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A DESCRIPTIVE STUDY ON PRIME MINISTER MODI'S PMJJBY, PMSBY INSURANCE SCHEMES

Article Particulars

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Abstract

Insurance is a commercial means for relocating risks and covering fiscal losses. In India, a number of Government supported insurance schemes have been initiated over the last decade. Higher insurance penetration achieved through a widening of social security net will help increase domestic savings, which again can be used for infrastructure funding and other big-ticket development plans. The Indian insurance industry witnessed a great transformation when the Prime Minister Narendra Modi launched flagship schemes- Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeewan Jyoti Bima Yojana (PMJJBY). PMSBY is very much like a health insurance product offering you the accidental insurance cover of Rs 2 lacs with a nominal premium of Rs 12 per annum, while PMJJBY is a life insurance product offering you cover of Rs 2 lacs at a higher but very manageable yearly premium of Rs 330. This research is mainly made to know the impact and implementation of insurance schemes.

Keywords: *Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana.*

Introduction

In our daily lives we encounter a lot of risks which results in fiscal losses. One of the excellent ways to safeguard these losses is through insurance. Insurance is an arrangement under which people facing common risks come together and make their small contributions to the common fund. The insurance firms in India take entire charge of any such losses against the payment forfeited every month in the form of premium. Insurance is a commercial means for relocating risks and covering fiscal losses. In India, a number of Government supported insurance schemes have been initiated over the last decade. A number of schemes that existed earlier have also been modified substantially. While some of these changes have taken place at the State level. Of the largest insurance schemes, the changes in terms of implementation across the country have been initiated by the Central government.

Basic Features of Insurance Schemes of Government of India

The insurance schemes are administered by various Central Ministries through insurance companies. For most schemes, the role of insurance companies is limited in settling claims forwarded to them. The responsibility of implementing the scheme lies either with the State Government or State-level organizations of Central Ministries. The implementing agencies act as links between the targeted groups and the insurance companies. Both public and private sector insurance companies are involved in operating the insurance schemes. In most schemes, the notable exceptions being health insurances schemes, the public sector insurance companies dominate the operations. In health insurance schemes, the three private sector insurance companies are also important players along with the public sector insurance companies.

Typically, insurance companies are chosen through financial bids. While in most insurance schemes a single insurance company is selected to implement the scheme, there are schemes where multiple insurance companies operate at the State level. The only exception is the National Agricultural Insurance Scheme (NAIS), where financial support is provided by Government of India (GOI) to both premiums and claims. Apart from direct contribution, the Government of India also provides support through contributions from the Social Security Fund (SSF) maintained with the Life Insurance Corporation of India (LIC). The Social Security Fund was created in1988-89 with contributions of both LIC and Government of India to support the provisioning of insurance to the 'weaker and vulnerable sections' of the society. The life insurance industry recorded a premium income of Rs.3.14 lakhs-crore in the previous financial year, registering a growth of 9.4 per cent. Life Insurance Corporation recorded 13.5 per cent growth during the period. This report focuses on the insurance schemes being implemented by the Central Government for the vulnerable sections of the society. A large proportion of India's population is without insurance of any kind, health, accidental or life. Worryingly, as our young population ages Schemes were launched by Prime minister on 9 May 2015. Government announced insurance schemes Pradhan Mantri Suraksha Bima Yojana (for Accidental Death and Disability), Pradhan Mantri Jeevan Jyoti Bima Yojana (for life insurance) .This research gives the highlights of these schemes. These schemes came into effect from 1 June 2015.The government has asked the banks and public sector insurers to tie up with each other to cover 40 crore account holders (out of total 80 crore) .These schemes launched by Prime Minister are aimed at providing affordable universal access to essential social security protection in a convenient manner linked to auto-debt facility from the bank account of a subscriber. The two insurance schemes Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri JeevanJyothi Bima Yojana (PMJJBY)-will cover insurance in case of death as well as death/disability due to an accident. There are two aspects of PMSBY that make it different in its offering and approach. Firstly, it is the sheer size and depth of inclusion to bring and get covered the maximum number of people under this scheme, which kind of makes it very ambitious and challenging.

Literature Review

The review is aimed at capturing the essence of recent investigations undertaken in the life insurance industry in India.

