth, with its ratio rising from 0.44 in 2012 to 134.91 in 2021, indicating strong investment management and favorable market conditions during that period. However, the sharp decline in 2020 for most private insurers, such as HDFC Standard (-8.78) and ICICI Prudential (-35.47), highlights the adverse effects of the COVID-19 pandemic on financial markets and investment returns.

Despite these fluctuations, private insurers like HDFC Standard, SBI Life, and Kotak Mahindra have generally maintained a positive trend in their investment income ratios over the long term. For instance, HDFC Standard's ratio improved from 2.82 in 2012 to 61.90 in 2024, reflecting its ability to adapt to market changes and optimize its investment strategies. Similarly, SBI Life and Kotak Mahindra demonstrated resilience, with their ratios reaching 64.58 and 52.47, respectively, in 2024. Overall, the data underscores the importance of effective investment management in the life insurance sector, with LIC leading the way due to its scale and conservative investment approach, while private insurers have shown both challenges and opportunities in navigating market dynamics to generate sustainable returns.

Table-4.2.2(2) Average Investment Income Ratio(As on 31st March)		
Years	Public	Private
2012	41.58	2.49
2013	56.27	36.25
2014	60.35	54.68
2015	70.02	99.81
2016	58.93	12.57
2017	63.85	60.88
2018	64.42	39.65
2019	66.01	34.75
2020	62.04	-7.47
2021	69.13	85.03
2022	59.10	45.97
2023	57.69	21.76
2024	76.61	59.34
S.D.	8.38	30.83

(Source: Annual reports)

The investment income ratio data for public and private life insurance companies in India reveals distinct trends and variability in their performance over the years. The public sector, represented by LIC, consistently maintained a high and stable investment income ratio, starting at 41.58 in 2012 and peaking at 76.61 in 2024, with relatively low variability (standard deviation of 8.38). This stability reflects LIC's conservative and well-diversified investment strategy, which prioritizes government securities and low-risk instruments, ensuring consistent returns even during periods of market volatility. In contrast, private insurers exhibited significantly higher variability (standard deviation of 30.83), with their investment income ratio fluctuating widely, from a low of -7.47 in 2020 to a high of 99.81 in 2015. This volatility can be attributed to their more aggressive investment strategies, which are more exposed to market risks and economic cycles. While private insurers achieved impressive peaks, such as 85.03 in 2021, they also faced sharp declines, particularly during the COVID-19 pandemic in 2020, highlighting the challenges of managing investment portfolios in a dynamic market environment. Overall, the data underscores the public sector's resilience and stability in generating investment income, while private insurers demonstrate both higher potential returns and greater susceptibility to market fluctuations.

Table-4.2.2(3) t-Test: Two-Sample Assuming Unequal Variances

	<i>Public</i>	<i>Private</i>
Mean	62.00077668	41.97814904
Variance	70.24164607	950.307673
Observations	13	13
Hypothesized Mean Difference	0	
df	14	
t Stat	2.259829889	
P(T<=t) one-tail	0.020149773	
t Critical one-tail	1.761310115	
P(T<=t) two-tail	0.040299547	
t Critical two-tail	2.144786681	

The results of the t-test for two-sample assuming unequal variances comparing the investment income ratios of public and private life insurance companies in India indicate a statistically significant difference between the two groups. The mean investment income ratio for

public companies (62.00) is significantly higher than that of private companies (41.98), reflecting the public sector's more stable and consistent performance in generating investment income. The higher variance for private companies (950.31) compared to public companies (70.24) underscores the greater variability and risk associated with private insurers' investment strategies. The t-statistic of 2.26 exceeds the critical t-value for both one-tail (1.76) and two-tail (2.14) tests, and the p-values (0.020 for one-tail and 0.040 for two-tail) are below the conventional significance level of 0.05, confirming that the difference in means is statistically significant (Kothari, 2004)⁵. This suggests that public life insurance companies, particularly LIC, have been more effective in managing their investment portfolios to generate stable returns, while private insurers exhibit higher volatility and lower average performance, likely due to their exposure to market risks and more aggressive investment approaches.

In conclusion the public sector company has stable, safe and steady growing investments, whereas private life insurance company has more aggressive investment policy to earn more investment income. So variability in investment income ratio is much higher than the public life insurance company. And the zigzag trend of investment income ratio of Public Sector Company can be understood with the following diagram.

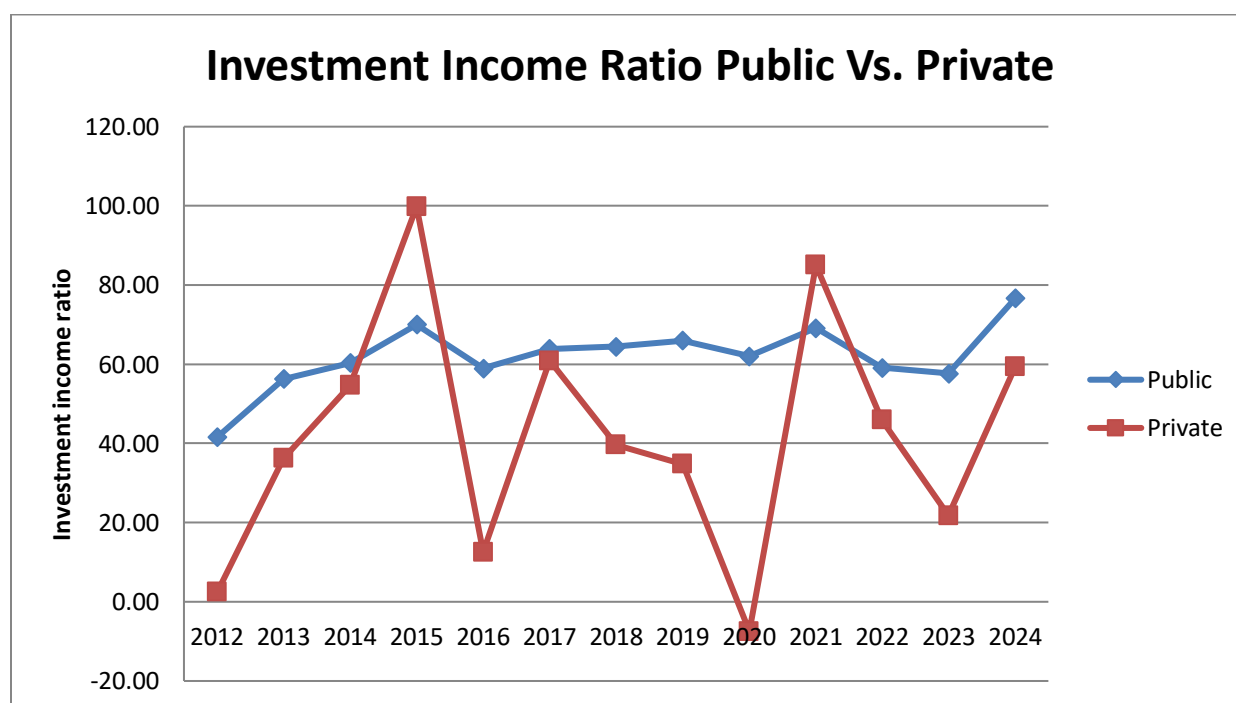


Fig: 4.2.2(1)

a) Total Premium Income of Public vs. Private sector

Total Premium Income will include both the New Business Premium and Renewal Premium. Total Premium Income is the major source of revenue for insurance companies. Companies will incur heavy expenses at the time of acquisition since the cost is front loaded. However, they will achieve break even once the renewals start coming in. Hence, higher the persistency ratio, higher is the profitability for insurance companies. Companies with only new business without strong renewal base will incur losses (Das et al., 2003)¹.

TABLE 4.2.2(4):

Total Premium Income of Public vs. Private sector Life Insurance Companies
(As on 31st March)

Particulars	Public Company		Private Company	
	Total Premium Collection	Premium Growth Rate	Total Premium Collection	Premium Growth Rate
2012	2,02,889.28		51,900.64	
2013	2,08,803.58	2.92	45,700.52	-11.95
2014	2,36,942.30	13.48	44,587.41	-2.44
2015	2,39,667.65	1.15	52,931.92	18.71
2016	2,66,444.21	11.17	62,914.08	18.86
2017	3,00,487.36	12.78	75,972.83	20.76
2018	3,18,223.21	5.90	91,270.10	20.14
2019	3,37,505.07	6.06	1,12,275.51	23.01
2020	3,79,389.60	12.41	1,29,065.20	14.95
2021	4,03,286.55	6.30	1,50,561.96	16.66
2022	4,27,000.51	5.88	1,71,529.88	13.93
2023	4,74,005.00	11.01	1,99,865.41	16.52
2024	4,75,070.00	0.22	2,10,057.68	5.10

(Source: Annual reports)

The table provides a comparative analysis of the total premium collection and premium growth rate between public and private life insurance companies from 2012 to 2024. The data reveals significant trends and differences in the performance of these two sectors over the years.

Public life insurance companies have consistently demonstrated higher total premium collections compared to private companies, reflecting their dominant market position. In 2012, the total premium collection for public companies was ₹2, 02,889.28 crore, which grew steadily to ₹4, 75,070 crore by 2024. The premium growth rate for public companies fluctuated over the years, with notable peaks in 2014 (13.48%), 2016 (11.17%), 2017 (12.78%), and 2020 (12.41%). However, the growth rate slowed significantly in 2024 to 0.22%, indicating a potential saturation or challenges in sustaining growth. Private life insurance companies, while starting with significantly lower premium collections (₹51,900.64 crore in 2012), have shown remarkable growth over the years. By 2024, their total premium collection reached ₹2, 10,057.68 crore, reflecting a substantial increase. The premium growth rate for private companies has been consistently higher than that of public companies, with double-digit growth rates in most years. Notable peaks include 2015 (18.71%), 2016 (18.86%), 2017 (20.76%), and 2019 (23.01%). Although the growth rate declined to 5.10% in 2024, it still outperformed the public sector's growth rate for that year. According to the above analysis few observations have made, they are;

1. **Market Dominance:** Public companies maintain a larger market share in terms of total premium collection, but their growth rates have been slower and more volatile compared to private companies.
2. **Growth Momentum:** Private companies have consistently achieved higher growth rates, indicating their ability to capture market share and adapt to changing consumer preferences.
3. **Recent Trends:** The significant slowdown in growth for both sectors in 2024 (0.22% for public and 5.10% for private) suggests potential market saturation, regulatory challenges, or economic factors impacting the industry.

The data highlights the contrasting performance of public and private life insurance companies. While public companies dominate in terms of total premium collection, private companies have demonstrated stronger growth momentum. The declining growth rates in 2024 for both sectors may signal the need for innovation, diversification, or strategic interventions to sustain growth in a competitive and evolving market. This analysis underscores the importance of understanding sector-specific trends to inform policy decisions and business strategies in the life insurance industry.

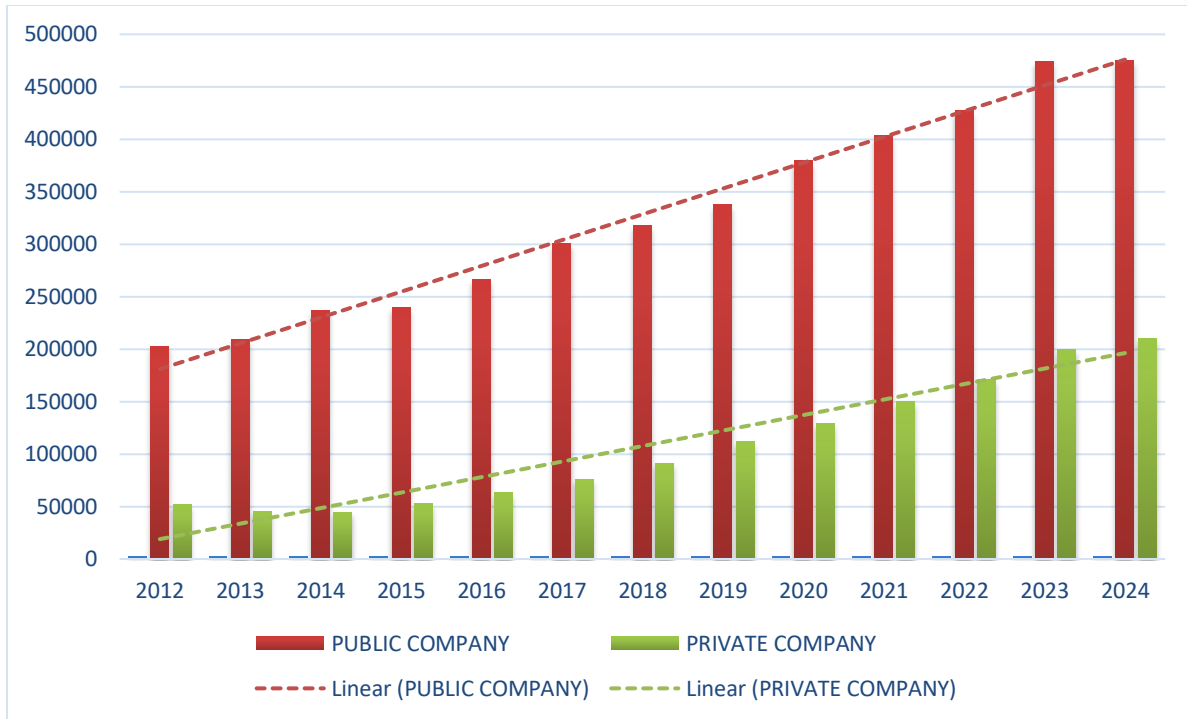


Fig.4.2.2 (2): Trend analysis of Premium (Public vs. Private)

Total premium with a higher share of renewal premium is the determinant of profit, since renewal premium will have lower cost outgo. In fact, most products break even only when the persistency is higher which amounts to cost averaging. In the above figure of comparison, public sector life insurance companies' collection of premiums is much higher than private sector life insurance companies. This collection is coming more may be because of old existence and faith of customers.

b) *Premium Growth Rate (PGR)*

For the measurement of Premium Growth Rate, two premium parameters are considered such as current year premium and previous year premium. The results are illustrated as follows.

$$\begin{aligned} & \text{Premium Growth Rate(PGR)} \\ &= \frac{(\text{Current Year Premium} - \text{Previous Year Premium})}{\text{Previous Year Premium}} \times 100 \end{aligned}$$

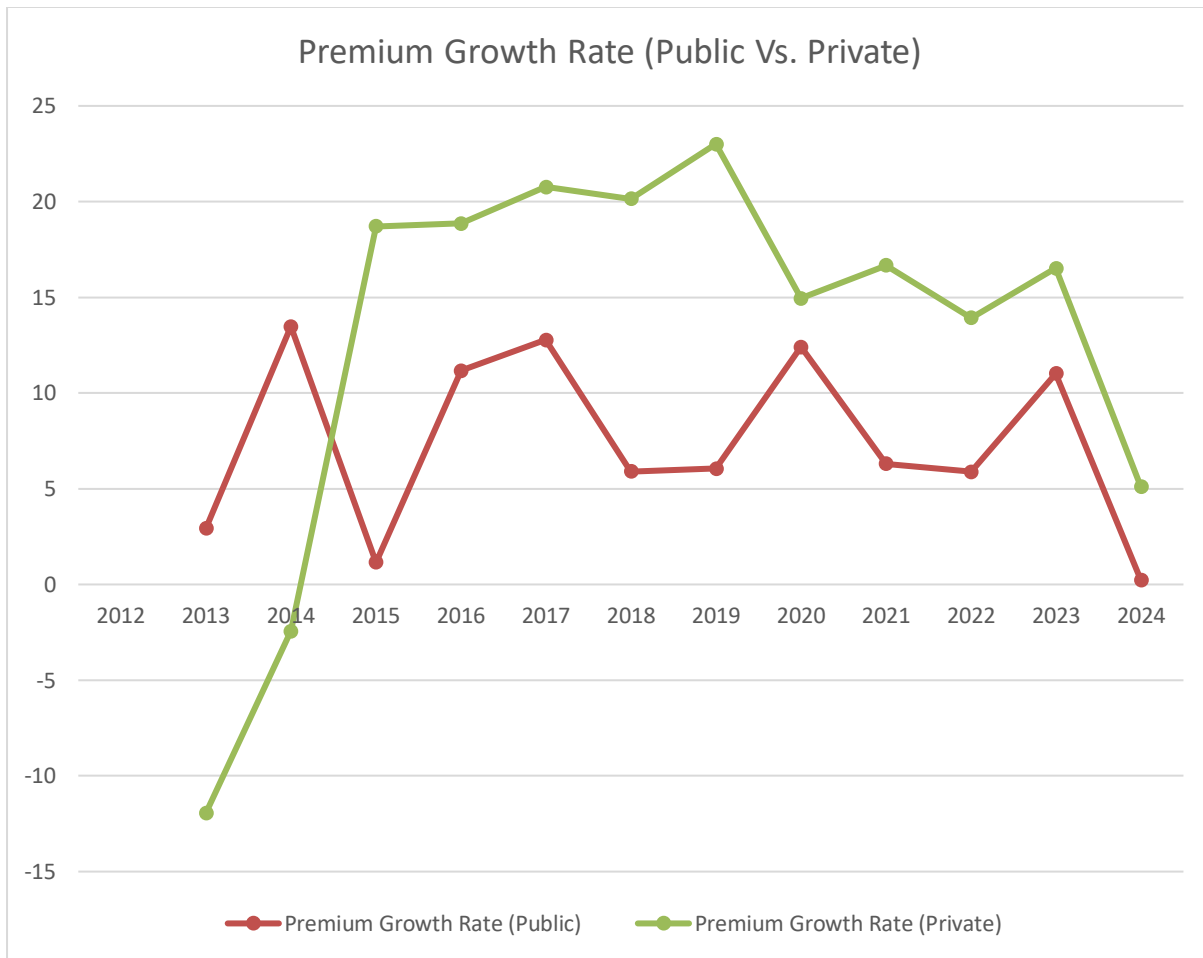


Fig.4.2.2 (3): Premium Growth Rate (Public vs. Private Life Insurance Companies)

Premium Growth Rate of Life Insurance Companies of both public and private sector shows the business growth. The trend line of public sector shows continues up and down of the trend. Where as in private sector it has a negative growth up 2014 after that there is a sharp increase in the trend upto 2015 and then it has slow growth up to 2019. From 2019 onwards there is decline in the trend. It shows in both the sector there is no remarkable growth.

