



Har Pal Aapke Saath



भारतीय जीवन बीमा निगम
Life Insurance Corporation of India

HISTORY

Life Insurance Corporation of India (LIC) is a statutory corporation established on September 1, 1956, under the Life Insurance Corporation Act, 1956. It holds a unique and dominant position in the Indian life insurance sector, operating under a blend of a government mandate and a commercial enterprise structure. The corporation is the country's largest institutional investor and commands a formidable market presence. In the fiscal year 2024-25, LIC held a market share of 68.58% based on new business premiums, making it a clear leader in the industry. This market dominance is a function of its vast operational scale, extensive agent network, and deep-seated public trust, which stems from its long history and government backing. The company's equity shares have been listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) since May 17, 2022.



Early Milestones (1957-1960s): In its first year (1957), LIC introduced the Salary Savings Scheme to enable millions of employees to take up policies and established its first foreign branches in Fiji and Mauritius. The same year saw the issue of the first Master Policy for a Group Insurance Scheme. By 1958, LIC's first Investment Policy was tabled in Parliament. The 1960s saw the establishment of the

Officer's Training College in Nagpur (1960) and the switch to the financial year system in 1963. In 1964, the "Own Your Home (OYH)" scheme was launched, and LIC simultaneously began its General Insurance business. In 1969, the Officer's training college was relocated to Borivali, Mumbai.

Focus on Rural and Social Security (1980s-1990s): Demonstrating its commitment to social objectives, the Jana Raksha Policy was launched in 1981 to cater to rural populations. The

Landless Agricultural Labourers' Group Insurance (LALGI) followed in 1987, alongside the setting up of a ₹100 crore Social Security Fund by the Government of India in 1988 for weaker sections of society. By 1989, LIC successfully transitioned into a financial conglomerate, establishing key subsidiaries like

LIC Housing Finance and LIC Mutual Fund. It also inaugurated the joint venture LIC International BSC(c) Bahrain. In 1996, the

Jeevan Suraksha Pension Plan was dedicated to the nation on LIC's 40th anniversary.

Modernization and Listing (2000s-Present): In 2000, LIC engaged international consultants to advise on a 'Process of Strategic Transformation' in response to increasing competition following the liberalization of the insurance sector. This era marked a rapid shift toward technology and diverse product offerings, including the launch of its first Unit Linked Insurance Plan (ULIP)

'Bima Plus' in 2001. The company accelerated its digital adoption significantly, culminating in the launch of the

ANANDA digital application in 2020 for paperless policy sales. In a landmark event, LIC's equity shares were listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) on

May 17, 2022.

This history gives LIC a unique statutory character, distinguishing it from private-sector competitors. The corporation holds a unique and dominant position in the Indian life insurance sector, operating under a blend of a government mandate and a commercial enterprise structure [1, 1]. In the fiscal year 2024-25, LIC held a market share of 68.58% based on new business premiums, making it a clear leader in the industry.

The foundation of the Life Insurance Corporation of India (LIC) began with an Ordinance issued on January 19, 1956, which nationalized India's life insurance sector. LIC was officially established on September 1, 1956, through the enactment of the Life Insurance Corporation Act, 1956. This monumental act consolidated the business of 245 private insurers and provident societies into a single, state-owned entity, starting with a capital contribution of ₹5 crore from the Government of India. The primary mission was, and remains, to ensure financial security for every insurable person in India, irrespective of their location, especially targeting rural and underserved regions. The company is registered with the Insurance Regulatory and Development Authority of India (IRDAI) under Registration

BUSINESS MODEL

LIC's business model is fundamentally fiduciary, with its primary responsibility defined by its role as a trustee of the insured public. This is reflected in its two-fund system, which separates the

- Policyholders' Fund from the Shareholders' Fund. The vast majority of the company's business activities, including premium income and investment assets, are directed toward the Policyholders' Fund. The surplus from this fund is then distributed to policyholders as bonuses, with a portion transferred to the Shareholders' Fund.[1, 1] This structure, rooted in its founding mandate, prioritizes stability and policyholder security over aggressive short-term shareholder returns.
- A critical component of this model is LIC's role as a premier institutional investor in the Indian financial markets. The corporation's massive Assets Under Management (AUM) are invested across various asset classes, primarily in government securities and other approved securities, in line with IRDAI regulations. This conservative investment strategy, which mitigates credit risk, is a direct consequence of its responsibility to protect policyholders' capital.

The company's distribution strategy is extensive and multi-channel, leveraging a massive network of branches, satellite offices, and a large force of agents to reach every corner of the country. In an effort to modernize and enhance customer experience, LIC also utilizes digital channels, including its official website and mobile application, for services such as premium payments. Bancassurance partnerships, such as with IDBI Bank, also form a key part of its distribution ecosystem. The company's long-standing operational approach, guided by its statutory origins, has historically favored stability and policyholder returns. However, its post-IPO phase has seen a strategic shift to balance this with the modern demands of shareholder value creation, a change reflected in recent financial disclosures and product strategies.

