



# Growth and Development of Health Insurance in India

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## ABSTRACT

A person or a group can acquire health insurance in advance after paying a charge known as a "premium." It is an additional funding source for expanding access to high-quality healthcare. Health insurance products is offered by general insurance and life insurance companies in India. A nation's health indicators are evaluated using factors such as fatality rate, pregnancy-related death. Since independence, India has made significant progress in every sector. However, according to the 11th Plan, the country's healthcare services cost was higher in private industry than in the public sector. To lighten the burden on the poor, a study group formed by the Ministry of Health recommended investigating a risk pooling scheme. This paper is based on growth and development of health insurance in India. Secondary data has been used for the study purpose and collected from various sources. This study is completely based on secondary data. The data was collected from reports published by WHO, IRDA, research articles and review articles pertaining to the health insurance industry in India. The market for health insurance in India is primarily untapped. The main target population is the medium-income group, which provides the brightest future for this industry.

## 1. INTRODUCTION

The use of health insurance programmes to finance medical care provision in low-income nations is becoming more widely acknowledged. Given the substantial latent demand among the public for high-quality health care services and the severe underutilization of health care services in various countries, it has been claimed that social health insurance may expand access to good quality healthcare. In addition, insurance appears to be a feasible solution because risks can be pooled, moving unanticipated health care expenses to fixed premiums. In contrast, numerous authors have critiqued various health care finance and cost recovery techniques, such as user fees.

However, there is evidence that neither tightly enforced social health insurance nor private insurance systems can considerably increase coverage rates and access to healthcare. Unit transaction costs for contracts

are too high, especially in remote and rural environments, frequently failing the state and the market. Non-profit, mutual, community-based health insurance plans have recently become more prevalent in Sub-Saharan Africa and many other nations. These programmes are distinguished by an ethic of cooperation, solidarity, and sharing health risks. These programmes are often partnered with local hospitals and other healthcare organizations.

There are 57 insurance companies in the Indian market, 24 active in the life insurance sector and 34 in the non-life insurance sector. Life Insurance Corporation is the sole public-sector organisation among life insurers. There are six public sector insurers in the non-life insurance industry. The GIC of India is now the only national reinsurer besides these. Brokers, agents, surveyors, and third-party administrators who manage health insurance claims are additional participants in the Indian insurance

sector. Over the past two years, a radical upheaval has occurred in India's health insurance sector. Customers' perceptions of the category and the necessity of health insurance have changed significantly, a significant development. Because of the epidemic, everyone is now more aware of life's uncertainties and their lack of readiness for any medical emergency.

## 2. REVIEW OF LITERATURE

Substantial public health infrastructure is a defining feature of the Indian healthcare system. This infrastructure is, however, grossly underutilised due to a shortage of competent resources. Due to the disastrous effects of the healthcare cost, over a quarter of all patients are forced below the poverty level (Prinja, 2012).

Healthcare spending in India is costly because the vast majority of costs are incurred "out of pocket. Most people are unaware of the benefits of choosing an insurance policy. Despite the significant costs incurred, the quality of services is not offered. Health insurance could be a wise choice to deal with this specific issue because it would ensure high-quality care without worrying about the associated expenditures. As people will live longer, this might have a significant impact on lowering their morbidity levels" (Devi & Nehra, 2015).

The Indian healthcare insurance industry has several difficulties even though it is becoming increasingly popular as a tool to manage people's financial demands during an emergency. Higher patient claim rates, unequal distribution of the healthcare market, a much lower percentage of customers who are aware of health insurance, a limited range of product options, a lack of innovation, high prices, and delays in claim processing on the part of the companies are some of the major obstacles (Itumalla, 2016).

From employer to firm, health insurance plans vary. According to a study, the type and form of the insurance plan determine what essential needs are covered. Even though the programs are created for the needs and desires of the populace (Mishra, A., Seshdari, S.R., 2015), there are specific gaps in them. Suppose

certain changes are made to the packages, like as raising the ceiling on the benefits offered, reducing the number of exclusions, and managing expenses. In that case, it could prove highly advantageous (Devadasan, 2007).

## 3. METHODOLOGY

This study is completely based on secondary data. The data was collected from reports published by WHO, IRDA, research articles and review articles pertaining to the health insurance industry in India.

## 4. MARKET SIZE OF LIFE INSURANCE

The life insurance sector is anticipated to grow between 2019 to 2023 at a CAGR of 5.3%. In financial year 2021, life insurance penetration in India was estimated to be 3.2 per cent, and non-life growth to be 1.0 per cent. Regarding insurance density, India's overall density stood at \$ 78 in financial year 2021. By financial year 2031, it is anticipated that life insurance premiums in India will total \$ 317.98 billion.

The life insurance sector had a growth of 5.8 per cent in the first half of financial year 2022 compared to 0.8 per cent during the same period in financial year 2021. As a result, life insurers' total first-year premium grew by 6.94% in 2021– January, 2022 to \$ 29.54 billion. Gross premiums written off by non-life insurers totaled \$ 21.24 billion between April 2021 and January 2022, up 6.94% over the same period in financial year 2021. Compared to the \$ 2.77 billion recorded in January 2021, the total premium collected by the non-life insurance segment in January 2022 was \$ 2.85 billion.

Private sector firms' market share in the general and health insurance market grew from 48.03 per cent in financial year 2020 to 49.31 per cent in financial year 2021. In financial year 2021, life insurance companies in India collected \$ 81.7 billion in premiums from new customers, a 2.8 per cent increase over financial year 2020. Six independent, private-sector health insurance businesses have seen an increase in gross premium of 66.6 per cent, from \$ 115.12 million in May 2021 to \$ 191.84 million.

