No Age Bar for Health Insurance in India

For Prelims: Insurance Regulatory and Development Authority of India, Health Insurance, World Health Organisation.

For Mains: Key Challenges Faced by Elderly Population in India, Issues Related to India's Demographics

Source: FE

Why in News?

Recently, the Insurance Regulatory and Development Authority of India (IRDAI) has lifted the age ceiling for buying a medical insurance policy, a move that widens the insurance net and provides huge relief to senior Indians.

- Also, the **Indian Institute of Science (IISc) Bengaluru** has introduced '**Longevity India,**' aimed at studying aging-related health issues and creating interventions for better health among the elderly.

What are the IRDAI's Recent Directions Related to Health Insurance?

- IRDAI has dissolved the barrier to applying for health insurance in India that allowed only individuals aged 65 and lower to purchase health covers.
  - It has instructed insurers to create specialised products for different demographics such as **senior citizens, students, children, and maternity.**
- It has also emphasised that insurers should strive to provide coverage for individuals with all types of pre-existing medical conditions, as outlined in the "**Specific provisions applicable to health insurance products**'' published in the Government of India Gazette.
  - Coverage for individuals with pre-existing medical conditions, such as cancer **or** heart failure, is now available without refusal.
  - It may increase insurance density and insurance penetration in India.
- Insurers are also required to offer premium payment in installments for policyholder convenience, and travel policies can only be provided by general and health insurers.
  - Furthermore, there is no cap on coverage for AYUSH **treatments**, including **Ayurveda, Yoga, Naturopathy, Unani, Siddha, and Homeopathy.**

What are the Areas of Uncertainty in IRDAI's Recent Health Insurance Directives?

- **Affordability for Senior Citizens:** One major concern is whether the **health insurance premiums for senior citizens will be affordable.**
  - As people age, the risk of medical issues increases, which could lead insurers to price their products quite high for the elderly population.
  - The government may need to **consider subsidies or other measures to make these**

policies accessible and affordable for seniors with limited income and savings.
- **Waiting Period for Pre-existing Conditions:** Typically, insurance companies impose a waiting period **(e.g., 2-4 years)** before covering pre-existing medical conditions.
  - More detailed regulations will be key in assessing their **consumer-friendliness,** particularly regarding waiting periods and immediate coverage conditions.
- **Impact on Out-of-Pocket Medical Expenditure:** While increasing health insurance penetration is a positive step, it may not directly translate to a significant reduction in out-of-pocket medical expenses for Indians.
  - This will depend on factors like the **extent of coverage offered, co-pay rates, sub-limits, and overall affordability** of the policies.
  - Comprehensive coverage with reasonable co-pays and limits will be required to make a substantial dent in the high out-of-pocket expenditure.

Note:

- **Out-of-Pocket Expenditure (OOPE)** is the money **paid directly by households**, at the point of receiving health care.
- It **excludes the individuals covered under any public or private insurance** or social protection scheme.

What is the Current Status of Insurance Sector in India?

- **About:** The Indian Insurance market is expected to reach **USD 200 billion by 2027** and **6th** largest insurance market by 2032.
  - India is currently the **9th largest** life insurance market and **14th** largest non-life insurance market globally.
  - Both life and non-life insurance sectors have witnessed double-digit growth rates in recent years.
- **Insurance Penetration and Density:** In India, **insurance penetration** which was 2.7% in 2001, steadily increased to 4.2% in 2020 and remained the same in **2021.**
  - Also, there has been a sharp increase in **insurance density** in India. Whole life insurance density went up from USD 9.1 in 2001-02 to **USD 69 in 2021-22.**
  - Insurance penetration and density are two metrics often used to assess the level of development of the insurance sector in a country.
    - While insurance penetration is measured as the **percentage of insurance premiums to a country's** GDP**,** insurance density is calculated **GDP as the ratio of premium to population** (per capita premium).
- **Key Drivers of Growth:**
  - **Rising Disposable Income:** As the Indian economy expands, so does disposable income, allowing people to allocate more towards financial security products like insurance.
    - Gross national disposable income is expected to expand by **8.9%** in FY24.
    - Also, by 2030, India will add 140 Million middle-income and 21 Million high-income households which will drive the demand and growth of the Indian insurance sector.
  - **Government Initiatives:** Schemes like **Pradhan Mantri Jeevan Jyoti Yojana (PMJJBY)** and **Pradhan Mantri Suraksha Bima Yojana (PMSBY)** are boosting insurance penetration in rural areas.
    - The FDI policy permits **74% foreign investment** in Indian insurance companies.
    - Also, **Ayushman Bharat PM-JAY** is the largest health assurance scheme in the world and is funded by the Government.
  - **Pandemic-related Shift in Demand Patterns:** **Covid-19** pandemic has increased the insurance penetration rate and triggered **awareness on insurance and demand for protection products**, especially health insurance.

