

COMPARATIVE STUDY OF LIC AND PRIVATE INSURANCE COMPANIES IN INDIA

¹Ankur Dilip Bhagat, ²Ujwala Narkhede

1 Department of Management Studies, Wainganga College of Engineering and Management Nagpur, Maharashtra, India

2 Associate Professor & Research Guide, Wainganga College of Engineering and Management Nagpur, Maharashtra, India.

Email: bhagatankur960@gmail.com

Abstract

Life insurance is an important component of financial planning because it can provide financial protection to a policyholder's family and support long-term savings goals, depending on the product selected. India's life-insurance market includes Life Insurance Corporation of India (LIC), a public-sector life insurer, and private life-insurance companies. This paper presents a comparative study of LIC and private life-insurance companies in India, focusing on ownership, product range, distribution, customer service, technology, market competition, claims-related measures, and customer considerations.

Keywords: LIC, Private Life Insurance, Insurance Sector, Customer Satisfaction, Policyholders, Claims, Distribution Channels, India.

1. INTRODUCTION

Insurance is a financial arrangement through which an insurer provides specified benefits or compensation in accordance with a policy contract in return for premiums. Life insurance focuses on events connected with human life and may provide protection, savings, investment-linked benefits, or a combination of these features. The exact benefits depend on the policy terms.

Life insurance can help families manage financial uncertainty, meet long-term responsibilities, and plan for goals. It can also mobilise household savings and contribute to the wider financial system. Since policies can differ considerably in cost, duration, benefits, exclusions, and flexibility, consumers need reliable information before purchasing them.

The Indian life-insurance sector includes Life Insurance Corporation of India (LIC) and a number of private life-insurance companies. LIC was established in 1956 and has a long history in the Indian market. Following insurance-sector reforms, private insurers entered the life-insurance market and expanded competition in products, distribution, and service delivery.

A comparative study can help students understand the similarities and differences between public-sector and private-sector insurers. It is important, however, not to assume that one category is always better. Customer experience and policy suitability depend on the specific

insurer, product, service requirements, and the customer's needs.

2. BACKGROUND OF LIFE INSURANCE IN INDIA

Life insurance in India has evolved from a market with limited institutional coverage to a regulated sector containing a public-sector life insurer and multiple private insurers. LIC was formed under the Life Insurance Corporation Act, 1956. Later reforms opened the insurance sector to private participation and established the Insurance Regulatory and Development Authority of India (IRDAI) as the sector's regulator.

Today, insurers use a range of channels, including individual agents, bancassurance, brokers, corporate agents, direct sales, and digital platforms. Products may include term insurance, endowment policies, whole-life plans, annuity products, pension-oriented products, and unit-linked insurance plans. These products differ in purpose and risk. Traditional protection products should not be compared with market-linked products on premium alone.

The sector is subject to regulation, disclosure requirements, policyholder-protection provisions, and reporting obligations. Official IRDAI publications and insurer annual reports are important sources for current market information. Since market shares, premiums, and claim-related indicators change each year, numerical

comparisons should use the same financial year and the same definitions.

3. STATEMENT OF THE PROBLEM

Consumers may find it difficult to compare LIC and private life-insurance companies because policies use different benefit structures, premium schedules, exclusions, distribution methods, and service processes. Brand familiarity alone does not show whether a policy is suitable for a particular person. Similarly, digital convenience or a low quoted premium does not by itself establish the overall quality of a policy. This study examines the key dimensions on which LIC and private insurers can be compared and identifies factors that customers should consider.

4. OBJECTIVES OF THE STUDY

To explain the role of life insurance and the structure of the Indian life-insurance market.

To describe the general profile of LIC and private life-insurance companies.

To compare ownership, product offerings, distribution channels, and customer-service approaches.

To identify important measures for comparing claims-related performance and policyholder service.

To discuss the advantages and limitations of comparing insurers by category.

To provide practical recommendations for customers and insurance companies.

5. RESEARCH QUESTIONS

What are the main characteristics of LIC and private life-insurance companies?

How do their product ranges and distribution channels differ in general?

Which indicators can be used to compare customer service and claims-related performance fairly?

What should customers consider before selecting a life-insurance policy?

6. SCOPE AND SIGNIFICANCE OF THE STUDY

The paper focuses on life insurance in India and compares LIC with private life-insurance companies as broad categories. It considers ownership, product variety, distribution, technology, service, claims-related disclosures, and consumer decision-making. It does not compare every insurer or every product individually.

The study is useful for MBA students, consumers, and entry-level professionals because it demonstrates how an industry can be compared using consistent criteria. It also highlights the importance of checking official policy

documents and regulatory disclosures rather than relying solely on advertisements or general perceptions.

