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PERFORMANCE OF PRIVATE SECTOR HEALTH 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.

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 private sector Health insurance companies in India. The other objectives are presented as under.

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

Scope of the Study

The scope of the study covers the performance of Health insurance companies in India with emphasis on private sector general 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 private sector general insurance companies.

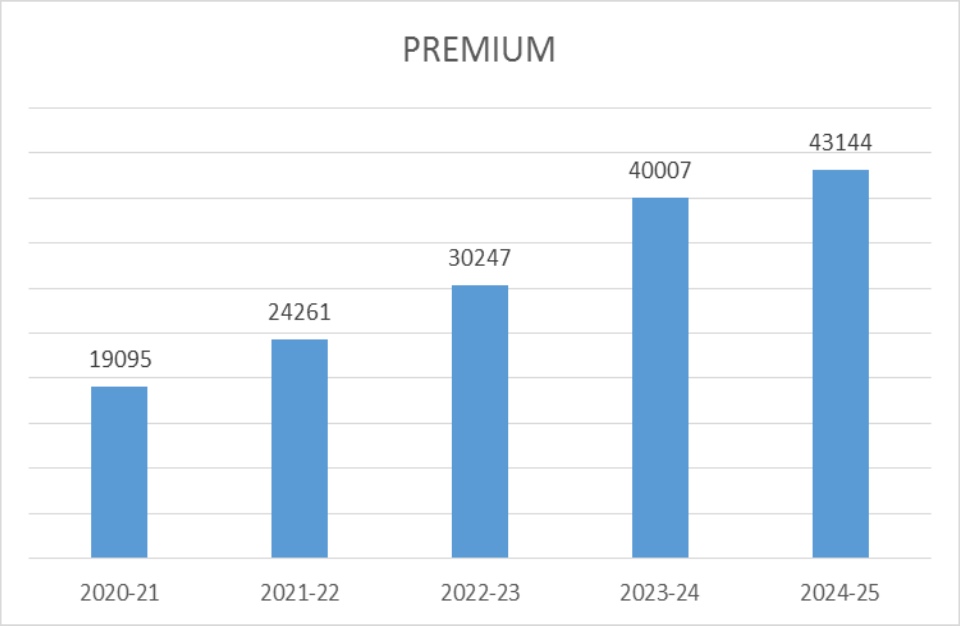
Sources of Data and Methodology

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 private sector general insurance companies.

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

YEAR	PREMIUM
2020-21	19095
2021-22	24261
2022-23	30247
2023-24	40007
2024-25	43144

Graph.1.a Shows the premium underwritten by private sector health insurance companies in India



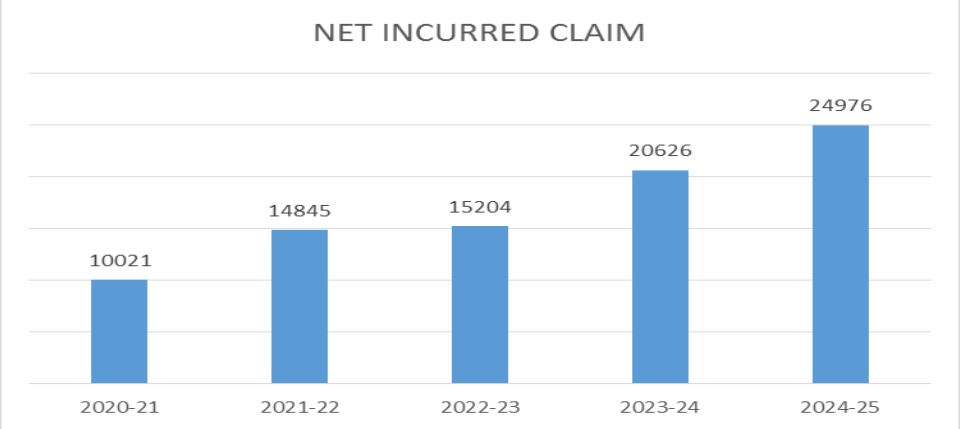
Source: IRDA Annual Reports (2020-21 to 2024-25)
Note: Figures compiled from Companies Annual Reports

Premium income increased continuously from **₹19,095 crore in 2020–21** to **₹43,144 crore in 2024–25**. The overall increase during the five-year period was **₹24,049 crore**, representing a growth of approximately **126%**. The organization experienced substantial growth between **2020–21 and 2023–24**, with annual growth rates ranging from **24% to 32%**. In **2024–25**, premium income continued to increase but at a slower pace of **7.8%**, indicating a moderation in growth after the strong expansion seen in previous years. The highest year-on-year increase occurred in **2023–24**, when premium income rose by **₹9,760 crore (32.3%)**. The steady rise in premium income reflects successful business expansion, improved market penetration, enhanced customer acquisition, and increased policy renewals.

