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COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR FIRE INSURANCE COMPANIES IN INDIA

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Introduction

Insurance plays a significant role in the development of a country. It is one of the service sectors which focus on all segments of the society. With the increased population, industrialization and the changing environment, insurance related issues and problems are being emphasized and have become a great concern for the contemporary world. The rapid industrial development and post privatization period has given more opportunities for insurance sector. The Insurance sector is a large global industry by covering wide range of risks by protecting life and disability of human being and their families. It also covers the property and other assets of industrial as well as an individual by protecting and safeguarding from uncertainty which arises. It assures the insured to transfer the risk for the particular period and bear the losses during the risk period. India has given wide range products for the customers. Insurance sector not only concentrates on individual but also on industry and society. It protects and safeguards the risk which covers for the particular period.

Insurance is defined as the equitable transfer of risk of loss, from one entity to another, in exchange for payment. An **Insurer** is a company selling the insurance; an **Insured**, or **Policyholder**, is the person or entity buying the insurance policy. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the **Premium.** In law and economics, insurance is a form of risk management primarily used to hedge against the risk of contingent, uncertain loss. Risk management, the practice of appraising and controlling risk has evolved as a discrete field of study and practice.

Liberalization, Privatization and Globalization (LPG) policy has changed the insurance sector and taken new diversion of economic growth. This policy has brought new business opportunities and increase in economic and financial activities which have made the Indian insurance sector more competitive. And also this policy brings the existence of Insurance Regulatory Authority of India, (IRDA) a statutory autonomous and apex body which controls, regulates and supervises both Life insurance and General insurance sectors in India. Prior to IRDA Act 1999, Life Insurance Corporation of India and General India Corporations were separate entities and operated independently. IRDA was established on the recommendation of the Malhotra committee during the year 1994. The main objectives of IRDA are to protect the interest of the policy holders, promote the efficiency of insurance sector and supervise the premium rates and terms of insurance. It also ensures to maintain solvency margin by the insurance companies in order to maintain the payout claim ratio.

The Indian insurance sector earlier was dominated by public sector insurance companies. Even after the new economic policy, insurance sector share was in the hands of public sector. After the introduction of IRDA, Government offered private sector insurance companies to enter into the insurance business in India. This privatization policy brings new era of change for the insurance sector, which has made insurance sector more competitive

Earlier, life insurance had become more significant part of the society. But changing conditions of property and assets also becomes a part of insurance. Due to industrial growth and private sector entry into the insurance sector focus is rapidly changing towards general insurance.

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Insurance in India-An Overview

There are mainly two types of insurance business in India. They are

Life Insurance

Life Insurance is the insurance for an individual and his family. Life insurance is a policy that people buy from a life insurance company, which can be the basis of protection and financial stability after one's death. Its function is to help beneficiaries financially after the **death of owner of the policy.** It can also be a form of savings in the long run if a plan is purchased, which offers the option of contributing regularly. Additionally, it can be tied in with a person's pension plan. A person can make contributions to a pension that is funded by a life insurance company. These are considered private pension arrangements.

General Insurance

Insurance other than Life Insurance falls under the category of General Insurance. General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities. There are also other covers such as Errors and Omissions insurance for professionals, Credit insurance etc.

Fire insurance

Physical Structure: Repairs damage to walls, roofs, and floors of homes or business buildings.
Contents and Stock: Replaces personal belongings, office equipment, furniture, or factory inventory.
Additional Perils: Often includes related risks like lightning, explosions, storms, and floods (depending on the exact policy).

Living or Business Costs: May cover temporary lodging if a home is unlivable or basic operational continuity costs for a business.

Review of Literature

The literature in the area of general insurance is enormous. A number of research works have been carried about insurance in India and abroad. It is very difficult and not relevant to review all the works carried out in the area of general insurance and the review work of present research is limited to only those studies which are relevant to the objectives of the present study.

Treen.W.R et.al, (1994) in their research paper "Some Financial aspects of General Insurance Companies" examined the United Kingdom General Insurance Companies during 1980. It focuses on financial operations of General Insurance Company, the actuary must recognize that the general insurance industry in the U.K. The author describes the financial concern, the actuary requirement to linking profitability, solvency, growth, reserving basis, divided policy and capital requirement. Finally considering the effect of reserves and impact of taxation on the measurement of profitability are considered.

