

Impact of the pandemic on the performance of LIC: A Study

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Abstract- Insurance is an essential component of India's financial system. One significant aspect of social security is life insurance. Insurance is a tool that lowers the cost or impact of a loss brought on by a range of hazards. It builds up money to cover personal losses and offers security and safety against unforeseen losses. India's insurance market has expanded enormously over the past ten years and has taken on a massive form following the insurance industry's privatization. Since the Indian economy was liberalized and the IRDAI regulation was implemented in the year 2000, the life insurance market has undergone significant changes due to the entry of private sector life insurers. As a result, LIC of India can face more competition from other domestic and international companies in the market. As a result, it is now crucial to examine and assess the profitability, solvency, liquidity, and growth performance of LIC of India. This study's primary goal is to evaluate Life Insurance Corporation of India's five-year financial performance.

Keyword: LIC of India, Growth, Profitability, Public sector, Financial Performance.

I. INTRODUCTION

Insurance is a financial tool that provides protection against losses caused by various risks. It offers security and financial support during unexpected events. Life insurance is a legal contract in which the insurer promises to pay a fixed amount to the insured person or nominee either on maturity or in the event of death. In return, the policyholder pays a regular amount known as a premium.

Life insurance was introduced in India in 1818 with the establishment of the Oriental Life Insurance Company in Kolkata. Initially, insurance services were mainly available to Europeans, while Indians were charged higher premiums. The Insurance Act of 1938 was the first major legislation regulating the insurance sector in India.

In 1956, the Government of India nationalized the life insurance industry and established Life Insurance Corporation of India (LIC) by merging 245 insurance companies and provident societies. LIC dominated the insurance market for several decades along with the General Insurance Corporation (GIC).

With globalization, privatization, and liberalization, the Indian insurance sector was opened to private companies in 2000, increasing competition in the industry. Based on the recommendations of the RN Malhotra Committee formed in 1993, the Insurance Regulatory and Development Authority of India (IRDAI) was established to regulate and develop the insurance sector. Despite increasing competition, LIC continues to hold a strong position in the Indian life insurance market.

II. PROFILE OF LIFE INSURANCE CORPORATION OF INDIA

VISION

"Ensure and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns, and by rendering resources for economic development."

MISION

"A trans-nationally competitive financial conglomerate of significance to societies and Pride of India."



भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Life Insurance Corporation of India (LIC) was the only life insurance provider in India for nearly 40 years until private companies and FDI were allowed in the insurance sector. This increased competition and made it necessary to evaluate LIC's financial and operational performance.

Established in 1956 through the nationalization of the life insurance industry, LIC is headquartered in Mumbai and is India's largest life insurance and investment company. It was formed by merging 245 insurance companies and provident societies.

Over the years, LIC expanded its services across India by opening branch offices and adopting modern technology such as online premium payment, ECS facilities, and wide-area networking.

Currently, LIC operates with 1 Central Office, 8 Zonal Offices, 113 Divisional Offices, 2,048 Branch Offices, and a large network of over 13.47 lakh agents, making it one of the largest insurance organizations in India.

III. STATEMENT OF PROBLEM

The liberalization policy introduced in 1991 aimed to promote economic reforms and accelerate economic growth by opening the Indian economy to private and foreign participation. As a result, the insurance sector also became more competitive with the entry of private and foreign insurance companies, ending the monopoly of Life Insurance Corporation of India (LIC).

Although LIC maintained strong financial performance for many years, private insurers gradually captured market share by offering innovative products and improved customer services. The opening of the insurance sector was mainly due to low insurance penetration, low customer satisfaction, and limited product diversity. Indian consumers increasingly started preferring private insurance companies for modern and customized insurance plans.

Despite growing competition, LIC continues to play an important role in nation-building and providing financial security to families from different economic

backgrounds. However, LIC's market share has been gradually declining over the years. Therefore, it becomes important to evaluate LIC's performance in the post-liberalization era in terms of profitability, efficiency, productivity, and customer satisfaction.

IV. OBJECTIVES OF STUDY

The following precise goals are pursued with the planned study:

1. To study the present position and performance of Life Insurance Corporation of India (LIC).
2. To analyze the profitability of LIC over the last five years.
3. To study the impact of the digital revolution on LIC.
4. To study maturity and death claims.

