

IRDAI AND THE GROWTH OF HEALTH INSURANCE IN INDIA

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ABSTRACT

The Insurance Regulatory and Development Authority of India (IRDAI) has played a pivotal role in the transformation and growth of the health insurance sector in India. Since its establishment under the IRDA Act of 1999, IRDAI has facilitated the liberalization of the insurance industry, opening it to private players and introducing a competitive, consumer-focused regulatory environment. Health insurance, once a marginal and under-penetrated segment, has experienced substantial growth in the past two decades, largely due to IRDAI's regulatory vision and intervention. Key reforms such as the introduction of standardized policies like Arogya Sanjeevani, removal of age limits for health insurance eligibility, mandatory inclusion of coverage for serious illnesses, and initiatives to promote digital claim settlements through platforms like the National Health Claims Exchange (NHCE) have significantly enhanced accessibility and transparency.

Furthermore, IRDAI has worked to expand distribution channels by licensing agents, web aggregators, and brokers, and promoting awareness campaigns to improve insurance literacy. Amid the COVID-19 pandemic, IRDAI's prompt response through the introduction of targeted products like Corona Kavach and Corona Rakshak played a vital role in supporting millions. Recent efforts include enabling "Cashless Anywhere" coverage and pushing for greater coverage in rural and semi-urban areas. With the growing incidence of lifestyle diseases, increasing healthcare costs, and rising consumer awareness, IRDAI continues to evolve its regulations to balance market development and consumer protection.

Today, the Indian health insurance sector is one of the fastest-growing non-life insurance segments, contributing a significant share to overall general insurance premiums. IRDAI's proactive policy-making and robust supervision mechanisms have ensured sustainable growth and increased policyholder trust. Through its structured governance and strategic reforms, IRDAI remains central to India's journey toward universal health coverage and financial protection against medical risks.

Keywords: IRDAI, Growth, Health Insurance, India

1. INTRODUCTION

The Insurance Regulatory and Development Authority of India (IRDAI) was established in 1999 under the IRDA Act, 1999, following the recommendations of the Malhotra Committee, which was set up in 1993 to examine reforms in India's insurance sector. Before IRDAI's creation, the Indian insurance market was a state monopoly with the Life Insurance Corporation (LIC) and General Insurance Corporation (GIC) being the sole players. Liberalization of the sector aimed to bring in private competition, enhance efficiency, and improve customer service. IRDAI's primary purpose is to regulate, promote, and ensure the orderly growth of the insurance industry while protecting policyholders' interests. It began functioning in 2000 as an autonomous statutory body headquartered in Hyderabad. It oversees both life and general insurance businesses, including health, motor, and agricultural insurance.

The structure of IRDAI comprises a ten-member body appointed by the Government of India. It includes a Chairperson, five full-time members, and four part-time members. This multi-member structure allows IRDAI to function with a balanced mix of regulatory oversight and sectoral expertise. It operates through various departments such as

actuarial, legal, health insurance, life and general insurance, inspection, consumer affairs, and grievance redressal. IRDAI is empowered to grant licenses to insurers and intermediaries, monitor solvency margins, approve new products, and enforce regulations on conduct, disclosures, and claims settlement. It also issues guidelines, sets tariffs in select areas, and ensures financial stability within the insurance ecosystem. Through this structure, IRDAI has become the backbone of insurance governance in India.

1.1. OBJECTIVE OF THE STUDY

This study explores the role of IRDAI in the Growth of Health Insurance in India.

2. RESEARCH METHODOLOGY

This study is based on secondary sources of data such as articles, books, journals, research papers, websites and other sources.

2.1. IRDAI AND THE GROWTH OF HEALTH INSURANCE IN INDIA

The Insurance Regulatory and Development Authority of India, commonly known as IRDAI, has over the past decades shaped the Indian health insurance landscape through regulatory reforms, product standardization, market oversight, and consumer protections. Initially constituted via the Insurance Regulatory and Development Authority Act of 1999, IRDAI gradually expanded both its remit and influence, overseeing licensing for insurers and brokers, specifying solvency norms, approving product structures, and spearheading initiatives to raise awareness about risk pooling and inclusive access. In the early years of its journey, health insurance in India remained largely limited in reach, characterized by under penetration, minimal public understanding, private sector dominance in urban pockets, and reluctance to insure the elderly or those with pre existing conditions.