PRODUCT PORTFOLIO

LIC offers a broad range of products designed to meet the diverse needs of different customer segments. These offerings are structured across several primary business segments:

- **Participating Life:** Traditional, with-profit insurance plans.
- **Non-Participating Life (Individual & Group):** Guaranteed return plans and term policies.
- **Unit-Linked:** Policies that invest in equity and debt markets, offering market-linked returns.
- **Pension and Annuity:** Products for retirement planning.
- **Health:** Health insurance offerings.
- **Capital Redemption and Annuity Certain (CRAC):** A specialized business line.

In recent years, the company has shown a commitment to product innovation to stay competitive. In FY 2023-24 alone, LIC introduced six new individual products, including LIC's Dhan Vriddhi, LIC's Jeevan Kiran, LIC's Jeevan Utsav, and LIC's Index Plus, the latter of which is a notable step toward offering more market-linked products to a wider audience. It also launched a new group product and modified several existing plans to better align with market demands

New Product Mix (FY 2024-25): During the fiscal year, LIC introduced new products targeting strategic segments:

- **Individual Products:** Six new plans were introduced, including LIC's Yuva Term, LIC's Digi Term, LIC's Yuva Credit Life, LIC's Digi Credit Life, and LIC's Smart Pension. In addition, the company modified thirty-two (32) existing Individual Products to enhance features and improve customer value.
- **Group Products:** One new offering, the LIC's Single Premium Group Micro Term Insurance Plan, was launched

Shift in Non-Par Share: As a direct result of the focus on profitable products, the share of Non-Par business in the individual category grew significantly to 27.69% in FY 2024-25, up from 18.32% in the previous year. This positive trajectory in product mix is crucial for margin expansion and competing effectively with private insurers.

INCOME STATEMENT ANALYSIS

Report Date	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Sales	571507.92	628042.79	690913.83	723606.29	784627.65	845966.36	889970.02
Raw Material Cost							
Change in Inventory							
Power and Fuel							
Other Mfr. Exp	521872.87	575329.5	634650.08	683136.12	716425.68	765243.71	796122.2
Employee Cost	19904.54	25127.9	26787.39	30346.68	40134.87	39624.76	26946.68
Selling and admin	7934.04	8727.13	21133.62	7517.27	7517.22	7952.02	8197.63
Other Expenses	15875.97	25804.79	8594.75	-720.09	-13579.9	495.05	5425.2
Other Income	2615.04	20869.96	12819.51	9247.76	7799.5	14828.66	3495.14
Depreciation	336.41	379.36	416.63	436.19	466.38	465.94	506.47
Interest							
Profit before tax	8199.13	13544.07	12150.87	12137.88	41462.9	47013.54	56266.98
Tax	5571.76	10833.6	9176.73	8013.17	5466.25	6097.69	7946.65
Net profit	2627.38	2710.48	2974.14	4124.71	35996.65	40915.85	48320.33
Dividend Amount	42	42.7		948.75	1897.5	6325	7590
Effective Tax Rate	68%	80%	76%	66%	13%	13%	14%
EBITDA	8,535.55	13,923.44	12,567.50	12,574.07	41,929.28	47,479.48	56,773.45

- **Revenue Drivers and Efficiency:**
- **Premium Income:** While total premium income saw a modest increase of 2.75% in FY 2024-25, the underlying trend shows a strong 8.28% growth in Individual New Business Premium. Importantly, the
- **Non-Participating segment** of the individual business has consistently grown strongly, reflecting the strategic shift towards higher-margin products.
- **Investment Income:** In FY 2023-24, net investment income surged by 18.78% to ₹3,63,944 crore, driving the overall revenue growth. However, the yield on Policyholders' Funds (excluding unrealized gains) slightly declined from 8.93% in FY 2023-24 to 8.65% in FY 2024-25.
- **Cost Control:** A major positive is the improvement in operational efficiency, with the Expense Ratio decreasing significantly by 315 basis points to 12.42% in FY 2024-25. This suggests management is effectively controlling costs and streamlining operations.
- **Other Income Anomaly (FY24):** The sharp 91.50% growth in other income in FY 2023-24 (₹14,648 crore) was largely attributable to a one-time write-back of an excess income tax provision of ₹7,692.59 crore pertaining to earlier assessment years (2011-12 to 2019-20).
- **Profit After Tax (PAT):** The PAT reported for FY 2024-25 showed a healthy 18.38% growth to ₹48,151 crore. This growth continues the positive trajectory seen in FY 2023-24 (11.76% growth). This enhanced profitability is supported by the improving VNB margin and cost rationalization efforts.
- **Profit After Tax (PAT):** The PAT reported for FY 2024-25 showed a healthy 18.38% growth to ₹48,151 crore. This growth continues the positive trajectory seen in FY 2023-24 (11.76% growth).

