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Ensure to Insure: Why Health Insurance is Important in India

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ABSTRACT

Health insurance is a critical component in India's healthcare framework, aimed at mitigating the financial burden of escalating medical expenses, enhancing access to quality care, and promoting preventive health strategies. This research report compiles data from government sources and academic research to demonstrate the vital role health insurance plays for individuals, families, and the economy in India. Key statistics reveal that over 60% of healthcare expenses are paid out-of-pocket by patients, underscoring the urgent need for broader insurance coverage to prevent medical impoverishment. The report also evaluates government initiatives such as Ayushman Bharat and highlights challenges and future directions for expanding insurance penetration in India.

Introduction

The healthcare landscape in India is characterized by a complex interplay of **rapid economic growth**, **demographic changes**, and **evolving health challenges**. With a population exceeding **1.4 billion**, India faces significant **healthcare demands**, particularly in the context of rising **non-communicable diseases (NCDs)**, an **aging population**, and persistent **health inequities**. As the country strives to achieve **universal health coverage**, **health insurance** emerges as a critical mechanism to **mitigate financial risks** associated with medical care and to enhance **access to quality healthcare services**.

1. Background of the Study

Historically, India has relied heavily on **out-of-pocket expenditures** for healthcare financing. According to the **World Bank (2023)**, approximately **63% of total health expenditure** in India is financed directly by patients and their families. This reliance places immense **financial strain** on households, leading to **catastrophic health spending**. The **National Sample Survey Office (NSSO) 75th round report (2017-18)** revealed that nearly **55 million Indians** fall below the poverty line each year due to **health-related expenses**, highlighting the urgent need for effective **financial protection** mechanisms.

The Indian healthcare system is marked by significant **disparities in access and quality**. Urban areas often have better **healthcare infrastructure** compared to **rural regions**, where approximately **65% of the population** resides. This disparity exacerbates **health outcomes**, especially for **low-income families**. **Health insurance** can play a vital role in bridging these gaps by providing **financial coverage** and linking patients to a network of **empaneled hospitals**, empowering individuals to seek **timely medical attention** without fear of overwhelming costs.

2. Importance of Health Insurance



The importance of **health insurance** in India cannot be overstated. It serves as a **financial safety net**, protecting individuals and families from **high medical costs**. **Hospitalization costs** can average **₹30,000** for general treatments and exceed **₹1,50,000** for major surgeries. According to a **2022 IRDAI report**, households with insurance experience **40% lower out-of-pocket spending** during hospitalization.

Moreover, health insurance enhances **access to quality healthcare services**. Many policies provide **cashless hospitalization** options, allowing insured individuals to receive **treatment without upfront payments**, which is especially beneficial in **emergencies**. Research shows that insured patients are more likely to seek **timely interventions**, leading to **improved health outcomes** and reduced **mortality rates**.

Health insurance also promotes **preventive healthcare**, which is essential in managing the rising burden of **NCDs**. Many plans include **routine check-ups, vaccinations, and chronic disease screenings**, encouraging policyholders to engage in **preventive care**. Studies show insured individuals are **25% more likely** to utilize these services, leading to **early detection**, reduced long-term costs, and improved **quality of life**.

3.Scope of Health Insurance

The scope of **health insurance in India** is vast and expanding. Government initiatives like **Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PM-JAY)** provide coverage up to **₹5 lakhs per family per year** for **secondary and tertiary care**. Launched in **2018**, it targets **economically disadvantaged populations**. As of **2023**, the scheme facilitated **over 2.5 crore hospital admissions**.

The **private insurance sector** is also growing, offering **tailored products** for various income groups, including **critical illness coverage** and **preventive health packages**. However, challenges remain: **low awareness, affordability issues, and administrative complexities** deter wider adoption.

Health insurance also caters to **specific populations** such as the **elderly, women, and children**. As the population ages, demand will rise for policies covering **chronic conditions** and **long-term care**. Targeted products for women and children can address their **unique health needs**.

In conclusion, **health insurance** is a **vital component** of India's healthcare system, offering **financial protection**, enhancing **access to care**, and supporting **preventive health**.

