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A COMPARATIVE STUDY OF CUSTOMER AWARENESS AND PREFERENCE BETWEEN PUBLIC (LIC) AND PRIVATE SECTOR LIFE INSURANCE POLICIES

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ABSTRACT

There has been tremendous growth within the Indian life insurance industry after liberalization and the involvement of the private companies, leading to a situation in which the big public companies such as Life Insurance Corporation of India compete along with other smaller private companies. The current research paper tries to analyse the difference between the awareness level and the preference of customers towards either of the two kinds of life insurance policies. For this purpose, primary data was gathered from 100 respondents in April and May 2026.
Three goals formed the basis of the study, which included: (1) evaluation of the extent of awareness among customers about LIC and private insurance schemes; (2) evaluation of the choice between LIC and private insurance companies; and (3) identification of factors leading to the choice and improvement areas within both sectors. The results indicate that there is almost total awareness about LIC, which is close to 91%, and 82% about private firms. Factors such as trust and security motivate choice for LIC, while higher returns and innovative products motivate choice for private firms. However, a considerable number of respondents (52%) show their preference for LIC over all other insurance providers. However, younger and wealthier customers exhibit higher preferences for private insurers. Improved claims processing speed, transparency in policies, and better digital services were some of the key aspects that stood out as areas requiring improvements.
Key words: Life Insurance, LIC, Private Insurance, Customer Awareness, Customer Preference, India, Insurance Industry

1. INTRODUCTION

In India, the insurance industry plays an important role in the financial structure of the country. It does not only serve as an insurance policy against risks but also helps individuals save money and invest it for their future financial security. In a developing country like India, life insurance is becoming extremely important due to the financial vulnerability of a large percentage of its population. The dual concerns of offering security and raising domestic savings have been the defining forces behind the regulatory and functional framework of the life insurance industry in India [1].

Until 1956, the life insurance sector in India remained divided into multiple private firms that operated without any regulatory oversight and often lacked liquidity. However, the nationalisation of life insurance operations in 1956 led to the creation of LIC of India. LIC was assigned a developmental role that transcended mere business to include the broader interests of the nation, including rural penetration, social security, and equality in financial security access. Over the years, LIC evolved into one of the biggest financial corporations in Asia, enjoying unmatched levels of public confidence and a vast distribution network [2].

The passage of the Insurance Regulatory and Development Authority Act in 1999, followed by the liberalization of the sector for private and foreign investment, was a landmark event in the history of Indian insurance. The entry of private insurance companies, which were usually part of strategic alliances with international insurance companies, was accompanied by their offering of unique products, marketing initiatives, and technology-driven service delivery systems. Insurance companies such as HDFC Life Insurance, ICICI Prudential Life Insurance, SBI Life Insurance, and Max Life Insurance fast emerged as major players by targeting a growing middle class who had changed their perception from mere security to returns, flexibility, and digitization for better insurance services [3].

This dual competition has led to academic research on how consumers understand, assess, and select either LIC or private sector products. Customer awareness, which means the level of knowledge among customers regarding what life insurance entails, what kinds are available, and who provides them, is one of the key factors that must be considered before the purchase. Low levels of customer awareness hinder market entry, but knowledgeable customers will make more informed decisions regarding the products that suit them best [4]. On the other hand, customer preference pertains to the evaluation process where one choice is preferred over the other. Customer preference, in particular, depends on many variables, which include psychological, socio-economic, and experiential considerations.

Even with the tremendous rise in volume within the Indian insurance market, the insurance penetration rate has not been impressive compared to international standards because of existing challenges in terms of public knowledge and trust in the system. It is, therefore, necessary to understand the strengths and limitations of LIC and private insurers to provide information that will inform future policy decisions on the matter. The present study aims at addressing this challenge by conducting a detailed analysis of data obtained through surveys administered to 100 participants in 2026 on issues related to insurance knowledge, preferences, and service quality among others.

1.1 Objectives of the Study

1. To study the level of customer awareness about life insurance policies.
2. To compare customer awareness between Life Insurance Corporation of India and private sector insurance companies.
3. To analyse customer preference for public and private life insurance policies.

2. LITERATURE REVIEW

There have been many studies carried out by academic scholars on the topic of consumer behaviour in the Indian insurance market, where they have looked into various factors such as brand equity and quality of service, among others.

According to Rajendran and Natarajan [2], there has been a comparative study carried out between LIC and other private insurance companies in Tamil Nadu. They stated that LIC had better brand equity due to its association with the government and its strong reputation. However, they added that private insurance companies had better products and technologies than LIC. The authors stated that rural and semi-urban customers preferred LIC because of the security factor associated with it.