C) Investment Income of Public vs. Private sector

The following table shows the investment income (in crores) of both Public and Private Life Insurance companies from the year 2012 to 2024. The results of the trend are described as follows:

TABLE 4.2.2(5):

Investment Income (in crores) of Public and Private Life Insurance Companies
(As on 31st March)

Year	PUBLIC COMPANY	PRIVATE COMPANY					
	LICI	BIRLA SUN LIFE	HDFC STANDARD	ICICI PRUDENTIAL	SBI LIFE	CANARA HSBC	KOTAK MAHINDRA
2012	84362.39	-82.27	287.33	77.91	706.65	-40.23	289.24
2013	117485.62	2186.04	2614.02	6605.9	4524.46	490.17	1013.17
2014	143001.07	2610.81	5187.42	9604.23	6556.18	933.05	1123.06
2015	167818.59	5436.84	12450.19	19257.49	10519.03	1883.04	2729.23
2016	157028.68	791.94	1959.40	1807.93	3658.70	19.25	625.39
2017	191871.14	4350.73	11370.61	15068.12	9696.54	1566.08	2517.00
2018	204996.98	3174.48	8882.60	12001.01	8908.31	1055.00	1915.28
2019	222801.04	3322.71	9446.52	10856.25	11713.71	1132.32	2358.85
2020	235380.73	581.668	-2873.06	-11857.41	3473.48	-814.67	440.22
2021	278784.13	7936.29	33325.13	48206.25	32144.49	4226.19	6789.73
2022	252362.56	5302.00	19215.91	24969.54	24594.90	2579.45	4458.70
2023	273444.31	3457.60	12597.52	9964.58	15017.48	1313.43	2761.40
2024	363944		38354.31	46550.33	52044.311	4812.41	9099.97

(Source: Annual reports)

In Public Life insurance companies, there is a sharp increase in the trend of investment income from 2012 to 2024 and scenario for private companies also same but totme to tome they have incurred losses, due to covid like situation, when stock market was crashing frequently.

TABLE 4.2.2(6):

Investment Income (in crores) of Public and Private Life Insurance Companies
(As on 31st March)

Particulars		Average	SD
Public Company	LICI	207175.48	75677.83
Private Company	Birla Sun Life	3255.74	2296.76
	HDFC Standard	11755.23	12286.55
	ICICI Prudential	14854.78	17040.25
	SBI Life	14119.87	14408.16
	Canara HSBC	1473.5	1616.15
	Kotak Mahindra	2778.56	2614.43

Private Company (Average Investment Income)	8039.61	8377.05
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(Source: compiled from the secondary data)

According to the above table public life insurance company is dominates in investment income and still variability is higher than the public life insurance companies. It indicates that public life insurance company is earning good amounts of investment income and still there is room for growth. While private life insurance companies are adopting aggressive investment policy so as to earn more investment income. The same can be understood with the losses incurred by the life insurance companies in last 13 years. It denotes that the investment of private life insurance companies have exposure to loss due to stock market fluctuations.

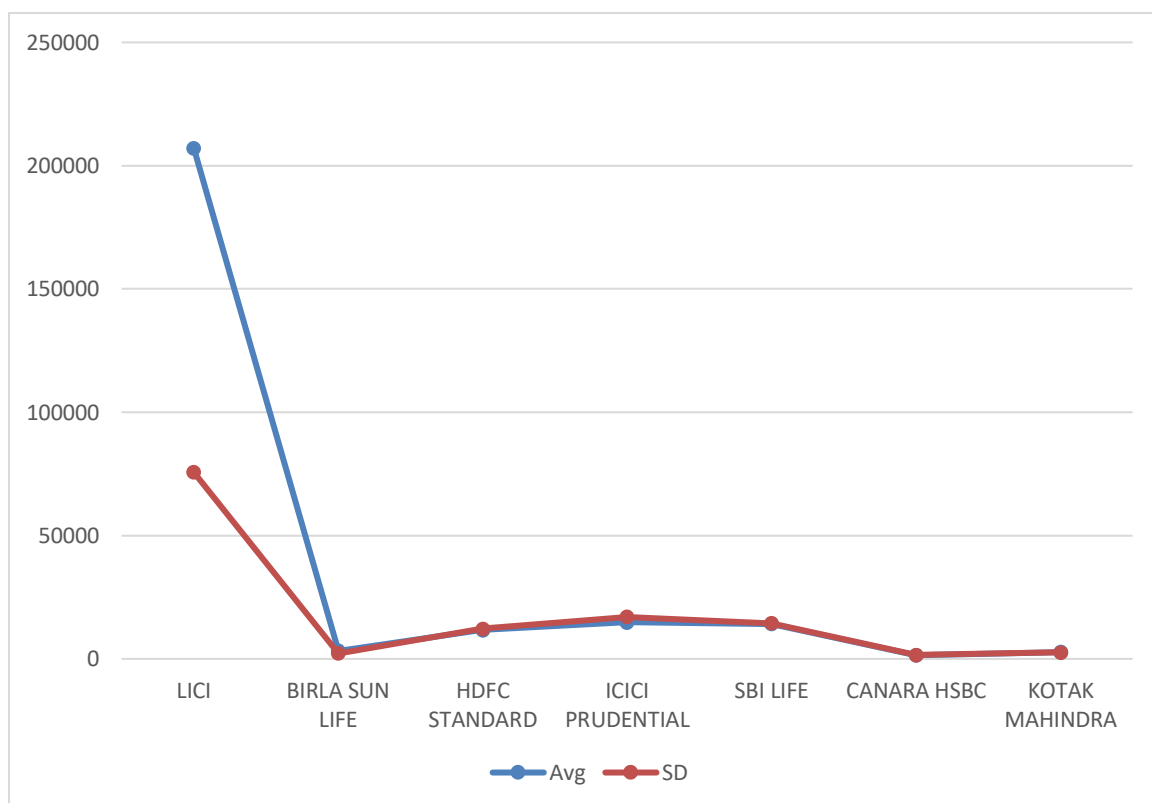


Fig.4.2.2 (4): Average and SD of Investment Income (in crores) of Public and Private Life Insurance Companies

The average investment income (in crores) of Public Life Insurance Company is much higher than Private Life insurance companies. Further, the standard deviation of the investment

income is higher in Public Life insurance companies where as in Private Life insurance company it is much lower. This reveals the average investment income of Private Life insurance companies are more consistent than Public Life insurance companies.

4.2.3. Return on Equity (ROE)

Return of Equity (ROE) measures how effectively the company uses shareholders' equity to generate profits. For this ratio of Profit after Tax (PAT) with respect to Shareholder's equity were used (Das et al., 2003)¹.

$$\text{Return on Equity (ROE)} = \frac{\text{PAT}}{\text{Shareholder's Equity}} \times 100$$

It evaluates the overall financial performance of both Public and Private Life Insurance companies in India.

TABLE 4.2.3(1):

Return on Equity (ROE) of Public sector vs. Private sector

Average Return on Equity (As on 31st March)		
Particular	Public	Private
2012	0.74	27.05
2013	0.71	23.04
2014	0.65	15.44
2015	5.19	8.84
2016	0.75	7.58
2017	0.56	5.39
2018	0.53	4.73
2019	0.59	4.04
2020	0.82	4.00
2021	0.49	2.61
2022	0.53	8.19
2023	4.41	8.82
2024	3.34	7.43
Mean	1.485	9.781
Standard Deviation	1.659059	7.545498

(Source: Annual reports)

The data provided compares the Return on Equity (RoE) for public and private sectors over a 13-year period from 2012 to 2024, along with the mean and standard deviation for each sector. RoE is a key financial metric that measures the profitability of a company or sector relative to the equity invested by shareholders. A higher RoE indicates better efficiency in generating profits from shareholders' investments.

The public sector's RoE has been consistently low, with most values below 1% from 2012 to 2020, except for a spike in 2015 (5.19%) and a gradual increase from 2022 (0.53%) to 2024 (3.34%). The mean RoE for the public sector is 1.485%, indicating poor profitability and inefficiency in utilizing equity capital over the period. The standard deviation of 1.659 suggests relatively low volatility in RoE, but this is primarily due to the consistently low performance rather than stability in high returns. The private sector's RoE has been significantly higher than the public sector, starting at 27.05% in 2012 and gradually declining to 2.61% in 2021, before recovering to 8.82% in 2023 and 7.43% in 2024. The mean RoE for the private sector is 9.781%, which is substantially higher than the public sector, reflecting better profitability and more efficient use of equity capital. The standard deviation of 7.545 indicates higher volatility in RoE, which is expected given the sharper fluctuations in performance over the years.

The private sector has consistently outperformed the public sector in terms of RoE, with an average RoE nearly 6.5 times higher than the public sector. This highlights the private sector's superior ability to generate returns for shareholders. Declining Trend in Private Sector: The private sector's RoE shows a declining trend from 2012 to 2021, possibly due to increased competition, regulatory changes, or economic challenges. However, it has shown signs of recovery in recent years (2022-2024). Public Sector Improvement: The public sector's RoE improved notably in 2015 and again from 2022 to 2024, suggesting potential reforms, better management, or external factors boosting profitability. However, its overall performance remains weak compared to the private sector.

The data underscores a stark contrast between the public and private sectors in terms of profitability and efficiency. While the private sector has demonstrated higher returns and adaptability, the public sector lags behind, with only marginal improvements in recent years. Addressing structural inefficiencies and adopting best practices from the private sector could help the public sector improve its RoE and overall financial performance.

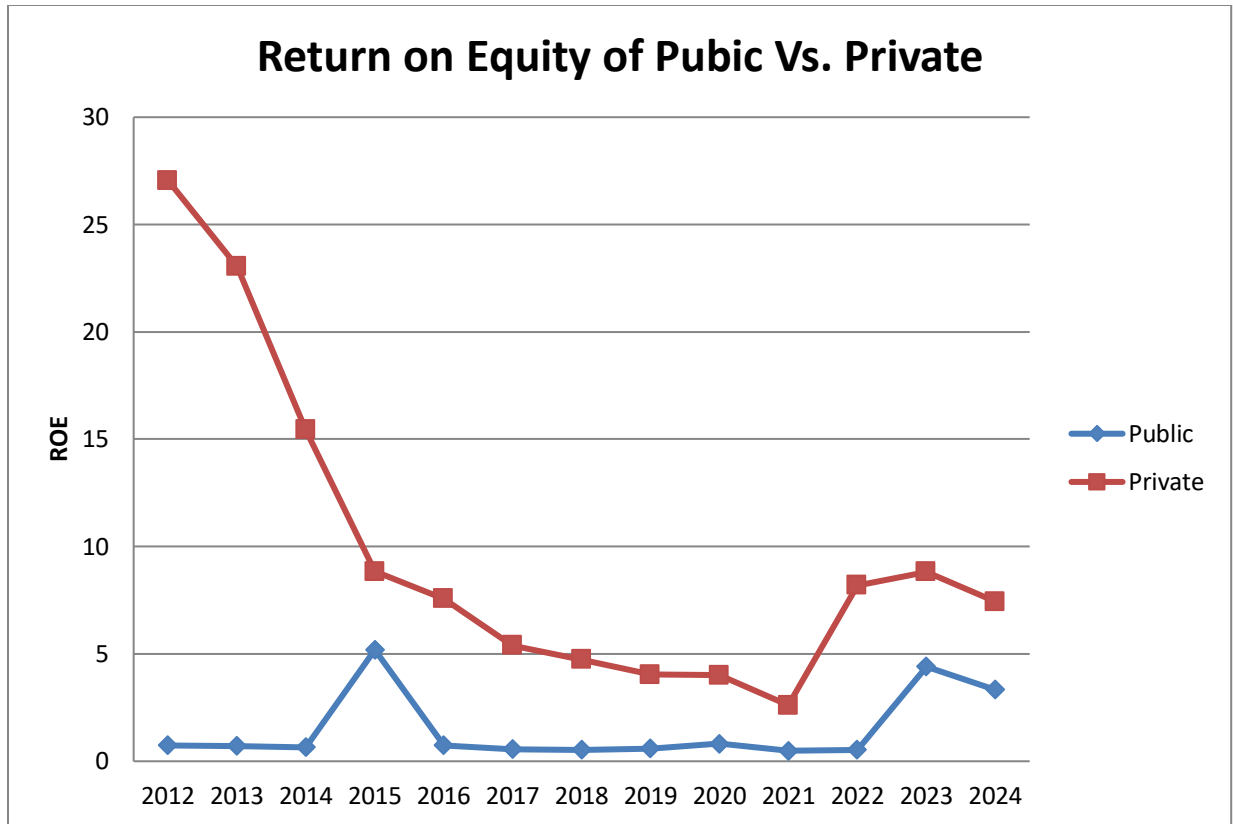


Fig.4.2.3: Return on Equity (ROE) of Public vs. Private Life Insurance companies

Return on equity measures how effectively Life Insurance companies use shareholder's equity to generate profits. The table compares the Return on Equity (ROE) between the public and private sector Life Insurance companies from 2012 to 2024 year. The shareholders equity in Public sector companies are coming relatively low and stable across the years, mostly below 1%, except in 2015 (5.19), 2023 (4.41) and 2024 (3.34). These shows, the public sector Life Insurance companies consistently operate with modest profitability relative to the shareholder equity.

The private sector Life Insurance companies ROE is significantly higher than the public sector's throughout the period. It shows a declining trend from a high of 162.29 in 2012 to a low of 15.67 in 2021, followed by a recovery in 2022 (49.13) and 2023 (52.91). The fluctuation reflects variability in profitability or changes in operational or financial efficiency. The private sector consistently outperforms the public sector in terms of ROE, suggesting a higher

efficiency. These trends could reflect broader economic cycles, sector specific challenges or differences in operational strategies. The private sector's higher ROE suggests it is more attractive to equity investors, likely due to better profitability or capital utilisation.

TABLE 4.2.3(2):
Difference of Return on Equity (ROE)

Particulars	ROE (Public)	ROE (Private)
Mean	1.49	58.69
Variance	2.75	2049.64
Observations	13	13
Pearson Correlation	-0.069	
Hypothesized Mean Difference	0.00	
df	12	
t Stat	-4.541	
P(T<=t) one-tail	0.000	
t Critical one-tail	1.782	
P(T<=t) two-tail	0.001	
t Critical two-tail	2.179	

Source: compiled from the secondary data

The table as highlighted above shows the results of t-test between Public Life and Private Life insurance companies. The mean figure of ROE is more in Private in comparison to Public companies. It shows profitability i.e. financial performance is better in Private Life insurance than Public Life insurance. Further, the Pearson correlation between ROE is coming negative (-0.069), this signifies there is no relationship exist between ROE on public and private. The p-value (significant value) of t-test is coming 0.000 (less than 0.05), it shows rejection of null hypothesis and acceptance of alternative hypothesis (Kothari, 2004)⁵. This reveals there is a *significant difference of financial performance among Public and Private Life Insurance companies*.

4.2.4. Liquid Asset Ratio

Liquid assets are those assets that can be converted into cash immediately when it is needed. These assets are maintained for these short term requirements of the life insurance companies. Liquid asset ratio is the proportion of liquid assets in its total asset of a particular Life Insurance Company. If proportion is more than it can be said the company is well prepared for its short term obligations (Das et al., 2003)¹.

$$\text{Liquid Asset Ratio(LAR)} = \frac{\text{Liquid Asset}}{\text{Total Assets}} \times 100$$

Table-4.2.4(1) Liquid Asset Ratio (As on 31 st March)							
Years	LICI	BIRLA SUN LIFE	HDFC STANDARD	ICICI PRUDENTIAL	SBI LIFE	CANARA HSBC	KOTAK MAHINDRA
2012	7.03	3.75	3.67	1.29	6.63	3.62	2.81
2013	9.28	3.40	2.81	1.72	6.37	4.13	3.15
2014	8.67	3.24	2.69	1.41	6.69	2.40	3.27
2015	6.82	2.58	2.64	1.47	5.99	1.39	3.09
2016	5.90	3.03	2.51	1.41	6.01	1.24	3.42
2017	4.84	3.66	3.12	2.29	5.57	2.43	3.69
2018	4.75	4.15	3.18	1.91	5.36	3.30	4.05
2019	5.62	4.08	3.10	2.05	4.53	3.91	4.18
2020	5.41	4.06	3.26	2.46	3.52	3.36	4.24
2021	4.70	2.93	2.76	1.79	3.15	2.96	3.46
2022	4.59	4.01	2.56	2.05	1.91	3.26	3.83
2023	4.15	3.97	2.91	2.29	1.65	3.37	3.27
2024	3.56	4.52	2.71	2.31	2.99	3.54	3.82

(Source: Annual reports)

LIC I was maintaining liquid asset ratio of 7. 03% in the year 2012, this is reduced to 3.56% in the year 2024 over the period of time. Among the private life insurance companies SBI Life was maintaining good proportion of liquid asset in its total asset but ICICI Prudential and Kotak life have increased their liquid asset ratio in last few years. Increase in liquid asset ratio is representing that ICICI Prudential and Kotak Life or becoming serious to tackle current obligations.

Table-4.2.4(2) Average Liquid Asset Ratio (As on 31st March)		
Years	Public	Private
2012	7.03	3.63
2013	9.28	3.60
2014	8.67	3.28
2015	6.82	2.86
2016	5.90	2.94
2017	4.84	3.46
2018	4.75	3.66
2019	5.62	3.64
2020	5.41	3.48
2021	4.70	2.84
2022	4.59	2.94
2023	4.15	2.91
2024	3.56	3.32
S.D.	1.72	0.33

(Source: compiled from the secondary data)

In the case of public sector liquid asset ratio has a decreased from year to year. Because, Public Sector Company is running profitability and generating enough money to meet current obligations and this can be understood with the standard deviation of 1.72 that highlights the variability in maintaining liquid asset ratio. Another aspect of maintaining low liquid asset ratio is investment of liquid assets to generate more revenue. Is the same ratio is observed in the private sector then it will be found that over the period of time it has a reminder almost same and the same thing is confirmed by the standard deviation of 0. 33 there is no variability in liquid asset ratio of the private sector companies.

Table-4.2.4(3) t-Test: Two-Sample Assuming Unequal Variances		
	<i>Public</i>	<i>Private</i>
Mean	5.793796799	3.273611
Variance	2.962926741	0.108813
Observations	13	13
Hypothesized Mean Difference	0	
df	13	
t Stat	5.18456236	
P(T<=t) one-tail	0.000	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.000	
t Critical two-tail	2.160368652	

(Source: compiled from the secondary data)

By employing the T test of two samples assuming on equal variance it is found that value of significance is 0.00 in one tell and to tell test which is less than 0.05 (Kothari, 2004)⁵. So it is concluded that *liquid ratio of public sector company is significantly higher than private sector company*.

