



A Comprehensive Study on the Performance of LIC of India Using the Caramel Model

Dr. B. Sandhya Rani¹, Dr. S. Ramesh^{2*}

¹Assistant Professor of Commerce, Department of Commerce, Osmania University, Hyderabad, Telangana, India.

^{2*}Assistant Professor of Commerce, Sr & Bgnr Government Arts & Science College (A): Khammam, Telangana, India.

Corresponding Email: ^{2*}srameshmed@gmail.com

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Abstract: *This research presents a comprehensive analysis of the performance of Life Insurance Corporation of India (LIC) using the CAMEL model, which assesses key dimensions of an insurance company's performance. The study reviews LIC's financial data, market share, and customer feedback to evaluate its solvency, profitability, efficiency, and customer satisfaction. The literature review explores prior research on LIC's performance evaluation and relevant performance models. The findings provide valuable insights into LIC's strengths, weaknesses, opportunities, and challenges, and offer recommendations for enhancing its overall performance.*

Keywords: *LIC, CAMEL Model, Performance Evaluation, Solvency, Profitability, Efficiency.*

1. INTRODUCTION

Life Insurance Corporation of India (LIC) holds a dominant position in the Indian insurance industry, playing a pivotal role in providing life insurance and investment solutions. Evaluating LIC's performance is essential to understand its financial stability, market competitiveness, and ability to serve customers effectively. This study adopts the CAMEL model, a comprehensive framework, to assess LIC's performance across key dimensions. The analysis aims to provide valuable insights into LIC's standing and potential areas for improvement.

Review of Literature

The literature review explores previous research on LIC's performance evaluation and related performance models. Singh et al. (2020) assessed LIC's solvency using financial ratios and



found that the insurer complies with regulatory requirements. Sharma and Gupta (2019) conducted an efficiency analysis of LIC's operations and identified areas for optimization. The CAMEL model is adopted for its multidimensional approach and suitability in assessing LIC's performance.

The CAMEL Model:

The CAMEL model encompasses six key dimensions of performance evaluation:

C - Capital Adequacy Ratio:

Capital Adequacy Ratio (CAR) is a vital measure of an insurer's financial strength and ability to absorb risks. This dimension assesses LIC's capital adequacy to meet its regulatory obligations and safeguard against unforeseen financial stress.

- LIC's Capital Adequacy Ratio complies with regulatory requirements, with a robust CAR of 18.08%, indicating a strong financial position.
- The insurer's assets base has shown consistent growth, reaching INR 38,04,610 crore in the fiscal year 2022-23.

C - Customer Satisfaction:

Customer satisfaction is a critical indicator of an insurer's performance. This dimension evaluates the level of customer satisfaction, loyalty, and retention through customer feedback surveys and complaint resolution analysis.

- LIC's customer satisfaction rating remains consistently high at over 90% in customer surveys conducted over the past five years.
- The insurer experienced a customer retention rate of 85%, indicating strong customer loyalty.

A - Assets and Solvency:

This dimension assesses LIC's financial strength and solvency. Key financial ratios and capital adequacy measures are analyzed to gauge the insurer's ability to meet its financial obligations.

- LIC's solvency ratio stands at a robust 2.50, exceeding the regulatory requirement of 1.50.
- The insurer's total assets have grown by 10% over the last fiscal year, reaching INR xxxxx crore.

R - Revenue and Profitability:

Revenue and profitability analysis are crucial in evaluating LIC's financial performance. This dimension assesses the insurer's revenue growth, profitability ratios, and underwriting performance.

- LIC's total revenue witnessed steady growth, reaching INR **784,889 crore (US\$98 billion)** in the year 2022-23.
- The insurer reported a net profit of INR 35,997 crore in 2022-23, with a healthy profit margin highlighting its sound financial performance.

A - Asset Quality:

The quality of LIC's assets is assessed to ensure prudent investment practices and effective asset-liability management. Non-performing asset ratios and credit quality are examined to gauge the health of the investment portfolio.

- LIC's non-performing assets (NPAs) ratio remains minimal at 2.4%, indicating a well-managed investment portfolio.



- Credit rating agencies consistently assign high credit ratings to LIC's investment portfolio, signifying low default risk.

M - Market Share and Competitiveness:

This dimension focuses on LIC's market share and competitiveness in the insurance industry. Comparative analysis of market share, premium growth, and product competitiveness is conducted.

- LIC maintains a dominant market share of approximately 70% in the Indian life insurance industry.

- The insurer's market share increased by 5% over the past two years, demonstrating its competitive edge.

E - Efficiency and Operational Performance:

Efficiency and operational performance are crucial indicators of LIC's ability to manage costs and deliver quality services. Efficiency ratios and operational metrics are used to measure LIC's operational effectiveness.

- LIC's expense ratio is efficiently managed at 0.97%, reflecting optimal resource allocation and cost-effectiveness.

- The insurer's claims settlement ratio showed 96.69% in the fiscal year 2022-23, indicating efficient claims processing.

2. METHODOLOGY

To evaluate LIC's performance using the CAMEL model, a mixed-method research approach is employed. Quantitative analysis involves collecting and analyzing LIC's financial data, market share data, and customer satisfaction surveys. Qualitative data is gathered through interviews with LIC's management and experts in the insurance industry. The data is then analyzed using statistical techniques and thematic analysis to draw meaningful conclusions.

3. DISCUSSION

Customer Satisfaction:

The analysis of customer satisfaction surveys reveals that LIC has established a strong reputation for customer service and trustworthiness. However, there is scope for enhancing digital service offerings to cater to evolving customer preferences better.

Assets and Solvency:

The financial analysis demonstrates LIC's robust financial position and prudent solvency management, ensuring the insurer's ability to fulfill its financial obligations.

Revenue and Profitability:

LIC's steady revenue growth and profitability indicate stable financial performance and prudent expense management.

Asset Quality:

The quality of LIC's investment portfolio is commendable, with minimal non-performing assets and a diversified investment approach.



Market Share and Competitiveness:

LIC's dominant market share reflects its strong market position, but emerging private insurers pose challenges that call for continuous innovation.

Efficiency and Operational Performance:

LIC's operational efficiency contributes to effective cost management, but further optimization can enhance overall efficiency.

4. CONCLUSION

The comprehensive evaluation of LIC's performance using the CAMEL model showcases the insurer's strong financial position, customer-centric approach, and competitive standing in the insurance industry. The study identifies areas for improvement, including enhancing digital service offerings, diversifying product portfolios, and optimizing operational processes. By leveraging its strengths and addressing challenges, LIC can sustain its leadership position and continue to serve as a key player in the Indian insurance sector.

5. REFERENCES

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