Dr.VenkatRaman.A., et.al, (1996) in their research article 'Public/private partnership in Health care services in India' have highlighted the deficiencies in the public sector health system in providing health services to the population are well documented. In their research discussed about public health sector has forced poor and deprived sections of the population to seek health services from the private sector. Evidence indicates that, in many parts of India, the private sectors provide a large volume of health services but with little or no regulation. The private sector is not only India's most unregulated sector but also it most potent and untapped sector. Collaboration with the private sector to provide health services to the poor has generated many challenges. This research include the motives of the private

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sector, scope and objectives of partnership, policy and legal frameworks, benefits of such partnerships, technical and managerial capacity of governments and private agencies to manage and monitor such partnerships, incentives for the private sector, stakeholders' perspectives towards partnership, and explicit benefits to the poor through such partnerships and explicit benefits to the poor through such partnerships. Research evidence on these issues in India is scanty. The research study, conducted by the authors under the Indo-Dutch programmed on alternatives in development, compiled 16 in depth case studies of public/private partnership projects from nine different states in India. It examined issues such as type of partnership, scope and objectives for the poor, obligations of the public and private partners, mechanisms used for the selection of private partner, performance monitoring, payment mechanisms, and incentives to the private provider. It highlights significant policy perspectives on public/private partnership in health sector. Operational issues in the context of equity, accessibility to the poor and the deprived groups are discussed.

Cooper. S.M, et.al (1996) in their research paper "Risk Based Capital in General Insurance" focuses on assessing for solvency purposes, the capital requirements of non-life insurers in the context of the United Kingdom. It considers the capital requirement vary according to the different risks to which an insurers is subject and how this risk-based capital(RBC) might be measured in practice, using a case study the RBC formula recently introduced in the United States of America. The paper also discusses the application of RBC concepts of the problem of internal capital allocation, to assist in measuring an insurer's rate of return to shareholders by business unit, as well as the more obvious regulatory application. Finally, the advantages and disadvantage of formula-based approach to capital requirements for solvency purposes are discussed in comparison with possible alternative approaches to insurance supervision.

DileepMavalankar, et.al, (2000) in their research paper 'Health Insurance in India-Opportunities, Challenges and Concern analyzes the economic policy context and imperatives of liberalization insurance sector, Health sector and its financing: present scene and issues for the future, health insurance present scenario in India such as mediclaim scheme, Employee State Insurance Scheme, Health insurance for poor by NGOs, social security schemes for the poor and consumer and social perspective on health insurance. It assesses the impact of health insurance on structure and quality of private provision. It also emphases on experience of health insurance in other countries: US and Germany.The research exhibits liberalization of insurance industry, health insurance is going to develop rapidly in future and the challenge is to see that it benefits the poor and weak in terms of better cove rage and health services at lower costs without the negative aspects of cost increase and over use of procedures and technology in provision of health care. It also emphasis on government should catalyze and guide development of such social health insurance in India.

Randall P Ellis, et.al, (2000) in their research paper 'Health insurance in India Prognosis and Prospects' discussed about the growing evidence that the level of Health care spending in India currently at over six per cent of its total GDP is considerably higher than that many other developing countries. The evidence also suggests in this paper that more than three quarters of this spending includes private out of pocket expenses. Despite, such a higher share of expenditure by individuals, the provision of health care that is adequate in terms of the quality and access, is becoming more and more problematic. Particularly, public delivery of health care is poor in quality, presumably for reasons of inadequate financing. This highlights the need for alternative finance including of provision for medical insurance at a much wider level. The paper attempts to review variety of Health insurance system in India.

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Objectives of The Study

The broad objective of the study is to evaluate the overall performance of both public sector and private sector Fire insurance companies in India. The other objectives are presented as under.

1. To examine the trend in overall premium and claim of both public and privatefire insurance companies in India.
2. To analyze the financial efficiency of bothpublic and private fire insurance companies in India.
3. To offer suitable suggestions based on the findings of the study for the improvement of the financial performance of both public and private sector fireinsurance companies in India

Scope of The Study

The scope of the study covers the performance both public and private sectorfire insurance companies in India. It further concentrates on the premium and claim and commission portfolio analysis by studying the trends during the study period of the year.