7. REVIEW OF LITERATURE

7.1 Insurance regulation and policyholder protection
IRDAI's annual reports and regulatory publications provide information about the structure, performance, and regulation of the Indian insurance sector. These publications are relevant for studying premiums, insurance penetration, distribution, and policyholder-related measures. They also provide a basis for comparing companies using consistent definitions and reporting periods.

7.2 LIC and the public-sector model

LIC's annual reports describe its operations, financial results, distribution network, product activities, and policyholder services. As a long-established public-sector life insurer, LIC has a distinctive history and presence in the Indian market. Its size or history should not, by itself, be treated as proof that every LIC product is more suitable than alternatives.

7.3 Private-sector competition

Annual reports of private life insurers commonly describe product strategy, partnerships, digital capabilities, distribution channels, and customer-service initiatives. Private insurers are not a single uniform group: they differ in ownership, size, business strategy, product mix, and distribution partnerships. Therefore, category-level generalisations need to be treated cautiously.

7.4 Customer choice and policy suitability

Consumer-focused insurance guidance emphasises reading the policy document, understanding exclusions and conditions, checking premium commitments, and evaluating the purpose of cover. A term policy intended primarily for protection should be assessed differently from a savings-oriented, annuity, or market-linked product. A fair comparison therefore starts with the customer's financial needs and compares products with similar purposes.

7.5 Research gap

General discussions often compare LIC and private insurers using reputation or broad impressions. This paper provides a structured framework that separates company-level characteristics from policy-level features. It also emphasises using comparable official data and avoiding unsupported claims that one category is universally superior.

8. RESEARCH METHODOLOGY

8.1 Meaning of research

Research is a systematic process of collecting, reviewing, and analysing information to answer a question. This study examines differences between LIC and private life-insurance companies in India.

8.2 Research design

The study adopts a descriptive and comparative research design. It summarises common characteristics of LIC and private insurers and identifies dimensions that can be used for a fair comparison.

8.3 Sources of data

The paper relies on secondary sources, including IRDAI publications, LIC annual reports, annual reports of private life insurers, policy documents, and relevant published material. For a numerical submission, the researcher should select a specific financial year and enter verified values from the relevant official reports.

8.4 Sampling technique and sample size

No primary survey respondents were selected for this conceptual paper. The comparison uses purposively selected institutional sources. LIC is considered as one public-sector life insurer, while the private category includes multiple companies. A company-level empirical study should clearly name the selected private insurers and explain the selection criteria.

8.5 Method of analysis

The analysis is qualitative and thematic. It compares ownership, product range, distribution, technology, service, claims-related reporting, and customer decision criteria. If verified numerical data are added, ratios should be calculated using consistent definitions and the same reporting period.

8.6 Limitations

The paper does not conduct a primary customer survey or a complete numerical comparison of all insurers. Features differ by product and company, and industry disclosures may use specific definitions. General observations should not be interpreted as current rankings or proof that one category has better claim outcomes. The latest official reports should be consulted before submission.

9. PROFILE OF LIC AND PRIVATE INSURERS

9.1 Life Insurance Corporation of India (LIC)

LIC is a public-sector life-insurance corporation established in 1956. It has a long operating history and a broad distribution presence across India. It offers different categories of life-insurance products, subject to current availability and policy terms. LIC's official website and annual reports provide authoritative information about its products, operations, financial performance, and policyholder services.

9.2 Private life-insurance companies

Private life-insurance companies operate under India's insurance regulatory framework and include companies with different ownership structures and business models. Examples include HDFC Life, ICICI Prudential Life, SBI Life, and other registered private life insurers. Their strategies may involve bank partnerships, agency networks, brokers, direct sales, and online platforms. Their products and service levels vary, so individual companies should be assessed using current disclosures.

9.3 Main types of life-insurance products

Term insurance: primarily designed to provide life cover for a specified term, subject to policy conditions.

Endowment and savings plans: combine life cover with a savings-oriented benefit structure.

Whole-life plans: provide cover over a long period according to the policy terms.

Annuity and pension products: designed to provide income benefits under specified conditions.

Unit-linked insurance plans (ULIPs): combine insurance with market-linked investment exposure; investment risk and charges must be understood.

10. COMPARATIVE ANALYSIS

Basis	LIC	Private life insurers
Ownership	Public-sector life insurer.	Privately owned companies, including companies with different shareholders and partners.
Operating history	Established in 1956; long history in India.	Entry dates differ by company; many expanded after sector reforms.
Distribution	Extensive agency and branch presence, alongside other channels.	May use agents, banks, brokers, partnerships, direct sales, and digital channels; mix varies.
Product range	Offers multiple categories of life-insurance products, subject to current availability.	Offers multiple product categories; features and availability vary by company.
Digital services	Provides online services and digital facilities; features should be checked on official channels.	Many companies invest in digital purchase and service options; features vary.