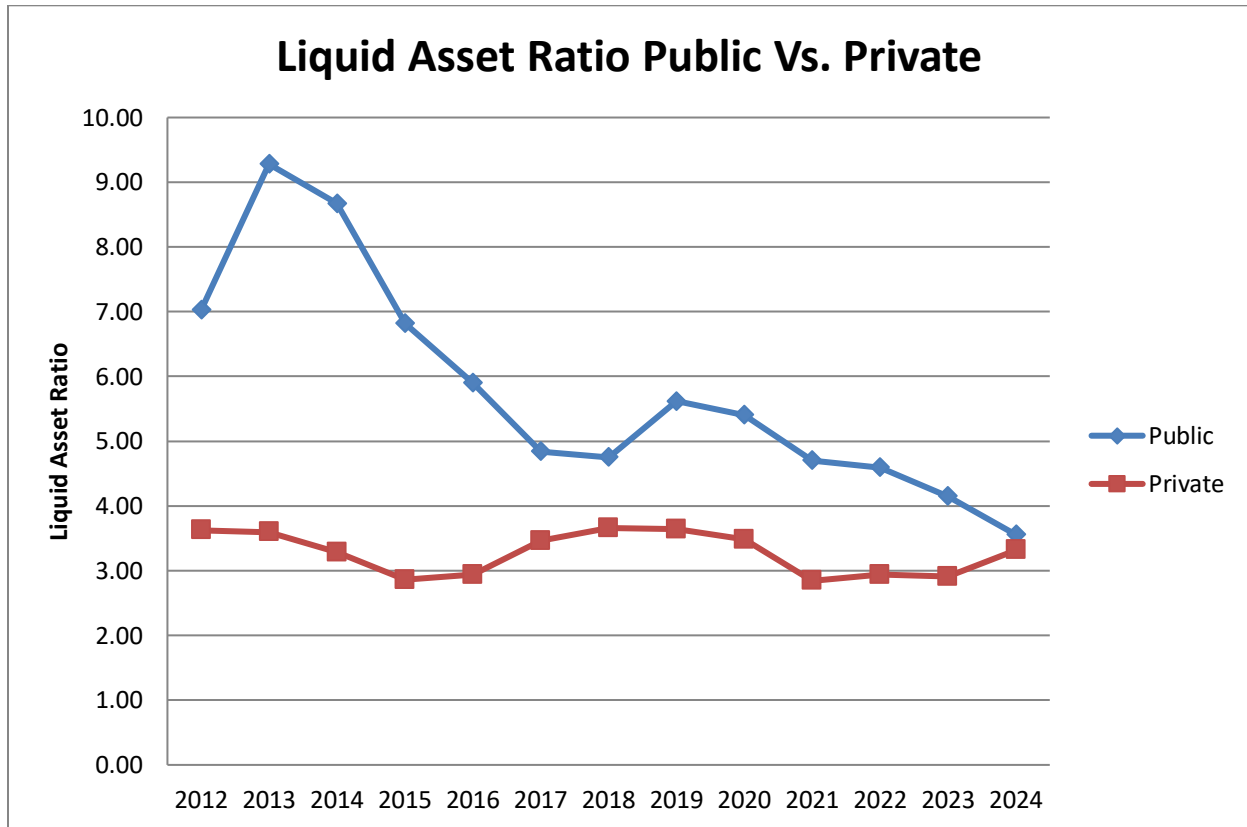


Fig. 4.2.4(1)

In case of both public and private sector life insurance companies total assets and Liquid Assets have increased over the period of time but private life insurance companies have maintained sufficient liquid assets to meet its short term requirements. But the case of public life insurance company is different because liquid asset ratio is declining. According to the IRDA regulation every life insurance companies are bound to maintain sufficient current assets to pay the current liabilities. Main reason of declining liquid asset is LICI is reducing excess liquid assets than the required limit and investing them to generate more revenue.

4.3. Testing of Hypothesis

In order to compare the financial performance, various financial ratios have been calculated and interpreted properly. So to reach at the conclusion, which life insurance company (public or private is performing better, the following hypothesis has been developed.

H_0 : There is no significant difference between the financial performance of public and private life insurance companies.

Table-4.3 z-Test: Two Sample for Means

	<i>Public</i>	<i>Private</i>
Mean	23.11836187	19.37850363
Known Variance	770.398	569.037
Observations	40	40
Hypothesized Mean Difference	0	
<i>z</i>	0.646285355	
P(Z<=z) one-tail	0.259047285	
<i>z</i> Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.518094571	
<i>z</i> Critical two-tail	1.959963985	

(Source: compiled from the secondary data)

The hypothesis test aims to determine whether there is a significant difference in the financial performance between public and private life insurance companies. The null hypothesis (H_0) states that there is no significant difference between the financial performance of public and private life insurance companies. To test this hypothesis, a z-test for two sample means was conducted, comparing the average financial performance of 40 public and 40 private life insurance companies. The results of the z-test reveal that the mean financial performance of public life insurance companies (23.118) is higher than that of private life insurance companies (19.379). However, the z-statistic of 0.646 is less than the critical z-value of 1.960 for a two-tailed test at the 5% significance level. This indicates that the difference between the means is

not statistically significant. Additionally, the p-value for the two-tailed test is 0.518, which is much greater than the significance level of 0.05. Therefore, we fail to reject the null hypothesis (H_0) (Kothari, 2004)⁵. Thus, the results suggest that there is no significant difference in the financial performance between public and private life insurance companies. The higher mean performance of public companies may be due to factors such as economies of scale or market dominance, but the difference is not statistically significant based on this test. This finding implies that, on average, public and private life insurance companies perform similarly in terms of financial metrics. Further analysis could explore other factors, such as operational efficiency or customer satisfaction, to gain deeper insights into the performance of these companies.

The chapter provides a comprehensive analysis of the financial performance of public and private life insurance companies in India, focusing on key metrics such as survival ratio, investment income ratio, total premium income, premium growth rate, return on equity (ROE), and liquid asset ratio. The study spans from 2012 to 2024, using data from the Life Insurance Corporation of India (LICI) and major private insurers like HDFC Life, ICICI Prudential, SBI Life, and others. The analysis reveals that while LICI dominates the market in terms of total premium collection and investment income, private insurers have shown higher growth rates and variability in performance. The survival ratio, which measures the ability of insurers to meet claims, indicates that private insurers generally maintain higher ratios than LICI, suggesting greater financial sustainability. However, LICI's survival ratio remains stable, reflecting its conservative approach. The investment income ratio highlights LICI's consistent performance, driven by its large-scale investments in low-risk instruments, while private insurers exhibit higher variability due to their aggressive investment strategies. The total premium income data shows that LICI continues to lead in market share, but private insurers have achieved higher growth rates, particularly in recent years. The premium growth rate analysis reveals that private insurers have consistently outperformed LICI, although both sectors experienced a slowdown in 2024, possibly due to market saturation or economic challenges. The return on equity (ROE) analysis indicates that private insurers have higher ROE compared to LICI, reflecting better profitability and capital utilization. However, LICI's lower ROE is attributed to its vast scale and conservative financial management. The liquid asset ratio analysis shows that LICI has reduced

its liquid assets over time, likely reinvesting them to generate higher returns, while private insurers have maintained a more stable ratio, ensuring they can meet short-term obligations.

The hypothesis testing using a z-test concludes that there is no statistically significant difference in the financial performance of public and private life insurance companies, despite LIC's higher mean performance. This suggests that both sectors perform similarly on average, with differences likely driven by factors such as market dominance, economies of scale, and investment strategies. In conclusion, the study underscores the contrasting strengths of public and private life insurers. LIC's stability and market dominance are balanced by the private sector's agility and growth potential. However, challenges such as low insurance penetration, regulatory complexities, and economic volatility need to be addressed to sustain growth. The findings highlight the importance of innovation, diversification, and strategic interventions to enhance the financial performance of life insurance companies in India.

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CHAPTER-V

**CHALLENGES AND PROSPECTS OF LIFE INSURANCE
COMPANIES**

The life insurance sector in India operates within a dynamic and evolving business environment, shaped by regulatory frameworks, economic conditions, technological advancements, and changing consumer preferences. This essay explores the key aspects of the business environment for life insurance companies in India, referencing relevant literature and data. The life insurance industry in India has witnessed significant growth since the liberalization of the sector in 2000, when the government allowed private players to enter the market alongside the state-owned Life Insurance Corporation of India (LIC). According to (Rao & Kumar, 2022)⁴, the entry of private insurers has intensified competition, leading to innovation in products, improved customer service, and increased market penetration. However, LIC continues to dominate the market with a share of over 60% in terms of premium income, as highlighted in the Insurance Regulatory and Development Authority of India (IRDAI, 2021)¹. The regulatory environment plays a crucial role in shaping the business landscape for life insurance companies. The IRDAI, established in 1999, oversees the sector and ensures compliance with solvency norms, consumer protection guidelines, and fair business practices. For instance, the IRDAI mandates a minimum solvency ratio of 1.5 for insurers, which ensures their financial stability and ability to meet long-term obligations (Rejda & McNamara, 2017)⁵. Additionally, the introduction of the Insurance Act, 1938, and its subsequent amendments have provided a robust legal framework for the industry. Economic factors such as GDP growth, disposable income levels, and demographic trends also influence the life insurance business. India's young population and rising middle class present a vast untapped market for insurers. A report (McKinsey & Company, 2021)³ highlights that increasing financial literacy and awareness about the importance of life insurance are driving demand, particularly in rural and semi-urban areas. However, challenges such as low insurance penetration (3.76% of GDP in 2021) and affordability issues persist, as noted in the IRDAI Annual Report (IRDAI, 2021)¹. Technological advancements have transformed the way life insurance companies operate. The adoption of digital tools, artificial intelligence, and data analytics has enabled insurers to streamline processes, enhance customer experience, and develop personalized products. For example, the use of mobile apps and online platforms has made it easier for customers to purchase policies, pay premiums, and file claims (Rao & Kumar, 2022)⁴. Insurtech startups are also playing a pivotal role in driving innovation and expanding reach. The competitive environment in the life insurance sector is characterized by the presence of both public and private players. While LIC

enjoys a dominant position due to its extensive distribution network and brand trust, private insurers such as HDFC Life, ICICI Prudential, and SBI Life have carved out significant market shares through aggressive marketing and innovative products (Sinha & Chatterjee, 2018)⁶. The competition has led to improved service standards and greater transparency in the industry.

The history of life insurance, dating back to ancient Greece and Rome, reveals a fascinating evolution marked by both challenges and prospects. Initially conceptualized by Roman general Gaius Marius as a "burial club" for soldiers, the idea of collective financial protection spread to civilians, laying the groundwork for modern insurance. Over centuries, insurance practices expanded, from state-backed reimbursements for traders in 12th-century Anatolia to standalone maritime insurance in 14th-century Genoa. By the 17th century, London emerged as a global insurance hub, with Lloyd's of London formalizing marine and trading risk underwriting. The Great Fire of London in 1666 further catalyzed the industry, leading to the establishment of fire insurance companies. Despite these advancements, the industry faced significant challenges, including fraud, exorbitant premiums, and a lack of regulation, particularly during the early 20th-century insurance boom in the United States. The introduction of Social Security in 1935 and subsequent federal and state regulations helped stabilize the industry, but it continues to grapple with issues like consumer trust and adapting to evolving risks. Today, life insurance remains a cornerstone of financial planning, offering prospects for innovation in areas like digitalization, personalized policies, and addressing emerging risks such as climate change and pandemics. As the industry evolves, balancing historical lessons with future opportunities will be the key to its sustained relevance and growth. Since the growth of life insurance business has witnessed globally and domestically, then it become very important to study its challenges and prospects caused due to its environment. Business Environment is the collection of all internal and external factors that affects the business and decision of the company factors affecting the business are employees, customers need expectations, demand and supply, management, client government policies Technologies etc. Business Environment is classified into two components one is internal environment and another one is external environment. Internal Environment consists of factors exist within the company. These are Human resources, value system, vision & mission, labour union & corporate culture. External Environment includes those, outside factors that exert an influence on a business and it is

divided into two categories. One is micro environment and another is macro environment. Micro Environment is the sum of factors which are external to the business organization that exist in immediate surroundings of an organization. Micro environment factors are suppliers, competitors Marketing intermediaries, customers and public Macro Environment consists of all outside factors excluding micro environment factors. These factors are socio-cultural Environment, political, legal and Global factors fall into this category. Any business organization cannot operate its business in isolation. Since it operates in business environment (both internal and external environment), there are certain factors causing challenges and provides opportunity to grow, survive and earn money (Rao & Kumar, 2022)⁴. In conclusion, the business environment of the life insurance sector in India is shaped by a combination of regulatory, economic, technological, and competitive factors. While the industry has made significant strides in recent years, challenges such as low penetration and affordability remain. With the right strategies and regulatory support, the life insurance sector is poised for sustained growth, contributing to the financial security of millions of Indians. To highlight the challenges and future prospects of the life insurance industry specific questionnaire has been designed. This questionnaire is made with five point likert scale. Variables, that have been considered, are mentioned in the following table.

Research Variables		
S.No	Future Prospects	
	Independent	Dependent
1	Revenue	Future Prospects
2	Potential Customers	
3	Ease of doing Business	
4	Technology	
5	Industry Regulation	
6	Distribution Channel	
S.No	Challenges	
	Independent	Dependent
1	Competition	Challenges
2	Communication issues	
3	Uncertain Events	
4	Customer issues	
5	Employee issues	

By considering the above variables, data analysis has been performed. The data analysis was prepared by considering primary data that collected from the employees of public company (Life Insurance Corporation of India) and few private companies like Aditya Birla Sun Life, Canara HSBC, HDFC Standard, ICICI Prudential, Kotak Mahindra Life Insurance and SBI Life. Moreover, Primary data were gathered through a structured questionnaire to study different aspects of future prospects and challenges of Life insurance companies in India. Around 534 numbers of respondents were collected randomly from different stakeholders of Life insurance from both Public and Private Companies. Data were analyzed by both descriptive (Mean & SD) and inferential statistics such as Structural Equation Modeling (SEM).

5.1. Primary data analysis (N= 534) (267 + 267)

Survey has been conducted on the employees of both public and private life insurance companies. Out of total 534 respondents, 267 numbers of respondents were collected each from both public and private insurance companies. In the questionnaire various questions were asked like demographic related questions, challenges faced by the life insurance companies and future prospects related questions. After collecting the required data it has been summarized and sorted in the manner to explain its results. The demographic profiles of the respondents have been discussed in detail. Here, it includes gender, age, educational qualification, current employer, annual income and working experience of the respondents. Data relating to these questions have been discussed in detail by showing data in numbers and percentage in the following manner.

TABLE 5.1.1:

Demographic Profile of the respondents [N = Public (267) + Private (267)]

Particulars		Numbers		Percentage (%)	
		Public	Private	Public	Private
Gender	Male	142	128	53	48
	Female	125	139	47	52
Age	<=25	45	54	17	20
	26-35	69	69	26	26

	36-45	60	75	22	28
	>=45	93	69	35	26
Educational Qualification	Up to High School	-	-	-	-
	Intermediate	27	-	10	-
	Bachelors	106	128	40	48
	Masters	134	139	50	52
Current Employer	LICI	267	-	100	-
	Birla Sun Life	-	34	-	13
	HDFC Life	-	67	-	25
	ICICI Prulife	-	75	-	28
	SBI Life	-	62	-	23
	Canara HSBC	-	11	-	4
	Kotal Life	-	18	-	7
Working Experience (InYrs)	<= 2	42	60	16	22
	3 to 4	65	72	24	27
	5 to 6	86	82	32	31
	>=7	74	53	28	20
Position	Administration	123	97	46	36
	Sales	144	170	54	64
Annual Income (INR)	<= 3	44	52	16	19
	3 to 5	55	69	21	26
	5 to 7	44	41	16	15
	7 to 9	66	49	25	18
	9 to 11	34	43	13	16
	>= 11	24	13	9	5

Source: compiled from the primary data

5.1.1. Gender:

The survey has been conducted on upon both male and female employees of public and private life insurance companies. In gender of the respondent's majority of the respondents of public companies are male (53 per cent) where as in private sector it is female (52 per cent). Rest of the employees are female employees in public sector (47 per cent) and (48 per cent) in private companies. In case of private life insurance companies more than 50% employees are female but in case of public life insurance company more than 50% respondents were male. This same scenario can be understood properly in the following figure.

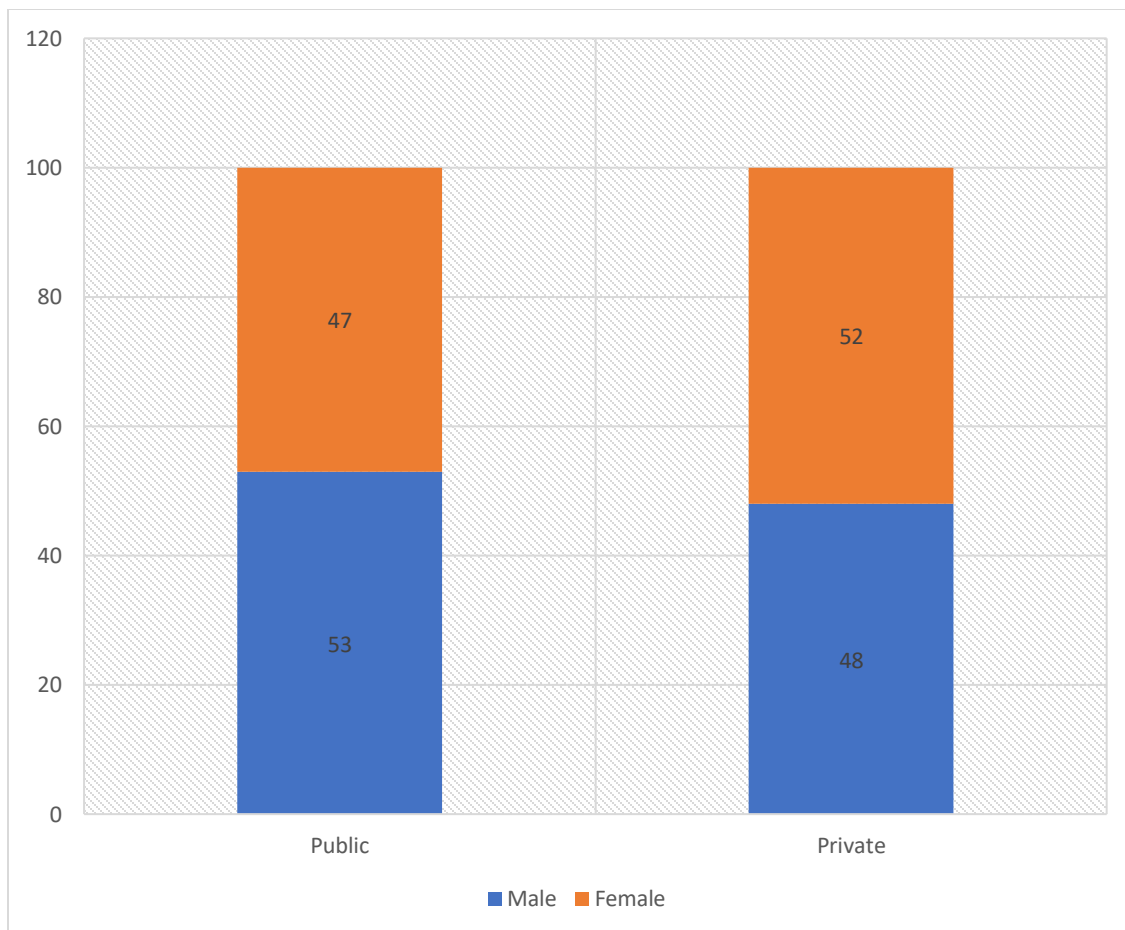


Fig.5.1.1: Gender of the respondents (267+267) of both public and private companies

5.1.2. Age:

In the questionnaire employees were categorized into for age groups; up to 25 years, 26 to 35 years, 36 to 45 years and above 45 years. In the age of the respondents/ employees, majority of the public companies' responses are belonging to more than 45 years (35 per cent) and then coming 26 to 35 years of age (26 per cent). In private sector, it is highest in 36 to 45 years of age (28 per cent) and then coming more than 45 years and 26 to 35 years (26 per cent). In private life insurance company has more young employees than public life insurance company and the same has been illustrated in the following diagram.