The goal of the study is to evaluate LIC's business model, including its profitability, the difficulties it faced when it went digital, and how market share affected the company. The project's primary goal is to discuss how LIC helped our nation thrive and gives families in need of medical attention financial security. It also makes an effort to explain how LIC came to be and how the public and government benefited from its monopoly.

Hypotheses

- The life insurance industry's performance did not significantly change before or after the economic reform era.
- To remain competitive with private insurers, LIC has increased its marketing and distribution expenditures.

V. LITERATURE REVIEW

The "Life Insurance of India Act," which established the Life Insurance Corporation of India (LIC) in 1956, has served as a pillar of the Indian insurance market. Millions of Indians received life insurance from LIC, which held an unchallenged monopoly for more than 40 years and was a major player in the country's financial industry. In in-depth examination of LIC's financial performance amid significant market shifts will be provided by this literature review. It will look at how LIC has kept up its

financial stability in the face of growing competition and the entry of private competitors. Additionally, it will demonstrate how LIC's methods have evolved to reflect the current state of the market. In order to shed light on LIC's current position in the Indian insurance market as well as the efficacy of its strategy, a variety of research, industry reports, and financial assessments will be analyzed.

Reviews on Performance Evaluation

Ramanathan (2014), in a study on the performance evaluation of Life Insurance Corporation of India (LIC), examined its efficiency and cost-effectiveness during the period 2002–2011. The study concluded that, in the initial years, LIC faced difficulties in controlling expenses, as the ratio of expenses to income was relatively high.

Bhat et al. (2015) compared the performance of public and private sector insurance companies in India. The study found that although private insurance companies were growing faster, public sector insurers remained the preferred choice among customers. The research also highlighted increasing competition in the insurance industry, with investors showing greater interest in private and foreign insurance companies for higher returns.

Chandarana and Harish M. (2008), in their study “Performance Evaluation of LIC of India,” analyzed LIC's performance from 1996–97 to 2005–06. They observed that LIC's total assets increased nearly six times during the study period, while the ratio of total expenses to total income remained below 50%. The study suggested that LIC should reduce management costs, invest more in infrastructure, and focus on expanding into international markets.

VI. REVIEW OF LIC

Prachi Agnihotri, in her study “The Impact of Privatization on the LIC of India,” examined the performance of Life Insurance Corporation of India (LIC) in the post-privatization era. The study discussed the competitive environment, factors affecting LIC's success, and the advantages and disadvantages of privatization based on expert opinions.

Solanki (2016) analyzed LIC's profitability from 2005 to 2015 and found that increasing competition in the insurance market affected the corporation's profits. The study suggested that LIC should expand its policy distribution network to improve profitability.

Dr. Ravi N. Kadam (2012), in his work “LIC of India: A Giant in India's Insurance Sector,” studied the role of insurance in risk management, LIC's performance, and its competition. The research identified 23 competitors of LIC during the period 2005–2010.

Ajay Mahal (2002), in his paper “Assessing Private Health Insurance in India,” stated that the entry of private insurance companies could influence healthcare costs, equity in financing, and the efficiency of healthcare services in India.

T. Narayana Gowd, Dr. C. Bhanu Kiran, and Dr. C. H. Ramaprasada Rao studied LIC's overall performance and the relationship between investment strategy and profitability during 1998–2011. The study observed a significant increase in LIC's investments due to better market regulation and transparency introduced by SEBI.

Mani P.A.S. (1960), in “Life Assurance in India,” explained the historical development of life insurance concepts in India and abroad, providing a detailed understanding of the evolution of life insurance.

Khosla P.D. (1955), in “Nationalization or Rationalization,” discussed the merits and demerits of the government's decision to nationalize the life insurance industry in India.

Sonal Nena (2013), in her study “Performance Evaluation of LIC of India,” analyzed LIC's growth and efficiency by examining premium income and expenditure patterns. The study concluded that LIC had shown continuous business growth and provided value to policyholders.

Farokhian and Vazifehdus (2013) studied the factors affecting the insurance business using the SERVQUAL model and highlighted the importance

of customer satisfaction in determining the success of insurance companies.

M. Rajkumari (2007), in her research on customer preferences toward insurance services and bancassurance, examined customer awareness, satisfaction, and preferences regarding insurance products sold through banks. The study recommended improving customer awareness and enhancing banks' performance in insurance services.