4. Relevance of the Topic – “Ensure to Insure”

The topic “**Ensure to Insure**” is highly relevant in the context of India's **evolving healthcare landscape**. With over **60% of healthcare expenses** paid **out-of-pocket**, millions of Indians face **financial distress** from unexpected **medical costs**. **Health insurance** is a vital tool to protect against such **economic shocks**, reducing the risk of **impoverishment** due to illness.

India struggles with **unequal healthcare access**, especially in **rural and low-income populations**. Government schemes like **Ayushman Bharat** have expanded coverage to over **500 million people**, highlighting health insurance's importance in achieving **Universal Health Coverage**.

The rising burden of **non-communicable diseases** and an **aging population** underscores the need for **comprehensive insurance**. Health insurance not only covers **treatment costs** but also promotes **preventive care** and **early diagnosis**, improving **health outcomes**.

The **COVID-19 pandemic** was a wake-up call, showing the urgent need for **accessible and affordable insurance**. Insured individuals are more likely to get **timely care**, leading to **better health** and increased **productivity**.

Industry Overview

What is Insurance?

Insurance is basically a way to protect yourself from big financial losses. Instead of bearing all the risk alone, you pay regular small amounts, called premiums, to an insurance company. These premiums build a pool of money that the company uses to pay people who face unexpected problems like accidents, illness, or property damage. The idea is to give you peace of mind by minimizing the worry about unpredictable events that could cost a lot.

What Exactly is Health Insurance?

Health insurance is a type of insurance specifically for medical expenses. Whether it's hospital stays, surgeries, doctor visits, or medicines, health insurance helps shoulder the cost so you don't have to pay everything out of your own pocket. You pay a fixed premium regularly, and when you need medical care, the insurer helps cover some or all of the bills depending on your plan.

Principles of Insurance

Insurance depends on a few key principles that ensure everything is fair for both sides:

1. **Utmost Good Faith:** You and the insurer must be honest with each other. If you hide information like existing health problems, your claim might get rejected later.
2. **Insurable Interest:** You can only insure things that you would actually suffer a loss from, like your own car or health.
3. **Indemnity:** The insurance is meant to help you recover your loss, not to make a profit.
4. **Contribution:** If you insure the same thing with multiple companies, they share the payout proportionally.

5. **Subrogation:** If someone else caused your loss, your insurer can seek compensation from that party after paying you.
6. **Proximate Cause:** When several things cause a loss, the immediate cause is what counts for the claim.
7. **Loss Minimization:** You're expected to do what you can to minimize the damage or loss.

Different Types of Health Insurance You Should Know About

Health insurance comes in many forms depending on your situation:

- **Individual Plans:** Just for you.
- **Family Floater Plans:** Cover your entire family with a shared coverage limit.
- **Senior Citizen Plans:** Designed for people over 60, covering age-related health issues.
- **Critical Illness Cover:** Pays a lump sum if you're diagnosed with major illnesses like cancer or heart attacks.
- **Maternity Plans:** Helps with childbirth and newborn care costs.
- **Top-up Plans:** Extra coverage beyond your basic health insurance.
- **Group Insurance:** Often provided by employers for their employees.

Who Are the Main Players in Health Insurance in India?

The Indian health insurance market is quite diverse:

- **Public Sector Companies:** Like New India Assurance and United India Insurance, trusted and with deep reach across urban and rural areas.
- **Private Insurers:** Companies like Max Bupa, Star Health, and ICICI Lombard offer innovative and digitally savvy insurance options.
- **Government Schemes:** Ayushman Bharat is a massive program providing health coverage to millions of low-income families.
- **Third-Party Administrators (TPAs):** Help manage claims and smoothen the cashless process between hospitals and insurers.

Why Health Insurance is So Important in India

Medical treatments can be really expensive and unpredictable. Health insurance protects your savings and lets you get timely, quality care without financial stress. Besides, premiums paid often qualify for tax deductions, which is a nice bonus.

What To Keep in Mind When Picking a Health Insurance Plan

Here are some key things to think about before buying:

- **Coverage Amount:** Make sure the sum insured is enough for your healthcare needs—especially important if you live in a metro city.
- **Hospital Network:** Check if your preferred hospitals are on the insurer's cashless network.
- **Pre-existing Conditions:** Be clear about waiting periods and coverage for existing health issues.
- **Premiums:** Compare pricing but don't just go for the cheapest. A little more upfront might mean better coverage.
- **Claim Settlement Ratio:** Higher ratios (close to 95% or above) mean the insurer is reliable in paying claims.
- **Policy Terms:** Read the fine print for what's covered and what's excluded.
- **Additional Features:** Look out for maternity cover, wellness benefits, and outpatient coverage.
- **Renewability:** Ideally, pick policies you can renew for life.
- **Customer Service:** Easy claims and good support can make a world of difference.

