

Settlement of Life Insurance Claims (With Special Reference to LIC and HDFC)

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Abstract- *The life insurance sector of India has seen a remarkable growth in the post-liberalization era. leading to increased competition between public sector and private sector insurance companies. The present study aims to compare the performance of Life Insurance Corporation of India (LIC) and HDFC Life Insurance with special reference to customer perception and claim settlement performance. The study also examines the factors influencing customer preferences and satisfaction in the life insurance market. The study is based on both primary and secondary data. Primary data were collected from 100 respondents through structured questionnaires and interviews, while secondary data were taken from company reports, journals, books, and official websites. A mixed-method research approach was adopted to obtain a comprehensive understanding of the insurance sector. The findings reveal that 39% of respondents belong to the 25–35 age group, while 46% prefer long-term investment plans. Around 53% of respondents possess some knowledge of insurance investment options, and 39% view insurance primarily as a tool for family protection. The comparative analysis shows that both LIC and HDFC Life have excellent claim settlement ratios. However, LIC continues to enjoy greater customer trust and market share due to its long presence in the insurance business, government backing, extensive branch network, and reliable claim settlement process.*

Key Words: *Life Insurance, LIC, HDFC Life Insurance, Claim Settlement, Customer Satisfaction, Industry, Preference, Awareness, Reforms.*

I. INTRODUCTION

India represents one of the most promising insurance markets in the world due to its large population and significant uninsured segment. Over the years, the insurance industry has experienced steady growth, supported by economic development and increasing awareness of financial security. Despite this progress, insurance coverage across the country remains relatively low, indicating substantial potential for

future expansion, particularly in the health insurance segment.

The Government of India, to cater to the need of reform in the insurance sector, appointed the Malhotra Committee in 1993 to examine the functioning of the insurance sector and recommend measures for its modernization and development. The committee submitted its report in the year 2000. On the basis of committee recommendations, the insurance sector was opened for private players. The opening of the sector encouraged private players' participation, leading to increased competition, innovation, and operational efficiency. The entry of private insurers, along with advancements in information technology, has transformed distribution channels and improved accessibility of insurance products across diverse customer groups.

In a highly competitive market, understanding consumer behavior has become essential for sustainable growth. Customer preferences, expectations, and values play a crucial role in shaping purchasing decisions and determining the success of insurance companies. Therefore, effective marketing strategies must be built on a thorough understanding of customer needs, enabling insurers to deliver superior value and enhance long-term customer satisfaction.

Life Insurance Corporation of India (LIC)

The Life Insurance Corporation of India (LIC) is one of the oldest and most trusted insurance organizations in the country. Established in 1956, LIC is a government-owned life insurance company that has played a significant role in providing financial protection and savings opportunities to millions of Indians.

The Government of India passed the Life Insurance Corporation Act in 1956 to strengthen and expand life insurance services. Through this Act, the life insurance business was nationalized, and LIC was created by merging numerous existing life insurance companies into a single organization. The main objective of nationalization was to make life insurance accessible to people across the country and to provide financial security to individuals and families. LIC has remained a leading player in the Indian life insurance sector and has contributed significantly to the growth of insurance awareness and coverage in India.

HDFC Life Insurance

HDFC Life Insurance Company Limited is one of the leading private life insurance companies in India. The company was established in 2000 as a joint venture between HDFC Limited, one of India's leading housing finance institutions, and Standard Life Aberdeen plc, a global investment company. Initially, HDFC held the majority stake in the venture, while Standard Life Aberdeen served as the foreign partner. HDFC Life commenced its operations in 2001 with the objective of providing individuals and families with reliable life insurance solutions. The company aimed to offer financial protection while also helping customers achieve their long-term savings and investment goals.

Over the years, HDFC Life has focused on developing innovative insurance products to meet the changing needs of customers. Its product portfolio includes term insurance plans, endowment plans, Unit Linked Insurance Plans (ULIPs), retirement plans, and other life insurance solutions. These products are designed to provide a combination of life coverage, savings, and wealth creation opportunities.

