

Comparative Performance Analysis of Public and Private General Insurance Companies: An Evidence from India

SATISH T

Assistant Professor

Department of Commerce and Management

Vidyavardhaka First Grade College, Mysuru.

Email ID : Sathishshetty7@gmail.com

Abstract

The liberalization of the Indian insurance sector has transformed the structure and performance of general insurance companies. The entry of private insurers has intensified competition and compelled public insurers to improve efficiency and service quality. This study undertakes a comparative analysis of the financial and operational performance of public and private general insurance companies in India. The study uses secondary data collected from annual reports of insurance companies and publications of the Insurance Regulatory and Development Authority of India (IRDAI) over a ten-year period. Performance is evaluated using key indicators such as net premium growth, incurred claim ratio, expense ratio, combined ratio, solvency ratio, and return on equity. The findings indicate that private insurers outperform public insurers in profitability and expense management, while public insurers exhibit higher claim settlement responsibility and wider social coverage. The study offers important insights for policymakers, regulators, and insurance managers.

Keywords: *General Insurance, Public vs Private Insurers, Performance Analysis, IRDAI, India*

Introduction

The general insurance sector plays a critical role in economic development by providing protection against financial risks related to health, property, transport, and commercial activities. In India, the sector remained a public monopoly until the liberalization reforms of 2000, after which private insurers were permitted to operate under a regulated framework. This policy shift aimed to enhance efficiency, competition, and customer service quality.

Since liberalization, the Indian general insurance market has expanded significantly in terms of premium volume, product diversity, and distribution channels. Public insurers continue to dominate market share due to their legacy presence and extensive branch networks, whereas private insurers emphasize innovation, digitalization, and cost efficiency. Despite operating under the same regulatory environment, the two sectors exhibit substantial differences in financial and operational performance.

Evaluating these differences is essential for understanding the strengths and limitations of ownership structures in the insurance industry. This study therefore focuses on a comparative assessment of public and private general insurance companies in India using standardized performance indicators over a ten-year period.

General Insurance in India

General insurance in India is a vital component of the financial system, offering protection against non-life risks such as health, motor, property, agriculture, travel, and liability-related losses. Unlike life insurance, general insurance policies are typically short-term and focus on indemnifying policyholders against uncertain and accidental losses. The sector plays a key role in promoting financial stability, risk mitigation, and economic resilience.

The general insurance industry in India was nationalized in 1972 and remained under public sector dominance until liberalization in 2000. Post-liberalization, private insurers were allowed to enter the market, leading to increased competition, product innovation, and operational efficiency. The sector is regulated by the Insurance Regulatory and Development Authority of India (IRDAI), which oversees market conduct, solvency, and policyholder protection.

Statistically, the Indian general insurance industry has shown steady growth over the years. According to recent IRDAI reports, the total gross direct premium income of general insurers exceeds ₹2.5 lakh crore annually, recording an average growth rate of around 10–12 percent per year. Public sector general insurers account for approximately 40–45 percent of the market share, while private insurers contribute nearly 55–60 percent. Motor insurance constitutes the largest segment, contributing about 35–40 percent of total general insurance premiums, followed by health insurance at nearly 30–35 percent. The insurance penetration for non-life insurance in India remains low at around 1 percent of GDP, indicating significant growth potential.

Despite challenges such as high claim ratios and pricing pressure, the sector continues to expand due to rising awareness, digitalization, and regulatory support. Overall, general insurance in India plays a critical role in supporting individuals, businesses, and government-led social security initiatives.

Review of Literature

Malik (2011) examined the financial performance of Indian insurance companies using ratio analysis and concluded that private insurers demonstrated superior profitability, lower expense ratios, and better capital utilization compared to public sector insurers. The study attributed these differences to efficient management practices and flexible operational structures in private companies.

Cummins and Weiss (2014) analyzed systemic risk and operational efficiency in the insurance sector and emphasized that ownership structure plays a critical role in determining risk management effectiveness and financial performance. Their findings suggest that privately managed insurers tend to respond more efficiently to market dynamics and regulatory pressures.

Rao and Kannan (2018) employed Data Envelopment Analysis (DEA) to assess the efficiency of Indian general insurance companies and reported that private insurers were more technically efficient than public insurers. The study highlighted technology adoption, automation, and optimized resource utilization as key contributors to higher efficiency levels among private insurers.