Tips for Choosing the Right Plan

- Start by estimating how much coverage you'll realistically need.
- Decide if you want an individual plan or a family floater.
- Consider your age and medical history.
- Don't overlook things like co-payments, deductibles, and waiting periods.
- See if the insurer offers digital tools that make managing your policy hassle-free.
- Make sure the claim process is straightforward and supported by positive customer feedback.

Literature Review

Previous research on insurance adoption in India consistently highlights three primary barriers: lack of awareness, complicated insurance jargon, and public mistrust. According to studies by the Insurance Regulatory and Development Authority of India (IRDAI), low financial literacy remains a critical issue, preventing individuals from making informed insurance decisions. Reports also emphasize that despite multiple awareness campaigns, people struggle to differentiate between various insurance products and comprehend policy terms, which deters them from proactive purchase. Independent research bodies and think tanks have further explored the role of digitization in improving insurance penetration. Digital tools—such as mobile apps, chatbots, and online premium calculators—help simplify the decision-making process, especially for tech-savvy youth. Furthermore, insights from behavioral economics offer explanations for people's reluctance to buy insurance. The concept of “present bias” suggests that individuals tend to prioritize immediate expenses over future protection, leading them to defer purchasing insurance. This attitude is particularly prevalent among the younger demographic, who often perceive health issues as distant concerns. Additionally, cultural factors and low levels of trust in insurance claim settlements exacerbate the reluctance. Overall, the literature indicates a pressing need for simplified products, transparent communication, and digital engagement strategies to overcome existing adoption hurdles.

Research Methodology

Health insurance plays a pivotal role in safeguarding individuals from financial hardship arising from medical expenses, especially in low- and middle-income countries like India. Over the years, several researchers and institutions have explored the implications, challenges, and scope of health insurance in India.

According to **Dror & Preker (2002)**, health insurance is essential in mitigating out-of-pocket (OOP) expenditure, which often leads to impoverishment in developing countries. This is particularly true for India, where the **World Bank (2023)** reported that over 60% of health expenditure continues to be borne directly by households, increasing their vulnerability to health-related financial shocks.

Reddy et al. (2011) examined the implications of unequal healthcare access in India, noting that those in rural and low-income segments are disproportionately affected due to the absence of adequate financial risk protection. This is supported by the **75th NSSO Report (2017–18)**, which revealed that nearly 55 million Indians fall into poverty annually due to health expenses.

Ghosh (2014) argued that while health insurance has expanded in India, especially with the rise of government schemes such as **Rashtriya Swasthya Bima Yojana (RSBY)** and later **Ayushman Bharat (PM-JAY)**, awareness and actual utilization remain major challenges. Similar findings were echoed by **Karan et al. (2017)**, who concluded that although public schemes have increased coverage, their impact on financial protection is still limited due to shallow benefits and inadequate service networks.

Sakthivel Selvaraj (2019) emphasized the role of private insurers and the increasing preference for cashless and critical illness covers in urban India. However, he highlighted that disparities in claim settlements, lack of regulatory transparency, and inadequate grievance redressal systems still act as barriers to trust and penetration.

Technology-driven health insurance models are being studied by researchers like **Chatterjee & Ray (2021)**, who found that digital-first insurers and telehealth integrations are reshaping the customer experience, especially post-COVID-19. These innovations have improved access and claim turnaround time, making insurance more accessible to tech-savvy populations.

Furthermore, **IRDAI's Annual Report (2023-24)** presents data indicating a gradual rise in claim settlement ratios and a growing trend of health insurance adoption, especially after the pandemic. It also stresses the importance of simplified products, wider outreach, and regulatory reforms in enhancing coverage.

Summary of Findings

- Health insurance reduces the financial burden of healthcare costs and prevents medical impoverishment.
- Public health schemes have increased insurance access but often lack depth of coverage.
- Awareness, literacy, and trust remain major bottlenecks in insurance uptake.
- Technological innovations are creating opportunities for greater accessibility and efficiency.
- Regulatory interventions are crucial to improving transparency, grievance resolution, and insurer accountability.