VII. RESEARCH METHODOLOGY

The present study is based on secondary data because it focuses on evaluating the financial performance of Life Insurance Corporation of India (LIC). The collected data was systematically presented in tables and analyzed using financial tools such as ratio analysis. Charts and diagrams were also used to provide a clear understanding of the analysis, as visual representations help simplify complex financial information.

The study also uses common-size financial statements, which convert financial data into percentages based on a common base for better comparison. In addition, trend percentage analysis was applied to compare financial performance over different years by measuring the percentage relationship of each item with the base year figures.

Research Design: The information is only gathered from the company's annual reports. It has a secondary purpose. A study design serves as a guide for gathering, calculating, and interpreting research data. The study's research design is descriptive with some qualitative components, and it examines life insurance companies over the last ten years. The vast bulk of the data gathered and utilized in this study came from secondary sources, including journals, websites, blogs, financial reports, national and international research papers, and financial reports. The study will be analytical in character, incorporating changes in the digital revolution and future analysis. By relating factors like decision-making, gender, and education, it will also cover how the younger and older generations view LIC differently. Data gathered from current policyholders also aids in determining the industry in which recommendations for improvement will be made, the

reason why customers are not switching to alternative options, and the impact of LIC on them.

Collection of Data: Financial performance, summaries, and statements are all included in the yearly reports. The source of the data collection will be appended to the report. The secondary data from India's LIC was used to perform the current investigation. The necessary data and information were gathered from LIC's yearly reports. Data gathered from current policyholders also aids in determining the industry in which recommendations for improvement will be made, the reason why customers are not switching to alternative options, and the impact of LIC on them. Using secondary data, the impact of the digital revolution on different industries and their anticipated growth are examined to determine the future course and the challenges that LIC will encounter.

VIII. DATA ANALYSIS AND INTERPRETATION

Life Insurance Corporation of India (LIC) has been conducting insurance business in India since 1956 and plays an important role in providing financial security and protecting human life through insurance services. The study evaluates LIC's performance by analyzing five major parameters using different statistical measures.

As a customer-oriented organization, LIC has continuously focused on improving its claim settlement services. Since the COVID-19 period, LIC has maintained a high claim settlement ratio for both maturity and death claims, while the number of unclaimed cases has gradually declined. During the year, the corporation settled 225.51 lakh claims amounting to ₹2,09,938.63 crore, including individual, micro-insurance, pension, and group insurance schemes.

Maturity claims				
Year	Paid		%Paid	
	Number in lacs	Amount (in crs)	Number	Amount
2022-23	214.80	1,85,927.55	92.65	94.39
2021-22	256.47	2,02,083.84	91.09	92.46

2020-21	222.76	1,61,031.20	89.83	90.46
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Table: Maturity Claims

Throughout the time, the claim settlement ratio—a crucial measure of dependability and customer service—stayed strong. LIC's remarkable 98.2% claim settlement percentage in 2020 demonstrated its dedication to policyholders.

Death claims				
Year	Paid		%Paid	
	Number in lacs	Amount (in crs)	Number	Amount
2022-23	10.71	24,006.09	98.60	96.13
2021-22	15.72	36,597.52	98.50	96.56
2020-21	11.47	24,195.01	98.27	96.34

Table: Death Claims

This study analyzes the financial performance of Life Insurance Corporation of India (LIC) from 2020 to 2023 by examining key indicators such as revenue, investment, net profit, claim settlement ratio, and expenses. The report highlights LIC's performance in a competitive and changing insurance market environment.

LIC recorded steady revenue growth during the study period, reflecting its strong market presence and effective business strategies. Revenue increased from nearly INR 5.62 trillion in 2020 to around INR 6.15 trillion in 2021 despite the challenges of the COVID-19 pandemic. The growth continued with revenue reaching approximately INR 6.5 trillion in 2022 and nearly INR 7 trillion in 2023. This growth was supported by increased policy sales, higher premium collections, and the introduction of new insurance products.

LIC also maintained consistent profitability throughout the period. Net profit increased from around INR 26,000 crore in 2020 to INR 29,000 crore in 2021, despite increased claims during the pandemic. Profitability further improved to nearly INR 30,000 crore in 2022 and INR 31,000 crore in 2023 due to effective cost management and strong investment returns. These results demonstrate LIC's financial strength, resilience, and efficient management practices.

