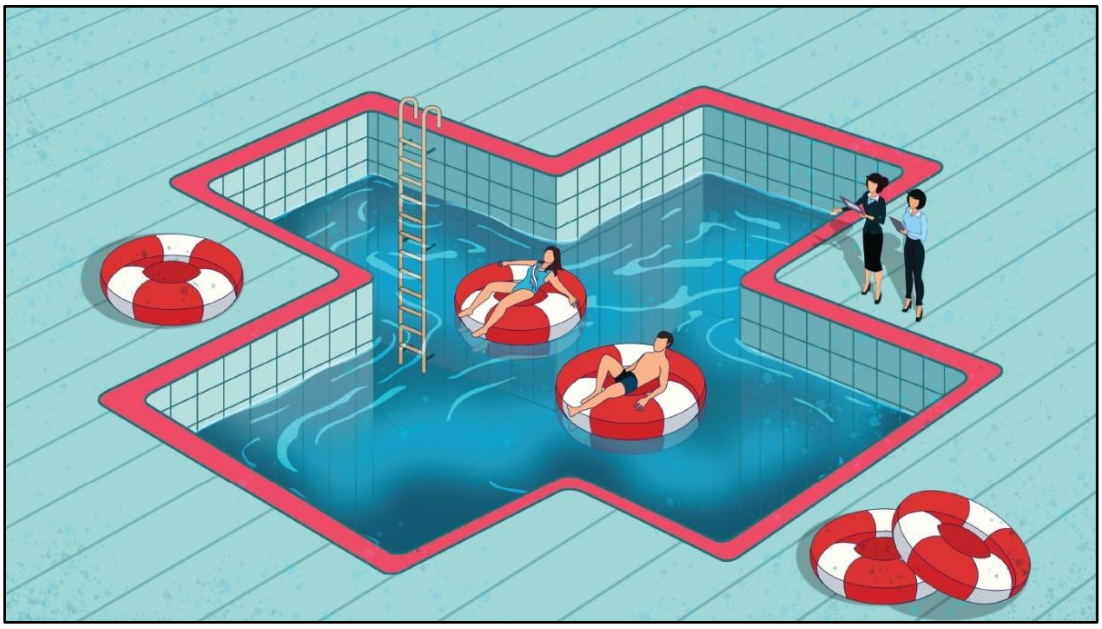
Article Date	Headline / Summary	Publication
18 Aug 2026	What ails India's non-life insurance segment?	Business Today

What ails India's non-life insurance segment?



Health has emerged as the fastest-growing segment in the non-life insurance segment. However, the market remains under-penetrated—one reason being rising premiums and treatment costs.

A recent social media post left many people shocked. An X user, Nikhil Jha, said a reputed hospital in Mumbai charged one of his followers Rs 11.04 lakh for a hernia surgery. While the post triggered a debate—with many questioning the lack of details such as hospital discharge summary or whether the patient had other complications—it laid bare the reality of surging healthcare costs in India.

A PolicyBazaar study last year found that surgery costs in India had increased by up to 300% over the last decade. Even routine procedures such as cataract cost more than twice as much they did ten years ago. Not surprisingly, health has been one of the fastest-growing insurance segments over the last few years.

According to a study by GlobalData, gross written premiums of India's general insurance industry have risen from Rs 2.30 lakh crore in 2021 to around Rs 3.50 lakh crore in 2025 and are forecast to touch Rs 5.4 lakh crore in 2030.

Personal accident and health accounted for the largest share of general insurance premiums at close to 41% in 2025 compared with 35.7% in 2021. GlobalData expects a 9% uptick in 2026. “Three forces are converging—strong regulatory vision, rapid digital adoption, and awareness among households about the need for health insurance,” Amarnath Saxena, chief technical officer, commercial, Bajaj General Insurance, tells BT.

There is another side to the story—rising health insurance premiums. According to a survey by LocalCircles earlier this year, a majority said their premiums had increased by 50-200% over the last three years.

“Health insurance premiums are closely linked to the cost of healthcare. Over the years, medical inflation has consistently outpaced general inflation, driven by advances in medical technology, specialised treatments, rising hospitalisation costs, and greater utilisation of healthcare services. Insurers have to price products in a manner that reflects these realities while ensuring long-term sustainability,” says Udayan Joshi, chief operating officer, SBI General Insurance.

In a big step, the government removed the Goods and Services Tax on individual life and health insurance effective September 22, 2025, from 18%. This has brought some relief but not addressed the issue of steep medical inflation.

Retail inflation has been 4-5% while medical inflation has been in double digits. According to Aon plc, employee medical plan costs in India are expected to rise 11.5% in 2026, lower than the 13% in 2025, but well above the global trend rate of 9.8%. “Premiums have to mimic hospitalisation costs because, at the end of the day, insurance companies are money managers. They collect premiums and pay claims. If the claim outgo is on the higher side, the premiums have to reflect that,” says Siddharth Singhal, head, health insurance at PolicyBazaar.