Mishra and Panda [1] conducted an analysis of insurance awareness and buying behaviour in the state of Odisha, where they found that there is a major deficiency in awareness among lower-income communities, and that insurance awareness programs specifically designed for such communities could be helpful in increasing insurance adoption rates. This result is supported by prior research conducted by Singh [5], who found that social relations, i.e., family members and friends along with agents, played a major role in increasing insurance awareness in semi-urban parts of India.

Kumar and Chahal [3] analysed factors affecting customer preferences for insurance companies in Haryana. They identified claim settlement, cost-effectiveness, and agent quality as the top three determining factors. Importantly, while LIC customers valued company reliability and their previous positive experiences, private company customers were more concerned about the flexibility and returns on investments made.

According to Panchal and Shah [4], who conducted their study on Unit Linked Insurance Plans (ULIPs), young people who lived in urban areas and earned higher incomes had better awareness regarding investment-linked products mainly sold by private insurance companies. In this regard, the researchers highlighted that the mixture of insurance and investment roles in ULIPs is something that attracts but at the same time confuses customers, necessitating the clear communication of policies to minimize information asymmetries.

The study of Seth and Sharma [6] evaluated consumer satisfaction with the services provided by life insurance companies on the grounds of service quality measured by the SERVQUAL model. In this context, responsiveness and assurance emerged as the two most important service quality attributes for insurance buyers where LIC showed its better performance in terms of assurance, while the private insurance companies outperformed in tangibles and responsiveness.

According to Nair & Thomas [7], digitalization played a crucial part in shaping the insurance preferences of consumers in Kerala, revealing that the young consumers prefer digital policies, e-KYC, and online claims filing, which were predominantly offered by private insurance firms. Nevertheless, these authors noted that the consumers have serious data privacy issues and digital illiteracy problems, necessitating proper consumer education alongside technological development.

The study carried out by Verma and Bala [8] in a national study in India shows that there is high awareness for certain types of policies like Money Back Plans] and Endowment Plans compared to term insurance for middle-class groups despite the fact that term insurance is highly efficient compared to these two types of policies. In addition, according to Verma and Bala [8], this discrepancy is attributed to incentives offered to agents who promote conventional policies.
Overall, the existing literature places the current study in a long line of research while pointing out certain areas where the current study has added empirical knowledge.

3. RESEARCH METHODOLOGY

3.1 Research Design

The research involves a descriptive and analytical approach. Descriptive approaches are adopted to describe the demographic profile of the participants as well as their awareness levels, while analytical approaches are used to investigate the relationship between demographic characteristics and insurance preferences.

3.2 Data Collection

Primary data was gathered using an instrument known as a questionnaire, which consisted of closed-ended and multiple-choice type questions. Data was gathered during April-May 2026 using an online survey tool provided by Google Forms. Information on demographics, knowledge about insurance, policy holder status, preferences according to industry segments, service quality, and recommendations for improvement was sought out in the process.

3.3 Sampling

The study used a non-probability method of sampling. The respondents were drawn from service providers, business people, and students from urban and semi-urban areas. Although non-probability sampling narrows the scope of generalizability, this study gained valuable insights from the findings.3.4 Data Analysis

Analysis of data involved the use of frequency distribution, percentage analysis, and cross tabulation. Descriptive statistics were calculated in order to describe central tendencies and distribution of key variables. Cross tabulation was used to study relationships between demographic variables (age, sex, and income level) and preference choices, thus testing hypotheses H02 and H03.

3.5 Demographic Profile of Respondents*Table 1: Demographic Profile of Respondents (N = 100)*

Variable	Category	Frequency	Percentage (%)
Age	Below 20	5	5.0
	20-30	39	39.0
	31-40	40	40.0
	Above 40	16	16.0
Gender	Male	46	46.0
	Female	54	54.0
Occupation	Service	54	54.0
	Business	29	29.0
	Student	6	6.0
	Other	11	11.0
Monthly Income	Below Rs.20,000	10	10.0
	Rs.20,000-Rs.50,000	37	37.0
	Rs.50,000-Rs.1,00,000	38	38.0
	Above Rs.1,00,000	15	15.0

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DATA ANALYSIS AND FINDINGS

4.1 Awareness of Life Insurance

The survey conducted on the sample included questions about the knowledge of life insurance policies as well as the knowledge of LIC and private insurance companies. The findings are presented in Table 2 below. It can be seen that 91% of people have knowledge of life insurance policies. At the same time, 9 people did not know anything about life insurance policies. The awareness rate of LIC was also 91%.

Table 2: Insurance Awareness Among Respondents (N = 100)

Awareness Type	Yes (n)	No (n)	Yes (%)
General Insurance Awareness	91	9	91.0
Aware of LIC	91	9	91.0
Aware of Private Companies	82	18	82.0

This finding implies that knowledge about LIC is slightly higher than that for private insurance firms, leading to a partial acceptance of the null hypothesis, which states that no difference in awareness can be detected. Both measures of awareness are relatively high, implying that efforts to create awareness about insurance have yielded positive results. The higher awareness about LIC can be attributed to its long history, numerous agents, and credibility backed by the government [2].

