

**A Study on PMJJBY&PMSBY- Two New Avtar of Social Security insurance schemes****R.Uppily MBA.,M.Phil.,CAIIB,MBM,FIII, PGDGILP, - Research Scholar****Deputy Vice President – Indusind Bank Limited****Abstract**

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) & Pradhan Mantri Suraksha Bima Yojana (PMSBY) are the two new social security schemes started by the central government recently. These schemes offer decent coverage at a very minimal premium. After the success of Jan- dhanyojna, government has selected banking channel to route these transactions. These schemes would help in increasing the insurance penetration if targeted properly. Various strategies that the government and banks can adopt to sell this product is discussed in detail. Awareness would be one of the important factor to make this initiative by government a great success.

**KeyWords:PMJJBY, PMSBY**

## Introduction

In this modern world if a family goes for a dinner it spends bare minimum of RS 300/- in a decent hotel. With each and every item becoming costly, affordability becomes difficult for the lower income group and people who are below poverty line. India is a country which is spread across with wide geographical reach and has citizens with different level of income and lifestyle. The recent launch of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) & Pradhan Mantri Suraksha Bima Yojana (PMSBY) is a welcome move by the government. Providing insurance cover at such a cheaper rate is not easy. A Life insurance cover of Rs 2,00,000 is available for a premium of Rs 330/- and accident cover of Rs 2,00,000 for Rs 12/- , Selecting Banking channel to distribute these products is a master stroke as it becomes easy for the customers to pay their premium. But the only question is whether this would become one more insurance initiative from the government without proper focus. Time and efforts can only answer this question

## Need for Social Security insurance schemes

In a country like India, Life Insurance market has remained unexplored, Lot of people are still uninsured and not able to afford to the premium charged for buying a policy. **Like making Motor insurance compulsory through an act, Government should make any one of the social security insurance schemes compulsory to make majority of the population come under the umbrella of insurance**

Insurance penetration has seen a reverse turn in the recent year, the following table (**source IRDA annual report 2013-2014**) depicts the same, post 2010 there has been a considerable drop in India as far as the life insurance penetration is concerned which is not a good sign.

INSURANCE PENETRATION AND DENSITY IN INDIA						
Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage)
2001	9.1	2.15	2.4	0.58	11.5	2.71
2002	11.7	2.59	3.0	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4.0	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.10	5.2	0.60	38.4	4.80
2007	40.4	4.00	6.2	0.60	46.6	4.70
2008	41.2	4.00	6.2	0.60	47.4	4.60
2009	47.7	4.60	6.7	0.60	54.3	5.20
2010	55.7	4.40	8.7	0.71	64.4	5.10
2011	49.0	3.40	10.0	0.70	59.0	4.10
2012	42.7	3.17	10.5	0.78	53.2	3.96
2013	41.0	3.10	11.0	0.80	52.0	3.90

\* Insurance density is measured as ratio of premium (in USD) to total population.  
 \* Insurance penetration is measured as ratio of premium (in USD) to GDP (in USD).  
 \* The data of Insurance penetration is available with rounding off to one digit after decimal from 2006.  
 Source: Swiss Re, Sigma, Various Issues.

## Features

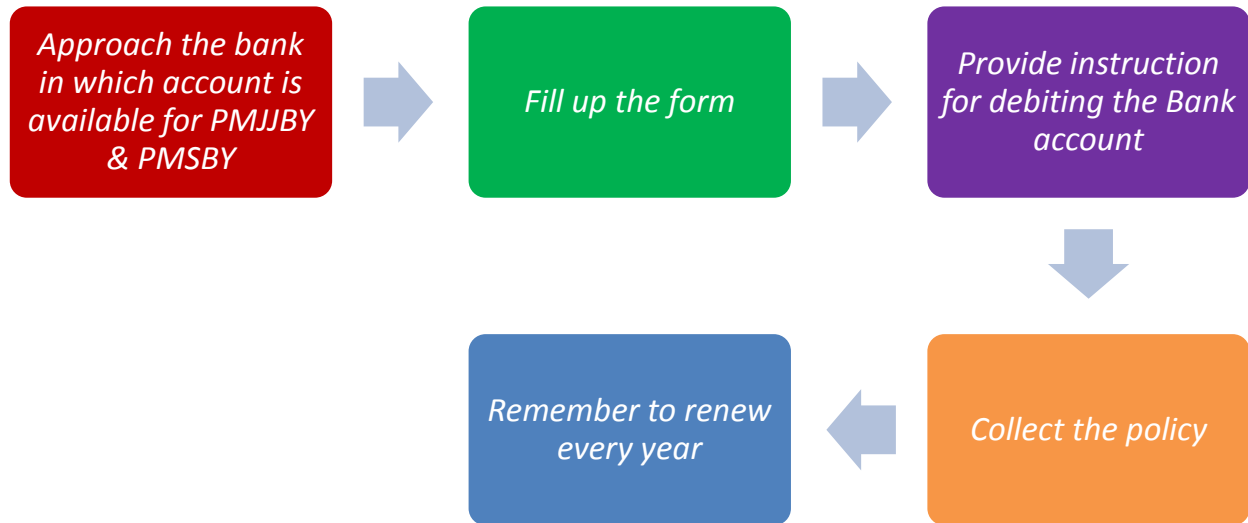
Features of both PMJJBY and PMSBY is listed below