A turning point occurred in the wake of the COVID 19 pandemic, when awareness of the financial risks of healthcare—and the inadequacy of informal mechanisms—sparked surging consumer interest. Health insurance premium collections grew strongly from then on. According to IRDAI's annual report for FY 2022 the health insurance segment—including personal accident and travel covers—generated ₹1.17 trillion in premium income in that year, up significantly from prior years, although overall penetration fell slightly to approximately 3.7 percent of GDP due to faster GDP growth. That same report noted that general insurance premiums totaled ₹1.73 trillion, of which health took up over 40 percent, confirming health insurance as the largest segment in non life insurance business. Insurers settled nearly 2.69 crore health insurance claims in FY 2022 2023, paying out ₹83,493 crore, with an average claim size around ₹31,086. IRDAI further reported that 72 percent of claims were handled by Third Party Administrators, while 66 percent were settled via cashless mode—a reflection of growing digital penetration in the settlement process.

IRDAI's regulatory steps have directly influenced access and consumer confidence. A landmark move effective April 1, 2022 was the removal of the age cap of 65 years for purchasing new health insurance, making it legal for senior citizens to buy policies beyond that age. At the same time, IRDAI mandated that insurers cannot deny coverage to individuals with serious medical conditions such as cancer, heart failure, renal failure, or HIV/AIDS, compelling the design of explicit product lines for vulnerable demographics including seniors and children. IRDAI also introduced standardized products like the Arogya Sanjeevani policy beginning April 2020, ensuring baseline coverage across insurers and simplifying consumer choice.

Another innovation under IRDAI's influence is the adoption of digital infrastructure. The National Health Claims Exchange (NHCX), launched in mid 2022 by the National Health Authority in partnership with insurers and overseen by IRDAI, created an interoperable portal for claims processing among nearly fifty insurance providers and empaneled hospitals nationwide. NHCX has improved transparency and lowered administrative overhead, and IRDAI is moving to bring this portal under its joint control with the finance ministry to tighten oversight amid rising healthcare cost inflation.

Growth forecasts for the health insurance market reflect a long runway ahead. As of 2022, gross written premiums for health insurance were estimated at approximately US \$15 billion (about \$9.65 billion in new business premiums), then expected to grow at a CAGR of roughly 20–21 percent from 2022 through 2030, potentially reaching around US \$23 billion by 2028 and even over US \$300 billion by 2034 under some projections. IRDAI's own continued emphasis on initiatives such as 'Insurance for All 2047' underscores long term strategic commitment. According to IBEF,

Switzerland Re and IRDAI together forecast India's insurance market to become the fastest growing among G20 countries through the late 2020s.

Although premium income has grown briskly, penetration and density metrics remain low by global standards. India's overall insurance density—the per capita premium—is a mere US \$95 annually in 2022 2023, compared with a global average of nearly US \$889. Health insurance density forms a portion of that low base. In rural areas especially, penetration lags: awareness gaps, digital illiteracy, and reliance on public health infrastructure impede adoption. Urban markets—especially in states like Maharashtra, Tamil Nadu, Karnataka, and Gujarat—dominate premium contributions, with Delhi accounting for a disproportionately large share of overall health premium revenue in recent years.

IRDAI's proactive steps to promote distribution inclusivity include licensing and oversight of intermediaries. As of FY 2022 2023, India saw more than 49 lakh individual agents, over a lakh micro insurance agents, web aggregators, brokers, POSPs, and corporate agents operating under IRDAI's rules. One notable trend is the heavy reliance on agents for retail health business—agents still account for over 70 percent of individual health insurance policy sales, with online channels contributing only about four percent, though insurtech platforms and aggregator marketplaces are gradually increasing their share.