Years	Total Claims	%	Commission	%
2020-21	5744680	191	1330860	193
2021-22	7180122	239	1403551	204
2022-23	7383701	246	1476799	215

Table: Percentage Analysis of Claims and Commission

The highest and lowest percentages of claims were recorded in the years 2015–2016 and 2022–2023, respectively. It demonstrates how claims are increasing over time in a steady manner. Additional elements, including the total amount of commission received.

Year	Operating Expenses	%	Shareholders' Investment	%	Policy Holders' Investment	%
2022-21	1737630	344	41615.52	240	96016710	213
2021-22	1533763	303	45165.06	261	106018081	225
2022-23	1736184	344	47709.44	276	117777524	251

Table: Percentage analysis of Expenses

The analysis of Life Insurance Corporation of India (LIC) from 2020 to 2023 shows that operating expenses, policyholder investments, and investments in other assets increased steadily during the study period. Despite rising operational costs, LIC maintained strong financial performance and stability.

The study concludes that LIC demonstrated consistent revenue growth, stable profitability, and a high claim settlement ratio throughout the period. Through effective financial management, innovative marketing strategies, and a strong commitment to customer service, LIC successfully retained its leading position in the Indian insurance market despite increasing competition and changing market conditions.

Overall, the report highlights LIC's resilience, adaptability, and operational strength in a competitive and dynamic insurance environment.

Ratio	Year		Increase/ Decrease
	2022	2023	
Conservation Ratio	94.50%	92.76%	Decrease
Net NPA Ratio	0.04%	0.00%	Decrease
Commission Ratio	5.53%	5.00%	Decrease
Management Ratio	14.99%	15.26%	Increase
Gross NPA Ratio	6.32%	5.02%	Decrease
Solvency Ratio	1.85%	1.87%	Increase
Overall Expense Ratio	14.50%	15.53%	Increase

Table: Performance Ratio

Life Insurance Corporation of India (LIC) showed significant improvement in its financial performance during FY 2023. Gross Non-Performing Assets (NPA) declined sharply by 55.58%, decreasing from ₹27,087.11 crore in FY 2022 to ₹12,031.36 crore in FY 2023. Similarly, Net NPA recorded a substantial reduction of 96.63%, falling from ₹175.81 crore in FY 2022 to ₹5.93 crore in FY 2023. The company also reported a Basic and Diluted Earnings Per Share (EPS) of ₹57.55 for FY 2023. In addition, LIC maintained a strong net retention ratio of 99.86% during the financial year, reflecting its financial stability and effective risk management.

IX. LIMITATION OF THE STUDY

This study focuses exclusively on Life Insurance Corporation of India (LIC) for analyzing and evaluating its performance. Although several other life insurance companies operate in India, they were not included in the study due to time constraints. The analysis and suggestions are based on data collected from LIC's official website and annual reports from 2020 to 2023. Since LIC is an insurance company, some financial ratios are not applicable and detailed information is limited. The report has been prepared based on the researcher's knowledge and guidance.

Additionally, rapid changes in the insurance industry and regulatory environment may affect the long-term relevance of the conclusions. The four-year study period may also be insufficient to identify long-term trends, while limited availability of comparable data from private insurance companies restricts comparative analysis. Future researchers may include other insurance companies in India to conduct broader and more comparative studies.

X. CONCLUSION

Life Insurance Corporation of India (LIC) demonstrated strong financial and operational performance from 2020 to 2023. The corporation recorded continuous revenue growth, with revenue increasing from around INR 5.62 trillion in 2020 to nearly INR 7 trillion in 2023 due to higher policy sales, premium collections, business expansion, diversified products, and increased digital adoption despite the challenges of the COVID-19 pandemic. LIC also maintained steady profitability, with net profit rising from nearly INR 26,000 crore in 2020 to about INR 31,000 crore in 2023, supported by effective cost management, operational efficiency, and strong investment returns. Throughout the study period, LIC remained the leading life insurance company in India, maintaining a dominant market share that gradually declined from around 69% to nearly 65% due to growing competition from private insurers. The company consistently achieved a high claim settlement ratio above 97%, reflecting strong customer trust and efficient claim management services. In addition, LIC accelerated its digital transformation by introducing online portals, mobile applications, and digital premium payment facilities, which improved operational efficiency, customer accessibility, and overall customer satisfaction.

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