COMPANY PROFILE

Particulars	As at March 31, 2025	As at March 31, 2024
SOURCES OF FUNDS		
Shareholders' Funds (Equity)	126,187.74	81,938.16
Policyholders' Funds (Liabilities & Reserves)	5,447,138.41	5,138,885.40
TOTAL LIABILITIES	5,575,154.56	5,222,038.28
APPLICATION OF FUNDS (ASSETS)		
Total Investments (Including Linked Assets)	5,288,616.60	4,975,514.19
Loans & Fixed Assets	131,941.06	124,315.25
Net Current Assets	154,596.90	122,208.84
TOTAL ASSETS	5,575,154.56	5,222,038.28

- **Asset Growth and Composition:**
- **AUM:** The Assets Under Management (AUM) reached ₹54,52,297 crore in FY 2024-25, marking a robust 6.45% increase. This continuous growth reflects the ongoing inflow of policyholder funds, securing LIC's position as a major institutional investor.
- **Investments:** Total investments grew significantly by ₹7,30,662 crore in FY 2023-24 to reach ₹49,75,514 crore. This portfolio growth is essential, as the return generated from these investments is the primary source of policyholder bonuses and a significant contributor to overall surplus.
- **Shareholders' Reserves:** Reserves and Surplus grew massively by 91.79% in FY 2023-24 to ₹75,740 crore. This was primarily driven by the change in accounting policy allowing the transfer of the accretion on the available solvency margin from the Non-Participating Policyholders' account to the Shareholders' account.
- **Net Current Assets:** Net Current Assets showed strong growth of 26.50% in FY 2024-25, increasing to ₹1,54,597 crore.
- **Asset Quality:**
- **NPA Reduction:** LIC has maintained excellent asset quality. The Gross NPA in the loan portfolio decreased to ₹10,697.53 crore in FY 2023-24 from ₹12,031.36 crore in FY 2022-23. More critically, the
- **Net NPA** in the loan portfolio remained negligible, decreasing slightly to ₹5.14 crore in FY 2023-24, demonstrating strong provisioning practices and clean up of the loan book.

COMPANY PROFILE

Particulars	FY 2024-25	FY 2023-24	FY 2022-23
Solvency Ratio	2.11	1.98	1.87
Expense of Management Ratio	12.42%	15.57%	15.53%
VNB Margin	17.60%	16.80%	N/A
13th-Month Persistency (by Premium)	75%	78%	N/A
13th-Month Persistency (by Policies)	64%	67%	N/A
61st-Month Persistency (by Premium)	63%	61%	N/A
61st-Month Persistency (by Policies)	50%	49%	N/A

- **Solvency and Capital Adequacy**
- **The Solvency Ratio is a key metric for evaluating the financial resilience of an insurer, indicating its ability to meet long-term obligations. LIC's Solvency Ratio has shown a steady upward trend, from 1.85 in FY 2021-22 to 1.87 in FY 2022-23, and then to 1.98 in FY 2023-24, culminating in a strong 2.11 in FY 2024-25. A ratio above the regulatory requirement of 1.50 indicates that the company possesses a healthy capital buffer to absorb unexpected losses, reinforcing its reputation for financial stability and policyholder security**
- **Profitability & Efficiency Ratios**
- **The company has made significant strides in improving its operational efficiency. A critical metric in this regard is the Expense of Management Ratio, which decreased substantially by 315 basis points, from 15.57% in FY 2023-24 to 12.42% in FY 2024-25. This is a clear indicator of management's focus on cost control and operational discipline, which is vital for enhancing profitability.**

COMPANY PROFILE

- Business Quality and Persistency Analysis
- While the improvement in VNB margin is a positive sign, a deeper look at business quality reveals a contradictory trend in persistency ratios. Persistency measures the percentage of policies that remain in force by paying premiums on time.
- An analysis of the data for FY 2024-25 shows a decline in the crucial 13th-month persistency ratio. By number of policies, this ratio dropped from 67% in FY 2023-24 to 64% in FY 2024-25. Similarly, by premium, it fell from 78% to 75% over the same period.[1, 1] A decline in early-term persistency can be a symptom of a higher volume of sales but lower quality, potentially due to aggressive selling or customers being unable to maintain premium payments on newly launched, potentially higher-priced products.
- Conversely, the 61st-month persistency ratio, which reflects the longevity and quality of the older policy book, showed a modest improvement. It rose to 50% by policy count and 63% by premium in FY 2024-25, up from 49% and 61% respectively in the previous year.[1, 1]
- The co-occurrence of a declining 13th-month persistency and an improving VNB margin presents a complex narrative. The increase in the VNB margin suggests a more profitable product mix, but the drop in early-term persistency indicates that a higher proportion of these new, more profitable policies are lapsing soon after sale. This creates a trade-off between immediate profitability gains and the long-term quality and stability of the business. An investor must carefully monitor whether the company can address the persistency issue to ensure the sustainability of its VNB growth.