To strengthen its market presence, HDFC Life has built an extensive distribution network across the country. The company collaborates with banks, financial institutions, insurance agents, and other intermediaries to make its products easily accessible to customers. In addition, HDFC Life has adopted digital technologies and online platforms to improve

customer service, enhance engagement, and simplify the insurance purchasing process.

Today, HDFC Life is recognized as one of the major private-sector life insurers in India, known for its customer-centric approach, innovative products, and strong distribution capabilities.

II. INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (IRDAI)

The Insurance Regulatory and Development Authority of India (IRDAI) is the statutory body responsible for regulating and supervising the insurance sector in India. It was established in 1999 under the Insurance Regulatory and Development Authority Act, 1999, with the objective of ensuring the orderly growth and development of the insurance industry.

IRDAI plays a vital role in protecting the interests of policyholders, promoting fair business practices, and maintaining the stability of the insurance market. It regulates all insurance companies operating in India, including both public and private insurers.

The Life Insurance Corporation of India (LIC), the largest life insurance company in the country, functions under the regulatory framework established by IRDAI. The authority formulates and enforces rules, guidelines, and standards relating to various aspects of insurance operations, such as product approval, distribution channels, underwriting practices, claim settlement procedures, investment activities, and solvency requirements.

IRDAI performs several important functions to ensure the efficient functioning of the insurance industry. These include granting licenses to insurance companies and intermediaries, monitoring their financial performance, protecting policyholders' rights, ensuring compliance with regulations, encouraging transparency, and promoting healthy competition within the sector. Through these measures, IRDAI contributes to the growth, credibility, and long-term sustainability of the Indian insurance industry.

Statement of Problem

In today's highly competitive global environment, organizations must continuously strengthen their strategic marketing capabilities to achieve sustainable growth and maintain a competitive advantage. Rapid technological advancements and changing consumer preferences have made it essential for businesses to better understand market dynamics and customer expectations. The insurance industry, in particular, needs to invest greater effort in market research and customer-oriented strategies to respond effectively to evolving market conditions. A comprehensive understanding of customer needs, competitive forces, and market trends can enhance the sector's ability to compete both domestically and internationally. Furthermore, the long-term success of insurance companies depends significantly on their ability to deliver high levels of customer satisfaction through efficient services and value-based offerings.

Research Objective

1. To estimate risk parameters in life insurance claims.
2. To develop and compare risk assessment models for life insurance.
3. To evaluate and compare the claim settlement performance of LIC and HDFC Life.

Hypotheses of the Study

H₀₁: There is no significant relationship between the estimated risk parameters and life insurance claim outcomes.

H₁₁: There is a significant relationship between the estimated risk parameters and life insurance claim outcomes.

H₀₂: There is no significant difference in the effectiveness of the risk assessment models used for life insurance claims.

H₁₂: There is a significant difference in the effectiveness of the risk assessment models used for life insurance claims.

H₀₃: There is no significant difference in the claim settlement performance of LIC and HDFC Life.

H₁₃: There is a significant difference in the claim settlement performance of LIC and HDFC Life.

III. REVIEW OF LITERATURE

The insurance industry has emerged as one of the most significant sectors of the economy, offering substantial opportunities for growth and development. Increasing awareness of financial security, changing consumer needs, and economic expansion have contributed to the rising importance of life insurance services. In India, the life insurance market has evolved considerably over the past two decades, creating a competitive environment that encourages innovation and improved customer service. Before the liberalization of the insurance sector in 2000, the life insurance market was dominated by the public sector company (LIC of India). The entry of private insurers introduced greater competition, resulting in enhanced product offerings, improved service quality, and increased customer focus. As a result, both public and private insurance companies have been striving to strengthen their market position and meet the changing expectations of policyholders.