The non-life insurance sector's health insurance businesses had a 41 per cent growth

in March 2021, led by a growing market for health insurance products during COVID-19. As a result, non-life insurers' premiums, which comprise general, standalone, and specialized public-sector policies, increased 19.46% in the financial year 2021 and touched \$ 2.71 billion, up from \$ 2.27 billion in the corresponding month the previous year. India is the second-largest market for insurance technology in the Asia-Pacific, contributing 35% of the \$ 3.6 billion invested in insurtech enterprises, according to data from S&P Global Market Intelligence.

## 5. INVESTMENTS

- Some significant investments and changes in the Indian insurance industry are listed below.
- In order to provide cyber insurance starting in February 2022, ICICI Lombard and Airtel Payments Bank have partnered.
- In December 2021, a Swiss impact fund invests \$ 6.7 million in Probus Insurance.
- To provide its clients with the ClickPay service, ICICI Prudential Life Insurance teamed up with NPCI Bharat BillPay, a division of the NPCI.
- Willis Towers Watson enhanced its ownership in WTW India to 100% in November 2021 by purchasing the remaining 51% of the company's shares in WTW India.
- Digital insurance start-up Acko raised \$ 255 million in November 2021, raising the company's worth to \$ 1.1 billion.
- To enter new business prospects in the insurance market, ZestMoney raised \$ 50 million in September 2021.
- IRDAI has given PhonePe preliminary authorization to serve as a broker for general and life insurance services; the company started in August 2021. As a result, the company can now provide insurance assistance to its 300 million+ consumers.
- Individual assurance business generated a record first-year premium income for LIC in financial year 2021 of \$ 7.75 billion, rising 10.11 per cent from the previous year.
- In India, non-life insurers' gross premiums increased to \$ 26.52 billion in between April 2020 and March 2021 from \$

26.49 billion in between April 2019 and March 2020, mainly due to general insurance companies' rapid expansion.

- A unified payments interface auto pay will be made available in August 2021, with a partnership between ICICI Prudential Life Insurance and the NPCI (National Payments Corporation of India).
- In July 2021, Gallagher announced plans to buy the entire stock of Edelweiss Gallagher Insurance Brokers in India.
- In June 2021, Aditya Birla Sun Life Insurance launched the introduction of a new Vision Life Income Plus Plan, which will offer policyholders guaranteed regular income plus adjustable bonus payouts.
- In order to provide insurance plans to Joy e-Bike clients, Wardwizard Group teamed up with Bajaj Allianz in June 2021.
- Due to the growing market of health insurance products due to the COVID-19 rise, health insurance firms in the non-life insurance sector have seen a 41% increase in March 2021.
- In order to offer comprehensive coverage against rising costs associated with clinical necessities and other healthcare facilities, Bharti AXA General Insurance introduced its "Health AdvantEDGE" health insurance programme in February 2021.
- The International Financial Services Centre (IFSC) has given the private non-life insurance company ICICI Lombard General Insurance permission to open an IFSC Insurance Office (IIO) in Gandhinagar, Gujarat's GIFT City, starting in February 2021.

## 6. GOVERNMENT INITIATIVES

The Indian government has launched many steps to support the insurance sector. Here are a few of them:

- The Indian Government intends to sell a 7% share in LIC in 2022 for \$6.62 billion. The size of this IPO in India is the largest.
- The Indian Government and the World Bank entered into a contract in November 2021 for a \$40 million initiative to improve Meghalaya's health services, including the state's health insurance programme.
- To allow additional exports of \$ 75.11

billion over the next five years, the Government Enacted an investment of \$ 804.71 million in firms in September 2021.

- In August 2021, the General Insurance Business Amendment Bill was made applicable. The measure proposes to make it possible for state-run general insurance businesses to be privatised.
- Union Budget 2021 raised the FDI cap for insurance from 49 to 74 per cent. The IRDAI has stated that insurance companies are now issuing digital insurance policies using Digilocker.
- The IPO of LIC will take place in financial year 2022 as part of the banking and insurance sector convergence, according to an announcement made by Finance Minister in the Union Budget 2021. LIC's IPO has the potential to boost \$ 13.62 billion, even though no formal market appraisal has been conducted.
- The GOI allowed \$ 66.85 thousand insurance coverage programme for healthcare professionals across India in June 2021 for another year.
- A budget of \$ 2.20 billion has been set aside in the Union Budget 2021 for the crop insurance programme.

## 7. CONCLUSION

The market for health insurance in India is primarily untapped. The main target population is the medium-income group, which provides the brightest future for this industry. As more people become aware of the value of

insurance in the event of a fatal illness, it is gaining significance at a steadily increasing rate. Numerous diseases are spreading at an alarming rate due to industrialization and population growth. Due to delayed diagnosis, epidemics are spreading remarkably quickly. In a country like India, where most hospitalisation costs are out-of-pocket expenses, health insurance policies could be a game-changer for the general populace. Patients would no longer be denied access to high-quality medical care simply because their families could not pay for the required care on time.

Given that health is a fundamental good that every Indian citizen has a right to, providing healthcare to everyone is currently the biggest problem. This is irrespective of an individual's background or financial level. Therefore, businesses and the government should provide a road to accomplish this goal as quickly as possible. If the regulatory landscape is minimally altered, the health insurance sector's future will be very bright. It might change how the policyholder and policy taker currently conduct business. Statistics indicate that by 2020, the Indian insurance market is expected to reach \$ 122.11 billion. The planning of market penetration while maintaining a strong strategic focus on the many demographical aspects can therefore transform the way the current health insurance system is seen into something vastly superior. ●

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