The study covers all the four public sector general insurance companies Viz., New India Assurance Co Ltd., and Oriental Insurance Co Ltd, United India Insurance Co Ltd., National Insurance Co Ltd and 28 listed private sector insurance companies in India.

Sources of Data and Methodology

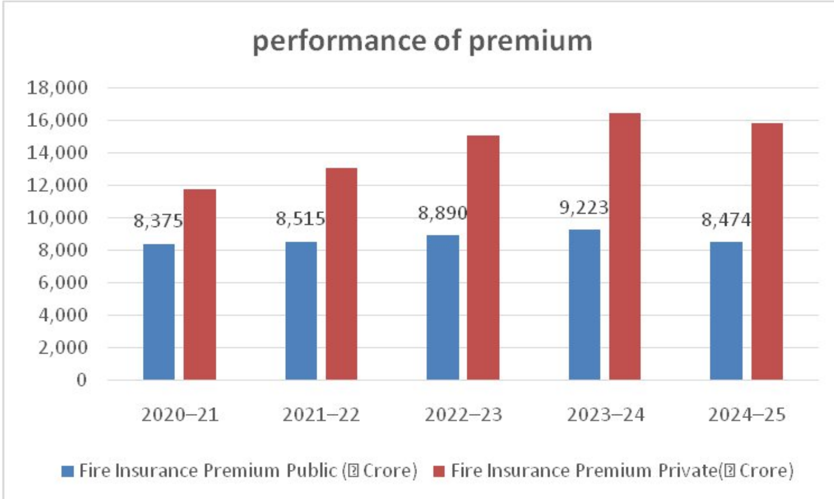
The present study majorly has been undertaken on the basis of secondary sources of data. Secondary data have been collected from monthly journals of Insurance Regulatory Development Authority (IRDA), Insurance Times Monthly Magazines, IRDA annual reports from 2020-21 to 2024-25 Annual reports of selected insurance companies, relevant books, research articles and other published documents from concerned companies as well as e-sources.

The method of analysis followed for the present study is purely analytical in nature. The study has made use of available secondary sources of data in order to assess the fire insurance performance by focusing on both public and private sector general insurance companies.

Table.1.1 Shows the premium underwritten by both sector of fire insurance companies in India

Premium of General Insurance Companies		
Year	**Fire Insurance Premium Public (₹ Crore)**	**Fire Insurance Premium Private(₹ Crore)**
2020–21	8,375	11,737
2021–22	8,515	13,036
2022–23	8,890	15,046
2023–24	9,223	16,443
2024–25	8,474	15,768

Graph.1.a Shows the premium underwritten by both sector of fire insurance companies in India



Source: IRDA Annual Reports (2020-21 to 2024-25)

2020–21: Private sector premiums were 40.1% higher than public sector premiums.

2021–22: The gap increased to ₹4,521 crore.

2022–23: Private insurers earned ₹15,046 crore, exceeding public insurers by ₹6,156 crore.

2023–24: Both sectors reached their highest premium levels, but the difference widened further to ₹7,220 crore.

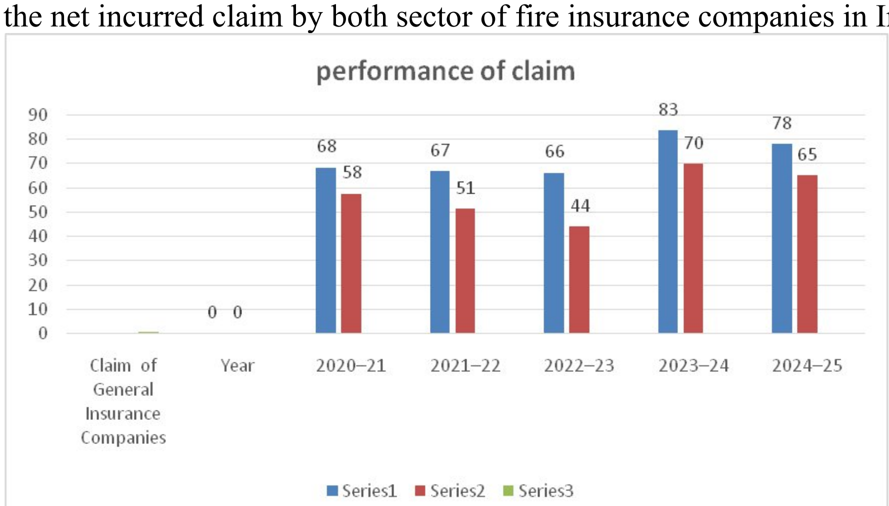
2024–25: Premium income declined in both sectors; however, the private sector maintained a substantial lead of ₹7,294 crore

