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

Dr. Chandrashekhara. T
Associate Professor of Commerce,Government First Grade College,Holehonnur,Shimoga- Dist.

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.

1.2 Insurance in India-An Overview

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

I. **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.

II. **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.

Health Insurance

`In view of the dismal state of healthcare provided in hospitals run by government, there is no option with people to look for healthcare facilities provided by private sector in the private hospitals. However due to the high cost of healthcare in private sector, health insurance has become a necessity of all individuals. Health insurance policy basically covers the diseases and accidents which may require hospitalization. Premium depends upon the age and assessed health of the proposer based on individual good or bad habits/life style and the sum insured chosen.

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.

Dileep Mavalankar, 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.

Srinivasan. R (2001) in his research paper 'Health Insurance in India' focusing on health insurance part and larger business set-up and trends to remain a loss leader in the initial stages can become viable only in urban context with large scale risk pooling and effective demand. The research attempts explain experiments do not convey in full measure the potential of insurance to risk pooling, community rating and controlled administrative costs, limited exclusions and co-payments.

Anitha. J (2009) in her research paper 'Emerging Health Insurance in India-An Overview' attempts to review the health insurance scenario in India. And also identifies various Health insurance products

available in India. The study further concentrates on comparison of Health insurance offered by Life and General insurers, Health insurance for senior citizens, need for long term care plans, Models of long term care in other countries, Health ratio, implications of privatization on health insurance. Finally, it discusses IRDA role about Health insurance regulations and policy matters.

Dr. Sri raman.V. P (2015) in their research paper "Health Insurance Regulation in India" examined the pre-market regulation, important date marks in health insurance, post regulations market in India and IRDA functions and IRDA regulations related to health insurance. It discusses the health insurance guidelines like free-look period, portability of health insurance, TPAs, Entry age limits, deductibles etc.,. It suggests that the insurance penetration and density increase in the number of insurers both life and non-life. Speed claim settlement and many more aspects need to be change in terms of service quality and the IRDAs role in Indian Insurance Sector. There is need for more research in this field so as to improve the awareness level in insurance industry.

Objectives of the Study

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

- To examine the trend in overall premium and claim of both public and private Health insurance companies in India.
- To analyze the financial efficiency of both public and private Health insurance companies in India.
- To offer suitable suggestions based on the findings of the study for the improvement of the financial performance of both public and private sector Health insurance companies in India

Scope of the Study

The scope of the study covers the performance both public and private sector Health 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 Health insurance performance by focusing on both public and private sector general insurance companies.

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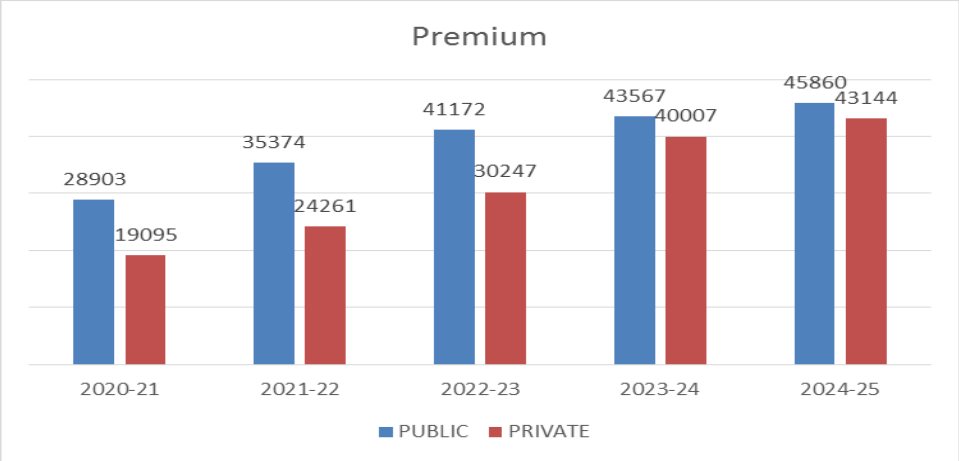
Table.1.1 Shows the premium underwritten by both sector of health insurance companies in India

YEAR	PUBLIC	PRIVATE
2020-21	28903	19095
2021-22	35374	24261
2022-23	41172	30247
2023-24	43567	40007
2024-25	45860	43144

Graph.1.a shows the premium underwritten by both sector of health insurance companies in India



Source: IRDA Annual Reports (2020-21 to 2024-25)
Note: Figures compiled from Companies Annual Reports

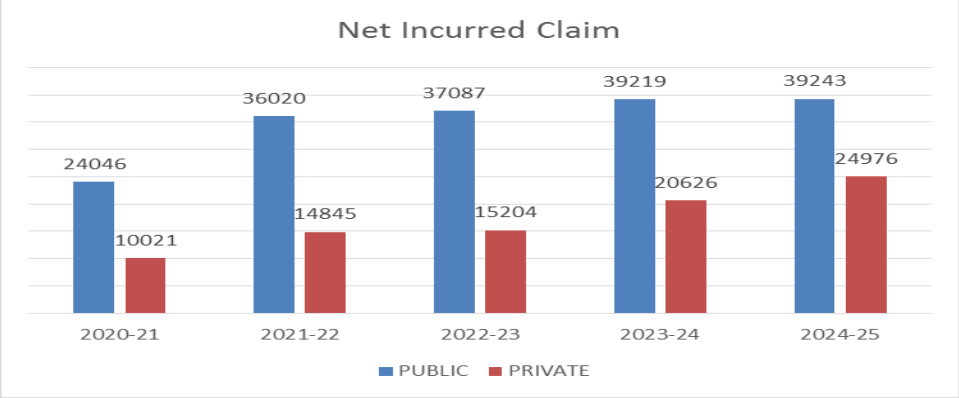
The public sector remained the largest contributor to premium income during all five years. `Premium income increased from **28,903 crore in 2020–21** to **45,860 crore in 2024–25**, an overall increase of **16,957 crore (approximately 58.7%)**. The private sector premium income increased from **19,095 crore in 2020–21** to **43,144 crore in 2024–25**, representing an increase of **24,049 crore (approximately 126%)**

The difference in premium income declined significantly from **9,808 crore in 2020–21** to **2,716 crore in 2024–25**. This suggests that private insurers are steadily catching up with public insurers in terms of market share.