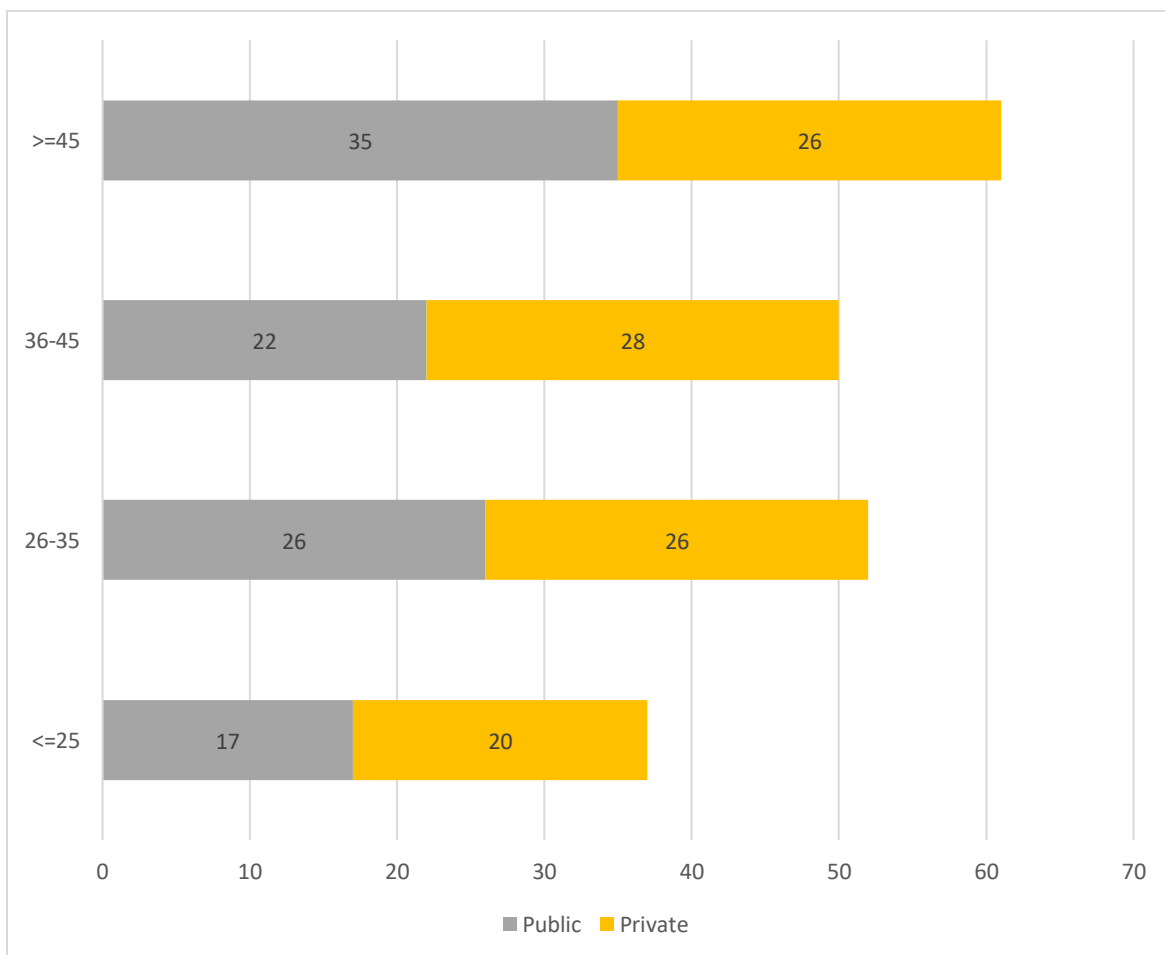


Fig.5.1.2: Age of the respondents

5.1.3. Educational Qualification:

Respondents's educational qualifications have classified into four categories; up to high school, Intermediate, Bachelors and Master. Regarding education qualification of the respondents, majority of the public companies are having master degree (50 per cent) and then coming having Bachelor's degree (40 per cent) and intermediate (10 per cent). In Private sector, similarly it is 52 per cent having Master's degree and rest 48 per cent having Bachelor's degree.

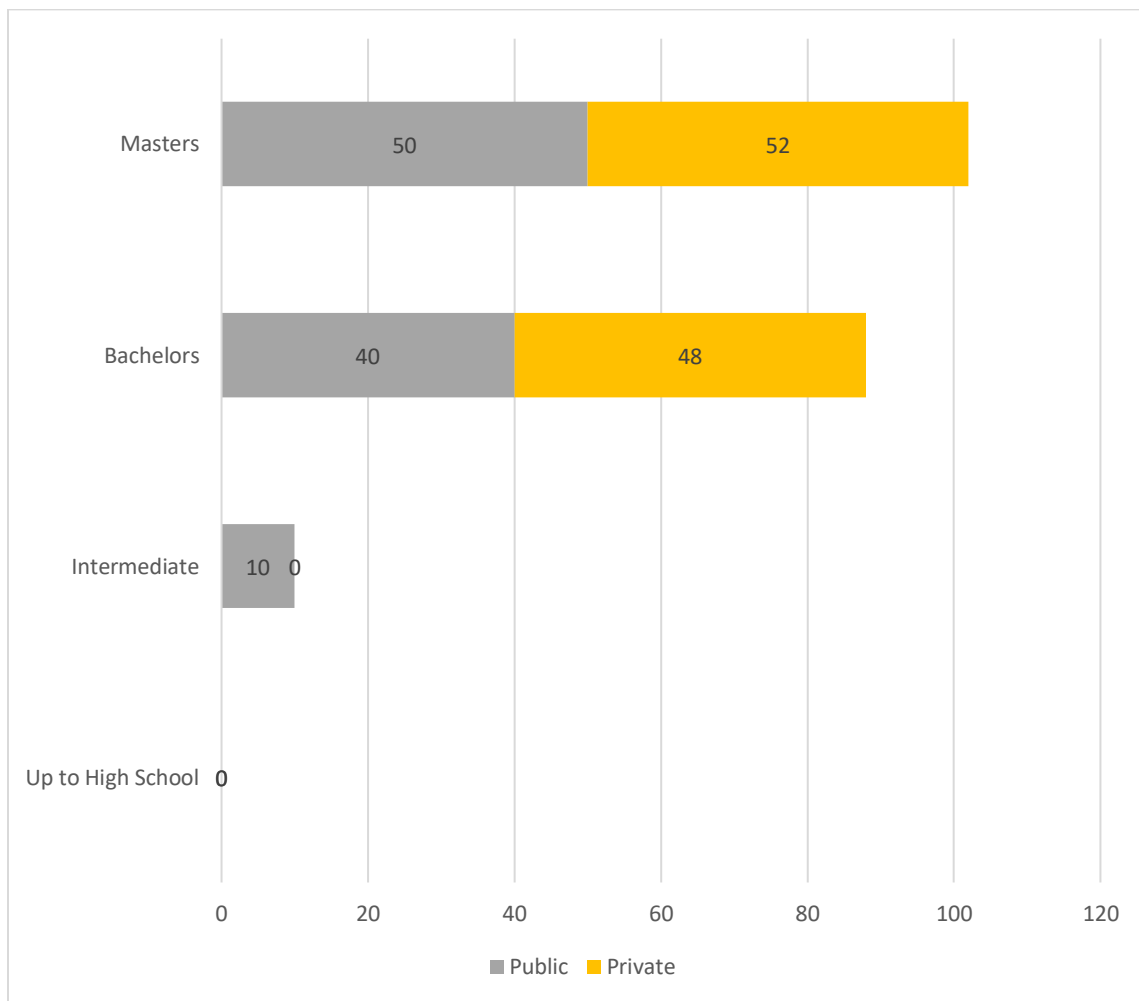


Fig.5.1.3: Education qualification of the respondents

5.1.4. Current Employers:

This survey has been conducted on the employees LIC, Birla Sunlife, HDFC life, ICICI Prulife, SBI Life, Canara HSBC and Kotak Life. Total responses were from 534 employees of both public and private life insurance companies. In current employer of the respondents, 267 (100 per cent) respondents are taken from Life Insurance Company (LIC) and from private companies, majority are belonged to ICICI Prolife (28 per cent) and then coming HDFC life (25 per cent). Few of the respondents are taken from Canara HSBC (4 per cent) and Kotak life (7 per cent).

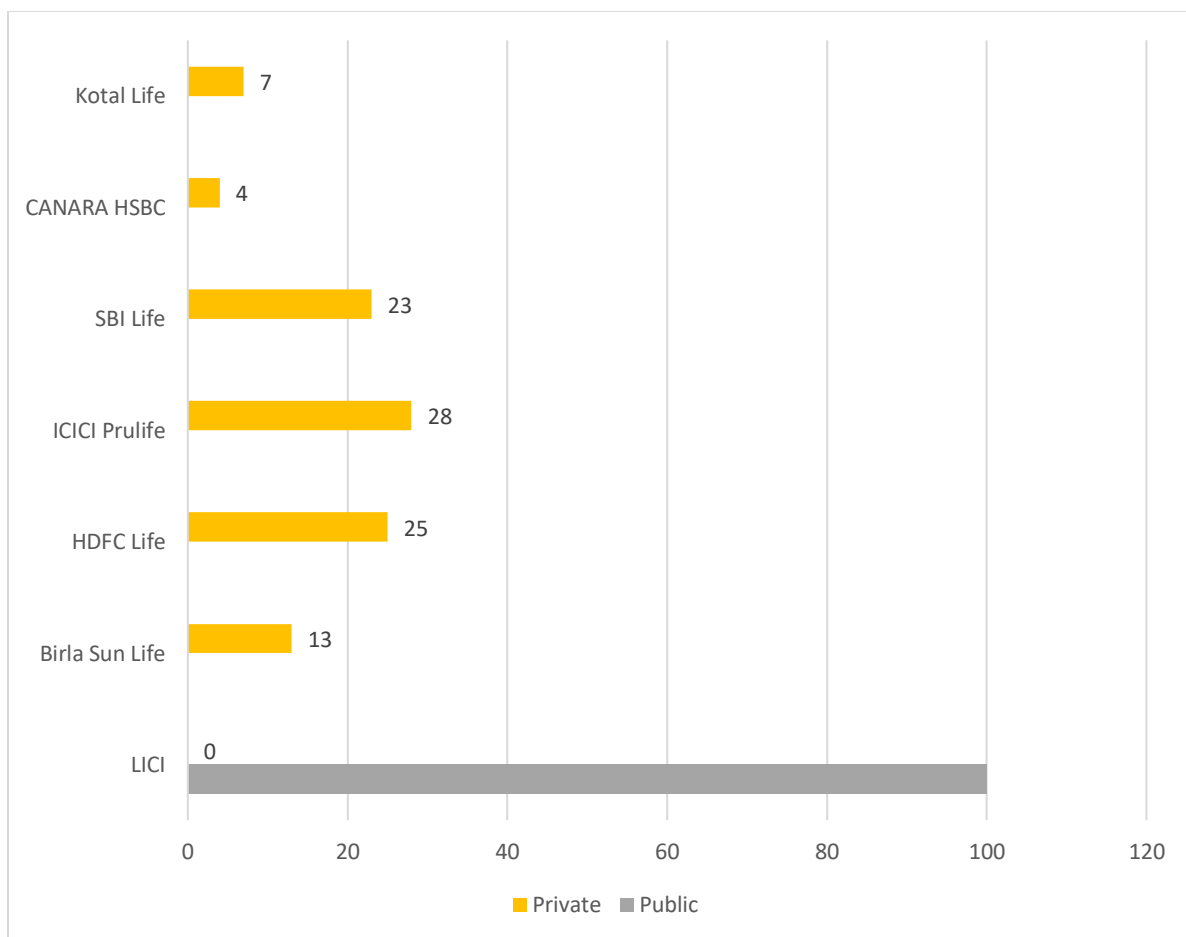


Fig.5.1.4: Current employer of the respondents (%)

5.1.5. Working Expenses

Regarding working experience of the employees, it is categorized into four different forms i.e. 2 years to more than 7 years. In public sector, majority of the employees having 5 to 6 years of experience (32 per cent) and then coming more than 7 years (28 per cent). Similarly in private sector majority are having 5 to 6 years (31 per cent) and then coming 3 to 4 years (27 per cent).

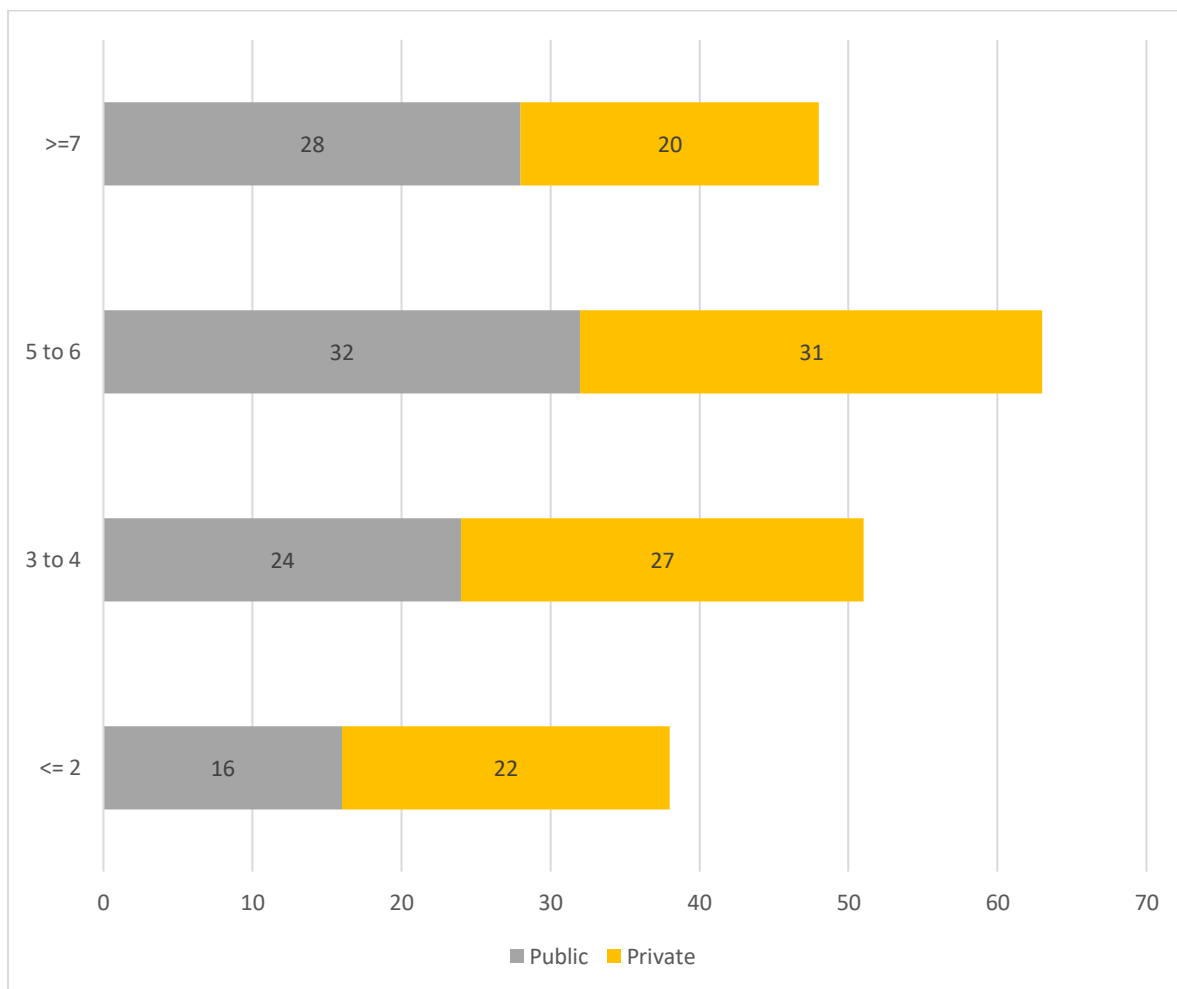


Fig.5.1.5: Working experience in years (%)

5.1.6. Position of the respondents:

From two different categories of employees were collected the responses they are administration and sales regarding future prospects and challenges. In Sales, majority of the sales personnel are private (64 per cent) and then coming in public (54 per cent). It is contradictory in administration, i.e. 46 per cent public sector and 36 per cent in private sector respectively.