Table.1.2 Shows the net incurred claim by both sector of fire insurance companies in India

Claim of General Insurance Companies

Year	Fire Insurance Claims public (₹ Crore)	Fire Insurance Claims private (₹ Crore)
2020–21	68	58
2021–22	67	51
2022–23	66	44
2023–24	83	70
2024–25	78	65

Graph.1.b Shows the net incurred claim by both sector of fire insurance companies in India



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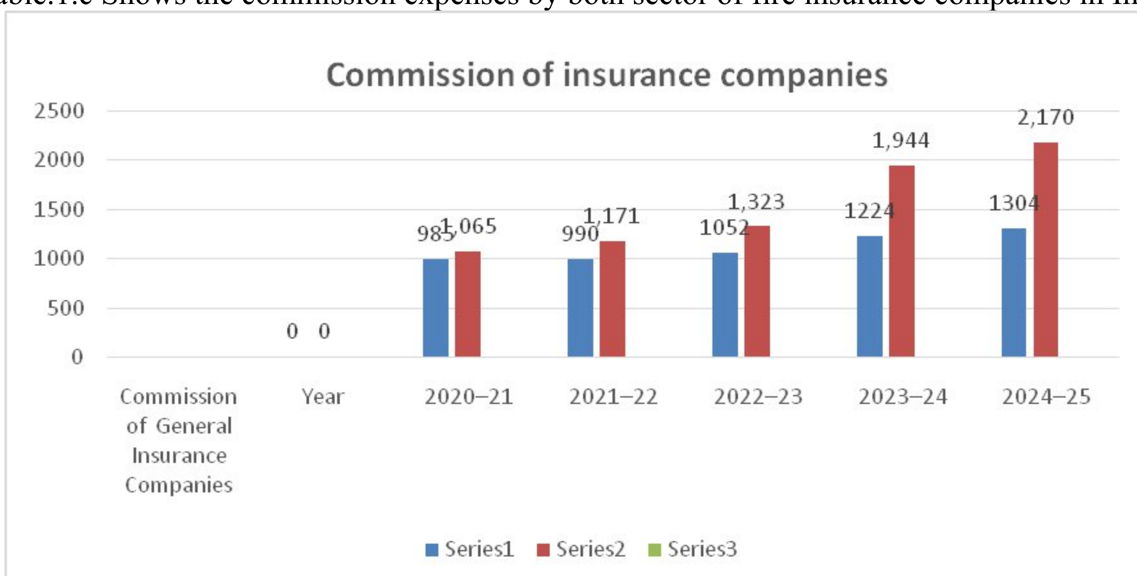
Source: IRDA Annual Reports (2020-21 to 2024-25)

1. Public sector insurers reported higher fire insurance claims than private insurers in every year of the study.
2. The difference between public and private sector claims was ₹10 crore in 2020–21, ₹16 crore in 2021–22, ₹22 crore in 2022–23, ₹13 crore in 2023–24, and ₹13 crore in 2024–25.
3. The claim gap widened steadily between 2020–21 and 2022–23, suggesting stronger claim containment or lower exposure among private insurers.
4. Although both sectors experienced a surge in claims during 2023–24, the public sector continued to bear a larger claim burden.