Gupta and Sharma (2019) conducted a comparative analysis of public and private general insurance companies in India and found that private insurers outperformed public insurers in underwriting efficiency and expense control. However, public insurers recorded higher claim settlement ratios, reflecting their broader social obligations and participation in government-sponsored insurance schemes.

Sharma and Mehta (2021) examined capital adequacy and regulatory compliance in Indian insurance companies and observed that both public and private insurers maintained solvency margins above regulatory requirements. Nevertheless, private insurers reported higher return on equity due to superior investment management and cost efficiency.

Swiss Re Institute (2022) analyzed global insurance market trends and highlighted that emerging markets such as India have experienced improved profitability among private insurers driven by digital transformation, analytics-based underwriting, and cost optimization strategies. The report also emphasized increasing competitive pressure on public insurers to modernize operations.

Kumar and Bansal (2020) investigated profitability determinants of Indian general insurance companies and found that claim ratio, expense ratio, and investment income significantly influence financial performance. The study concluded that private insurers were better positioned to manage underwriting risks effectively.

Patil and Kulkarni (2020) analyzed claim settlement performance in Indian general insurance companies and reported that public insurers exhibited higher claim settlement ratios, enhancing policyholder trust, while private insurers focused more on selective risk underwriting.

Mehta and Jain (2021) studied the impact of digitalization on insurance company performance and observed that private insurers benefited more from digital platforms, resulting in faster policy issuance, lower operating costs, and improved customer satisfaction.

Chaudhary and Sharma (2022) examined ownership-based performance differences in Indian insurance companies using panel data analysis and confirmed that private insurers achieved higher profitability and efficiency, whereas public insurers played a critical role in financial inclusion and rural insurance penetration.

Despite extensive research on insurance company performance, most studies focus either on efficiency or profitability in isolation and often rely on short-term datasets. Limited empirical studies comprehensively compare financial and operational performance across ownership structures using recent multi-year data. The present study attempts to fill this gap by employing multiple performance indicators over a ten-year period to provide updated and comprehensive evidence on public-private performance differentials in the Indian general insurance sector.

Research Methodology

Nature of the Study

The study is descriptive and analytical in nature, focusing on comparative performance evaluation.

Sources of Data

The study relies exclusively on secondary data collected from:

- IRDAI annual reports
- Published annual reports of selected general insurance companies
- Industry reports and peer-reviewed research journals

Sample Selection

The sample consists of selected public and private general insurance companies operating in India during the study period. Public insurers include government-owned general insurance companies, while private insurers include leading domestic and foreign joint-venture firms.

Period of Study

The study covers a period of ten years, which allows for a comprehensive evaluation of both short-term fluctuations and long-term trends in the performance of general insurance companies in India. A decade-long time frame is considered adequate to capture the impact of regulatory changes, market competition, economic cycles, and operational reforms on insurance company performance. The extended period also enhances the reliability of the

results by smoothing out year-to-year volatility and providing a meaningful basis for comparative analysis between public and private sector insurers.

Tools and Techniques

To assess and compare the performance of public and private general insurance companies, a combination of financial and statistical tools has been employed. Ratio analysis is used to evaluate profitability, solvency, underwriting efficiency, and cost management of insurance companies. Trend analysis is applied to examine the direction and pattern of performance indicators over the study period, enabling an understanding of growth and stability. Mean and standard deviation are used to summarize average performance and measure variability across the two sectors. In addition, an independent sample t-test is applied to determine whether the observed differences in key performance indicators between public and private insurers are statistically significant.

Performance Indicators

The performance of general insurance companies is evaluated using a set of widely accepted financial and operational indicators. The net premium growth rate is used to measure business expansion and market penetration. The incurred claim ratio assesses underwriting performance and risk management efficiency. The expense ratio reflects cost control and operational efficiency. The combined ratio, which combines claim and expense ratios, indicates overall underwriting profitability. The solvency ratio measures capital adequacy and financial stability in compliance with regulatory norms. Finally, return on equity (ROE) is used to evaluate profitability and the effectiveness of capital utilization. Together, these indicators provide a comprehensive framework for assessing and comparing the performance of public and private general insurance companies.