According to Mandal (2006),Insurance being a service with very high degree of intangibility, the role of intermediaries is very vital to the distribution of insurance products. Individual agents dominate Indian life insurance distribution. Study lists down the key attributes to become successful as a life insurance agent. Agent's role does not come to an end with the sale of policy but it marks a beginning of relationship between the customer and the agent as life insurance contracts are long by nature. The focus of the research of LIMRA (2006) is on U.S.distribution systems and the relationships between insurance carriers and practitioners in local communities who sell or recommend a company's products and services. The research explores the economics behind meeting the constantly changing demands of distribution. According to Jampala and Adilakshmi(2006), long term nature of business, stringent solvency margin norms, capon Foreign Direct Investment at 26%, cost overruns, low agent productivity coupled with high attrition, capital constraint and value conscious consumers are cited as few reasons for the under-performance of the private insurers in India. Authors also feel that consolidation in the sector is inevitable. By acquiring scale, managing expenses and being selective about the quality of business, new life insurance companies may be successful. Goodenow and Painter-Eggers of LIMRA (2007) electronically surveyed more than 1,000members of a national consumer panel in the US market in order to gauge consumers' financial literacy and their own assessments of their financial preparedness for the future. All participants were at least 25 years of age with a minimum household income of $75,000. Research shows that households with incomes at this level or more are far more likely to rely on a financial advisor than those whose household incomes are less than $75,000 per year. They are also more likely to be presented with a myriad of solutions by financial services organizations. Data has been weighted by gender, age, household income, level of education, and marital status. Other key findings are that people of all age groups regardless of their marital status are most worried about their ability to pay for hospital and medical coverage, their ability to maintain current lifestyle in retirement and being debt-free. Nanda (2007) has recorded the huge potential in the country in life insurance market and states that India is the second fastest growing economy in the world next to China and the fourth largest economy in terms of purchasing power parity. Citing a NCAER report, the author observes that 30% of India's population has the earning capability between Rs.80000 and Rs.2 lakhs and adds that 50% of this population lives in the rural areas, which provides the huge opportunity for life insurance agents. The author describes the attitudes, approach and skill required to become a successful life insurance agent.

The review made thus far includes research work on the life insurance industry, in India and abroad and also on distribution of life insurance products. Current work aims to understand the expectation of customers and the impact and implementation of the Government of India insurance schemes with special reference to PMSBY and PMJJBY.

Statement of the Problem

In India, a large proportion of down-trodden populations do not have insurance of any kind like health, accidental or life. Due to the above reason Government of India has announced many insurance schemes with lower premiums. The study is mainly concerned with the insurance schemes announced by Prime Minister launched on May 9,2015, namely PMSBY and PMJJBY. These schemes have a large reach among the people as the premium is much lower than other schemes. This research is mainly made to know the impact and implementation of insurance schemes in Karur District, Tamilnadu.

Scope of the Study

The study is limited to the two insurance schemes namely, PMSBY and PMJJBY only. The research will help us to know the impact and implementation of Prime Minister's insurance schemes with reference to Karur District, Tamilnadu. The main focus of the study will be on the market share, services, policies benefits, premium, and terms which have created awareness in the minds of Indian public about the importance of the two insurance schemes.

Objectives of the Study

The main objectives of the study are:

- To ascertain the benefits of the insurance schemes namely, PMSBY and PMJJBY.
- To know the importance and features of the insurance schemes.
- To highlight the implemented projects and schemes and their success with regard to PMSBY and PMJJBY

Methodology

This research paper is based on descriptive study. Identification of insurance schemes for the purpose of the study was gathered from the reports of the Ministry. Secondary data and information are collected from the concerned Ministries, websites, magazines, newspapers, journals and past research papers.

Importance of the Scheme

As per the Ministry of Finance's statistics, only 20 per cent citizens have Life Insurance, 11 per cent workers gave Pension Schemes, and only 4 per cent citizens have Accidenta Insurance. In order to reach out to the masses especially poor and rural population, the scheme comes as a boon to the backward class.The two insurance schemes - Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) - would provide insurance cover in the unfortunate event of death by any cause, death or disability due to an accident. The convenient delivery mechanism of the schemes is expected to address the situation of very low coverage of life or accident insurance and old age income security products in the country. The scheme would be offered or administered through LIC or other Life Insurance companies willing to offer the product on similar terms on the choice of the bank concerned.By joining the PMSBY scheme and by paying a nominal premium of Rs. 12/- per person per year, he or she will get an insurance cover for a sum of Rs. 2,00,000/- (two lakh) in case of accidental death or permanent full disability or a sum of Rs. 1,00,000/- (one lakh) in case of partial but permanent disability. The scheme will be valid for a year and it can be renewed every year. Insurance schemes such as PMJJBY and PMSBY are aimed at bringing the unorganised sector and economically weaker population under social security net. About 2.93 crore PMJJBY policies and 9.28 crore PMSBY policies have been sold till December 31. Over 10 crore people have been enrolled under the two social security schemes.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY which is an accidental death and disability insurance scheme.A large part of the Indian population lives in rural areas and most of them are not covered under any kind of social security scheme. A large section of this population has not even gained the benefits of the banking system and most are still unaware of various governmental schemes that are launched from time to time.To correct this serious anomaly in the lives of ordinary and poor people, the Pradhan Mantri of India launched the PMSBY scheme in Kolkata on 9 May, 2015.