Features	PMJJBY	PMSBY
Details of the scheme	This scheme offers one year Life Insurance cover, renewable every year - Scheme offers life insurance cover for death due to any reason.	This scheme offers one year Accidental Insurance cover, renewable every year - Scheme offers accidental death and disability cover for death or disability on account of an accident.
Scope of the coverage	All savings bank account holders in the age 18 to 50 years	All savings bank account holders in the age 18 to 70 years
Enrolment period	The initial launch is for the cover period 1st June 2015 to 31st May 2016 and subscribers will be required to enrol and give their auto-debit consent by 31st May 2015. Late enrolment for prospective cover will be possible up to 31st August 2015, which may be extended by Govt. of India for another three months, i.e. up to 30th of November, 2015.	The initial launch is for the cover period 1st June 2015 to 31st May 2016 and subscribers will be required to enrol and give their auto-debit consent by 31st May 2015. Late enrolment for prospective cover will be possible up to 31st August 2015, which may be extended by Govt. of India for another three months, i.e. up to 30th of November, 2015.
Benefits	Rs. 2 lakhs Life insurance cover on member's death due to any reason, payable to nominee	Death due to accident - 2lakh; Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot - 2 Lakh; Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot - 1 Lakh
Premium	Rs.330/- per annum per member. The premium will be deducted from the account holder's savings bank account through 'auto debit' facility in one instalment, as per the option given, on or before 31st May of each annual coverage period under the scheme	Rs.12/- per annum per member. The premium will be deducted from the account holder's savings bank account through 'auto debit' facility in one instalment, as per the option given, on or before 31st May of each annual coverage period under the scheme
Period of coverage	The cover shall be for the one year period from 1st June to 31st May	The cover shall be for the one year period from 1st June to 31st May
Eligibility Conditions	The savings bank account holders of the participating banks aged between 18 years (completed) and 50 years (age nearer birthday) who give their consent to join / enable auto-debit, as per the above modality, will be enrolled into the scheme.	The savings bank account holders of the participating banks aged between 18 years (completed) and 70 years (age nearer birthday) who give their consent to join / enable auto-debit, as per the above modality, will be enrolled into the scheme.
	Individuals who join after the initial enrollment period extending up to 31st August 2015 or 30th November 2015, as the case may be, will be required to give a self-certification of good health and that he / she does not suffer from any of the critical illnesses as mentioned in the applicable Consent cum Declaration form as on date of enrollment or earlier.	
Master Policy Holder	Bank will be the master policyholder, there will be no individual policy holder	Bank will be the master policyholder, there will be no individual policy holder
Rejoining	Can rejoin by submitting the declaration of good health	Can rejoin by submitting the declaration of good health
Closure of bank account	Termination of insurance	Termination of insurance
Premium break up	Insurance company - Rs 289	Insurance company - Rs 10
	Reimbursement of expense for agent - Rs 30	Reimbursement of expense for agent - Rs 1
	Reimbursement of Admin expense to participating bank - Rs 11	Reimbursement of Admin expense to participating bank - Rs 1

