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Fire insurance premiums have fallen sharply amid intense competition, but homeowners should compare coverage, deductibles and exclusions before choosing a cheaper policy.

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By Anshul X

September 10, 2026, 6:10:12 PM IST (Published)

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Fire insurance premiums have fallen sharply this year, but a cheaper policy does not necessarily mean better value for homeowners.

Premiums in the fire insurance segment fell 28% in the first four months of the financial year to ₹10,062 crore in April-July, from ₹14,063 crore a year earlier, according to General Insurance Council data.

Aggressive discounting, particularly for large industrial risks, has contributed to the decline as insurers compete for business and reinsurance capacity remains available.

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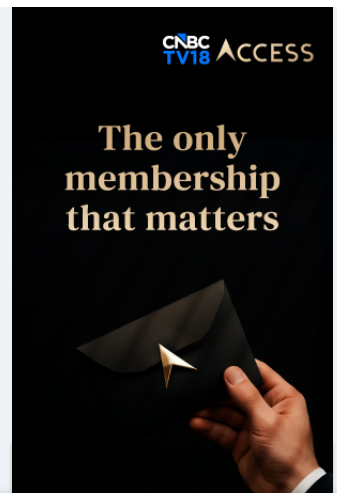
AUM ₹55,430.76 Cr | 3Y 8.72%



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For retail customers, the key takeaway is less about chasing the lowest premium and more about checking what the policy actually covers.



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Insurers are competing aggressively for good-quality fire risks, particularly in the commercial and industrial segments, while adequate reinsurance capacity is supporting pricing.

"In India, we are seeing a lot of competition among insurers for good-quality fire risks, supported by adequate reinsurance capacity," said Amit Goel, director and principal officer at Equirus Raghnaal Insurance Broking. "This has resulted in fairly aggressive pricing, particularly in the commercial property segment."

For customers, that competition could provide an opportunity to negotiate better coverage rather than simply seek the lowest price.

"For a customer, this is actually a good time to review the insurance programme and negotiate better coverage, rather than simply asking for the lowest premium," Goel said.

Lower premiums could also make property insurance more affordable, although general insurance remains relatively underpenetrated in India.

"A decline in fire insurance premiums can certainly make home and property insurance more affordable," said Mohindra S Indolia, executive vice president of commercial underwriting at IFFCO-TOKIO General Insurance. "In fact, general insurance premiums in India are already among the lowest compared with the global average across various insurance segments, despite general insurance penetration in the country being only about 1%."

Your property's market value is not its insurance value

One of the most important things homeowners should check is the sum insured.

A property's market value is not necessarily the right basis for deciding how much building insurance is required. The cover may instead be based on the cost of reconstructing or reinstating the property.

If construction costs have risen significantly since the policy was purchased, leaving the sum insured unchanged could result in underinsurance and a shortfall after a major loss.

"The first and most important is the sum insured," Goel said. "People often insure a property based on its market value, whereas the insurance requirement is generally linked to the cost of reconstruction/reinstatement."

"With construction costs increasing, this can create a significant underinsurance issue," he added.

The same review should extend to household contents. Renovations or purchases of expensive appliances, electronics

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Check whether your location-specific risks are covered

The risks facing a property can vary significantly depending on where it is located. Flooding, storms, earthquakes, landslides and water damage may be important considerations for some homeowners.

“They should also check exclusions for risks for their location, such as flood, storm, water damage, earthquake, landslide, basement exposures or other specified perils are covered, excluded or available only as an add-on,” said Amitabh Dewan, head of large corporate risks at Policybazaar for Business.

Other exclusions can apply to vacant premises, certain contents, wear and tear or maintenance-related damage.

The important question is whether a particular risk is covered, specifically excluded or available only by paying for an additional cover.

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A cheaper policy can leave you paying more

The annual premium is only one part of the cost of insurance. The deductible, or excess, determines how much of an eligible claim the policyholder must pay before the insurer contributes.

“A lower premium often means a higher policy excess, meaning you end up paying more out of pocket before the policy kicks in,” said Santosh Sahoo, vice president of SME insurance at Probus.

Consumers should therefore compare the deductible alongside the annual premium, especially when two policies have significantly different prices.

Don't overlook sub-limits

Another factor that can affect the eventual payout is the sub-limit, which caps the amount an insurer will pay for a particular category or benefit within the overall policy.

This can matter for household contents, valuables and expenses such as debris removal or temporary accommodation.

“Coverage limits are equally important,” said Piyali Chatterjee Konar, executive vice president and head of customer experience/UX/B2B at Hansa Research Group. “The sum insured should be sufficient to cover the current cost of rebuilding the property and replacing household contents.”

Additional benefits such as temporary accommodation, debris removal and protection for valuable items can also improve the financial protection offered by a policy, she said.

Homeowners should therefore compare not just the overall



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Should homeowners worry about aggressive pricing?

Lower premiums do not by themselves mean an insurer will provide poor claims service. Claims are settled according to the terms and conditions of the policy.

But aggressive pricing may not be sustainable if premiums fail to reflect the risks insurers are taking on.

“Insurance premiums ultimately have to reflect the risk being taken by the insurer,” Goel said. “If insurers continuously underprice risks just to gain market share, it can put pressure on underwriting profitability.”

For consumers, the current pricing environment is therefore an opportunity to reassess their cover rather than switch insurers simply to save a small amount on the premium.

What should homeowners check at renewal?

Renewal is a good time to reassess whether the policy still reflects the property and its contents.

Renovations, additional construction, changes in occupancy and purchases of expensive household items can alter the amount of cover required. Rising rebuilding costs can also leave an older sum insured inadequate.

“At renewal, policyholders should not simply renew the same cover or pick the cheapest option,” Dewan said. “They should reassess whether the sum insured still reflects the current reinstatement or replacement cost, and check any changes in exclusions, deductibles, sub-limits and add-on covers.”

For businesses, the review should also consider the financial impact of a shutdown following a fire.

“For businesses, I would pay particular attention to business interruption cover,” Goel said. “After a major fire, the physical damage may be only one part of the loss. The bigger financial impact can come from the business being shut for several months.”

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