4.2 Self-Rated Knowledge of Life Insurance

Respondents were requested to assess their level of knowledge about life insurance on a four-point Likert scale, ranging from Poor to Excellent. Table 3 below shows the distribution, where most respondents (57%) had a good level of knowledge about life insurance, and 28% had an Average level of knowledge. The level of excellent knowledge was recorded for 12% of respondents, whereas only 3% assessed themselves with Poor knowledge of life insurance. This pattern is similar to that revealed by Mishra & Panda [1]

Table 3: Self-Rated Knowledge of Life Insurance (N = 100)

Knowledge Level	Frequency	Percentage (%)
Poor	3	3.0
Average	28	28.0
Good	57	57.0
Excellent	12	12.0
Total	100	100.0

4.3 Sources of Insurance Information

Insights into the means through which respondents acquired their insurance knowledge can provide useful lessons for designing an effective awareness campaign. As indicated in Table 4, agents are the main information source at 31%, followed closely by the internet at 30%, friends and relatives at 24%, and advertisements at 15%. This is an indication that two trends prevail in this regard; while the role of interpersonal sources and agents as sources of information remains significant, digital media sources are fast catching up, especially with younger respondents.

Table 4: Sources of Insurance Information (N = 100)

Information Source	Frequency	Percentage (%)
Agent	31	31.0
Internet	30	30.0
Friends/Family	24	24.0
Advertisement	15	15.0
Total	100	100.0

4.4 Policy Ownership and Types

However, an overwhelming majority of participants (87%) indicated that they have a life insurance plan in place. The share of policy types among the individuals possessing life insurance plans is shown in Table 5. The sum total of Term Plans and Endowment Plans amounts to over 79% of the total number of policies possessed, highlighting the prevalence of traditional life insurance products and savings-based products. About 10% of the participants have ULIPs, whereas the same percentage owns Money Back Policies. This is consistent with Verma and Bala [8] regarding the prevalence of traditional insurance products in India regardless of the efficiency of term plans.

Table 5: Distribution of Policy Types Held by Respondents (N = 87)

Policy Type	Frequency	Percentage (%)
Term Plan	37	42.5
Endowment Plan	32	36.8
ULIP	9	10.3
Money Back Policy	9	10.3
Total	87	100.0

4.5 Sectoral Preference for Purchasing Insurance

The respondents were asked which sector they would prefer to deal with while purchasing their life insurance policy. Their preferences are shown in Table 6. It can be observed that there is a slightly higher overall preference of LIC (52%) over private organizations (38%). Ten percent of the respondents did not show any preference for any of the two sectors. When analysing the preferences of different demographic groups of respondents, it is found that LIC is preferred over private sectors by the respondents aged between 20-30 and 31-40 years whose monthly income range was Rs.20,000 to Rs.50,000. Private sector was preferred by the respondents above 40 years earning above Rs.1,00,000.

Table 6: Sectoral Preference for Purchasing Insurance (N = 100)

Preferred Sector	Frequency	Percentage (%)
LIC (Public Sector)	52	52.0
Private Sector	38	38.0
Both Equal / No Preference	10	10.0
Total	100	100.0

4.6 Factors Influencing Sectoral Preference

Respondents were also required to give the main reason behind their choice of sector. This was reflected in the results shown in Table 7 below where trust and security were identified as the main reasons behind choosing a certain sector (42%) especially the LIC customers. Higher gains became the second most important determinant of sector choice (37%) particularly among those who preferred the private sector companies. Customer service became an issue in 14% of cases while branding formed the least important reason at 7%. These results provide clear evidence of rejecting H03.

Table 7: Primary Reasons for Sectoral Preference (N = 100)

Reason for Preference	Frequency	Percentage (%)
Trust / Security	42	42.0
Better Return	37	37.0
Customer Service	14	14.0
Brand Image	7	7.0
Total	100	100.0

4.7 Perceptions of Service Quality Dimensions

Respondents were asked to evaluate which sector provided better customer service, more innovative products, and more effective advertising. Table 8 summarises these perceptions. Private companies are perceived to advertise more effectively by 44% of respondents, while 37% consider both sectors equal, and 19% credit LIC. Regarding customer service, LIC is perceived as superior by 44%, private companies by 36%, and both equal by 20%. In terms of product innovation, private companies lead with 47%, LIC is rated by 25%, and 28% perceive both as equal. These findings suggest that LIC enjoys a comparative advantage in customer service perception, while private companies are seen as more innovative and advertising-aggressive, consistent with the service quality framework employed by Seth and Sharma [6].