What are the Key Challenges Faced by Elderly Population in India?

- **Status of Elderly Population in India**: Recently, India became the world's most populous

country surpassing China.
- More importantly, a World Health Organisation (WHO) study has projected that by 2050, the country would be home to over **31 crore people above the age of 60.**
- **Challenges:**
  - **Lack of Healthcare Access:** Affordability is a major barrier to proper healthcare for the elderly in India.
    - Chronic diseases are common, but **limited access to geriatric specialists** and specialists trained in managing age-related health issues worsen their condition.
  - **Elder Abuse and Neglect**: Unfortunately, elder abuse is a growing concern. They are vulnerable to financial exploitation, physical or emotional abuse, and neglect.
    - At least 5% of India's elderly population (aged 60 years and above) stated they experienced ill-treatment in 2020, according to the **Longitudinal Ageing Study in India (LASI).**
  - **Digital Divide:** Many government programs and services are shifting online, leaving some **tech-unsavvy elderly citizens** struggling to access them.
  - **Financial Insecurity:** A large portion of the elderly population lives below the poverty line, lacking a pension or savings for their healthcare and daily needs.
  - **Social Isolation and Loneliness**: The breakdown of joint families and migration of younger generations to cities lead to social isolation for the elderly.
    - This lack of social connection contributes to mental health issues like depression and anxiety.
- **Measures Need to be Taken:**
  - **Age-Friendly Infrastructure:** Developing age-friendly infrastructure and public spaces with features like **ramps, handrails, accessible transportation, and senior-friendly housing designs** can enhance mobility and independence for the elderly.
  - **Strengthening Elder Abuse Laws**: Implement stricter laws against elder abuse and create accessible reporting mechanisms for victims.
  - **Silver Preneurship Hubs:** Establish co-working spaces specifically designed for seniors with expertise and entrepreneurial spirit who can offer mentorship, business development support to new age startups to help them launch or scale their own businesses.
  - **Senior Influencer Network:** Identifying tech-savvy seniors in social media with strong communication skills and creating a network of **"senior influencers."**
    - These individuals can **promote healthy ageing, debunk myths about elderly care, and advocate for policies** that benefit their generation on social media platforms.

What Measures can be Taken to Rejuvenate India's Insurance Sector?

- **Parametric Insurance:** Leverage **data analytics and** IoT to create parametric insurance products that pay out based on **pre-defined triggers/parameters** (e.g., rainfall levels for crop insurance).
  - This could simplify claims processes and improve transparency.
- **Employer-driven Group Insurance:** Incentivise and promote employer-driven group insurance schemes, especially for sectors with a high **proportion of informal workers** (e.g., **construction, manufacturing**).
  - This can help achieve scale and improve insurance penetration.
  - In this regard, India can learn from Germany's **Bismarck Model.**
    - The **Bismarck model** is characterised by the **mandatory participation of individuals in a social insurance program,** which is funded through contributions from **both employers and employees.**
- **Public-Private Partnerships:** Fostering more public-private partnerships (PPPs) between insurers and government agencies/bodies.
  - PPPs can help design and distribute need-based, affordable insurance solutions, especially in underserved areas and segments.
- **Insurance Awareness Campaigns:** Undertake large-scale, multimedia awareness campaigns in partnership with the regulator and industry bodies.

- These campaigns should focus on increasing insurance literacy, highlighting the benefits of being insured, and addressing common myths and misconceptions to achieve Insurance for All by 2047.
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What is IRDAI?

- IRDAI is a statutory body formed under the **Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999)** for overall supervision and development of the Insurance sector in India.
  - The powers and functions of the Authority are laid down in the IRDA Act, 1999 and Insurance Act, 1938.
- The **Insurance Act, 1938** is the principal Act governing the Insurance sector in India. It provides the powers to IRDAI to frame regulations which lay down the regulatory framework for supervision of the entities operating in the Insurance sector.

Drishti Mains Question:

Discuss the challenges faced by the elderly population in India and suggest innovative strategies that can be implemented to improve the quality of life and well-being of the elderly in the country.

UPSC Civil Services Examination Previous Year Question (PYQ)

Mains:

Q. Performance of welfare schemes that are implemented for vulnerable sections is not so effective due to the absence of their awareness and active involvement at all stages of the policy process – Discuss. **(2019)**

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