This study aims to compare the performance of LIC and HDFC Life Insurance from the perspective of customers. The comparison focuses on important dimensions such as service quality, customer satisfaction, insurance awareness, consumer preference, and operational effectiveness. Examining these factors provides valuable insights into how customers perceive and evaluate the services offered by both insurers.

The study also seeks to enhance understanding of the Indian life insurance sector and the challenges associated with maintaining competitiveness in a rapidly changing market. With growing foreign investment, technological advancements, and increasing consumer awareness, the insurance industry is expected to witness further expansion. In this context, the research evaluates and compares LIC and HDFC Life Insurance in terms of customer preference, premium affordability, insurance literacy, and overall organizational performance.

Scope of the Study

1. Future studies should include a larger and more diverse group of policyholders. A broader sample will provide a better understanding of customer experiences, opinions, and satisfaction levels across different demographic groups.
2. Researchers may examine the claim settlement performance of LIC and HDFC Life over a longer period. A longitudinal study can help identify changes in settlement practices, emerging trends, and the impact of improvements made by the companies over time.
3. Future research should collect detailed feedback from policyholders through surveys, interviews, or focus group discussions. Understanding customers' views, expectations, and concerns can help insurers improve their claim settlement processes and enhance overall customer satisfaction.

IV. RESEARCH METHODOLOGY

This section outlines the research methodology adopted to achieve the objectives of the study, focusing on comparing the life insurance policy settlement processes of LIC and HDFC Life. The methodology provides a clear framework for data collection, sample selection, and data analysis to ensure the reliability and validity of the research findings.

The study aims to develop a comprehensive understanding of how life insurance claims are settled by LIC and HDFC Life and to identify the factors that influence customer satisfaction and settlement outcomes. The selected methodology enables the collection of both factual data and customer perceptions, thereby supporting a meaningful comparative analysis.

A mixed-methods research approach has been employed, combining both qualitative and quantitative techniques. The qualitative aspect involves gathering information through interviews and structured questionnaires to understand the experiences, opinions, and satisfaction levels of policyholders, as well as insights from company representatives. The quantitative aspect focuses on

analysing secondary data obtained from annual reports, industry publications, company records, and other relevant sources. The integration of these methods provides a balanced and detailed assessment of the settlement practices and performance of both insurance companies.

Research Design

Marketing research is a systematic process of collecting, analyzing, and interpreting information to solve specific business and marketing problems. It helps organizations make informed decisions by providing reliable data about customers, markets, and industry trends.

A research design serves as the overall plan or framework that guides the entire research process. It outlines the methods and procedures used for collecting, measuring, and analyzing data to achieve the objectives of the study. A well-structured research design ensures that the research remains focused on the problem under investigation and that the findings are accurate and meaningful.

An important element of research design is the selection of an appropriate study population from which data will be collected. This section of the study explains the sources of data, the methods used to gather information, and the procedures followed during the research process. Data refers to facts, figures, and information obtained through observation, surveys, interviews, or other reliable sources, which are then analyzed to draw conclusions and support the research objectives.

Sources of Data

The study is based on both primary data and secondary data to ensure a comprehensive analysis of the research problem.

Primary Data

Primary data were collected directly from respondents using a structured questionnaire consisting of both open-ended and close-ended questions. In addition, individual and group interviews were conducted with policyholders to gather detailed information about their experiences, opinions, and preferences regarding life insurance

services. These methods helped in obtaining first-hand and reliable information for the study.

Secondary Data

Secondary data were collected from various published and online sources. These included company reports, insurance-related books, research articles, journals, magazines, newspapers, and official websites. The secondary data provided background information and supported the analysis of the primary data collected during the research.

