CHAPTER 5

A Study on Role of IRDAI's Transformative Reform 2024 and Future of Indian Insurance Sector

Vidya Dhole and Bharat Kasar***

ABSTRACT

The Insurance Regulatory and Development Authority of India (IRDAI) has introduced transformative reforms through its 2024 Master Circular to modernize and strengthen the Indian insurance sector. The circular aims to enhance transparency, improve policyholder protection, promote product innovation, and encourage digital transformation across life, health, and general insurance segments. Key provisions include simplified policy documentation, customer information sheets, faster claim settlement procedures, improved grievance redressal mechanisms, and the introduction of flexible and customized insurance products. The reforms also emphasize digitalization through electronic policy issuance and a "phygital" service model to increase accessibility and operational efficiency. By consolidating existing regulations and introducing customer-centric measures, the 2024 Master Circular seeks to build trust, increase insurance penetration, and ensure financial stability in the industry. Overall, these reforms represent a significant step toward creating a transparent, efficient, and inclusive insurance ecosystem in India.

Keywords: IRDAI; Insurance; Circular.

1.0 Introduction

The Indian insurance sector plays a crucial role in economic development by providing financial security, mobilizing long-term savings, and supporting investment activities. (Outreville,1990; Beck & Webb, 2003; IRDAI, 2023) In recent years, the sector has undergone significant changes due to technological advancement, regulatory reforms, and evolving customer expectations. The Insurance Regulatory and Development Authority of India (IRDAI), as the apex regulatory body, has introduced several reforms to strengthen and modernize the insurance industry.

**Corresponding author; PhD Scholar, Department of Commerce and Management, S.B. Patil Institute of Management, Pune, Maharashtra, India (E-mail: vidyadhole06@gmail.com)*

***Director, Department of Commerce and Management, Camp Education Society's Rasiklal M. Dhariwal Institute of Management, Pune, Maharashtra, India*

(E-mail: bharat_kasar@rediffmail.com)

In 2024, IRDAI introduced a transformative Master Circular aimed at simplifying regulations, enhancing transparency, improving policyholder protection, and promoting digital transformation across life, health, and general insurance segments. (IRDAI, 2024; PwC India, 2024) These reforms are aligned with the national objective of expanding insurance coverage and improving financial inclusion. (Government of India, 2023; IRDAI, 2024) The 2024 Master Circular marks a major shift toward a customer-centric and technology-driven insurance ecosystem in India. This research paper examines the major provisions of IRDAI's 2024 transformative reforms and analyses their impact on the Indian insurance sector. (IRDAI, 2024)

2.0 Literature Review

The insurance sector plays a vital role in economic development by mobilizing long-term savings, facilitating risk transfer, and supporting capital formation. Over time, scholars have examined insurance from multiple perspectives including economic growth, regulatory frameworks, consumer protection, digital transformation, and financial inclusion. The 2024 transformative reforms introduced by the Insurance Regulatory and Development Authority of India (IRDAI) must be understood within this broader academic and policy context.

Master Circular on Life Insurance Products Date: 12th June, 2024

1. This Master Circular is issued under the provisions of Section 34 of the Insurance Act, 1938 and Section 14 of the IRDA Act, 1999 read with Regulation 7 of the IRDAI (Insurance Products) Regulations, 2024.
2. This Master Circular provides necessary guidance on aspects pertaining to various provisions of the Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024 and applicable to all life insurers, unless otherwise specified.
3. This Master Circular shall be reviewed every year unless review or repeal is warranted earlier.
4. All words and expressions used herein and not defined in this Master Circular but defined in the Insurance Act, 1938 (4 of 1938), or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or Rules or Regulations made thereunder shall have the meanings respectively assigned to them in those Acts or Rules or Regulations.
5. In order to remove any doubts or difficulties that may arise in the application or interpretation of any of the provisions of this Master Circular, the Competent Authority may issue appropriate clarifications as and when deemed necessary.