Policy Coverage: The scheme offers to provide you or your family a cover of up to Rs. 2 lacs in case of any mishappening, resulting into death or disability of the insured. In case of death or full disability, you or your family will get Rs. 2 lacs and in case of partial disability, you will get Rs. 1 lac. Full disability means loss of both eyes or both legs or both hands, whereas partial disability means loss of one eye or one leg or one hand.

Premium: It costs you just Rs. 12 in annual premium for having an accidental death or disability cover of Rs. 2 lacs under this scheme. It works out to be just Re. 1 a month, which is extraordinarily low. Again, your age has nothing to do with the premium payable for your insurance cover under this scheme as the premium is fixed at Rs. 12 for a cover of Rs. 2 lacs.

Payment Mode: The premium will be directly auto-debited by the bank from the subscribers account. This is the only mode available.

Period of Insurance: You will remain insured for a period of one year from June 1, 2015 to May 31, 2016. Next year onwards as well, the risk cover period will remain to be June 1 to May 31.

Eligibility: Any person between the age of 18 and 70 with a savings bank account and Aadhaar Card can join the scheme. A person will need to fill out a simple form mentioning the name of the nominee and linking the Aadhaar Card to the bank account. The person will need to submit the form each year before 1st June to continue the scheme. With this, the account can be easily activated and the entire premium due will be auto-debited from his or her account. In other words, all a person has to do is to open a bank account and then ensure the availability of at least Rs. 12/- before 1st June of each year to ensure automatic renewal of the scheme. A person has the option to go in for a long-term inclusion under the scheme by instructing the bank to auto-renew the scheme every year. Any person having a bank account and Aadhaar number linked to the bank account can give a simple form to the bank every year before 1st of June in order to join the scheme.

Risk-coverage: For accidental death and full disability – Rs 2 Lakh and for partial disability– Rs 1 Lakh. Terms of risk coverage are a person has to opt for the scheme every year. He can also prefer to give a long-term option of continuing in which case his account will be auto-debited every year by the bank.

Administrators for PMSBY: The scheme would be offered / administered by many of the general insurance companies, both in the public sector as well as in the private sector. Participating banks will be free to engage any such general insurance company for implementing the scheme for their subscribers. National Insurance Company Limited, Oriental Insurance Company Limited and ICICI Lombard are some of the companies which would be offering this scheme.

Enrolment: May 31, 2015 is the last date for getting enrolled for this scheme, but the government has given an extension of three months up to August 31, 2015 for us to get enrolled and give auto-debit consent for this scheme. This enrolment period may be extended by the government for another period of three months, up to November 30, 2015.

Tax Benefit: The premium paid will be tax-free under section 80C and also the proceeds amount will get tax-exemption u/s 10(10D).But if the proceeds from insurance policy exceed Rs.1lakh, TDS at the rate of 2% from the total proceeds will be imposed. If no Form 15G or Form 15H is submitted to the insurer.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

PMJJBY is one of the several ambitious social security programmes initiated by Narendra Modi. It is basically a term life insurance policy that can be renewed either on a yearly basis or for a longer period of time. It will provide life insurance coverage on the death of the policyholder.

Eligibility: Available to people in the age group of 18 to 50 and having a bank account. People who join the scheme before completing 50 years can, however, continue to have the risk of life cover up to the age of 55 years subject to payment of premium.

Premium: The policyholders will need to pay INR 330 per year. The amount will be deducted each year from their bank account in a single installment. This will be done by the bank from where the policy is being opened.

Payment Mode: The payment of premium will be directly auto-debited by the bank from the subscribers account.

Risk Coverage: Rs. 2Lakh in case of death for any reason. A person has to opt for the scheme every year. He can also prefer to give a long-term option of continuing, in which case his account will be auto-debited every year by the bank.

Administrators for PMJJBY: Life Insurance Corporation of India (LIC) will be offering the plan. However, other life insurers, who are eager to take part in the programme, can join it through tie-ups with specific banks. The banks, whose clients join the programme, will be deemed as the master account holders in case of the PMJJS. The LIC or the other insurers will finalise the claims settlement and administration procedures, which are expected to be simple and friendly towards the subscribers. This will be done in consultation with the banks.