Comparison of LIC vs HDFC Life Insurance

Here are some of the key parameters based on which they differ from each other:

TABLE 4.1-

Parameters	LIC	HDFC Life
Claim Settlement Ratio	98.62%	98.66%
Solvency Ratio	1.83	1.91
Online Availability	Yes	Yes
Life Cover	Up to 99 years	Up to 99 years
Riders	Available	Available
Number of Branches Available	2,048	421

Premium Payment Term	Regular Pay, Single Pay, Limited Pay	Regular Pay, Single Pay, Limited Pay
Premium Payment Mode	Yearly, Half-Yearly, Monthly	Yearly, Half-Yearly, Quarterly, Monthly

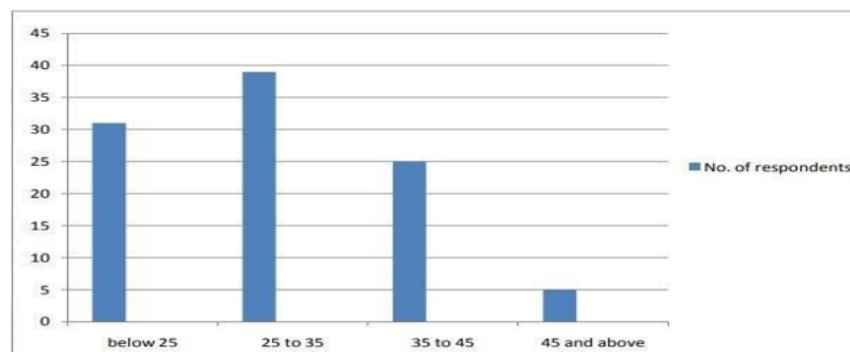
Purchasing life insurance protects one's financial stability in the event of one's untimely demise. After the main breadwinner dies, it is usually used to ensure that a spouse and children continue to receive an income. Therefore, before choosing the most effective policies, prior to deciding on an insurance policy, it is advisable to compare LIC life insurance and HDFC life insurance thoroughly.

PRESENTATION AND ANALYSIS OF DATA

TABLE 4.2: AGE GROUP OF RESPONDENTS

Age Group	No. of Respondents	Percentage %
Below 25	31	31%
25-35	39	39%
35-45	25	25%
45 and above	5	5%
Total	100	100%

FIG-4.2: AGE GROUP OF RESPONDENTS



INTERPRETATION:

The above figure reveals that most of the people 31% are below 25 years and 5% are 45 years and above.

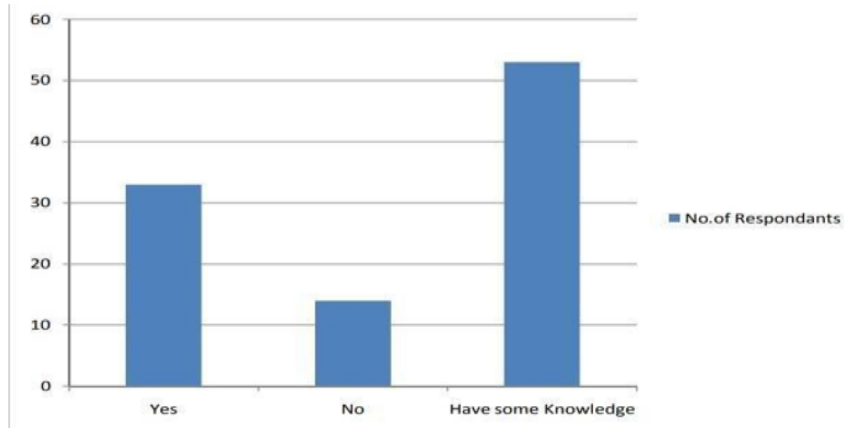
Table 4.3: RESPONDENTS' AWARENESS OF INVESTMENT OPTION