6. This has approval of the Competent Authority.

- Insurance Regulatory and Development Authority of India. (2023). Annual Report 2022–23. IRDAI.
- Beck, T., & Webb, I. (2003). Economic, demographic, and institutional determinants of life insurance consumption. World Bank Economic Review, 17(1), 51–88.
- Outrivalled, J. F. (1990). The economic significance of insurance markets in developing countries. Journal of Risk and Insurance, 57(3), 487–498.
- Bauer, R. A. (1960). Consumer behaviour as risk-taking. Proceedings of the American Marketing Association.
- Cunningham, S. M. (1967). Risk taking and information handling in consumer behaviour. Harvard University Press.
- Slovic, P. (1987). Perception of risk. Science, 236(4799), 280–285.
- Eling, M., & Lehmann, M. (2018). The impact of digitalization on the insurance value chain. Geneva Papers on Risk and Insurance, 43(3), 359–396.
- OECD. (2021). Digitalisation and Finance: Implications for Insurance Markets. OECD Publishing. Ref: IRDAI/ACTL/MSTCIR/MISC/89/6/2024

3.0 Objectives of the Study

1. To study the key features of IRDAI's transformative reforms introduced through the 2024 Master Circular.
2. To analyse the impact of these reforms on the growth and development of the Indian insurance sector.
3. To evaluate the role of digitalisation and customer-centric measures in improving insurance services.

4.0 Research Methodology

This study is based on a descriptive and qualitative research design.

- *Nature of data:* Secondary data
  This research study is based on secondary data collected from the IRDAI Master Circular 2024 on insurance products and policyholder protection. The Master Circular serves as the primary source of data for analysing regulatory reforms and their impact on the Indian insurance sector.
- *Sources of data:* IRDAI annual reports, master circular 2024, research journals, insurance company reports, government publications, and official websites.
- *Method of analysis:* Qualitative and comparative analysis of regulatory reforms and their impact on the insurance industry.

5.0 Overview of IRDAI's 2024 Transformative Reforms

The 2024 Master Circular introduced by IRDAI focuses on regulatory simplification, policyholder protection, and digital transformation. The major reforms include:

5.1 Simplification of regulations

IRDAI consolidated multiple circulars and guidelines into a single master circular. This reduced regulatory complexity and made compliance easier for insurance companies. It also improved clarity and transparency in policy terms and conditions.

5.2 Customer Information Sheet (CIS)

Insurance companies are required to provide a standardized Customer Information Sheet summarizing key policy details such as coverage, exclusions, premium, and claim process. This enhances customer understanding and informed decision-making.

Table 1: Customer Information Sheet/Know Your Policy

This document provides key information about your policy. You are also advised to go through your policy document.

SI No	Title	Description in Simple Words (Please refer to applicable Policy Clause Number in next column)	Policy Clause Number
1.	Name of the Insurance Product and Unique Identification Number (UIN)		
2.	Policy Number		
3.	Type of Insurance Policy	• Pure Risk • Linked • Non-Linked other than pure risk and pension • Immediate Annuity • Deferred Annuity • Linked Pension • Non-Linked Pension.	
4	Basic Policy details	•Instalment Premium • Mode of premium payment (e.g. Monthly, Quarterly, half yearly or yearly) • Sum Assured on death • Sum Assured on Maturity • Premium payment Term • Policy Term	
5	Policy Coverage/benefits payable	• Benefits payable on maturity • Benefits payable on death • Survival Benefits excluding that payable on maturity • Surrender benefits	

		• Options to policyholders for availing benefits, if any, covered under the policy. • Other benefits/options payable, specific to the policy, if any	
6	Options available (in case of Linked Insurance Products)	• Partial Withdrawal • Top –up Provision • Switches • Settlement option • Any other option.	
7	Option available (in case of Annuity product)	• Type of immediate annuity, for example Life annuity with Return of Purchase price etc. • Proportion of annuity amount guaranteed for variable pay-out option. • Any other option.	
8	Riders opted, if any	Summary of coverage	
9	Exclusions (events where insurance coverage is not payable), if any.	Brief list of the applicable exclusions, if any	
10	Waiting /lien Period, if any	Number of days	
11	Grace period	Number of days	
12	Free Look Period	Number of days	
13	Lapse, paid-up and revival of the Policy	Brief description	
14	Policy Loan, if applicable	Brief description	
15	Claims/Claims Procedure	• Turn Around Time (TAT) for claims settlement and brief procedure • Helpline/Call Centre number • Contact details of the insurer • Link for downloading claim form and list of documents required including bank account details.	
16	Policy Servicing	• Turn Around Time (TAT) • Helpline/Call Centre number • Contact details of the insurer • Link for downloading applicable forms and list of documents required including bank account details.	
17	Grievances /Complaints	• Contact details of Grievance Redressal Officer of the insurer • Link for registering the grievance with the insurer's portal • Contact details of Ombudsman	

5.3 Faster claim settlement

The reforms introduced stricter timelines for claim settlement and improved monitoring mechanisms. This ensures quicker processing of claims and enhances customer satisfaction.