Research Design

The research adopts a **mixed-method approach**, combining both quantitative and qualitative methods to gain a comprehensive understanding of the importance and current state of health insurance in India. The study is **descriptive** in nature, aimed at identifying patterns of health insurance awareness, accessibility, and impact on financial protection across different population groups.

Data Sources

- **Primary Data:** A structured questionnaire was administered to 150 respondents across urban and semi-urban areas through both offline and online modes. The questionnaire included close-ended questions about awareness, policy usage, expenditure, satisfaction, and preferences regarding health insurance.
- **Secondary Data:** The study also relied on credible sources such as:
 - IRDAI Annual Reports (2023–24)
 - NSSO 75th Round Survey (2017–18)
 - World Bank Health Statistics
 - Research articles, journals, and government policy documents



Sampling Technique

The sample was selected using **stratified random sampling** to ensure inclusion across various income levels, age groups, and employment sectors. This ensured diversity in the dataset and better representation of India's heterogeneous population.

Tools of Analysis

- **Quantitative Data:** Analysed using percentages, averages, and charts to observe trends in insurance coverage, out-of-pocket expenses, claim settlements, and policy satisfaction levels.
- **Qualitative Responses:** Interpreted through thematic analysis to extract insights on behavioural attitudes and challenges in adoption of health insurance.

Data Interpretation

1. Awareness Levels

- 72% of respondents were aware of health insurance, but only 46% had active policies.
- Among the insured, 65% were enrolled in private policies and 35% under government schemes like PM-JAY.

2. Preference of Plan Type

- 58% preferred cashless policies due to ease of use.
- 21% opted for family floaters, while 14% had individual plans.
- Critical illness riders were popular among respondents aged 40+.

3. Financial Protection

- 63% of policyholders avoided major out-of-pocket expenses during hospitalisation.

- Respondents without insurance reported an average hospitalisation expense of ₹35,000, compared to ₹9,000 for those with insurance.

4. Claim Settlement Satisfaction

- 78% of insured respondents expressed satisfaction with their claim settlement experience.
- The average claim settlement time reported was 10–15 working days.
- Awareness of grievance redressal mechanisms was low (only 38%).

5. Challenges Reported

- 41% cited lack of understanding about policy terms and exclusions.
- 26% felt premiums were unaffordable.
- Rural participants reported limited access to empaneled hospitals.

Key Findings from Secondary Data

- According to IRDAI (2023-24), the **overall health insurance penetration in India** stands at approximately **37%**.
- **Insurers with high Incurred Claims Ratio (ICR)** include Star Health (96.8%) and The Oriental Insurance Company (98.2%), reflecting their extensive claim disbursement.
- The **Claim Settlement Ratio (CSR)** is highest among PSU insurers like New India Assurance and United India Insurance, at 95% and above.

Conclusion from Interpretation

The data highlights a significant gap between awareness and adoption of health insurance in India. While financial protection and satisfaction levels are high among the insured, a large section of the population remains underinsured or uninsured due to affordability issues, poor literacy, and accessibility challenges. Public-private partnerships, simplified insurance products, and mass awareness drives are essential for bridging this gap.

Findings of the Study

1. **Overall Coverage:**
 - Only **37%** of India's population has any form of health insurance.
 - Rural areas and low-income groups have significantly lower coverage.
2. **Type of Insurance:**
 - **Corporate Insurance:** 28% of insured individuals (via employers).
 - **Government Insurance:** 12% (e.g., Ayushman Bharat).
 - **Individual Insurance:** 9% (directly purchased by individuals).
3. **Insurance by Occupation** (adjusted for population weight):
 - Government Employees – 25%
 - Private Sector – 22%
 - Self-Employed – 19%
 - Daily Wage Workers – 13%
 - Agricultural Workers – 11%
4. **Insurance by Income Level:**
 - ₹10+ Lakh: 30%
 - ₹5–10 Lakh: 25%
 - ₹3–5 Lakh: 20%
 - ₹1.5–3 Lakh: 15%

- < ₹1.5 Lakh: 10%

5. **Reasons for Buying Insurance:**

- Financial security – 34%
- Health concern – 28%
- Tax benefits – 18%
- Family protection – 15%
- Legal requirement – 5%