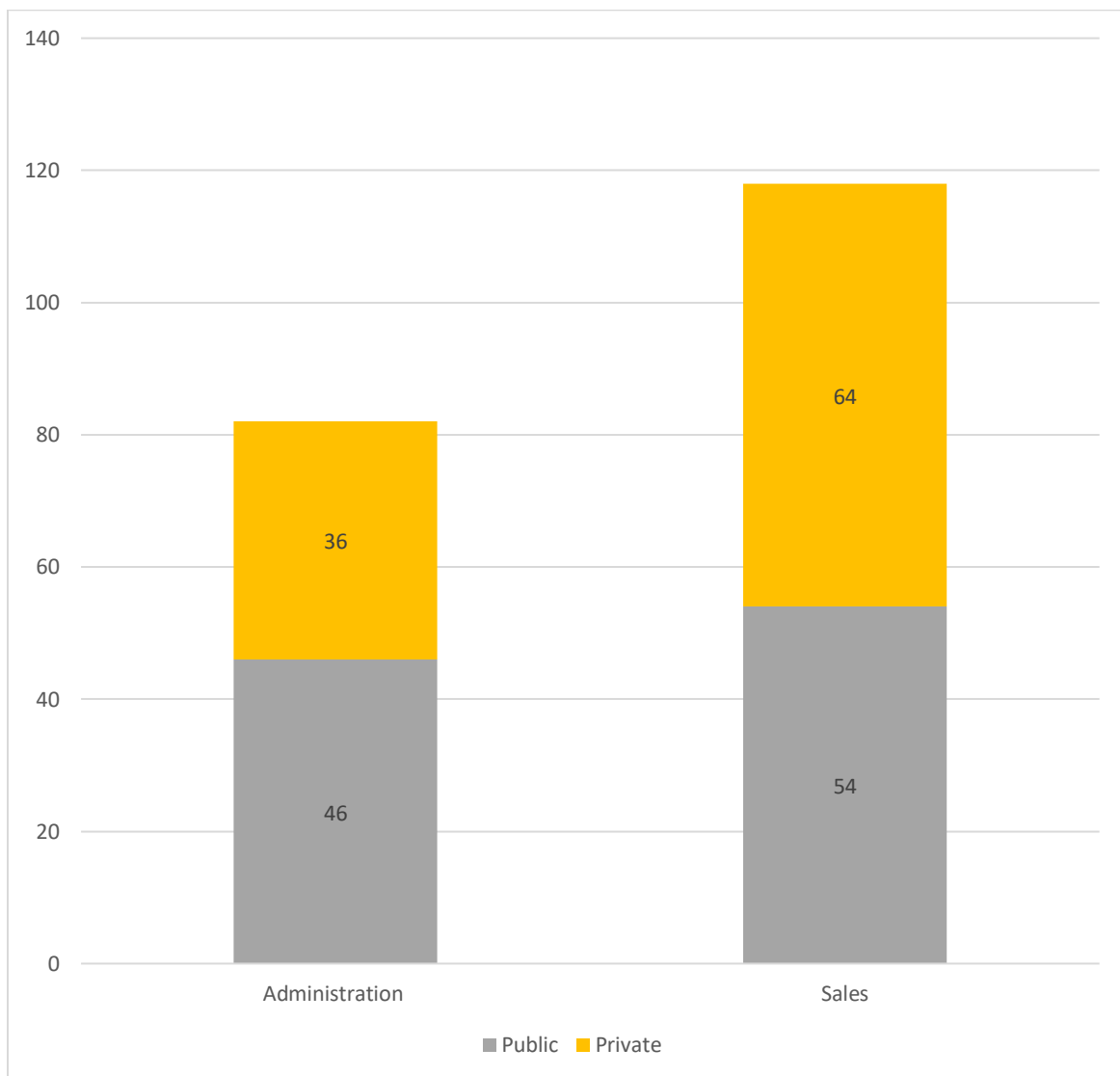


Fig.5.1.6: Position of the employees in different category (%)

5.1.7. Annual Income:

In annual income of the employees, majority of the public sector employees earning 7 to 9 lakh of rupees (25 per cent) and then coming 3 to 5 lakh of rupees (21 per cent). Similarly, in private sector, majority of the employees having income between 3 to 5 lakh rupees (26 per cent) and then coming less than 3 lakh (19 per cent). As a part of the survey, there was an observation over the pervade sector employees. As a result it was found that often male employees switch to other company frequently than female employees for the sake of salary hike. Most of the female employees continue to serve the company.

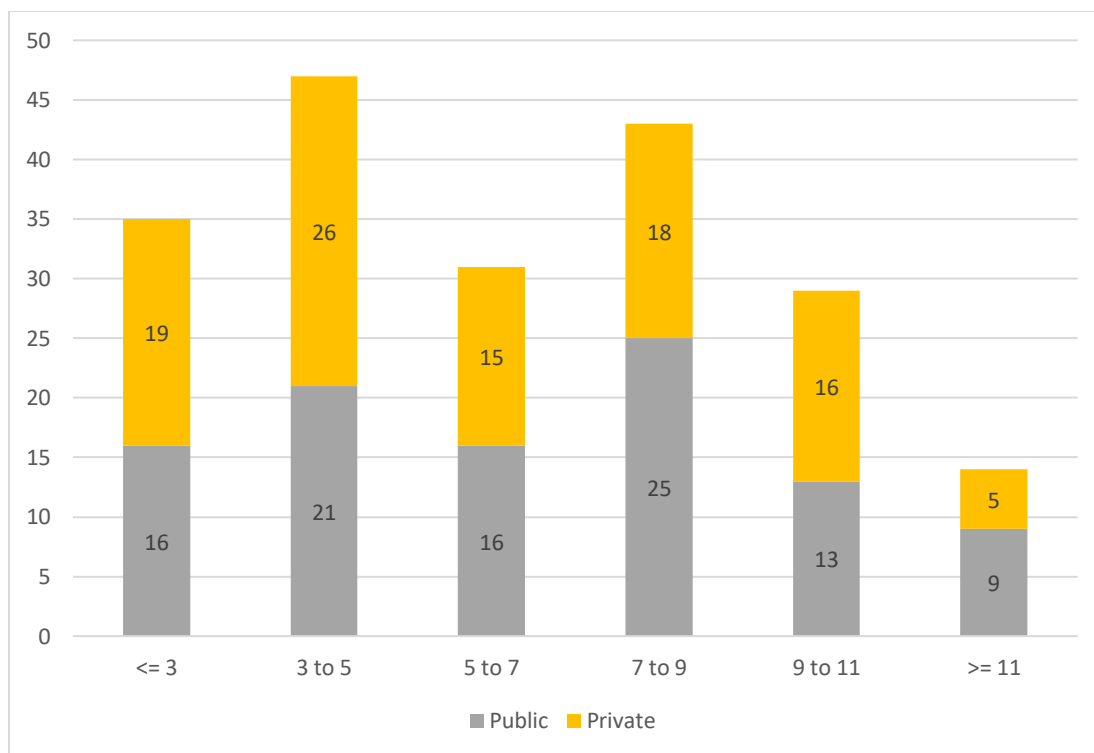


Fig.5.1.7: Annual Income of the Employees (%)

5.2. Future Prospects of Life Insurance Companies

This section of data analysis discussed about future prospects of life insurance companies. Future prospects were evaluated by different parameters such as in terms of revenue, potential customer, ease of doing business, technology, industry regulation and distribution

channel. Descriptive and reliability analysis of each the parameters/ attributes along with its associated statements were described as follows.

TABLE 5.2.1:

Statements, Descriptive and Reliability statistics of future prospects (N=534)

Future Prospects					
Dimensions	Code	Statements (indicators)	Mean	Std. Deviation	Cronbach's Alpha
Revenue	RE1	Sales revenue has increased over the period of time.	3.31	1.346	0.961
	RE2	Gain from the investments has increased in past few years	3.45	1.399	0.961
	RE3	Profit of the company has increased.	3.47	1.404	0.961
Potential Customer	PC1	Rural people are the potential customer.	4.03	1.072	0.961
	PC2	Youths have huge potential to become policyholder.	4.05	1.014	0.961
	PC3	Participation of women in insurance has increased.	4.04	1.017	0.961
Ease of Doing Business	ED1	Unnecessary complexities are getting eliminated by the government.	3.28	1.306	0.963
	ED2	Removal of complexities is saving money.	3.31	1.29	0.964
	ED3	The management of business affairs is becoming easier and very systematic.	3.27	1.289	0.964
Technology	TE1	Advanced technology is handling the complex data efficiently.	3.3	1.357	0.96
	TE2	AI powered automated software are saving money of the companies.	3.39	1.288	0.961
	TE3	Software are handling customers' queries and resolving their problems easily.	3.32	1.375	0.96
Industry Regulation	IR1	Frequent reforms have made industry regulation stronger.	3.19	1.275	0.961
	IR2	Stronger Industry regulation is eliminating malpractices, frauds, scams etc.	3.32	1.215	0.962
	IR3	Industry regulation is protecting the interests of both the customers and the companies	3.23	1.221	0.962
Distribution Channel	DC1	Sales executives are providing insurance services at the home of the customers.	3.35	1.32	0.961
	DC2	The insurance services through the electronic medium are getting popular.	3.33	1.41	0.96
	DC3	The customers visit branch offices situated at convenient locations.	3.33	1.348	0.961

Source: compiled from the primary data

The table provides an analysis of the future prospects of the life insurance sector, categorized into six dimensions: Revenue, Potential Customer, Ease of Doing Business, Technology, Industry Regulation, and Distribution Channel. Each dimension is measured by specific indicators, with their respective mean scores, standard deviations, and Cronbach's Alpha values, which help in understanding the trends, variability, and reliability of the data. Under the

Revenue dimension, the indicators (RE1, RE2, RE3) reflect growth in sales revenue, investment gains, and company profits. The mean scores range from 3.31 to 3.47, indicating moderate growth perceptions. The standard deviations (around 1.35 to 1.40) suggest some variability in responses, but the high Cronbach's Alpha value of 0.961 confirms the reliability of this dimension. The Potential Customer dimension highlights opportunities in rural areas, youth, and women. The indicators (PC1, PC2, PC3) have high mean scores (4.03 to 4.05), indicating strong agreement that these groups represent significant potential for the industry. The low standard deviations (around 1.01 to 1.07) suggest consistent responses, and the Cronbach's Alpha value of 0.961 reinforces the reliability of this dimension. For the Ease of Doing Business dimension, the indicators (ED1, ED2, ED3) focus on the elimination of unnecessary complexities, cost savings, and systematic management. The mean scores range from 3.27 to 3.31, indicating moderate agreement. The standard deviations (around 1.29) suggest some variability, but the Cronbach's Alpha values (0.963 to 0.964) confirm the reliability of this dimension. The Technology dimension includes indicators (TE1, TE2, TE3) that highlight the role of advanced technology, AI-powered software, and efficient customer query resolution. The mean scores range from 3.30 to 3.39, indicating moderate to high agreement. The standard deviations (around 1.29 to 1.38) suggest some variability, but the Cronbach's Alpha values (0.960 to 0.961) confirm the reliability of this dimension. Under the Industry Regulation dimension, the indicators (IR1, IR2, IR3) reflect stronger regulations, elimination of malpractices, and protection of customer and company interests. The mean scores range from 3.19 to 3.32, indicating moderate agreement. The standard deviations (around 1.22 to 1.28) suggest some variability, but the Cronbach's Alpha values (0.961 to 0.962) confirm the reliability of this dimension. Finally, the Distribution Channel dimension focuses on home services, electronic medium popularity, and convenient branch locations. The indicators (DC1, DC2, DC3) have mean scores ranging from 3.33 to 3.35, indicating moderate agreement. The standard deviations (around 1.32 to 1.41) suggest some variability, but the Cronbach's Alpha values (0.960 to 0.961) confirm the reliability of this dimension.

In summary, the data reveals that Potential Customer dimensions, particularly rural areas, youth, and women, are seen as the most promising future prospects, with high mean scores and consistent responses. Revenue and Technology dimensions also show positive trends, while Ease of Doing Business, Industry Regulation, and Distribution Channel dimensions indicate moderate

progress. The consistently high Cronbach's Alpha values across all dimensions (ranging from 0.960 to 0.964) confirm the reliability of the measurement scales, ensuring the credibility of the findings. These insights can help stakeholders in the life insurance sector strategize and capitalize on emerging opportunities for future growth.

TABLE 5.2.2:

Descriptive and Reliability Analysis of future prospects of parameters

Sl.	Parameters	Mean	Std. Deviation	Cronbach's Alpha
1	Revenue	3.41	1.383	0.961
2	Potential Customer	4.04	1.034	0.961
3	Ease of doing Business	3.29	1.295	0.964
4	Technology	3.34	1.34	0.960
5	Industry regulation	3.24	1.237	0.962
6	Distribution channel	3.34	1.359	0.961

Source: compiled from the primary data

Among all the parameters analyzed, the mean score of the parameter 'Potential Customer' is coming highest (4.04~Agree) which corresponds to the response category 'Agree' and then coming 'Revenue' (3.41). This reveals respondents perceive the presence and engagement of potential customers as the most significant factor influencing the future prospects of life insurance companies. Following this, the parameter 'Revenue' has a mean score of 3.41, reflecting a moderately positive perception but ranking lower in the importance compared to potential customer. This differentiation underscores the pivotal role that potential customers play in shaping the future outlook, as organizations appear to prioritize customer acquisition and retention as key drivers for sustained growth and development of both public and private sector life insurance companies.

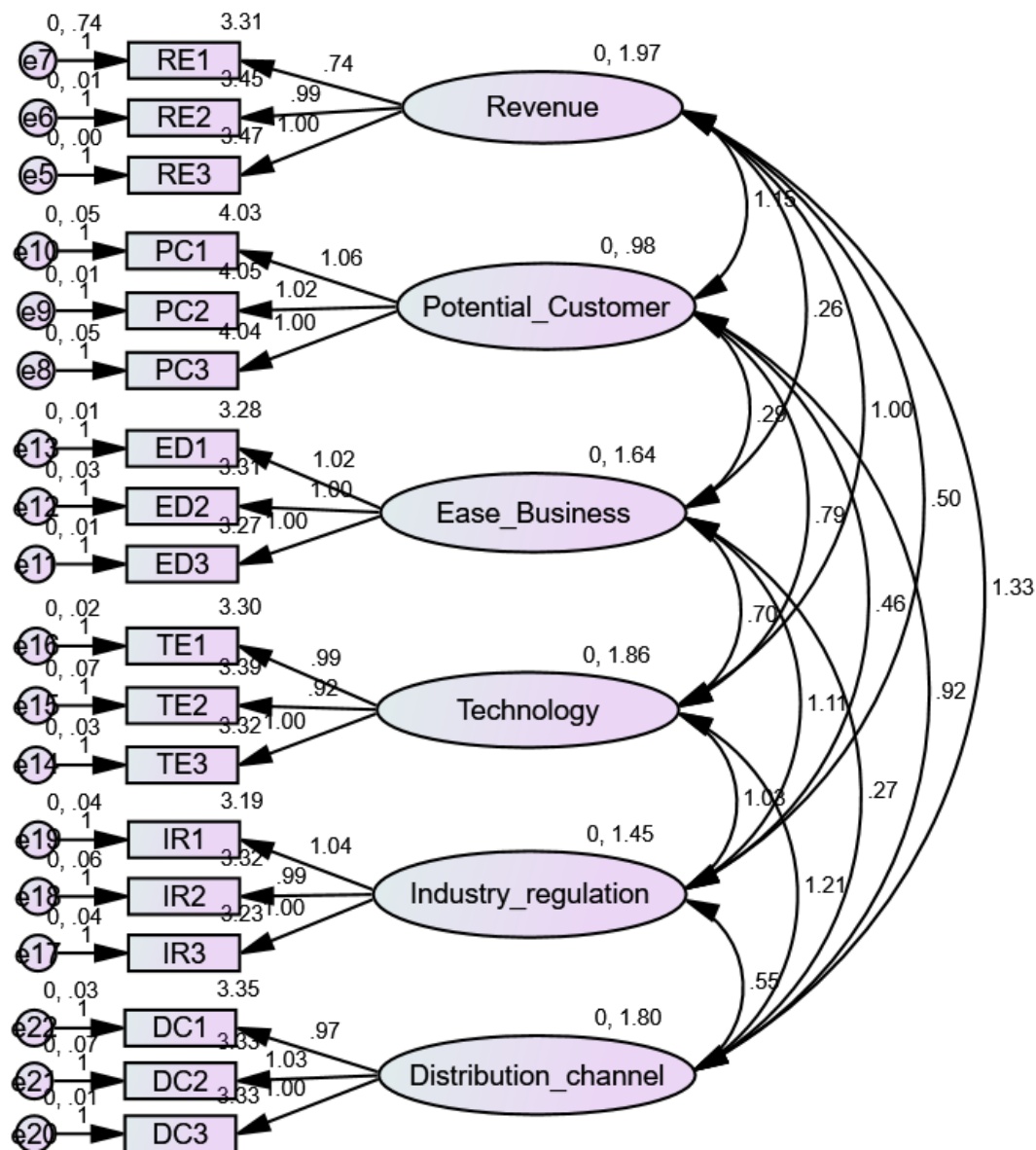


Fig.5.2.1: Covariance of future prospects of Life Insurance Companies

Covariance table in Structural Equation Modeling (SEM) represents the relationships between variable in terms of their covariance. It measures the degree to which two variables change together. Among the covariance coefficient, the covariance between ‘revenue’ and ‘distribution channel’ is coming positive and high (1.33) and then coming between ‘ease of businesses and ‘distribution channel’ (1.21). Covariance between revenue and technology is 1 and 1.11 between ease of doing business and industry regulation. All the covariance coefficients

are coming positive. This shows all are contributing positive towards future prospects of insurance. These relationships appear strong and significant. This represents, indicators of future prospects are conceptually and theoretically close.