COMPANY PROFILE

Metric	LIC	SBI Life	HDFC Life
Market Share (New Business Premium)	68.58%	10.77%	10.22%
Solvency Ratio	2.11	1.96X	N/A
Profit After Tax (PAT) (₹ in crore)	48,151	2,413	N/A
VNB Margin	17.60%	27.80%	N/A
AUM (₹ in crore)	5,452,297	N/A	N/A

Market Positioning and Scale

The analysis of the Indian life insurance sector reveals a clear market hierarchy. Life Insurance Corporation of India (LIC) maintains an unassailable position as the market leader with an overwhelming 68.58% share in new business premiums in FY 2024-25. This dominance is a product of its extensive scale, legacy, and brand trust. The rest of the market is fragmented among private players, with SBI Life (10.77%), HDFC Life (10.22%), and ICICI Prudential Life (6.83%) leading the private-sector pack. This market structure means that while LIC holds a vast lead, it is under constant pressure from nimble, focused competitors who are collectively eroding its market share.

Profitability Metrics Comparison

A direct comparison of profitability metrics highlights a significant strategic divergence between LIC and its private-sector peers. The VNB margin is a key indicator of the profitability of new business. For FY 2024-25, LIC's VNB margin was 17.6% , a commendable improvement from the previous year. However, this figure is still considerably lower than that of SBI Life, which reported a VNB margin of 27.80% for the same period.

SWOT ANALYSIS

- **Strengths (Pros)**
 - **Unmatched Brand Trust:** LIC's long history and state-owned heritage provide an unparalleled level of public trust, which is a significant competitive advantage in a sector where confidence is paramount.
 - **Dominant Market Position:** With a market share of approximately 68.58% in new business premiums, the company enjoys a massive scale that provides a strong competitive moat and operational efficiencies that smaller players cannot match.
 - **Strong Solvency:** A robust solvency ratio of 2.11 in FY 2024-25 demonstrates the company's strong financial health and ability to fulfill its long-term obligations, a critical factor for an insurer.
 - **Improving Operational Efficiency:** A significant 315 basis point reduction in the expense ratio in FY 2024-25 to 12.42% indicates that management is focused on cost control and improving profitability.
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- **Weaknesses & Threats (Cons)**
 - **Persistency Challenges:** The declining 13th-month persistency ratio, which fell to 64% by policy count and 75% by premium in FY 2024-25, is a significant weakness. This suggests that a portion of new business is not being retained, raising concerns about the quality of new sales.
 - **Lower Profitability:** The company's VNB margin of 17.6% is substantially lower than that of its major private-sector peers like SBI Life (27.80%). This structural profitability gap is a result of a conservative product mix and high reliance on traditional, low-margin plans.
 - **Regulatory Burdens:** The company is currently undergoing a multi-year process to amortize a significant additional pension liability (9,280.37 crore in FY 2023-24, and 5,477.10 crore in FY 2024-25) and to replenish excess expenses (7,230.09 crore in FY 2024-25) from the shareholders' account.[1, 1] These ongoing financial adjustments will act as a headwind, reducing the cash flow available for shareholder returns over the next few years.
 - **Competitive Threats:** Private insurers are more agile and have a more dynamic product mix and distribution model. Their increasing focus on digital innovation and bancassurance is a credible threat to LIC's long-standing market dominance

COMPANY PROFILE

- **Final Verdict: Hold**
- **Based on this comprehensive analysis, the appropriate investment recommendation for the Life Insurance Corporation of India (LIC) stock is to Hold. The company is a stable, long-term asset, offering a measure of capital preservation and a consistent dividend payout. The proposed final dividend of ₹12 per equity share for FY 2024-25 provides a clear example of its commitment to shareholder returns, even amidst its restructuring efforts.**
- **However, a more bullish "Buy" rating is not justified at this time due to several factors. The inconsistent quality of new business, highlighted by the declining persistency ratio, and the persistent gap in profitability metrics when compared to its peers, pose significant long-term risks. Furthermore, the ongoing multi-year financial adjustments identified in the auditor's reports will continue to weigh on the company's earnings and cash flow, limiting its short-term growth potential.**

The company's future success will be contingent on its ability to address these core challenges. Investors should pay close attention to management's execution of its strategic pivot, specifically by monitoring key metrics in future annual reports, such as the VNB margin and persistency ratios. Sustained improvement in these areas will be the most critical indicator of whether the company is successfully modernizing its business model and positioning itself for profitable, long-term growth in a competitive market.