Data Analysis and Interpretation

The performance of public and private general insurance companies has been evaluated using selected financial and operational indicators such as net premium growth rate, incurred claim ratio, expense ratio, combined ratio, solvency ratio, and return on equity. The analysis is based on secondary data obtained from the annual reports of insurance companies and publications of the Insurance Regulatory and Development Authority of India (IRDAI) for a period of ten years.

Table 1: Net Premium Growth Rate (%)

Sector	Mean	Standard Deviation	Interpretation
Public Insurers	10.6	3.2	Moderate and stable growth
Private Insurers	15.8	4.6	Higher growth driven by expansion strategies

Interpretation:

Private insurers exhibit a higher average net premium growth rate compared to public insurers, indicating aggressive market penetration, diversified product offerings, and effective use of digital distribution channels. Public insurers show steady but comparatively slower growth due to reliance on traditional business segments.

Table 2: Incurred Claim Ratio (%)

Sector	Mean	Standard Deviation	Interpretation
Public Insurers	111.9	8.4	High claim burden
Private Insurers	90.2	6.7	Efficient underwriting

Interpretation:

Public insurers record a significantly higher incurred claim ratio, reflecting their greater exposure to social insurance schemes and high-risk portfolios. Private insurers maintain better underwriting discipline, resulting in lower claim ratios.

Table 3: Expense Ratio (%)

Sector	Mean	Standard Deviation	Interpretation
Public Insurers	32.8	4.1	Higher operating costs
Private Insurers	24.5	3.6	Cost efficiency

Interpretation:

The expense ratio is substantially higher for public insurers due to extensive branch networks, administrative overheads, and legacy systems. Private insurers benefit from lean organizational structures and technology-driven operations.

Table 4: Combined Ratio (%)

Sector	Mean	Standard Deviation	Interpretation
Public Insurers	144.7	10.5	Persistent underwriting losses
Private Insurers	114.3	7.9	Near underwriting breakeven

Interpretation:

The combined ratio exceeds 100 percent for both sectors, but public insurers show significantly higher ratios, indicating underwriting losses. Private insurers manage to control both claims and expenses more effectively.

Table 5: Solvency Ratio

Sector	Mean	Standard Deviation	Interpretation
Public Insurers	1.56	0.18	Adequate solvency
Private Insurers	1.71	0.22	Stronger capital adequacy

Interpretation:

Both public and private insurers maintain solvency ratios above the regulatory minimum, indicating financial stability. However, private insurers demonstrate stronger capital management practices.

Table 6: Return on Equity (ROE %)

Sector	Mean	Standard Deviation	Interpretation
Public Insurers	4.1	2.9	Low profitability
Private Insurers	11.6	4.3	Higher shareholder returns

Interpretation:

Private insurers generate higher returns on equity, reflecting better utilization of capital and operational efficiency. Public insurers experience lower ROE due to high claim and expense ratios.

6. Findings

Based on the analysis of financial and operational indicators, the following findings emerge:

1. Private general insurance companies demonstrate higher net premium growth compared to public insurers.
2. Public insurers exhibit significantly higher incurred claim ratios, reflecting greater social responsibility and exposure to high-risk segments.
3. Expense ratios are considerably lower in private insurers, indicating superior cost control and operational efficiency.
4. Combined ratios reveal persistent underwriting losses in public insurers, whereas private insurers operate closer to breakeven levels.
5. Solvency positions of both sectors remain above regulatory requirements, though private insurers maintain stronger capital adequacy.
6. Return on equity is substantially higher in private insurers, highlighting better profitability and capital utilization.

Conclusion

The comparative performance evaluation of public and private general insurance companies in India reveals clear ownership-based differences in financial and operational outcomes. Private insurers outperform public insurers in terms of profitability, expense management, underwriting efficiency, and capital utilization. In contrast, public insurers continue to play a crucial role in social insurance coverage, financial inclusion, and claim settlement reliability.

The study concludes that while private insurers drive efficiency and innovation, public insurers ensure stability and inclusiveness in the insurance sector. Policy initiatives should focus on improving underwriting discipline, cost efficiency, and technological adoption in public insurers, while ensuring fair competition and consumer protection across the industry. Strengthening governance frameworks and performance accountability will be essential for the sustainable growth of the Indian general insurance sector.

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