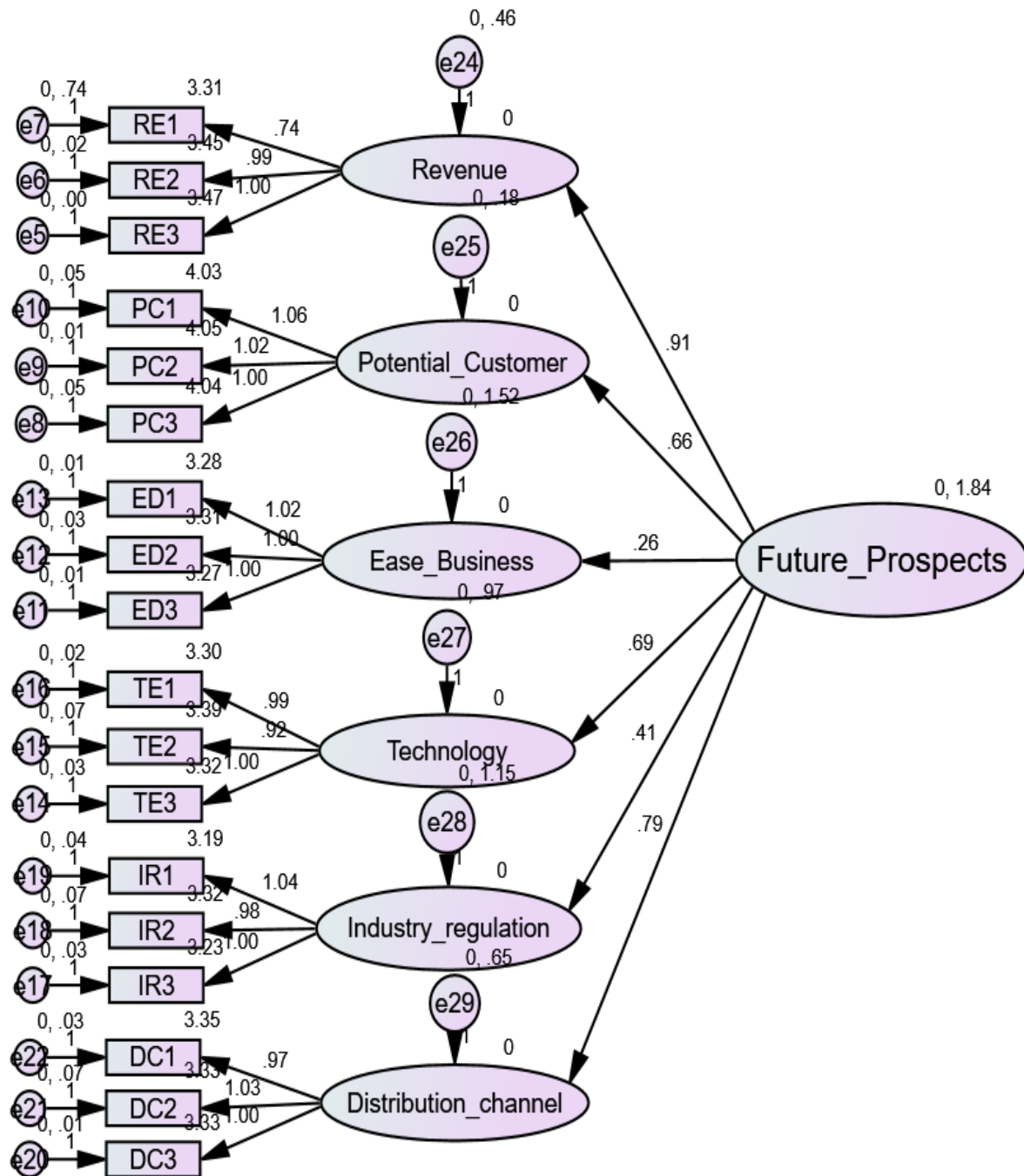


Fig.5.2.2: SEM of future prospects of insurance

TABLE 5.2.3:
Model fit Measures of SEM (Future prospects of Insurance)

Sl .	Fitness Indices	Test Indices	Result	Interpretation
		CMIN/ DF	5.205	
1	Absolute Fit Indices	Root Mean Square Error of Approximation (RMSEA)	0.064	Good fit
		Standardised Root Mean Square Residual (SRMR)	0.063	Good fit
		Goodness of Fit Index (GFI)	0.959	Good fit
2	Incremental Fit Indices	Comparative Fit Index (CFI)	0.955	Good fit
		Tucker-Lewis Index (TLI)	0.950	Good fit
		Normed Fit Index (NFI)	0.953	Good fit
3	Parsimony Fit Indices	Adjusted Goodness of Fit Index (AGFI)	0.956	Good fit
		Parsimony Normed Fit Index (PNFI)	0.957	Good fit
		Akaike Information Criterion (AIC)	0.953	Good fit

Source: results taken from the survey data

The results of the above table show the values of different indices to explain the overall fitness of the model regarding future prospects of Life Insurance companies in Indian economy. The overall fit of the model relies on at least one absolute index, one incremental fit indices, and chi-square (X^2) result (Kline, 2015).

Absolute Fit Measures

Under absolute fit indices i.e. RMSEA, SRMR, GFI, and CMIN/DF indexes are undertaken. In the model the value of RMSEA is 0.064. The SRMR value is 0.063. The GFI value in the model is 0.959 indicates a good fit. The value of CMIN/DF in this model is 5.205, which is considered as a good fit of the future prospects model. It indicates that the model is well fitted to the sample data (Kline, 2015).

Incremental Fit Measures

Under incremental fit indices, different indexes taken for this model are NFI, RFI, IFI, TLI, and CFI. The CFI value is 0.955 indicates a good fit of the model. The NFI and TLI value in this model is 0.953 and 0.950 respectively and it implies a good fit of the structural model. All the indices' values in this measure indicate that the structural model is good fit to a null model (Kline, 2015).

Parsimony Fit Measures

Under parsimony fit measures, four indexes are included i.e. AGFI, PNFI and AIC. The value of AGFI, PNFI and AIC is 0.956, 0.957, and 0.953 which are above the threshold value of ≥ 0.5 and suggests a good fit for the model. The index AGFI has a value of 0.956, which is considered as a good fit of the model. It indicates among the set of models this model is best fit for further analysis. All the indices actual values indicate that the model is a good fit (Kline, 2015).

TABLE 5.2.4:
Path coefficients of SEM (Future Prospects of Life Insurance Companies)

Particulars			Estimate	S.E.	C.R.	P Label
Revenue	<->	Future Prospects	0.905	0.141	6.42	***
Potential Customer	<->	Future Prospects	0.658	0.102	6.423	***
Ease Business	<->	Future Prospects	0.260			
Technology	<->	Future Prospects	0.694	0.111	6.228	***
Industry regulation	<->	Future Prospects	0.406	0.072	5.675	***
Distribution channel	<->	Future Prospects	0.791	0.124	6.357	***
RE3	<->	Revenue	1.000			
RE2	<->	Revenue	0.992	0.004	250.636	***

RE1	<->	Revenue	0.737	0.026	28.727	***
PC3	<->	Potential Customer	1.000			
PC2	<->	Potential Customer	1.018	0.011	92.137	***
PC1	<->	Potential Customer	1.057	0.014	74.899	***
ED3	<->	Ease Business	1.000			
ED2	<->	Ease Business	0.997	0.007	151.671	***
ED1	<->	Ease Business	1.016	0.005	213.018	***
TE3	<->	Technology	1.000			
TE2	<->	Technology	0.924	0.009	97.842	***
TE1	<->	Technology	0.989	0.007	145.174	***
IR3	<->	Industry regulation	1.000			
IR2	<->	Industry regulation	0.984	0.011	89.567	***
IR1	<->	Industry regulation	1.043	0.010	107.046	***
DC3	<->	Distribution channel	1.000			
DC2	<->	Distribution channel	1.031	0.009	119.697	***
DC1	<->	Distribution channel	0.972	0.006	153.481	***

Source: results computed from the survey data

In Structural Equation Modeling (SEM), path coefficients are crucial as they indicate both the strength and direction of relationships between latent variables or observed indicators within the model. These coefficients can be either standardized or unstandardized and are essential for interpreting the direct, indirect, and total effects present in the hypothesized structural relationships. A positive path coefficient signifies a positive relationship between the predictor

and outcome variables, suggesting that as the predictor increases, the outcome variable also tends to increase. Unstandardized coefficients specifically represent the expected change in the outcome variable for a one-unit increase in the predictor variable, while holding all other variables constant. These coefficients maintain the original measurement units of the variables, which enhances their practical interpretation within the context of the study's scales. According to the above structural equation modeling path coefficients of revenue, potential customers, Technology, Industry regulation & distribution channel are 0.90s, 0.658, 0.694, 0.4068 0.791 respectively. All variables in the path coefficient of SEM regarding future prospects of Life Insurance companies in India are statistically significant, as indicated by the significance value (p-value) of *** (0.000). The path coefficients are statistically significant at the 95% confidence level, confirming the relationships between the associated variables w.r.t to its construct (future prospects). This analysis reveals that all the eight associated variables/ statements of Behaviour of employees have a positive influence. There is a strong, statistically significant positive effect of each of these eight variables.

5.3. Challenges of Life Insurance (N=534)

This section of data analysis measures different challenges faced by life insurance companies. For the measurement of challenges, five different factors/ parameters are used for the measurement; the factors are competition, communication, uncertain events, customer and employee for the measurement of challenges of life insurance. Descriptive and reliability analysis of the parameters/ factors along with its associated statements were discussed as follows.

TABLE 5.3.1:

Statements, Descriptive (Mean & SD) and reliability analysis (Cronbach's Alpha) of the factors (challenges)

Challenges				
Dimensions	Code	Mean	Std. Deviation	Cronbach's Alpha
COMP1	Rivalry among the current players is increasing.	3.89	1.039	0.977

COMP2	A large numbers of similar policies and substitute plans are available.	3.91	1.062	0.977
COMP3	Many new companies are entering into market to compete with existing companies.	3.91	1.055	0.977
COMM1	Sometimes exchanges of words between the employees are creating communication problems.	3.18	1.339	0.983
COMM2	Sometimes communication gaps are creating misunderstandings within the office premises	3.34	1.357	0.979
UNEV1	Covid lock down barred the employees to meet the customers personally.	3.01	1.482	0.977
UNEV2	Policyholders failed to pay the premium due to job loss.	3	1.494	0.977
UNEV3	Sudden rise in the insurance claim witnessed.	3	1.515	0.977
CUST1	Sometimes persons having low income, struggle to pay premium.	3.46	1.384	0.975
CUST2	Trust issues of the customers create awkward situation.	3.51	1.359	0.975
CUST3	In some cases resolution of customer complaints.	3.52	1.374	0.975
EMPL1	Sometimes achieving the target become burden.	3.25	1.149	0.976
EMPL2	Internal politics affect them.	3.25	1.179	0.976
EMPL3	The salary you get is not sufficient as compared to work burden.	3.23	1.186	0.976

Source: compiled from the primary data

The table provides a detailed analysis of various dimensions of challenges faced by the life insurance sector, categorized under Competition, Communication, Uncertain Events, Customer, and Employee. Each dimension is measured by specific indicators, with their respective mean scores, standard deviations, and Cronbach's Alpha values, which help in understanding the significance, variability, and reliability of the data. Under the Competition dimension, the indicators (COMP1, COMP2, COMP3) highlight the increasing rivalry among existing players, the availability of similar policies and substitute plans, and the entry of new companies into the market. The mean scores for these indicators are consistently high (ranging from 3.89 to 3.91), indicating that competition is perceived as a significant challenge. The low standard deviations (around 1.05) suggest that respondents' opinions on this issue are relatively

consistent. The Cronbach's Alpha value of 0.977 confirms the high reliability of the measurement scale for this dimension. The Communication dimension includes two indicators (COMM1, COMM2) that focus on communication gaps and misunderstandings among employees. The mean scores for these indicators are 3.18 and 3.34, respectively, indicating moderate levels of concern. The higher standard deviations (1.339 and 1.357) suggest greater variability in respondents' perceptions. The Cronbach's Alpha values (0.983 and 0.979) demonstrate excellent internal consistency, reinforcing the reliability of the data. For the Uncertain Events dimension, the indicators (UNEV1, UNEV2, and UNEV3) reflect challenges such as the impact of COVID-19 lockdowns, policyholders' inability to pay premiums due to job loss, and a sudden rise in insurance claims. The mean scores for these indicators are uniformly low (3.00 to 3.01), suggesting that uncertain events are perceived as less significant compared to other challenges. However, the high standard deviations (ranging from 1.482 to 1.515) indicate considerable variability in responses. The Cronbach's Alpha value of 0.977 confirms the reliability of this dimension. The Customer dimension includes indicators (CUST1, CUST2, CUST3) that address issues such as low-income customers struggling to pay premiums, trust issues, and delays in resolving customer complaints. The mean scores for these indicators range from 3.46 to 3.52, indicating moderate to high levels of concern. The standard deviations (around 1.37) suggest some variability in responses, while the Cronbach's Alpha value of 0.975 confirms the reliability of the measurement scale. Finally, the Employee dimension focuses on challenges such as the burden of achieving targets, internal politics, and insufficient salary relative to workload. The mean scores for these indicators (EMPL1, EMPL2, EMPL3) range from 3.23 to 3.25, indicating moderate levels of concern. The standard deviations (around 1.17) suggest relatively consistent responses, and the Cronbach's Alpha value of 0.976 confirms the reliability of this dimension.

In summary, the data reveals that Competition is perceived as the most significant challenge, with high mean scores and consistent responses. Customer-related challenges also rank moderately high, while Uncertain Events are seen as less significant. The Communication** and Employee dimensions show moderate levels of concern, with some variability in responses. The consistently high Cronbach's Alpha values across all dimensions (ranging from 0.975 to 0.983) indicate that the measurement scales are highly reliable, ensuring the credibility of the

findings. These insights can help organizations in the life insurance sector prioritize and address the most pressing challenges effectively.

TABLE 5.3.2:

Descriptive and reliability analysis of the parameters (Challenges of Life Insurance companies)

Sl.	Parameters	Mean	Std. Deviation	Cronbach's Alpha
1	Competition	3.90	1.052	0.977
2	Communication	3.26	1.348	0.981
3	Uncertain Events	3.00	1.497	0.977
4	Customer	3.50	1.372	0.975
5	Employee	3.24	1.172	0.976

Source: compiled from the primary data

The combined mean score of the five factors/ constructs as presented in the above table, Out of the factors, the mean value of the factor ‘competition’ is coming highest (3.90). This finding suggests that, among the five influential factors of challenges, the factor ‘competition’ is perceived as the as the most significant or impactful challenge by the respondents. This is the major challenges for the all the companies. The result underscores the importance of competition as a critical concern for both public and private life insurance companies in India. This is trend for the organisations particularly Life insurance companies.

Following ‘Competition’, the factor ‘Customer’ emerges as the next most prominent challenge, highlighting the critical role of customer-related issues in operations and strategic considerations of life insurance companies. These findings reflect the competitive pressures and

customer-centric dynamics faced by the life insurance sector, which are the key determinants in shaping the industry's performance and priorities.

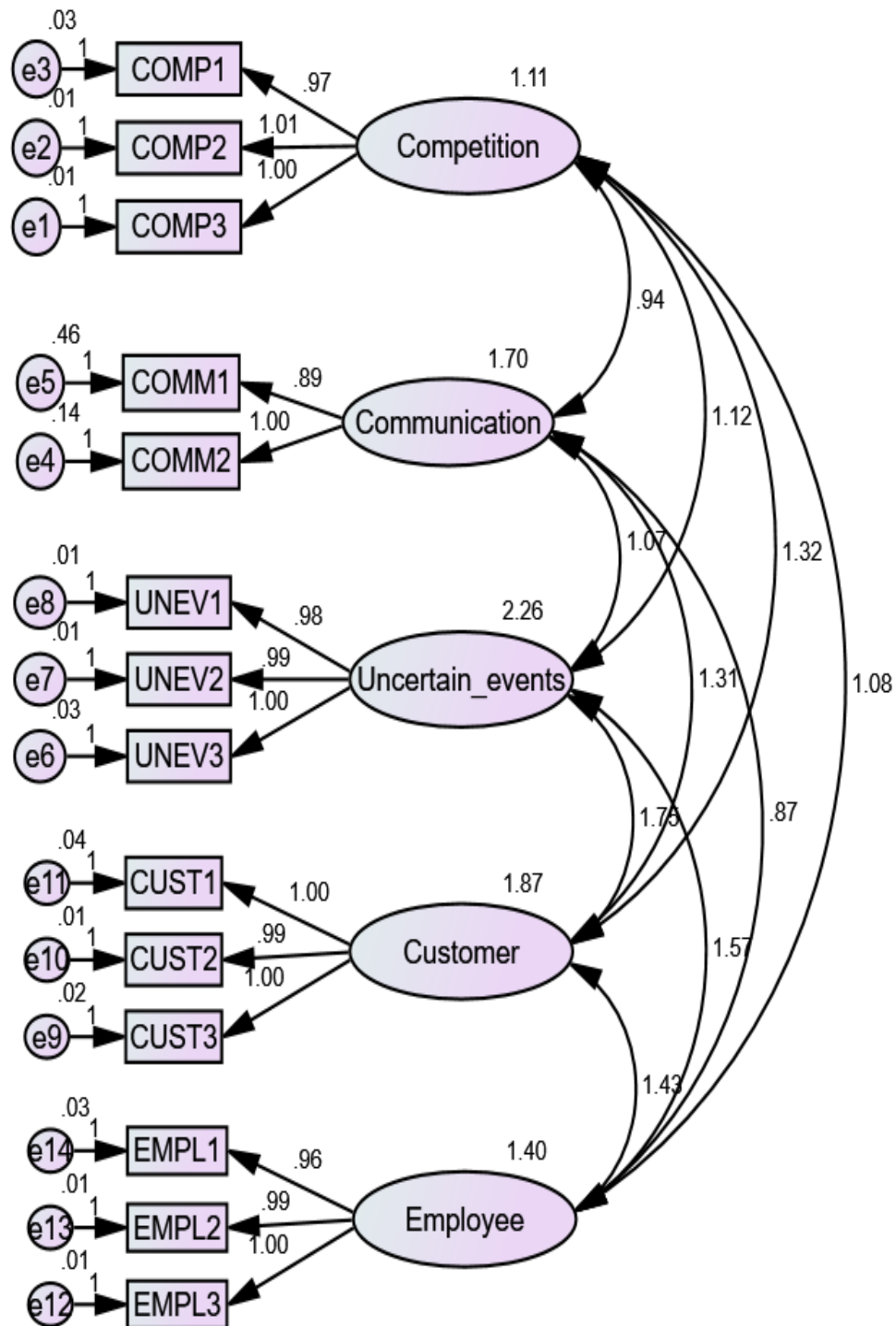


Fig 5.3.1: Covariance of Challenges Parameters

The Covariance table in Structural Equation Modeling (SEM) represents the relationships between constructs of challenges in terms of their covariance. It measures the degree to which two variables change together. Among the covariance coefficient, the covariance between uncertain events and customer is coming positive and high (1.75) and then coming between communication and customer (1.31), 1.43 between customer and employee and 1.08 in between competition and employees.

All the covariance coefficients are coming positive. This shows all are contributing positive towards future prospects of insurance. These relationships appear strong and significant. This represents, indicators of challenges are conceptually and theoretically close.