Table.1.3 Shows the commission expenses by both sector of fire insurance companies in India

Commission of General Insurance Companies		
Year	**Fire Insurance Commission public (₹ Crore)**	**Fire Insurance Commission private (₹ Crore)**
2020–21	985	1,065
2021–22	990	1,171
2022–23	1052	1,323
2023–24	1224	1,944
2024–25	1304	2,170

Table.1.c Shows the commission expenses by both sector of fire insurance companies in India



Source: IRDA Annual Reports (2020-21 to 2024-25)

1. Throughout the study period, **private sector insurers incurred higher commission expenses** than public sector insurers.
2. The gap between the two sectors widened steadily from **₹80 crore in 2020–21** to **₹866 crore in 2024–25**.
3. While public sector commission expenses grew by **32.4%**, private sector expenses increased by **103.8%**, demonstrating a much faster growth rate.

4. The widening difference suggests that private insurers relied more heavily on agents, brokers, and distribution networks to expand their fire insurance portfolio.
5. Public sector insurers followed a comparatively conservative commission policy, resulting in slower but more controlled growth in commission expenditure.

Findings of The Study

Findings of the Study: Fire Insurance Premium of General Insurance Companies (2020–21 to 2024–25)

Private sector insurers consistently generated higher fire insurance premiums than public sector insurers throughout the study period. Private sector premiums ranged from ₹11,737 crore to ₹15,768 crore, while public sector premiums ranged from ₹8,375 crore to ₹9,223 crore.

Public sector fire insurance premium income showed moderate growth from ₹8,375 crore in 2020–21 to ₹8,474 crore in 2024–25, recording a marginal overall increase of ₹99 crore (about 1.2.

Private sector insurers experienced substantial growth in fire insurance premiums during the study period. Premium income increased from ₹11,737 crore in 2020–21 to ₹15,768 crore in 2024–25, registering an overall increase of ₹4,031 crore (approximately 34.3%).

Public sector claims declined initially.
Claims decreased gradually from **₹68 crore in 2020–21 to ₹66 crore in 2022–23**. This represents a decline of about **2.94%** over the first three years.

Claims declined slightly in 2024–25: Public sector claims fell from **₹83 crore to ₹78 crore**, a decline of approximately **6.02%**, but remained substantially above the levels recorded during 2020–21 to 2022–23.

Private sector claims showed a similar pattern: Private sector claims declined continuously from **₹58 crore in 2020–21 to ₹44 crore in 2022–23**, a reduction of approximately **24.14%**.

Private sector showed stronger growth: The private sector recorded a much higher increase of **₹1,105 crore**, compared with an increase of **₹319 crore** in the public sector. This indicates substantially faster growth in commission generated by private insurers.

Public-sector commission grew gradually: Public-sector commission increased only marginally from 2020–21 to 2021–22, rising from ₹985 crore to ₹990 crore. It then increased to ₹1,052 crore in 2022–23, ₹1,224 crore in 2023–24 and ₹1,304 crore in 2024–25.

Suggestion of the Study

Although the public sector maintained market leadership throughout the study period, its premium growth moderated in the later years. Public insurers should focus on product innovation, digital transformation, customer-centric services, and expansion into underserved markets to sustain long-term growth.

The continuous increase in net incurred claims in both sectors highlights the need for stronger underwriting practices, fraud detection mechanisms, risk-based pricing, and efficient claims settlement processes to maintain financial sustainability.

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Public sector insurers should continue their prudent control over commission expenses while adopting technology-driven distribution channels. Private insurers should periodically evaluate the effectiveness of their high commission expenditure to ensure that increased acquisition costs translate into sustainable profitability.

Both public and private insurers should strengthen digital platforms for policy issuance, premium collection, claims processing, and customer support. Digitalization can reduce operating costs, improve customer experience, and enhance operational efficiency.

Conclusion

Overall, the findings suggest that sustaining long-term growth requires a balanced approach that combines business expansion with effective cost control, sound underwriting practices, efficient claims management, and technological innovation. Public sector insurers should strengthen product innovation, digital transformation, and market outreach to maintain their leadership position, while private sector insurers should focus on improving operational efficiency and ensuring that higher acquisition costs translate into sustainable profitability. Furthermore, both sectors should prioritize digital insurance services, customer-centric strategies, and service quality to enhance customer satisfaction, operational efficiency, and financial sustainability. By adopting these strategic measures, the Indian general insurance industry can strengthen its competitiveness, improve profitability, and achieve sustainable growth in the evolving insurance market.

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