Enrollment: The plan is being launched initially from 1 June 2015 till 31 May 2016. The subscribers will need to enroll as well as provide the option for auto debiting their premium on or before 31 May 2015. This date will be extended to 31 August 2015. If someone wishes to enroll after this date they will need to submit a self certificate, where they state that they are in good health and will also pay the entire annual premium. In case someone wants to continue beyond the first year then they will have to agree to auto debiting by 31 May that year. For anyone who renews the policy after this, he or she will need to furnish a self certificate of good health as well as the entire yearly premium. In case someone did not join in the first year, he or she can provide a good health self certificate and the entire yearly premium. The procedure is the same for people who had joined the policy once and then left it, only to come back later and rejoin the same.

Termination of the policy: The policy will come to an end once the holder reaches the age of 55 years. However, for this to be effective the policyholder will need to keep renewing the policy till that time. If the account holder has to close his or her account in the bank, where the policy is being maintained, because of paucity of sufficient funds to even maintain the minimum balance needed to ensure the policy is active, then the insurance policy will be closed as well. If the concerned person has taken more than one such account and the insurer gets the money in an unintended manner, then the said premium will be forfeited.

Role of banks: Apart from being the master account holders and deducting the premium each year, the banks will need to play some other roles as well. Their primary duty will be to transfer the deducted premium to the insurers. They will also have to take care of the following Enrollment forms like authorisation of auto-debit, providing declaration-cum-consent form in the exact shape that they are supposed to be done. They will get it and keep it as well since at time of claims, or any other occasion as required by the insurer, they will be supposed to provide it to the insurer.

Gross Enrolment Reported by Banks (Amt. IN Rs. Crores)

Parameters	As on. 01.02. 2017	As on. 02.01. 2017	Addn/Redn over the month	Addn/Redn. during the month previous to that (02.01.2017 -01.12.2016)
Gross enrolment reported by Banks subject to verification of eligibility, etc. (Amt. in Rs. Crores)	9.891	9.879	0.012	0.098
Total No. of claims recd.	11163	10131	1032	417
Total No. of claims disbursed	7820	7351	469	447

Difference between PMSBY and PMJJY

Modalities	PMSBY	PMJJBY
Age	18-70 years	18-50 years
Enrollment period	1st June 2015-31st May 2016	1st June 2015-31st May 2016
Sum assured	Rs 2 lac cover on death of the subscriber due to accident	Rs 2 lac cover on death of the subscriber due to any reason
Premium	Rs 12 per year	Rs 330 per year
Expiry of the policy	When the subscriber attains the age of 70 years	When the subscriber attains the age of 55 years
Number of policy	One policy per individual	One policy per individual
Maturity Benefit	Nil	Nil
Death Benefit (Natural Death)	Nil	Rs 2 lacs
Death Benefit (Accidental Death)	Rs 2 lacs	Rs 2 lacs
Disability of both hands, both eyes, both legs or one eye and one limb	Rs 2 lacs	Nil
Disability of one eye or one limb	Rs 1 lac	Nil
Mode of premium payment	Premium will get debited automatically from your bank account in May each year	Premium will get debited automatically from your bank account in May each year
Mandatory Document	Aadhaar Card	Aadhaar Card

Findings

- Lowest annual premium and premium remains the same irrespective of the age. This is the most important benefit compared to other insurance companies wherein premium amount rises as age increases.

- Cover for accidental death and full or partial disability with Minimum entry age
- Security to the family member as cover can be used for medical and other personal expenses
- Minimum documentation required and Hassle free renewal
- The schemes have more benefits for the people especially for poor people and youngsters.
- The Government and banks have played a major role for the success of these schemes.
- Both urban and rural people are equally obtaining these schemes.
- Government is spending approximately 12,520 crores for five years towards PMJJBY, PMSBY

Recommendations & Suggestions

- The Government and banks has to take more steps in reaching these schemes for all the areas of the nation by conducting awareness programmes about insurance schemes and its benefits.
- People from all the sectors have to come up voluntarily to uplift these schemes in order to reduce their risks in future.

Conclusion

A large number of people are exposed to un-foreseen eventualities which leave them helpless and insecure. The level of insurance penetration depends on a large number of reasons like level of economic development of the country, the extent of savings in financial instruments, and the size and reach of the insurance sector. The two insurance schemes - Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) - would provide insurance cover in the unfortunate event of death by any cause, death or disability due to an accident. The initial participation of private sector banks in these schemes had not been as much as public sector banks. But today, seeing the response, the private sector banks have said they are also receiving interesting queries and are going to participate in a big way. The subscribers for these schemes are at increasing pace, however if implemented still more properly and the benefit is passed on to the real subscriber it will go a long way in establishing a social security system to the large section of society which has remained uncovered. These unique schemes would be path breaking initiatives towards providing social security at a very nominal cost to the millions of countrymen.

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