Awareness	No. of Respondent	Percentage %
Yes	33	33%
No	14	14%

Have some knowledge	53	53%
Total	100	100%

Sources: primary data collected through a questionnaire

FIG – 4.3: RESPONDENTS' AWARENESS OF INVESTMENT OPTION



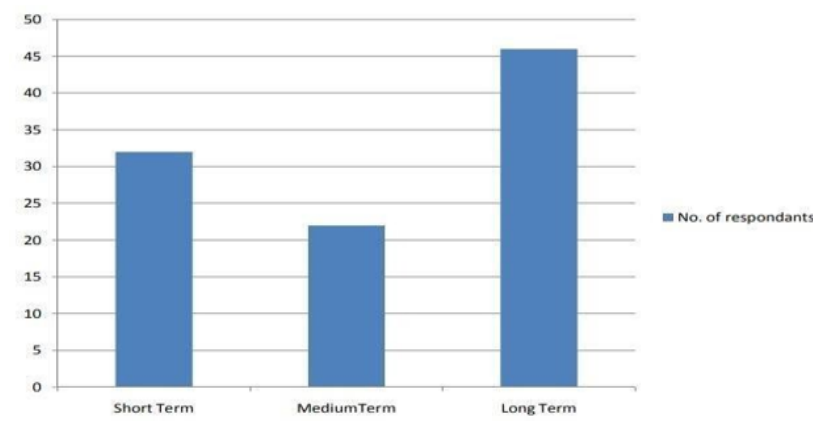
INTERPRETATION:

This graph shows that only 33% of people are aware of the investment option, and 53% of people have some knowledge about it. But 14% of people are not aware of available investment options.

Table 4.4: TERM OF INVESTMENT PREFERRED

Investment Method	No. of Respondents	Percentage %
Short Term	32	32%
Medium Term	22	22%
Long Term	46	46%
Total	100	100%

FIG – 4.4: TERM OF INVESTMENT PREFERRED



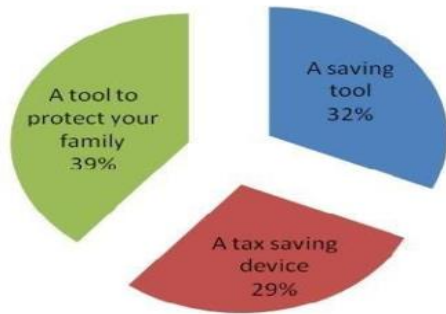
INTERPRETATION:

The above figure shows 46% of respondents prefer long term investment, where as 32% prefer medium term and only 22% prefer short-term.

Table 4.5: PERCEPTION ABOUT INSURANCE

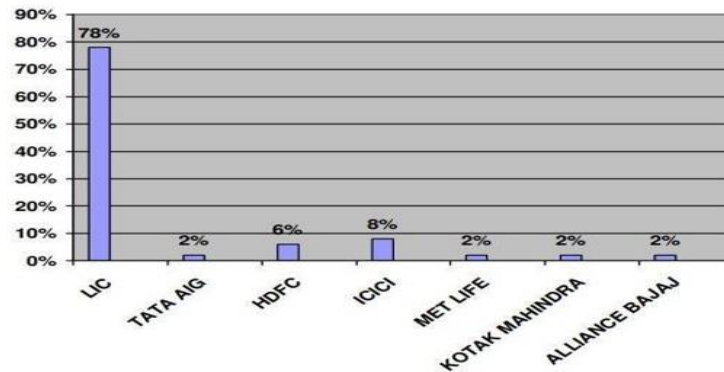
RESPONSE	NO. OF RESPONDENTS	SHARE
A Saving Tool	32	32%
A Tax Saving Device	29	29%
A Tool to Protect Your Family	39	39%

FIG – 4.5: PERCEPTION ABOUT INSURANCE



INTERPRETATION:

FIG – 4.6: MARKET SHARE OF DIFFERENT LIFE INSURANCE COMPANIES:



INTERPRETATION:

The above graph shows that most of the insurance holders are the consumers of LIC. Since it is clearly seen that the people are having more trust in the LIC compared to other private insurance companies.

V. FINDING AND SUGGESTIONS

- The majority of consumers are satisfied with the service and quality of products of Life Insurance.
- LIC stands first, followed by ICICI Prudential and HDFC Life Insurance, respectively.

The above figure shows that 32% of the respondents have perception of Insurance being a saving tool and 29% of the respondents have perception of Insurance being a tax saving device but 39% of the respondents are with the view that Insurance is a tool to protect your family.