5.4 Strengthened grievance redressal mechanism

Insurance companies must establish effective grievance redressal systems and resolve customer complaints within specified time limits. This improves accountability and trust in the insurance sector.

5.5 Product innovation and flexibility

The reforms encourage insurers to develop flexible and customized insurance products to meet diverse customer needs. Insurers now have greater freedom in product design and pricing.

5.6 Digitalisation and phygital model

The introduction of electronic policy issuance, online premium payment, and digital customer services promotes a "phygital" model combining physical and digital channels. This enhances accessibility and operational efficiency.

5.7 Focus on insurance penetration

The reforms aim to increase insurance penetration in rural and underserved areas by promoting inclusive insurance products and distribution channels.

6.0 Role of IRDAI's 2024 Reforms on the Indian Insurance Sector

6.1 Improved policyholder protection

Customer-centric measures such as simplified policy documents, CIS, and faster claim settlement have strengthened policyholder protection and increased trust in insurance services.

6.2 Growth in insurance penetration

In India, insurance penetration is still relatively low. According to the Insurance Regulatory and Development Authority of India annual report, insurance penetration declined to around 3.7% of GDP in 2023-24, which is significantly lower than the global average of about 7%. The reforms encourage the development of affordable and customized products, leading to increased insurance coverage in rural and urban areas. This contributes to financial inclusion. Because of this gap, increasing insurance penetration has become a major objective of IRDAI's 2024 reforms and regulatory initiatives.

6.3 Promotion of digital transformation

Digital initiatives such as e-policies and online services have improved operational efficiency and customer convenience. Insurers are adopting advanced technologies such as artificial intelligence and data analytics.

Digital Transformation – Bima Sugam: Bima Sugam is a proposed digital insurance marketplace in India developed under the guidance of the Insurance Regulatory and Development Authority of India (IRDAI).

It aims to create a single online platform where customers can buy, sell, and manage all insurance policies easily. Ref. **(**Economic Times. (2025). IRDAI launches Bima Sugam: One-stop insurance marketplace.)

Key Features:

- *Buy policies online:* Digital insurance platforms allow customers to purchase insurance policies directly through online portals or mobile applications.
- *Compare insurers:* One of the major advantages of digital platforms is the ability to compare insurance products offered by different companies. Customers can review details such as premium amounts, policy coverage, benefits, exclusions, and claim settlement ratios
- *Store policies digitally:* Digital platforms allow policyholders to store all their insurance policies in electronic form. Instead of maintaining physical documents, customers can access their policies through a secure online account.
- *Track claims:* Customers can track the status of their insurance claims online through digital platforms. They can submit claim requests, upload necessary documents, and monitor the progress of their claim in real time.

Impact

- *Transparency:* Digital insurance platforms improve transparency in the insurance sector by providing clear and complete information about different insurance products.
- *Ease of access:* Online insurance platforms make it easier for customers to access insurance services anytime and from anywhere.
- *Reduced dependency on agents:* Traditionally, insurance policies were mainly sold through agents or intermediaries. With digital platforms, customers can directly interact with insurance companies and purchase policies online.
- *Financial inclusion:* Digital insurance systems help extend insurance services to people who previously had limited access, especially in rural and remote areas

6.4 Enhanced Transparency and Accountability

Standardized documentation and disclosure requirements ensure transparency in policy terms and reduce mis-selling. This enhances consumer confidence in the insurance industry.

6.5 Ease of doing business for insurers

Simplified regulations and reduced compliance burden enable insurers to focus on innovation, customer service, and business expansion.

6.6 Increased competition and innovation

Greater flexibility in product design encourages innovation and competition among insurance companies, resulting in better products and services for customers.

7.0 Challenges of the Reforms

Despite the positive impact, several challenges remain:

- *Low insurance awareness:* Many people in rural areas still lack awareness about insurance benefits.
- *Digital divide:* Limited digital literacy and internet access may restrict the adoption of digital insurance services.
- *Implementation issues:* Insurance companies may face challenges in implementing new regulatory requirements.
- *Cybersecurity risks:* Increased digitalisation exposes insurers to data security and cyber threats.
- *Competition from alternative investments:* Customers may prefer other investment options over insurance.