Behaviour Change: Rising costs have changed the way people buy insurance. They are going for higher sum insured while also opting for specific add-ons like critical illness or cancer cover, say industry executives. They are also looking for family floater policies (where one policy covers many members of the family) and more comprehensive plans with benefits such as reinstatement/restoration of sum insured and domiciliary treatment.

There is also a growing demand for policies that integrate OPD care, preventive health check-ups, and wellness programmes, reflecting a move towards proactive healthcare and long-term medical support rather than just hospitalisation coverage, says Saxena of Bajaj General Insurance.

Also, many companies offer plans that lower premiums if customers follow an active lifestyle. For instance, Aditya Birla Health Insurance's recent youth-focused plan rewards customers if they meet calorie burn targets and take consistent seven-eight hours of sleep. A customer can potentially get 100% annual premium back. “This cohort is among the most health-conscious consumers in the country. They track fitness and sleep. They spend on nutritionists, gym memberships, and wellness programmes. They follow evidence-based health content and integrate it into daily routines,” says Mayank Bathwal, the CEO of Aditya Birla Health Insurance.

“Young Indians are not avoiding health insurance because they cannot afford it. The intent is there. The gap is that no product has connected their daily health investment to their financial protection in a way that feels relevant to how they actually live. That misalignment is the gap we set out to address,” he says. Another development is zone-based plans based on healthcare costs. Typically, larger metropolitan centres where costs are high are zone I, and smaller towns, where expenses are lower, are zone II or III.

“The latest products divide the country into eight zones depending on the premiums. So, if Delhi has the highest cost of hospitalisation, a policy bought by a person there will have a higher premium vis-à-vis a small town or a village. This enables insurance companies to charge the right premium to the right customer,” says Singhal of PolicyBazaar.

Sarita Joshi, head of life and health insurance at insurance broker Probus, says people are also opting for top-up policies to save costs. In this, you buy a base policy depending on your financial capability, Rs 5 lakh or Rs 10 lakh, for instance, and buy a top-up of, say Rs 20 lakh or Rs 50 lakh. This is cost effective.

“If you go for a standalone base policy of Rs 50 lakh, the premium will be very high. So, you buy a base cover of Rs 10 lakh and a super top-up. Super top-up policies are cheaper because of a deductible. When there is a claim, it will be paid for by the base policy, and the super top-up policy will kick in if the claim amount is more than the base policy. Generally, routine claims are up to Rs 5 lakh or Rs 10 lakh, which can be covered by the base policy. For higher claims, which may happen only in case of a major illness, the super top-up policy can kick in,” says Joshi. However, the overall market is still significantly underpenetrated with cost, other than lack of awareness, being a key reason.

According to Swiss Re, insurance penetration (gross written premium as percentage of GDP) in India stood at 3.7% in 2024, with life insurance at 2.7% and non-life insurance at 1%. In contrast, in mature markets like the US and UK, penetration levels were significantly higher at 12.1% and 11.8%, respectively.

The government is looking to achieve universal health insurance coverage by 2033. It offers free coverage up to Rs 5 lakh per family per year under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana. The scheme covers 107.4 million poor and vulnerable families. In 2024, the coverage was expanded to all senior citizens aged 70 and above, irrespective of income. According to government data, 435.2 million Ayushman cards had been issued under the programme as on February 28, 2026.

Separately, employees of factories and various other establishments are covered under the Employees' State Insurance Scheme. It covered 38.4 million people as on March 31, 2025.
Still, a lot of people are either un-insured or under-insured. Saxena of Bajaj General Insurance says there is a need to focus on the “missing middle,” those who fall outside government-subsidised insurance and are not financially strong enough to afford private health insurance. This segment is characterised by informal employment, unstable incomes, and the absence of social security benefits, leaving them vulnerable. Expanding employer-linked models to gig workers and micro, small and medium enterprises, along with modular, affordable products for families, will accelerate coverage, he says. Joshi of SBI General Insurance calls for a multi-pronged effort to widen the market, including simplifying products, and strengthening advisory-led distribution.

“At the same time, increasing focus on improving health insurance accessibility across Tier 2, Tier 3 and Tier 4 markets in the deeper Bharat is essential as these regions represent the next phase of insurance growth and financial inclusion,” he adds. Experts say as India's per capita income grows and insurers continue to innovate offerings, the penetration of health insurance policies will increase.

Cashless treatments and ease of claim settlement have also been friction points over the years. Joshi of Probus says insurance companies are using AI (artificial intelligence) tools to automate documentation and speed up discharge.

“Generally, it takes time for the claim to settle because they do their investigations. AI tools are being used so that the case work is speeded up, and the client gets fast discharge,” she says. The Insurance Regulatory and Development Authority of India's (IRDAI's) introduction of a 60-minute turnaround time for cashless claim authorisations has noticeably improved the customer claims experience, says Joshi of SBI General Insurance.

The IRDAI has also over the years taken steps to ease the bottlenecks and widen the health insurance coverage. With health care costs only expected to go up, buying an insurance policy and not waiting for an emergency health issue may be your best bet. Experts say insurance will deliver the greatest value if you buy at a younger age and well before health risks emerge.