Claims costs and operational inefficiencies pose ongoing challenges. Net incurred claims ratio in health insurance declined from 109 percent in FY 2021 22 to approximately 89 percent in FY 2022 23, but claims inflation persists. Hospitals have been accused of overcharging, prompting the government and IRDAI to plan migration of claims processing to more regulated, centralized platforms and tighten rate standardization. For instance, IRDAI together with the finance ministry has proposed bringing the National Health Claims Exchange's governance under stricter supervision to improve insurer bargaining power and check inflated hospital billing behavior.

Insurers and analysts expect growth to continue, although at slightly moderated rates compared to the pandemic boom. ICICI Lombard's Q1 FY 2022 results reveal retail health premium income rising 44 percent year on year, alongside healthier corporate health growth. But overall general insurance growth has shown signs of moderation as motor and corporate health segments slow. ICRA projects general insurance premium income growth of roughly 8.7 percent in FY 2026 and 10.9 percent in FY 2027, largely driven by private insurers and health business momentum.

Dynamic factors such as environmental changes are also reshaping the regulatory and pricing approach. In early 2022, insurers began seeking IRDAI approval to raise health insurance premiums by 10–15 percent for residents of cities like New Delhi, attributing rising respiratory and cardiovascular claims to deteriorating air quality. If approved, this would be the first time pollution exposure is directly factored into premium pricing—creating both precedent and regulatory debate regarding fairness and affordability.

IRDAI's licensing process remains active even amid administrative transitions; in mid 2022 it established a committee to vet applications for new general insurance companies, including standalone health insurers, ensuring sustained market expansion despite leadership vacancies. Meanwhile fintech firms have also begun receiving IRDAI licenses—for example, Jupiter Money in July 2022 was granted a direct insurance broker license, enabling entry into insurance distribution and reflecting a broader trend of digital platforms integrating financial services with IRDAI approval.

IRDAI has also championed consumer friendly reforms in product transparency, claim settlement efficiency, and grievance redress. The standardization of the Arogya Sanjeevani policy, cashless settlement mandates, drive for 100 percent cashless "Cashless Anywhere" coverage, reduction in claim repudiation, and promotion of e Insurance Accounts and insurance repositories have simplified both purchase and management of health plans for consumers. In mid 2022, thousands of COVID 19 related claims were paid under Corona Kavach and Corona Rakshak schemes promoted by IRDAI, reinforcing the ability of regulated frameworks to enable rapid scaled response to a health emergency.

A key driver of growth in the health insurance sector under IRDAI's leadership has been its consistent effort to promote financial literacy and awareness across diverse population segments. Despite increasing premium volumes and product offerings, a large portion of India's population still remains unaware of how health insurance functions or how to choose appropriate coverage. To address this challenge, IRDAI has launched multiple educational initiatives such as the "Bima Bharosa" campaign and collaborated with insurers to develop simple and vernacular-language insurance literature. Special attention has been paid to semi-urban and rural populations, where both insurance literacy and product reach have traditionally been low. IRDAI has encouraged insurers to participate in Insurance Awareness Weeks,

organize financial literacy camps, and tie up with NGOs, local governance bodies, and self-help groups to disseminate insurance knowledge. It has also mandated that insurers include clear policy benefit explanations in regional languages and ensure that sales personnel meet minimum qualification standards. Furthermore, IRDAI has supported the expansion of insurance education in schools and colleges to build awareness from a young age. These interventions are slowly building a foundation for sustained health insurance penetration by enabling informed decision-making among consumers, reducing mis-selling, and improving trust in insurance as a financial safety net. IRDAI's vision of "Insurance for All by 2047" cannot be achieved without a widespread understanding of the products and services available, and thus its literacy efforts play a strategic role in India's broader financial inclusion agenda.