6. **Barriers to Purchase:**

- High premium cost – 33%
- Lack of awareness – 26%
- Complex terms – 19%
- Limited trust – 12%
- Perception of no need – 10%

7. **Gender Distribution:**

- Male policyholders – 58%
- Female policyholders – 42%

8. **Awareness Sources:**

- Employers – 32%
- Friends/Family – 24%
- TV/Media – 20%
- Agents – 14%
- Online Ads – 10%

9. **Top Insurers by Market Share (2024):**

- Star Health & Allied – ~15%
- New India Assurance – ~13%
- HDFC ERGO – ~12%
- ICICI Lombard – ~11%
- Religare/Care Health – ~10%

10. **Claims & Service Performance (2024):**

- Highest Incurred Claim Ratio (ICR): New India Assurance (~105%)
- Highest Claim Settlement Ratio (CSR): Star Health (~99.6%)

Health Insurance in India - Dashboard Overview (2024)



Practical Insight: Why Buying Health Insurance Early Is a Smart Move

During the course of this study, and particularly through my hands-on experience working as a **Junior Associate in Sales at HDFC ERGO General Insurance**, I developed a deeper understanding of how people perceive and interact with health insurance in real-life scenarios. While data from the survey painted a broader picture of public opinion, it was my direct engagement with customers that truly highlighted the **gap between awareness and action**.

Many individuals, especially young or first-time buyers, showed hesitation when it came to purchasing a health insurance policy. A major reason for this reluctance was the **confusing nature of insurance terms** — people often asked for clarification on hospitalization coverage, how the cashless claim process worked, and whether their pre-existing conditions would be covered. This mirrored the survey findings, where a large number of respondents cited **lack of understanding** and **fear of claim rejection** as reasons for postponing or avoiding insurance.

A critical takeaway from both my research and practical experience is that **the ideal time to buy insurance is when you're healthy**. Once someone is diagnosed with a chronic condition like **diabetes, hypertension, thyroid disorders, asthma, or cardiac issues**, securing comprehensive health coverage becomes more difficult. Insurance companies may increase premiums, set long waiting periods, or even decline the proposal based on the applicant's medical history.

This makes it clear that **insurance is not something you buy after falling sick — it's a safety net you set up while you're well**. It is a forward-looking decision, not a reactive one. Buying early not only ensures **lower premiums** and **broader coverage**, but also builds a sense of financial preparedness and peace of mind for the future.

Additionally, while interacting with clients at HDFC ERGO, I noticed that **young customers appreciated digital features** like WhatsApp updates, app-based claim tracking, and paperless documentation. On the other hand, **older clients often preferred personalized conversations**, underlining the importance of a **hybrid service model** in today's insurance sector.

In conclusion, the real-life exposure I gained helped reinforce a central theme of this study: **Health insurance is not a luxury, it's a necessity — and the sooner one acts, the more secure their future becomes**.

Conclusion

Health insurance has become an essential pillar of financial and health security in modern India. Despite several government initiatives and the presence of private insurers, the overall penetration remains low, with only about 37% of the population having some form of health insurance. The majority of the uninsured population belongs to rural areas, low-income groups, and informal employment sectors such as agriculture and daily wage labor, highlighting significant inequalities in access and awareness.

The study found that people primarily buy health insurance for financial security (34%), health concerns (28%), and tax benefits (18%). However, high premium costs (33%), lack of awareness (26%), and complex policy terms (19%) are key reasons preventing many from purchasing a policy. Interestingly, corporate employees enjoy the highest coverage due to employer-provided plans, whereas agricultural and informal workers are the least covered. Income-wise, the highest coverage is among individuals earning over ₹10 lakh annually.

Awareness about health insurance is mostly spread through employers, friends/family, and media—indicating the importance of trusted sources in influencing decisions. When it comes to insurers, companies like Star Health and New India Assurance lead both in market share and claim performance, building credibility in the market.

In conclusion, improving India's health insurance landscape requires a multi-pronged approach: stronger public-private collaboration, better awareness campaigns, policy simplification, and premium subsidies for low-income groups. Bridging this protection gap is critical to achieving Universal Health Coverage and ensuring that every citizen can access quality healthcare without the fear of financial ruin.

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