8.0 Suggestions and Recommendations

1. Increase insurance awareness through financial literacy programs: Insurance awareness in India is still limited, especially in rural and semi-urban areas. Many people do not clearly understand the benefits of insurance products such as life, health, and pension plans. Financial literacy programs conducted by regulators, insurance companies, and educational institutions can help individuals understand the importance of insurance in managing financial risks. Awareness campaigns, workshops, and digital learning platforms can educate people about policy features, premium payments, and claim procedures.
2. Strengthen digital infrastructure in rural areas: Digital transformation is an important aspect of the recent insurance reforms. However, the success of digital insurance platforms depends on strong internet connectivity and digital infrastructure.
3. Provide training for insurance professionals on new regulations: The insurance sector is experiencing rapid regulatory changes and technological developments. Insurance agents, brokers, and other professionals must be well-trained to understand new regulations and product structures.
4. Enhance cybersecurity measures in digital insurance platforms: Implementing advanced encryption technologies, secure payment systems, and strict data protection policies will

improve the safety and reliability of digital insurance platforms and increase customer confidence in online insurance services.

5. Encourage innovation in affordable insurance products: To expand insurance coverage, insurers should focus on developing innovative and affordable insurance products. Many individuals, especially from low-income groups, cannot afford high premium policies.
6. Improve collaboration between regulators and insurance companies: Effective collaboration between regulatory authorities and insurance companies is essential for the sustainable growth of the insurance sector.

Section X: Repeal - Section X: Repeal means that the new Master Circular issued by the Insurance Regulatory and Development Authority of India (IRDAI) replaces and cancels certain previous circulars and guidelines. When a circular is repealed or superseded, it means that the earlier rules are no longer applicable, and the provisions of the new circular must be followed instead.

Table 2: This Circular supersedes the following Circulars /Guidelines

SI. No	Circular Reference	Description
1	IRDAI/ACTL/CIR/PRO/207/10/2022 dated 04.10.2022	Circular on filing of Products/Riders for Life Insurance Business.
2	RDAI/ACTL/CIR/PRO/81/3/2023 dated 31.03.2023	Use and File" Procedure for Products
3	IRDAI/ACTL/CIR/PRO/135/06/2023 dated 20.06.2023	Use and File" Procedure for Life Insurance Products
4	IRDAI/ACTL/CIR/PRO/166/08/2023 dated 31.08.2023	Modifications permitted to withdrawn Products of Life Insurers

9.0 Conclusion

IRDAI's transformative reforms in 2024 represent a significant milestone in the development of the Indian insurance sector. The 2024 Master Circular has simplified regulations, enhanced policyholder protection, promoted digitalisation, and encouraged product innovation. These reforms are expected to improve transparency, efficiency, and accessibility in insurance services while increasing insurance penetration across India. Although challenges such as low awareness and digital barriers remain, effective implementation of these reforms can lead to sustainable growth and a more inclusive insurance ecosystem. The study concludes that IRDAI's 2024 reforms have the potential to strengthen the insurance industry and contribute significantly to the financial security and economic development of the country

References

1. Insurance Regulatory and Development Authority of India. (2024). Master circular on general insurance business. IRDAI, Government of India.
2. Insurance Regulatory and Development Authority of India. (2023). Press release on Bima Sugam – Digital insurance marketplace initiative. IRDAI.
3. Insurance Regulatory and Development Authority of India. (2023–2024). Annual report 2022–23. IRDAI.
4. Government of India, Ministry of Finance. (2023). Economic survey 2022–23. Government of India.
5. Reserve Bank of India. (2023). Report on trend and progress of banking in India. Reserve Bank of India.
6. NITI Aayog. (2022). Financial inclusion and Digital India report. NITI Aayog.
7. World Bank. (2022). Financial inclusion and insurance penetration in emerging markets. World Bank.
8. Cunningham, S. M. (1967). The major dimensions of perceived risk. In D. F. Cox (Ed.), Risk taking and information handling in consumer behaviour (pp. 82–108). Harvard University Press.
9. Slovic, P. (1987). Perception of risk. Science, 236(4799), 280–285. https://doi.org/10.1126/science.3563507
10. Outreville, J. F. (1990). The economic significance of insurance markets in developing countries. Journal of Risk and Insurance, 57(3), 487–498.
11. Beck, T., & Webb, I. (2003). Economic, demographic, and institutional determinants of life insurance consumption. World Bank Economic Review, 17(1), 51–88. https://doi.org/10.1093/wber/lhg011
12. The Economic Times. (2025). IRDAI launches Bima Sugam: One-stop insurance marketplace. The Economic Times.