In recent years, IRDAI has also placed growing emphasis on technology adoption and digital transformation in health insurance, recognizing the sector's potential to scale only through efficiency and innovation. Digitalization is now a central pillar of health insurance operations—from policy issuance and premium payment to claims adjudication and fraud detection. Under IRDAI's guidance, the use of digital platforms such as the National Health Claims Exchange (NHCE), the Insurance Information Bureau (IIB), and e-Insurance Accounts has grown significantly. IRDAI has encouraged insurers to develop mobile-friendly applications, chatbots for customer service, and AI-driven analytics tools to enhance underwriting accuracy and policy customization. Telemedicine, which saw a significant boom during the pandemic, has also been integrated into some health plans, allowing virtual consultations and even diagnostics to be covered. This has expanded the reach of health insurance benefits, particularly in remote or underserved areas. IRDAI has further promoted the use of Application Programming Interfaces (APIs) to enable real-time claim status tracking, seamless integration between hospitals and insurers, and electronic health records (EHR) sharing under secure consent protocols. As a result, claim settlement turnaround times have decreased, administrative overheads have reduced, and customer satisfaction has improved. The Authority's openness to experimentation is evident in its regulatory sandbox initiative, which allows insurers and insurtech startups to pilot new digital products and services under relaxed compliance conditions. These reforms not only improve operational efficiency but also contribute to cost savings that can be passed on to policyholders through more affordable premiums. In this way, IRDAI's technology-forward approach is modernizing the industry and enabling the scalability needed to insure India's vast and diverse population.

Another important area where IRDAI has taken decisive action to support the growth of health insurance is the integration and alignment with government health schemes, ensuring synergy between public health objectives and private insurance mechanisms. One of the most significant public health insurance schemes in India is the Pradhan Mantri Jan Arogya Yojana (PM-JAY), which provides cashless hospitalization coverage of up to ₹5 lakh per family per year for economically vulnerable populations. While PM-JAY is administered by the National Health Authority (NHA), IRDAI has collaborated closely with it to standardize hospital empanelment, pricing frameworks, and fraud control mechanisms. This coordination has helped improve the viability and reach of health insurance in India's lower-income segments. IRDAI has also allowed private insurers to act as implementation partners for state health schemes under the umbrella of PM-JAY or through independent initiatives like Mukhyamantri Amrutum in Gujarat or Bhamashah Swasthya Bima Yojana in Rajasthan. Such public-private partnerships enable the pooling of administrative capacity, data infrastructure, and underwriting expertise, helping to extend the benefits of regulated insurance to millions of previously uninsured individuals. Moreover, IRDAI has been proactive in aligning its regulatory frameworks with evolving public policy priorities—such as making coverage mandatory for teleconsultation during COVID-19, or ensuring that private policies dovetail with the Ayushman Bharat Digital Mission. This alignment minimizes duplication of benefits and ensures that even those covered under public insurance schemes receive the quality and protections that a regulated system demands. Through these efforts, IRDAI ensures that private health insurance functions not in isolation but as a complement to the government's mission of universal health care access.

3. CONCLUSION

The IRDAI has been instrumental in shaping the landscape of health insurance in India. From a nascent and highly concentrated market, the sector has grown into a dynamic ecosystem marked by private participation, regulatory innovation, and expanding consumer access. IRDAI's reforms have not only improved insurance penetration but also created a more inclusive environment for individuals across all age groups and health profiles. Its focus on standardization, transparency, digital infrastructure, and strong consumer protection has fostered trust and accelerated adoption. The Authority's ongoing efforts to bridge the urban-rural divide, promote digital claims processing, and bring all stakeholders under a unified regulatory framework have positioned the Indian health insurance sector for long-term

growth. With the rising burden of non-communicable diseases, an aging population, and increased health awareness post-COVID-19, the demand for health insurance is set to increase. IRDAI's vision for "Insurance for All by 2047" reflects its commitment to making health insurance accessible, affordable, and reliable for every Indian citizen. As the sector continues to evolve, IRDAI's regulatory oversight and strategic guidance will remain vital in ensuring that growth is sustainable, equitable, and aligned with the broader goals of public health and financial security.

CONFLICT OF INTERESTS

None.

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