TABLE-5.3.3

Path coefficients of Covariance SEM (Challenges)

Particulars			Estimate	S.E.	C.R.	P Label
COMP3	<---	Competition	1.000			
COMP2	<---	Competition	1.006	0.005	209.091	***
COMP1	<---	Competition	0.973	0.008	123.226	***
COMM2	<---	Communication	1.000			
COMM1	<---	Communication	0.886	0.032	27.911	***
UNEV3	<---	Uncertain events	1.000			
UNEV2	<---	Uncertain events	0.990	0.005	189.540	***
UNEV1	<---	Uncertain events	0.981	0.006	178.396	***
CUST3	<---	Customer	1.000			
CUST2	<---	Customer	0.991	0.005	191.636	***
CUST1	<---	Customer	1.002	0.007	138.340	***

Particulars			Estimate	S.E.	C.R.	P Label
EMPL3	<---	Employee	1.000			
EMPL2	<---	Employee	0.991	0.005	193.223	***
EMPL1	<---	Employee	0.961	0.006	151.029	***

Source: results taken from the survey data

In Structural Equation Modeling (SEM), path coefficients are crucial as they indicate both the strength and direction of relationships between latent variables or observed indicators within the model. These coefficients can be either standardized or unstandardized and are essential for interpreting the direct, indirect, and total effects present in the hypothesized structural relationships. A positive path coefficient signifies a positive relationship between the predictor and outcome variables, suggesting that as the predictor increases, the outcome variable also tends to increase. Unstandardized coefficients specifically represent the expected change in the outcome variable for a one-unit increase in the predictor variable, while holding all other variables constant. These coefficients maintain the original measurement units of the variables, which enhances their practical interpretation within the context of the study's scales.

The table provided appears to represent the results of a structural equation modeling (SEM) analysis, which is a statistical technique used to examine relationships between observed and latent variables. In this context, the latent variable "Challenges" is hypothesized to influence five observed variables: Competition, Communication, Uncertain Events, Customer, and Employee. Each of these observed variables is further measured by specific indicators (e.g., COMP1, COMP2, COMP3 for Competition; COMM1, COMM2 for Communication, etc.). The table includes estimates, standard errors (S.E.), critical ratios (C.R.), and p-values (P Label) for the relationships between these variables. The Estimate column represents the strength and direction of the relationship between the variables. For example, the estimate of 0.323 for "Competition <- Challenges" indicates that a one-unit increase in the latent variable "Challenges" is associated with a 0.323-unit increase in the observed variable "Competition." Similarly, the estimate of 0.445 for "Customer <- Challenges" suggests a stronger influence of "Challenges" on

"Customer" compared to other variables. The Standard Error (S.E.) measures the precision of the estimate, with smaller values indicating greater reliability. The Critical Ratio (C.R.) is the ratio of the estimate to its standard error, and values greater than 1.96 (or less than -1.96) typically indicate statistical significance at the 0.05 level. The P Label column uses asterisks (***) to denote significance levels, with *** indicating a p-value of less than 0.001, which is highly significant. The relationships between the observed variables and their respective indicators (e.g., COMP1, COMP2, COMP3 for Competition) are also provided. For instance, the estimate of 1.006 for "COMP2 <- Competition" suggests that COMP2 is a strong indicator of the latent variable "Competition." The absence of standard errors and critical ratios for some relationships (e.g., "COMP3 <- Competition") indicates that these parameters were fixed to 1.000 during the model estimation process, serving as reference points for scaling the latent variables. Overall, the results suggest that the latent variable "Challenges" significantly influences the observed variables, with "Customer" being the most strongly affected (estimate = 0.445) and "Communication" the least (estimate = 0.323). The high critical ratios and significant p-values (***) indicate that these relationships are statistically robust. This analysis provides valuable insights into how various challenges impact different aspects of the business environment, such as competition, communication, uncertain events, customer relations, and employee dynamics. Such findings can inform strategic decision-making and help organizations address these challenges effectively. All variables in the path coefficient of SEM regarding future prospects of Life Insurance companies in India are statistically significant, as indicated by the significance value (p-value) of *** (0.000). The path coefficients are statistically significant at the 95% confidence level, confirming the relationships between the associated variables w.r.t to its construct (challenges). This analysis reveals that all the eight associated variables/ statements of Behaviour of employees have a positive influence. There is a strong, statistically significant positive effect of each of these variables. Thus it can be concluded that cut throat competition, communication problems, customers' issues and employee's problems are the main challenges but for uncertain events responses were neutral.

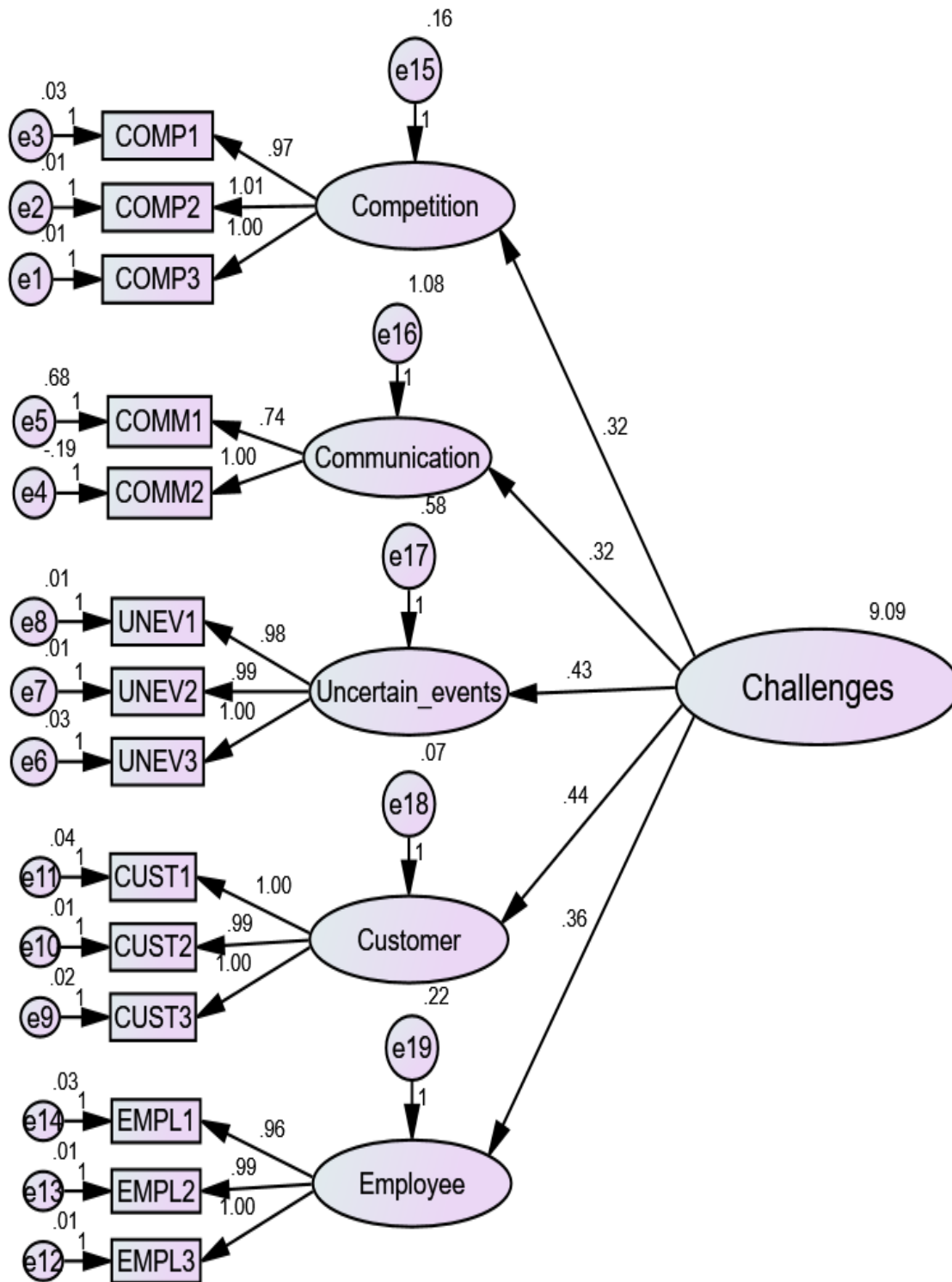


Fig.5.3.2: SEM of Challenges of Life Insurance Companies

TABLE 5.3.4:

Model fit Measures of SEM (Challenges of Life Insurance Companies)

Sl .	Fitness Indices	Test Indices	Result	Interpretation
1	Absolute Fit Indices	CMIN/ DF	4.352	
		Root Mean Square Error of Approximation (RMSEA)	0.055	Good fit
		Standardised Root Mean Square Residual (SRMR)	0.073	Good fit
		Goodness of Fit Index (GFI)	0.952	Good fit
2	Incremental Fit Indices	Comparative Fit Index (CFI)	0.954	Good fit
		Tucker-Lewis Index (TLI)	0.961	Good fit
		Normed Fit Index (NFI)	0.958	Good fit
3	Parsimony Fit Indices	Adjusted Goodness of Fit Index (AGFI)	0.960	Good fit
		Parsimony Normed Fit Index (PNFI)	0.956	Good fit
		Akaike Information Criterion (AIC)	0.955	Good fit

Source: results taken from the survey data

The above results show different fitness indices of SEM regarding challenges of Life Insurance companies of both public and private sector. The overall fit of the model relies on absolute index, incremental fit indices, and chi-square (X^2) result (Kline, 2015). The different results of the above indices are illustrated as follows:

Absolute Fit Measures

In absolute fit indices the values of RMSEA, SRMR, GFI, and CMIN/DF indexes are undertaken. In the model the value of RMSEA is 0.055. The SRMR value is 0.073. The GFI value in the model is 0.952 indicates a good fit. The value of CMIN/DF in this model is 4.352, which is considered as a good fit of the future prospects model. It indicates that the model is well fitted to the sample data (Kline, 2015).

Incremental Fit Measures

In incremental fit indices, different indexes considered are NFI, RFI, IFI, TLI, and CFI. The CFI value is 0.954 indicates a good fit of the model. The NFI and TLI value in this model is 0.958 and 0.961 respectively and it implies a good fit of the structural model. All the indices' values in this measure indicate that the structural model is good fit to the model (Kline, 2015).

Parsimony Fit Measures

Under parsimony fit measures, four indexes are included i.e. AGFI, PNFI and AIC. The value of AGFI, PNFI and AIC is 0.960, 0.956, and 0.955 which are above the threshold value of ≥ 0.5 and suggests a good fit for the model. The index AGFI has a value of 0.960, which is considered as a good fit of the model. This shows, model is best fit for further analysis (Kline, 2015).

All the indices actual values indicate that the model is a good fit.

TABLE 5.3.5

Path coefficients of SEM (Challenges of Life Insurance Companies)

Particulars			Estimate	S.E.	C.R.	P Label
Competition	<->	Challenges	0.323	0.01	32.32	***
Communication	<->	Challenges	0.323	0.016	20.67	***
Uncertain events	<->	Challenges	0.430			
Customer	<->	Challenges	0.445	0.012	36.4	***
Employee	<->	Challenges	0.360	0.011	31.585	***
COMP3	<->	Competition	1.000			
COMP2	<->	Competition	1.006	0.005	209.576	***
COMP1	<->	Competition	0.972	0.008	122.942	***
COMM2	<->	Communication	1.000			
COMM1	<->	Communication	0.739	0.033	22.39	***
UNEV3	<->	Uncertainevents	1.000			
UNEV2	<->	Uncertainevents	0.990	0.005	191.078	***
UNEV1	<->	Uncertainevents	0.981	0.006	176.429	***

CUST3	<->	Customer	1.000			
CUST2	<->	Customer	0.992	0.005	191.83	***
CUST1	<->	Customer	1.002	0.007	136.923	***
EMPL3	<->	Employee	1.000			
EMPL2	<->	Employee	0.991	0.005	194.691	***
EMPL1	<->	Employee	0.961	0.006	150.651	***

Source: results computed from the survey data

The table presents a structural equation modeling (SEM) analysis, which examines the relationships between various latent constructs (Competition, Communication, Uncertain Events, Customer, and Employee) and their respective observed indicators (COMP1-3, COMM1-2, UNEV1-3, CUST1-3, EMPL1-3). The estimates represent the strength of the relationships, with higher values indicating stronger associations. The standard errors (S.E.) provide a measure of precision for these estimates, while the critical ratio (C.R.) tests the significance of the relationships, with values above 1.96 typically indicating statistical significance at the 0.05 level. The "P Label" of *** further confirms the high significance of these relationships.

The results show that all constructs are strongly linked to their respective indicators, as evidenced by the high estimates and significant critical ratios. For instance, Competition is strongly associated with its indicators (COMP1, COMP2, COMP3), with estimates close to 1.000 and critical ratios exceeding 120, indicating robust relationships. Similarly, Communication, Uncertain Events, Customer, and Employee constructs demonstrate strong and significant relationships with their indicators, as seen in the high estimates and critical ratios. The constructs are also interconnected with the "Challenges" variable, with Customer showing the strongest relationship (estimate = 0.445, C.R. = 36.4), followed by Uncertain Events (estimate = 0.430), Employee (estimate = 0.360, C.R. = 31.585), and Competition and Communication (both with estimates = 0.323 and C.R. = 32.32 and 20.67, respectively). These findings suggest that challenges faced by the organization are significantly influenced by factors related to customers, uncertain events, employees, competition, and communication, with customer-related factors having the most substantial impact. Overall, the model demonstrates strong validity and reliability, with all relationships being statistically significant and theoretically meaningful.

Both public and private life insurance companies are expecting to gain more market because they see the rural population youth and women are the potential customer for them. From the past records of the life insurance companies they are running profitability their sales revenue investment income and profitability have increased over the period of time so they are expecting that revenue will continue to increase. Nowadays artificial intelligence and advanced Technologies are getting more importance by integrating them in the business process as a result of this they are handling Complex data efficiently and providing good customer experience by resolving their issues. At the mean while they are saving money for the companies because the involvement of Manpower has been reduced. Over the period of time government is taking steps to remove unnecessary complexities and two eliminate malpractice, fraud or scams in the life insurance industry and trying to protect the interest of both customers and the companies that is why life insurance companies have hope of better industry regulation in the coming days. Every life insurance companies are trying to expand their customer base market and their presence so for that they are expanding their distribution channels they are sending their sales executive to the customers home so that they can provide necessary services at the those step from this they are focusing on online selling platforms to sale their products at the same time they are opening their offices in different locations so that customers can visit there easily. The ease of doing business is increasing and unnecessary complexities are getting eliminated still it does not have that much significant role in the future prospects of life insurance business. Life insurance companies are facing challenges due to competition. In the life insurance industry arrival Re among the existing players have increased as a result there are various similar and substitute policies and investment options are available and many new companies are entering into the market so this kind of happenings in the life insurance industry is creating too much challenge for the companies. Sometimes communication gap among the employees and word of exchange between them create awkward situation and managing them becomes very difficult task for the authorities even it may cause waste of time and waste of money for the company. Often it is observed that policy holders with low income struggle to pay their premium at the same time trust issues and delay in resolution of complain create problem for the life insurance companies. Sometimes employees fail to achieve their target and face huge work burden with low salary

internal politics also affect of performance of the employees these factors are also responsible for creating challenges for the life insurance companies.

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CHAPTER-VI
SUMMARY AND CONCLUSION

The study, “A Comparative Study of Performance of Public and Private life insurance companies” undertaken by the researcher with the objectives of reviewing the present scenario of life insurance business, evaluation and comparing the operational and private life insurance companies and identifying the challenges and prospects of public and private life insurance companies. For conducting the study LIC, Birla Sunlife, HDFC Life, ICICI Prudential, SBI Life, CANARA HSBC and Kotal Life have been taken as the sample. Analysis has been made of both secondary and primary data relating the current scenario, operation of life insurance business and financial performance. Secondary data have been collected from various publications of annual reports of the sampled life insurance companies, IRDA reports, IRDA guidelines and handbooks. Primary data have collected using questionnaire containing questions relating to customers; policies, services, grievances system and satisfaction and employees; tenure, benefits and satisfaction. Analysis has been done using various accounting and statistical techniques such as Sum, Average, Compound Annual Growth Rate, Descriptive statistics, ANOVA and Mann-Whitney Rank test. Analyzing and interpreting the results found by applying the accounting and statistical techniques, research has prepared report which consists of 6 chapters. Everything has been described in detailed way about each aspect and dimension in each chapter. For operational performance source of income; Premium collection and Investment income and application of revenue; customer benefit and employee benefit have been considered. For financial performance CAMEL model has been used. CAMEL consists of Capital Adequacy, Asset Quality, Reinsurance and Actuarial issues, Management Soundness, Earnings and Profitability and Liquidity. This model comprises 32 indicators to determine the financial position of life insurance companies. This model has been developed by International Monetary Fund so as to have surveillance over the insurance business all over the world. Some of the major findings from the detailed analysis of data have been summarized in the following Manner.

6.1. Present Scenario

Present scenario of life insurance business has been discussed in detail in the context of world and India in the Chapter II. With the time various developments happen in the life insurance industry, these development has been mentioned in the report but some important facts

have been found while reviewing the present scenario of life insurance business in India and these are listed in the following manner.

1. **Position of India in Insurance Business in the world:** Ranking at India in insurance business was 11th in the world despite of being most populous country in this world.
2. **Market Penetration and density:** market penetration was 3.76% in the year 2019-20; it increased to 4.20% in 2020-21. It recorded growth at the rate of 11.70% still life insurance penetration is very less despite of tremendous growth of 13.48%. Life Insurance business increased from 2.82% in 2019-20 to 3.20% in 2020-21. Life Insurance density has increased from USD 58 during 2019-20 to USD 59 during 2020-21.
3. **Coverage of Geographical Area:** LIC of India has offices in 688 districts out of 750 districts in the country, covering 92 per cent of all districts in the country, whereas the private sector insurers have offices in 596 districts covering 79 per cent of all districts in the country.
4. **Concentration of Business:** 77% of business of private life insurance companies is concentrated in tier-1 cities, while public life insurance company is operating in different cities and its business is not concentrated in one particular kinds of cities.
5. **Current Life Insurance companies:** Total Numbers of Life Insurance companies are 22 previously it was 24 life insurance companies from 14th October 2023 Exide Life Insurance Company has been merged with HDFC Life Insurance Company and Sahara India has transferred its whole business to SBI Life. So there are 21 private life insurance companies are active while there is only one public company, LIC.
6. **Market Share:** in the year 2022, LIC has sold 217.95 Lakhs policies while altogether private life insurance companies have sold only 73.94 lakhs. In terms of percentage market share of LIC is 74.67% while private companies have rest 25.33% of market share. Despite of tough competition LIC is still dominating the market.