Brand perception	Often associated with a long public-sector history and broad presence; perceptions vary among customers.	Perception depends on company, brand, product, and customer experience.
Claims-related comparison	Should be assessed using official disclosures and consistent definitions.	Should be assessed using official disclosures and the same definitions and period.
Customer support	Service is delivered through available branches, agents, and official service channels.	Service is delivered through each company's available branches, partners, agents, and digital channels.
Best choice	Cannot be determined for all customers as a category.	Cannot be determined for all customers as a category; compare the specific policy.

Interpretation: The comparison shows broad differences in ownership and possible distribution strategies, but not a universal performance winner. LIC and private insurers both operate under the Indian regulatory framework. The most relevant comparison for a customer is often between specific policies with similar cover, duration, benefits, exclusions, premium obligations, and service requirements.

11. DATA PRESENTATION FRAMEWORK

For a more quantitative research project, the following indicators can be collected from the latest available IRDAI and insurer annual reports. The same financial year, policy category, and definition must be used for each insurer. Values should be entered only after verification; this paper intentionally does not invent current figures.

Indicator	Why it matters	Source to consult
Individual new-business premium	Shows new policy business under a stated reporting definition.	IRDAI annual report; insurer annual report
Number of policies sold	Indicates sales volume; must be interpreted	IRDAI annual report; insurer disclosures

	alongside policy size and mix.	
Claim-settlement ratio	Useful only when definition, claim type, and reporting period are consistent.	IRDAI annual report and official insurer disclosures
Grievances and resolution	Provides a view of reported customer issues and resolution processes.	IRDAI policyholder-protection disclosures
Solvency ratio	Indicates regulatory capital adequacy against required levels.	IRDAI and insurer solvency disclosures
Expense measures	Can provide context on operating efficiency, subject to the definition used.	Annual reports and regulatory publications

12. MAJOR FINDINGS

LIC is a long-established public-sector life insurer with a broad presence in India.

Private life-insurance companies differ from one another in ownership, strategy, products, and distribution.

Both LIC and private insurers offer different life-insurance product categories, subject to current availability and policy conditions.

Distribution methods may differ, with companies using combinations of agents, branches, banks, partners, and digital channels.

Digital convenience can be useful, but it does not replace the need to understand policy terms.

Brand history or ownership alone cannot establish that a policy is the best choice for a customer.

Claim-related ratios must be read with their definitions, claim categories, and reporting period in mind.

Premium should not be the only comparison criterion; benefits, exclusions, charges, and long-term obligations also matter.

Customer service should be assessed through actual service channels, grievance disclosures, and the customer's requirements.

Official IRDAI and insurer reports are important sources for current and comparable sector data.

A category-level comparison cannot determine the best insurer for every customer.

Product suitability depends on financial goals, dependants, budget, cover needs, and tolerance for investment risk.

13. SUGGESTIONS AND RECOMMENDATIONS

Customers should identify whether their primary need is protection, savings, retirement income, or market-linked investment before comparing policies.

Compare policies with similar cover amounts, policy terms, benefit structures, exclusions, and premium-payment obligations.

Read the policy illustration, product brochure, and complete policy wording before purchase.

Check the insurer's latest official claim-related disclosures and understand how the reported ratio is calculated.

Review surrender conditions, policy charges, premium-payment requirements, and consequences of missed premiums.

Use official IRDAI and insurer sources when preparing numerical comparisons for academic work.

Insurance companies should explain benefits, exclusions, charges, and risks in clear language and avoid misleading sales practices.

Insurers should continue improving digital accessibility, complaint handling, timely communication, and support for policyholders.

Researchers should compare companies over the same financial year and use consistent indicators and definitions.

Students should clearly distinguish verified data, published findings, and their own interpretation in the final report.

14. CONCLUSION

LIC and private life-insurance companies are important participants in India's life-insurance market. LIC has a long public-sector history and a broad presence, while private insurers include companies with varied business models, distribution arrangements, and product strategies. Both categories provide life-insurance products under the applicable regulatory framework, but the features and suitability of individual policies differ.

The comparison indicates that ownership category and brand reputation are not sufficient grounds for choosing an insurer. A meaningful decision should consider the purpose of the policy, amount of cover, premium affordability, policy duration, benefits, exclusions, charges, service channels, and current official disclosures. Claim-related measures and financial indicators should be compared using consistent definitions and reporting periods.

This paper is descriptive and based on secondary information. It does not establish a universal winner or present a complete current numerical ranking. Future research can improve the analysis by selecting a defined

group of private insurers, collecting verified data from the same financial year, and conducting a customer survey on service quality and satisfaction. Overall, informed comparison, transparent disclosure, and policy suitability are essential for strengthening customer confidence in life insurance.

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