TABLE 4.6: MARKET SHARE OF DIFFERENT LIFE INSURANCE COMPANIES:

Companies	Number of Respondents	Percentage %
LIC	39	78%
TATAAIG	1	2%
HDFC	3	6%
ICICI	4	8%
MET LIFE	1	2%
KOTAK MAHINDRA	1	2%
ALLIANCE BAJAJ	1	2%

- It reveals that 39% of respondents belong to 25 to 35 age group and 31% belong to the 25 age group.
- 53% of the people have an insurance policy.
- 46% of respondents prefer a long-term investment in Life Insurance.
- 39% of the respondents have the main perception of taking a Life Insurance Policy as a tool to protect the future of their family.

It has been found that Life Insurance Corporation of India (LIC) is more trustworthy since the claim

process is extremely hassle-free and quick. It provides a wide range of individual and group life insurance products to the customers, critical illness cover, add-ons, and tax benefits, etc. Thus, policyholders enjoy tax deductions on the premium amount under Section 80C of the Income Tax Act, 1961. All the benefit proceeds are also subject to tax exemptions under Section 10(10D).

LIC policies offer enough benefits to secure the family's finances after the death of the policyholder, but they do not generate enough returns for wealth creation. LIC comes with the sovereign guarantee of the Government of India, which makes its offerings safe and reliable.

The LIC provides the best life insurance policy at reasonable premiums.

SUGGESTIONS: -

- The life insurance companies should adopt better marketing strategies to attract more customers to face competition in the life insurance market.
- The cost, quality, and return on investment must be taken into consideration to tackle the competition.
- Life insurance products are taken mainly by the middle- and higher-income group. Hence, they should be regarded as the main targeted income groups. Life insurance products suitable for the lower-income group should also be introduced so that the life insurance market may increase.
- Return on investment, company reputation, and premium outflow, the most preferred attributes, are explored by the respondents. Hence, greater focus should be given to these attributes.
- Private life insurance companies should adopt effective promotional strategies to increase the awareness level among consumers.
- Life insurance companies should seek consumer feedback to know about the satisfaction level of their customers regarding services and products of the company. If customers are not satisfied with the company, the reasons for dissatisfaction should be observed and appropriate steps should be taken to correct them in the future.

- The LIC brand name has earned goodwill and enjoys a high brand equity, as there is intense competition in the life insurance market. Life Insurance Corporation should work hard to maintain its top position and offer better services and products to its customers.

VI. CONCLUSION

The results of the Study of Consumers may help the life insurance industry in developing a better and more competitive environment to comprehend the varying perspectives of policyholders. It will assist the customers in evaluating the available life insurance products offered by different insurance providers in terms of service and quality of product. The insurance business has responded positively, and the Indian insurance sector has seen a remarkable shift in recent times, with new creative products and higher standards of customer care. The Indian insurance market has seen a large number of joint ventures of the big insurance companies in recent years. There are several novel aspects in the newly introduced products by the insurance companies, such as enhanced customer service and broader risk coverage. Customers now have plenty of options while choosing the best-suited insurance product for them.

Although consumers are increasingly considering alternatives to Life Insurance Corporation of India (LIC), they continue to put their faith in the LIC and its products. Insurance companies' advertising and marketing efforts have generally been well-received by customers. The long-term effects of advertising efforts in print media, radio, television, and social media have now started to show results. Another encouraging development was the growing recognition of the dual role of insurance as a tax tool and an investment vehicle. The fact is that a large number of people are purchasing insurance products, which demonstrates the success of insurance companies, and it has also been observed that insurance companies are successfully attracting public funds.

There is certainly space for improvement in the overall satisfaction of the public ratings with policies

and agents. However, a relatively young player like HDFC Standard Life Insurance Company Ltd. may make their mark in the insurance industry through fast service and focus on customers, as the same has always been the strength of the LIC.

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