7. **Profit and Loss:** Public life insurance company has earning PAT of Rs. 4043 crores in the year 2022 against Rs. 2689 Crores in the year 2019. In case of private life insurance companies PAT is of Rs. 3708 crores in the year 2022 against of Rs. 5747 crores in the year 2019. Out of the 24 life insurers in operation during 2021-22, 15 companies reported profits. LIC reported increase in profits by 39.39 per cent while private insurers together reported a loss of 35.62 per cent in 2021-22.
8. **Women Participation:** 6,99,429 women are in the life insurance industry, making it 29 per cent of the total individual agency force as at March 31, 2022. Out of the total number of women agents, the share of private life insurers is 52 per cent and LIC is 48 per cent. Among the private life insurers, Max Life Insurance Co. Ltd. has the highest percentage of women agents at 42.5 per cent followed by Ageas Federal Life Insurance Co. Ltd. at 42.4 per cent.
9. **Diversified Business Activities:** LIC has the biggest life insurance company it has not kept itself limited to life insurance business only it has expanded its business into different sectors through various companies; LIC mutual fund limited, LIC housing finance limited, LIC Mutual fund Asset Management Limited and LIC HFL Asset Management Company Limited. Private life insurance companies are also diversifying their business into credit card business, mutual funds, housing finance business etc.
10. **Dominance of LICI:** LICI is the only company which sells highest numbers of policies in the industry but its growth is almost stagnant. Sales of the Policies of private life insurance companies are increasing rapidly over the period of time that indicates the huge potential of them.
11. **Best and poor performing states:** Maharashtra is the only state in which highest numbers of life insurance policies are being sold while in Andaman and Nicobar Island least numbers of policies are being sold.

12. **Urban-Rural Division:** in the urban areas costly policies are being sold in large numbers while in the rural areas relatively cheaper policies are getting sold in large numbers. So there is huge potential in rural areas.
13. **Safe investments:** life insurance companies are investing more in government securities instead of risky assets. Over the period of time the risky investments are declining. It indicates that policyholder's money is safe in the hands of life insurance companies.
14. **Factors Affecting Insurance Business:** Various macro economic factors such as Covid-19 virus outbreak, Gross Domestic Product, Monetary Policies, Inflation and multiple stock market crash have affected life insurance business badly.
15. **Customer retention:** over the period of time LIC has improved its customer retention capabilities by reducing the numbers of lapsed policies. But private life insurance companies are struggling in this case as there is a spike in numbers of policies lapsed. It can be understood that LIC is still enjoying the trust of its policyholders.
16. **Cut throat competition:** Since LIC is the largest life insurance company in the country; still it has very strong dominance in the industry. It is also facing tough competition from the private sector life insurance companies and they are also growing rapidly. In future also it will continue because many new companies are entering into the market with best value for money and innovative products.
17. **Technological advancement:** Artificial intelligence is getting more popular and even agents are getting equipped with new age computing devices so that they can provide necessary services to its customers. Even life insurance companies are integrating advanced software to keep the records of the data relating to its customers.

6.2. Operational Performance

Operational performance has been evaluated and compared in detail in the Chapter III. To evaluate the operational performance various tools like Operating Expenses Ratio, Expenses Ratio and Commissions Ratios have been used. As a result of the analysis it is found that;

1. Private life insurance companies are more efficient in operating their business than the public life insurance company. But they are spending a lot of money for legal issues but spending less money in administration of the business.
2. Public life insurance company is less efficient in managing both operating and administration expenses. Since LIC has the largest network of outlets and employees, to maintain them it spends huge amounts of money for running its business.
3. Public life insurance company is mostly dependent on its agents for selling and collecting premium on the other hand private life insurance companies are not too much dependent on their agents. Too much dependency on agents may not be very good in the covid like situations in which person to person contacts are prohibited.
4. Private life insurance companies appoint agents for limited period of time which is not permanent like LIC agent. They appoint for either one year or two years as per the requirements, which helps them to control the employee expenses properly. Also they appoint sales executives who get fixed salary and incentives on achieving the targets. Salary of a sales executive is very less than the salary of an employee of LIC.
5. Since the sales executive job is not permanent, they also keep changing companies frequently for their salary hike and promotion. So, private life insurance companies hire female staff members. They stay for the longer period of time and do not leave the organisation frequently. No need to spend more money in training of new sales persons frequently.
6. Private organisations take properties on rent for their offices instead of construction of office complex. They also keep less numbers of employees but they are very efficient to manage their business nicely.

7. Operational performance of private life insurance companies have significantly better than public life insurance company. Because private life insurance companies have controlled their expenses successfully.

6.3. Financial Performance

Financial performance has been evaluated using certain ratios like Survival ratio, investment income ratio, return on equity ratio and liquid assets ratios and financial performance of public and private life insurance companies have been compared. Detailed reporting has been made in Chapter IV. Some important facts have been found and summarized in the following manner.

1. Survival ratios of the private life insurance companies have increased over the period of time, while public life insurance company has low and stable survival ratio. Private life insurance companies have increased their safety against the risk over the period of time.
2. A stable and higher investment ratio of Public Sector Company indicates that it is earning higher and stable investment income than private life insurance companies. On the other hand investment policy of the private life insurance a company is very aggressive to earn more investment income also sometimes incur loss.
3. Public Life Insurance Company has highest amounts of investments in the industry, because a financial resource of LICI is highest in the whole industry. It is possible only due to biggest customer base and largest agents network. Public life insurance company collects highest amount s of premium in the industry; it is only due to operation in largest scale. It has the highest reach than any private life insurance company.
4. Always Public life insurance company was not much profit oriented like any private life insurance company. Private life insurance companies have been profit oriented from the beginning. But after being listed in the stock market LICI is becoming more profit oriented than before. This kind of shift is only due to provide good return of their investors. On the other hand profitability of the private life insurance company is declining. Still the profitability of private life insurance company is still significantly

better than public life insurance company because they have managed their administration expenses successfully than public life insurance company.

5. The growth rate of total premium collection of the Private life insurance companies are much higher than the growth rate of public life insurance company, so it indicates their capacity to grow rapidly and to compete with LIC.
6. Public life insurance company has huge reserve of liquid assets to meet short term liabilities; on the other hand it is very low in the case of private sector companies. Over the period of time holding the liquid assets have increased, so it can be said both public and Private Sector Company have strong liquidity position.
7. Financially both public and private sector life insurance companies are sound and strong. Though the public sector company is more financially efficient than the private sector companies, still that difference is not very significant.

6.4. Challenges and Prospects

Every business organization can't operate in isolation. Since it operates within the business Environment so Environmental factors may pose challenges and creates opportunities for the life insurance companies challenges faced by both public and private life insurance companies are.

6.4.1. Challenges

1. Life insurance companies are facing huge challenges due to cut throat competition and customer related issues. Apart from this communication problems and employee related problems are posing challenges to life insurance companies moderately.
2. **Competition:** the cut throat competition (Rivalry) between the life insurance companies have increased significantly in past few years. Various similar and substitute products are available for the customers and many new companies have entered into the market. Due to these reasons the degree of competition has increased significantly.

3. **Customer issues:** to overcome the customer dissatisfaction is very challenging task for the life insurance companies. Because the lack of trust between the insured and insurer and delay in the resolution of complains of customers lead to customer dissatisfaction. When policyholder struggles to pay premium, it becomes very difficult for the life insurer to keep the policy active.
4. **Communication Problems:** it is one of the moderate challenges of the life insurance companies. Normally communication gap creates misunderstanding and sometimes war of words between the employees create very awkward situation in the work place. Even it affects the working efficiency of the employees and company as well.
5. **Employee related issues:** it also creates challenges for the life insurance companies, huge work burden, under pay, internal politics and failure in achieving targets by the employees hamper the operation and earning of the life insurance company moderately.

6.4.2. Prospects

1. Potential customer and revenue are the most prominent contributing factors to the future prospects of the life insurance companies. Ease of doing business, technological advancement, strong industry regulation and distribution channels are the moderately contributing factors to the future prospects of the life insurance business.
2. **To capture more market:** life insurance companies are competing among themselves to gain the market shares. They are expecting to capture new markets, because rural population, youths and women are turning into the potential customers of the life insurance companies.
3. **Boost in revenue:** over the period of time total premium collection from the policyholders, investment income and profits from operation have increased, so they are expecting the same rising income trend will continue in future too.
4. **Improvement in industry regulation:** industry regulation is expected to be better and strong in future, because government is taking steps to eliminate malpractices and frauds

in the industry to protect the interests of both customers and insurance companies. Reforms in the industry regulation will improve it.

5. **To expand company's presence:** to increase the physical reach life insurance companies are establishing branch offices across the country, even agents are reaching to the doors of the customers' home. To enhance reach digitally, life insurance companies are employing digital platforms and artificial intelligence for selling their policies and provide necessary services to the customers.

6.5. RECOMMENDATIONS

As the result of the analysis of data relating to Operation of insurance business and financial performance, researcher has found some drawbacks which need to be addressed. Present days private life insurers have failed in competing with LIC as their sales are still very less and more than half of the private companies are incurring loss. To improve the present condition researcher has some suggestions and recommendations for both public and private life insurance companies. They are listed below.

1. Since majority of rural market is untapped so both can offer micro insurance policies to the rural population as most of the rural people are of low income group which will help to capture market and adding new customer in order to expand the operation.
2. LIC need to reduce operational expenses by reducing office expenses. It may employ artificial intelligence and robots to reduce the human involvement in day to day office work. Since it is reducing its expenses, it should keep reducing the expenses.
3. Private life insurance companies must ensure that policies remain active instead of getting lapsed. They should revise the pricing of their policies, because policyholders are willing to keep their policies active. It is felt to be very costly as they charge very high premium.
4. Both public and private life insurance companies must try to retain the existing customers, especially private life insurance companies must pay more attention to it by

offering extra benefits and improving relationship with customers. Each company must assign particular employees to take care of the certain numbers of customers and their issues too, so that one person will remain connected with them. If it is not done, then customer care will not stay connected for longer period of time.

5. Private life insurance companies are spending huge money in various legal matters and that spending has increased over the period of time. It means that private life insurance companies are facing legal issues which need to be addressed otherwise policyholders or other aggrieved parties may feel of getting cheated, which may lead to customers' dissatisfaction and also sometimes hamper the business. So they may explain the each and every term and conditions to the customers clearly and should not hide any important information. They must avoid involving in such activities which may create legal problem.
6. Public life insurance companies need to review their aggressive investment policy, to reduce inconsistency in earning investment income and to secure them. Public life insurance company is doing better in this case because up to certain extent it is consistently earning from investments with less risk.
7. LIC should enhance its profitability so that it can provide good return to its investors. To improve profitability it should reduce expenses and revise pricing of the policies without hampering value for money proposition and affordability.

6.4 CONCLUSION

India as a country is the most populous country in the world which is biggest market for life insurance business but still there is huge untapped market only because of consumer awareness and less presence of life insurance companies. This is the biggest opportunity for both public and private life insurance companies. This can be one of the big factors for tough competition in life insurance sector. In the Life insurance industry LIC is the biggest player with 70% market share while rest 25 life insurance companies hold the rest of the market share. As

the only public life insurance company LIC has rivalry with private companies while private companies have rivalry among themselves along with LIC operates in every city of India which few private life insurance companies are providing service at every city of India. Though the life insurance industry is growing rapidly, still market penetration and insurance density are far behind of any developed economy in the world. Public life insurance company is dominating the whole industry despite of the huge competition due to its reliability and trust of the public. There is huge division between the rural and urban areas. In urban areas people are economically stronger than the people in rural areas. People in urban areas are buying costly policies than the people in rural areas. But rural population has huge potential. Gradually participation of women in life insurance is increasing rapidly. Life insurance companies are not only doing its traditional insurance business but also diversifying its business in to credit card business, Mutual Funds Company and housing finance. Private life insurance companies are more operationally efficient than public life insurance company. Since public life insurance company is operating in larger scale, it is spending huge money to operate its business than any private life insurance company. But private life insurance companies are facing legal issues for which they are spending lots of money. From the beginning business of public life insurance company is agent oriented but the private life insurance companies are becoming more dependent on agents. Financially public life insurance company is more efficient than private life insurance companies but that difference is not significant. Private life insurance companies are more profit oriented than the public life insurance company. Both public and private life insurance companies are facing challenges due to cut throat competition, employee related issues, customer problems and communication problems. Despite of various challenges they are fighting with each other to acquire more market, expand their presence, better industry regulation and increase in revenue. By observing the above discussion it is concluded that despite of various challenges life insurance companies are expecting increase in revenue, expanding their presence, reforms in industry regulation and acquiring more market. Private life insurance companies are more efficient than public life insurance company while both are financially sound.

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Questionnaire on Challenges and Prospects of Life Insurance Companies

For the fulfillment of the requirement of PhD thesis, “A Comparative Study of Performance of Public and Private Life Insurance companies”, undertaken by Mr. Bhaswar Bagmita Parida under the supervision of Professor, Dr. P.K. Deka, the following set of specific questions has been designed. This questionnaire is only meant for employees, working in both public and private life insurance companies. The questionnaire comprises of three parts; Part-A: Demographic Information, Part-B: Future Prospects and Part-C: Challenges. Part-B and Part-C questions have been prepared using five point Likert’s scale (1 to 5). 1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree. My humble request to the employees is to answer the questions by putting a tick mark. Thank you.

Part-A: Demographic Information

1. Gender:

☐ Male

☐ Female

2. Age (Years):

☐ ≤ 25

☐ 26-35

☐ 36-45

☐ ≥ 45

3. Educational Background:

☐ Up to High school

☐ Intermediate

☐ Bachelors

☐ Masters

4. Current Employer:

☐ LIC

☐ Birla Sun life

☐ HDFC life

☐ ICICI Prulife

☐ SBI life

☐ CANARA HSBC

☐ Kotak life

5. Working Experience (Years):

☐ Up to 2

☐ 3 to 4

☐ 5 to 6

☐ ≥ 7

6. Working Experience in:

☐ Administration

☐ Sales

7. Annual Income (Rupees & Lakhs):

☐ <= 3

☐ 3 to 5

☐ 5 to 7

☐ 7 to 9

☐ 9 to 11

☐ >= 11

Part-B: Future Prospects

Dimensions	S. No	Code	Statements (indicators)	SDA	DA	N	A	SA
				1	2	3	4	5
Prospects	1	PRO1	Company will capture more market share in future					
	2	PRO2	The earnings of the company will boost.					
	3	PRO3	Regulations of the industry will improve with the time.					
	4	PRO4	Company will spread its presence in future					
Revenue	5	RE1	Sales revenue has increased over the period of time.					
	6	RE2	Gain from the investments has increased in past few years					
	7	RE3	Profit of the company has increased.					
Potential Customer	8	PC1	Rural people are the potential customer.					
	9	PC2	Youths have huge potential to to become policyholder.					
	10	PC3	Participation of women in insurance has increased.					
Ease of Doing Business	11	ED1	Unnecessary complexities are getting eliminated by the government.					
	12	ED2	Removal of complexities is saving money.					
	13	ED3	The management of business affairs is becoming easier and very systematic.					
Technology	14	TE1	Advanced technology is handling the complex data efficiently.					
	15	TE2	AI powered automated software are saving money of the companies.					
	16	TE3	Software are handling customers' queries and resolving their problems easily.					
Industry Regulation	17	IR1	Frequent reforms have made industry regulation stronger.					
	18	IR2	Stronger Industry regulation is eliminating malpractices, frauds, scams etc.					
	19	IR3	Industry regulation is protecting the interests of both the customers and the companies					
Distribution Channel	20	DC1	Sales executives are providing insurance services at the home of the customers.					
	21	DC2	The insurance services through the electronic medium are getting popular.					
	22	DC3	The customers visit branch offices situated at convenient locations.					

Part-C: Challenges

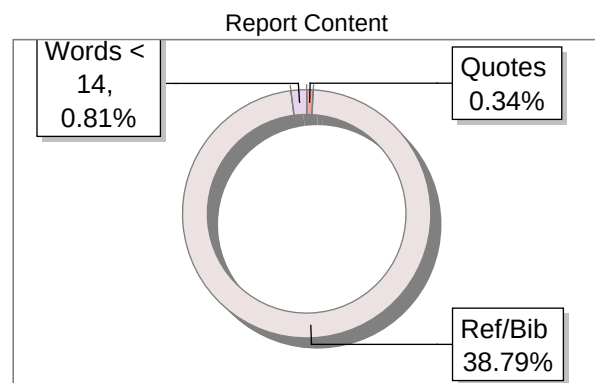
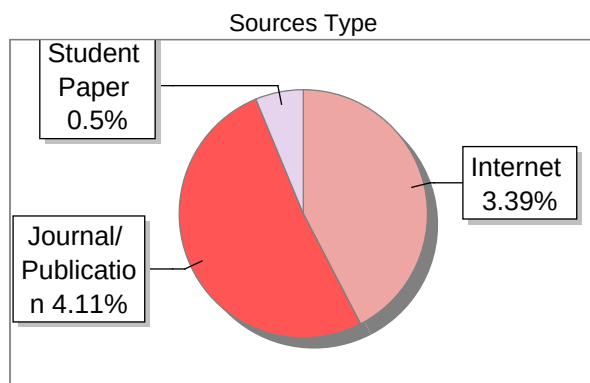
Dimensions	S. No	Code	Statements (indicators)	SDA	DA	N	A	SA
				1	2	3	4	5
Challenges	1	CHAL1	Up to certain extent company is facing some difficulties in business.					
	2	CHAL2	Sometimes internal problems are making the company weak from inside.					
	3	CHAL3	External difficulties are creating hurdles in achieving its objectives.					
	4	CHAL4	Sometimes these problems are creating loss for the company.					
Competition	5	COMP1	Rivalry among the current players is increasing.					
	6	COMP2	A large numbers of similar policies and substitute plans are available.					
	7	COMP3	Many new companies are entering into market to compete with existing companies.					
Communication	8	COMM1	Sometimes exchanges of words between the employees are creating communication problems.					
	9	COMM2	Sometimes communication gaps are creating misunderstandings within the office premises					
Uncertain Events	10	UNEV1	Covid lock down barred the employees to meet the customers personally.					
	11	UNEV2	Policyholders failed to pay the premium due to job loss.					
	12	UNEV3	Sudden rise in the insurance claim witnessed.					
Customer	13	CUST1	sometimes persons having low income, struggle to pay premium.					
	14	CUST2	Trust issues of the customers create awkward situation.					
	15	CUST3	In some cases resolution of customer complaints.					
Employee	16	EMPL1	Sometimes achieving the target become burden.					
	17	EMPL2	Internal politics affect them.					
	18	EMPL3	The salary you get is not sufficient as compared to work burden.					

Submission Information

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