Table.1.2 shows the net incurred claim by private sector health insurance companies in India

YEAR	NET INCURRED CLAIM
2020-21	10021
2021-22	14845
2022-23	15204
2023-24	20626
2024-25	24976

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



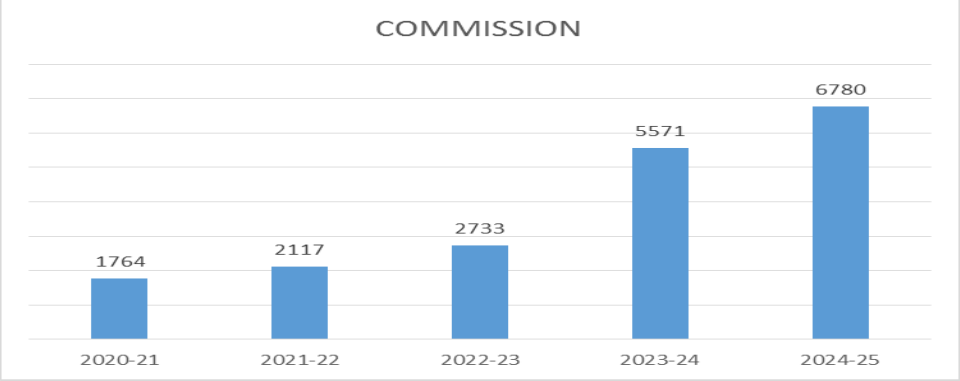
Source: IRDA Annual Reports (2020-21 to 2024-25)
Note: Figures compiled from Companies Annual Reports

Net incurred claims increased steadily from **10,021 crore** in 2020–21 to **24,976 crore** in 2024–25. This represents an overall increase of **14,955 crore**, or approximately **149.2% growth** over the five-year period. Claims rose from **10,021 crore** to **14,845 crore**, an increase of **4,824 crore (48.1%)**. This indicates a substantial rise in claim settlements compared to the previous year. Claims increased slightly from **14,845 crore** to **15,204 crore**. The growth rate was only **2.4%**, suggesting a temporary stabilization in claim outgo.

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

YEAR	COMMISSION EXPENSES
2020-21	1764
2021-22	2117
2022-23	2733
2023-24	5571
2024-25	6780

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



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

Commission expenses increased from **₹1,764 crore in 2020–21** to **₹2,733 crore in 2022–23**. This represents a growth of approximately **55%** over the first three years. Commission expenses jumped from **₹2,733 crore to ₹5,571 crore**, an increase of **₹2,838 crore (about 104%)** in a single year. This suggests significant expansion in business procurement, higher agent incentives, or increased reliance on intermediary channels.

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Findings

The company achieved an overall increase of ₹24,049 crore in premium income, representing a significant growth of approximately 126% over five years. The period from 2020–21 to 2023–24 recorded strong and sustained growths, with annual growth rates ranging between 24% and 32%. The highest year-on-year growth was observed in 2023–24, when premium income increased by ₹9,760 crore, reflecting a growth rate of 32.3%.

Net incurred claims increased consistently from ₹10,021 crore in 2020–21 to ₹24,976 crore in 2024–25, recording an overall growth of ₹14,955 crore (149.2%) during the study period. The highest year-on-year increase was observed in 2021–22, when claims rose by 48.1% from ₹10,021 crore to ₹14,845 crore, indicating a significant increase in claim settlements.

Continuous Increase in Commission Expenses: Commission expenses showed a consistent upward trend throughout the study period, increasing from ₹1,764 crore in 2020–21 to ₹6,780 crore in 2024–25. Substantial Overall Growth: Over the five-year period, commission expenses increased by ₹5,016 crore, representing an overall growth of approximately 284%, indicating significant expansion in business acquisition activities.

Suggestion

The consistent increase in premium income demonstrates strong business growth and market expansion. However, the recent moderation in growth highlights the need for strategic initiatives focused on customer retention, market expansion, digital transformation, and profitability management to ensure sustained growth in the coming years.

The consistent increase in net incurred claims reflects both expanding business operations and growing claim obligations. The organization should focus on effective risk management, prudent underwriting, cost-efficient claims handling, and adequate pricing strategies to sustain profitability while supporting future growth.

Monitor the **commission-to-premium ratio** to assess cost efficiency. Evaluate the productivity of different distribution channels and focus on high-performing segments. Strengthen digital and direct sales channels to optimize acquisition costs. Ensure that commission growth is supported by sustainable premium growth and profitability improvements.

Conclusion

To sustain long-term growth and profitability, the organization should focus on strengthening risk management practices, improving underwriting quality, enhancing claims management efficiency, and adopting data-driven pricing strategies. Continuous monitoring of the commission-to-premium ratio, evaluation of distribution channel productivity, and expansion of digital and direct sales channels can help improve cost efficiency and profitability. By balancing growth with operational efficiency and

prudent financial management, the organization can maintain its competitive position and achieve sustainable future growth.

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