Table 8: Customer Perceptions of Service Quality Dimensions (N = 100)

Dimension	LIC (%)	Private (%)	Both Equal (%)
More Effective Advertising	19	44	37
Better Customer Service	44	36	20
More Innovative Products	25	47	28
Easier to Understand Policies	38	29	33

4.8 Satisfaction and Areas for Improvement

From a total of 87 policyholders who participated in the survey, about 91% expressed satisfaction with their insurance policy. However, this satisfaction is somewhat diluted by the comments made in the suggestion improvement section of the qualitative analysis. Improvement suggestions are indicated in Table 9 below.

Table 9: Priority Areas for Insurance Service Improvement (N = 100, Multiple Responses)

Improvement Area	Frequency	% of Respondents
Faster/hassle-free claim settlement	28	28.0
Policy transparency/less jargon	24	24.0
Better digital services/online access	18	18.0
Affordable premiums/better coverage	12	12.0
Better customer support/24-7 service	10	10.0
Personalised policy recommendations	8	8.0

The importance of claim settlement time as a performance area that needs improvement is clearly in agreement with Kumar & Chahal [3] in their analysis of quality criteria used to evaluate insurance services. Furthermore, the need for transparency in insurance policies is also consistent with Panchal & Shah [4], who found many policyholders were confused about ULIPs and their costs.

4.9 Summary of Hypothesis Testing

Table 10: Summary of Hypothesis Testing Outcomes

Hypothesis	Finding	Decision
H01: No significant awareness difference between LIC and private sector	LIC awareness (91%) exceeds private awareness (82%); 9-point gap observed	Partially Rejected
H02: Preference is independent of demographics	Age and income show differential preference; younger/higher-income lean private	Rejected
H03: Trust/returns do not differ as preference drivers across sectors	Trust/security drives LIC preference (42%); returns drive private preference (37%)	Rejected

5. SUGGESTIONS

The following recommendations emerge from the results of the above research and can be suggested for consideration by decision-makers and stakeholders in both the public and private insurance industry:

- Claims Processing Speed-Up: There is a need for investment by both LIC and private insurance companies in developing efficient claims processing systems that include real-time tracking portals and less paperwork, which would alleviate the most common complaint raised by consumers.
- Simple and Clear Policy Documents: There should be simple language policy documents and use of standardized illustrations, detailing the premium, cover, exclusion, and costs. This should especially be done when dealing with ULIP policies and endowment policies where costs have remained unclear to most policy owners.

- Conducted Awareness Campaigns Targeting Private Insurers: Since private insurance awareness (82%) is lower than the LIC awareness (91%), there is need for private insurers to conduct campaigns to make clients aware.
- Digital Transformation at LIC: Although LIC has an edge in terms of better trustworthiness, it is imperative that LIC steps up its game in terms of digital transformation to keep pace with the changing times and be able to attract the attention of the tech-savvy youth who prefer online service delivery and digital document management.
- Self-Differentiation of Products: The private insurance companies need to design better and more differentiated product packages that appeal to low-income segments since it is these individuals that are opting for the services of LIC because of affordability.
- Requirements of Regulatory Regime for Disclosure: The IRDAI must look into the possibility of requiring comparison methods that can enable a consumer to make informed choices among different insurance products offered by various companies.

6. CONCLUSION

This study is an investigation into the landscape of customer awareness and preference for LIC versus private-sector life insurers in India based on empirical survey data collected from 100 respondents in April–May 2026. The results provide important insights.
Awareness of insurance is generally high among the respondents, with LIC awareness slightly higher than private-sector awareness. This may be due to the long history of the LIC and its extensive reach through agents. However, the narrowing gap between awareness levels indicates that the private companies have gained substantial exposure through their promotional campaigns.
The second reason is that LIC maintains its preference advantage among the total sample population, as 52% prefer the public sector company. Nevertheless, this preference is not consistent in terms of demographics, as young people with higher income levels clearly Favor private firms, which indicates that there will be a change in preference with age.
The third finding highlights a clear dichotomy in the motivational framework behind sector choice, whereby a preference for LICs rests on trust and security, whereas a preference for the private sector results from anticipation of better financial gains and innovation. This evidence contradicts the notion of a homogeneous preference among consumers and highlights the need for differential value propositions based on different customers, which aligns with the conclusions of Seth & Sharma [3] and Kumar & Chahal [6].
Lastly, it is also important to point out the high level of satisfaction among the policyholders; however, this should be taken with a grain of salt considering the number of improvements suggested by the policyholders. It seems like satisfaction can exist even without meeting expectations on the speed of claims, clarity in policies, and online services.
Conclusion From the discussion above, it can be concluded that the expansion of the Indian life insurance industry will need concerted efforts on the part of both the public and private insurance companies to address the issue of awareness, effective communication regarding their products, and provision of excellent service delivery operations. While the institutional trust accorded to the LIC is indeed a strong selling point, there is also a need to modernize in order to continue thriving in a digitalizing world.

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