The Insurance Regulatory and Development Authority of India (IRDAI) is considering the possibility of allowing life insurance companies to offer health policies despite opposition from general insurance companies.

Background

- The IRDAI move follows intense lobbying by private life insurance companies for an entry into the fast-growing health insurance segment.

- IRDAI (Health Insurance) Regulations 2016 allow life insurance companies to offer benefit based health insurance products only. Representations have been received from life insurance companies to allow them to offer indemnity products as well.

- Insurance Act, 1938 vide Insurance Laws (Amendment) Act 2015 recognised health Insurance as a separate class of business. Historically, health insurance is recognised as one of the important elements of healthcare and health insurance premiums have been registering a significant compounded annual growth of around 20 per cent in the preceding 10 years in India.

About the move

The regulator has set up a nine-member committee to study the feasibility of allowing life insurers to offer indemnity-based health policies.

Present scenario

As of now, only general insurance firms and specialised health insurance companies are allowed to offer indemnity-based health policies.
Opposition to the move

1. The General Insurance Council, the apex body of general insurers, has opposed the proposal.

2. Another complaint against life insurers is mis-selling. The indemnity based health insurance business needs enormous claims handling capacity and that too under very tight time lines which life insurance companies don’t have capability and experience of.

What is an indemnity-based health insurance plan?

- According to insurance experts, in an indemnity-based health insurance plan, the policyholder is reimbursed the cost of medical expenses. These plans will reimburse the policyholder with the actual amount incurred as expenses during a hospitalisation stay up to the sum insured under the policy. If a policyholder chooses a sum insured amount of Rs 5 lakh and is presented with a hospitalisation bill amounting to Rs 2 lakh, the insurance company will pay out Rs 2 lakh to the policyholder. The policyholder is required to submit hospital bills detailing the expenses incurred during the hospital stay.

- On the other hand, a fixed benefit health plan is one where a fixed amount of funds (the sum insured) is paid out to cover expenses for a predetermined illness or condition that has been insured.

Health insurance Premium

- During FY 2017-18, insurance companies collected Rs 37,029 crore as health insurance premium registering a growth of 21.8 per cent over the previous FY 2016-17. The share of group health insurance was the highest at 48 per cent, followed by individual business (41 per cent) and the government business (11 per cent).

- Five states — Maharashtra, Tamil Nadu, Karnataka, Delhi UT and Gujarat — contributed 68 per cent of total health insurance premium. As per IRDAI Annual Report 2017-18, the insurance sector has covered 48 crore number of lives under health insurance, out of which 36 crore number of persons are
The industry has processed 1.6 crore number of health insurance claims during that year. The **PMJAY scheme** launched in September 2018 had 18 lakh plus pre-authorizations approved amounting to over Rs 2,400 crore as on March 31, 2019. Another major concern in health insurance business is skewed distribution of health business across various states and union territories.

### About IRDAI

It is an **apex statutory body** that **regulates and develops insurance industry** in India. It was constituted as per provisions of **Insurance Regulatory and Development Authority Act, 1999**. It is **headquartered in Hyderabad**.

### Functions:

- Protect the rights of insurance policy holders.
- Provide registration certification to life insurance companies
- Renew, modify, cancel or suspend this registration certificate as and when appropriate; promote efficiency in conduct of insurance business
- Promote and regulate professional organisations connected with insurance and reinsurance business; regulate investment of funds by insurance companies
- Adjudication of disputes between insurers and intermediaries or insurance intermediaries