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

YEAR	PUBLIC	PRIVATE
2020-21	24046	10021
2021-22	36020	14845
2022-23	37087	15204
2023-24	39219	20626
2024-25	39243	24976

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



Source: IRDA Annual Reports (2020-21 to 2024-25)
Note: Figures compiled from Companies Annual Reports

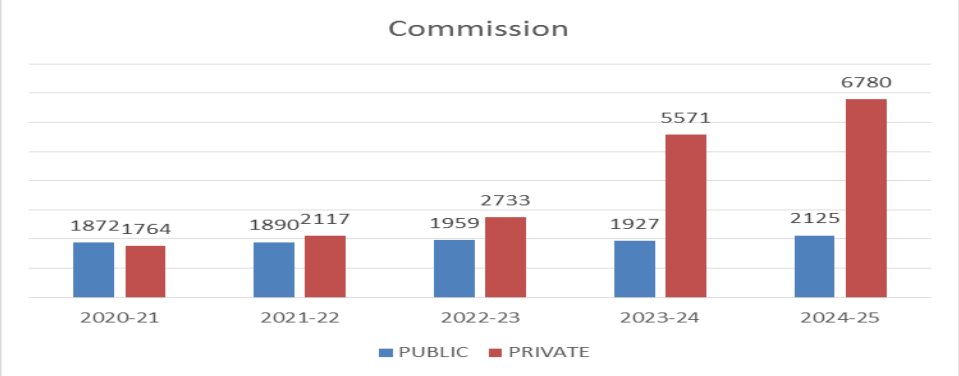
Public sector claims increased from **₹24,046 crore in 2020–21** to **₹39,243 crore in 2024–25**, recording an overall increase of **₹15,197 crore (approximately 63.2%)**. The highest annual increase occurred between **2020–21 and 2021–22**, after which the growth rate slowed and claims remained almost stable between **2023–24 and 2024–25**. Private sector claims rose significantly from **₹10,021 crore in 2020–21** to **₹24,976 crore in 2024–25**, an increase of **₹14,955 crore (approximately 149.2%)**. The sector experienced moderate growth until **2022–23**, followed by sharp increases in **2023–24** and **2024–25**, reflecting rapid business expansion and increased claim liabilities.

The public sector maintained higher net incurred claims throughout the period. However, the private sector grew at a much faster pace, substantially narrowing the gap.

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

YEAR	PUBLIC	PRIVATE
2020-21	1872	1764
2021-22	1890	2117
2022-23	1959	2733
2023-24	1927	5571
2024-25	2125	6780

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



Source: IRDA Annual Reports (2020-21 to 2024-25)
Note: Figures compiled from Companies Annual Reports

Public sector commission expenses remained relatively stable throughout the period. They increased marginally from **₹1,872 crore in 2020–21 to ₹2,125 crore in 2024–25**, recording an overall growth of **approximately 13.5%**. A slight decline was observed in **2023–24**, after which commission expenses recovered in **2024–25**. **Private sector commission expenses** showed a dramatic and continuous increase. They rose from **₹1,764 crore in 2020–21 to ₹6,780 crore in 2024–25**, representing an overall increase of **₹5,016 crore**, or **about 284%** over the five-year period.

In **2020–21**, the public sector spent slightly more on commissions than the private sector. However, from **2021–22 onwards**, the private sector consistently exceeded the public sector, and the gap widened significantly each year.

Findings of the Study

Public sector premium income increased from **₹28,903 crore** in 2020–21 to **₹45,860 crore** in 2024–25, recording an overall growth of **₹16,957 crore (approximately 58.7%)**.

Public sector premium income increased from **₹28,903 crore** in 2020–21 to **₹45,860 crore** in 2024–25, recording an overall growth of **₹16,957 crore (approximately 58.7%)**.

The gap between public and private sector premium income narrowed substantially from **₹9,808 crore** in 2020–21 to **₹2,716 crore** in 2024–25, reflecting increasing competitiveness of private insurers.

The public sector experienced its highest annual increase between **2020–21 and 2021–22**, after which the growth rate moderated, with claims remaining nearly stable between **2023–24 and 2024–25**.

Private sector net incurred claims rose sharply from **₹10,021 crore** in 2020–21 to **₹24,976 crore** in 2024–25, recording an overall increase of **₹14,955 crore (149.2%)**.

The difference between public and private sector claims remained broadly stable, changing only marginally from **₹14,025 crore** in 2020–21 to **₹14,267 crore** in 2024–25, reflecting simultaneous growth in both sectors.

Public sector commission expenses remained relatively stable, increasing marginally from ₹1,872 crore in 2020–21 to ₹2,125 crore in 2024–25, representing an overall growth of approximately 13.5%. A slight decline was observed in 2023–24, followed by a modest recovery in 2024–25.

In contrast, private sector commission expenses increased sharply from ₹1,764 crore in 2020–21 to ₹6,780 crore in 2024–25, recording an overall increase of ₹5,016 crore (approximately 284%), indicating rapid expansion in commission-related expenditure.

Overall, the findings suggest that the public sector maintained tighter control over commission expenses, whereas the private sector adopted a more aggressive distribution strategy supported by substantially higher commission payments to expand its market presence and business volume.

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.

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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