Features	PMJJBY	PMSBY
Termination	On attaining age 55 years (age near birth day) subject to annual renewal up to that date (entry, however, will not be possible beyond the age of 50 years).	On attaining age 70 years (age nearest birth day)
	Closure of account with the Bank or insufficiency of balance to keep the insurance in force.	Closure of account with the Bank or insufficiency of balance to keep the insurance in force.
	In case a member is covered under PMJJBY with LIC of India / other company through more than one account and premium is received by LIC / other company inadvertently, insurance cover will be restricted to Rs. 2 Lakh and the premium shall be liable to be forfeited.	In case a member is covered through more than one account and premium is received by the Insurance Company inadvertently, insurance cover will be restricted to one only and the premium shall be liable to be forfeited.
	If the insurance cover is ceased due to any technical reasons such as insufficient balance on due date or due to any administrative issues, the same can be reinstated on receipt of full annual premium and a satisfactory statement of good health.	If the insurance cover is ceased due to any technical reasons such as insufficient balance on due date or due to any administrative issues, the same can be reinstated on receipt of full annual premium, subject to conditions that may be laid down. During this period, the risk cover will be suspended and reinstatement of risk cover will be at the sole discretion of Insurance Company
	Participating Banks shall remit the premium to insurance companies in case of regular enrolment on or before 30th of June every year and in other cases in the same month when received.	Participating banks will deduct the premium amount in the same month when the auto debit option is given, preferably in May of every year, and remit the amount due to the Insurance Company in that month itself.
Policy document	The acknowledgement slip may be made into an acknowledgement slip-cum-certificate of insurance.	The acknowledgement slip may be made into an acknowledgement slip-cum-certificate of insurance.
Document Storage	Enrollment form / Auto-debit authorization in the prescribed proforma shall be obtained and retained by the participating bank. In case of claim, the Insurance Company may seek submission of the same. Insurance Company reserves the right to call for these documents at any point of time.	Enrollment form / Auto-debit authorization in the prescribed proforma shall be obtained and retained by the participating bank. In case of claim, the Insurance Company may seek submission of the same. Insurance Company reserves the right to call for these documents at any point of time.
Scheme closure clause	The scheme is liable to be discontinued prior to commencement of a new future renewal date if circumstances so require.	The scheme is liable to be discontinued prior to commencement of a new future renewal date if circumstances so require.

**Process for buying**

Following is the process flow for buying these insurance policies

**SWOT analysis**

Below is the Strength, Weakness, Opportunity and Threat analysis of the two schemes



**Grey areas**

There are certain grey areas in both the schemes, this needs to be addressed to increase the sale of these policies

- There is no clear cut information on the claim procedure
- Policy is provided based on a self-declaration of good health, but this may lead to lot of questions when claim occurs
- If there is a joint holder how this policy would be issued is unknown
- Though the product feature says that it can be availed for only one bank account, there is no way to track the same as we don't have national level database of multiple account holders.
- What would happen to the bank if the general insurance company with which it has tied up to sell PMSBY becomes non operational
- If there is an accident happening after the auto debit / providing consent by the customer and before issuing the policy is not mentioned

**Strategy - Target segment**

The main target segment for these products should be the accounts opened under Pradhan mantri Jan – Dhan Yojna. These accounts are opened with zero balance and opened for people who don't have banking habits. This segment of population mostly would not have any kind of insurance. The below statistics shows that 1254 lakhs accounts have been opened as of 31.01.2015. Government must ask the banks to sell these products compulsorily to these account holders

**Pradhan Mantri Jan - Dhan Yojana (Accounts Opened As on 31.01.2015)**

S.No		No Of Accounts (In Lacs)			No Of Rupay Debit Cards (In Lacs)	Balance In Accounts (In Lacs)	No Of Accounts With Zero Balance (In Lacs)
		Rural	Urban	Total			
1	Public Sector Banks	533	451.47	984.48	912.32	817463.04	655.41
2	Regional Rural Banks	184.89	32.98	217.87	149.68	159948.08	159.35
3	Private Banks	32.26	20.12	52.38	45.93	72551.5	29.97
	<b>Total</b>	<b>750.15</b>	<b>504.57</b>	<b>1254.73</b>	<b>1107.93</b>	<b>1049962.62</b>	<b>844.73</b>

Source : Jan dhan website

**Bank as a distribution channel**

Government has taken a correct decision to sell these schemes vide banks as they have higher network and reach. Payment of premium becomes very easy as customers can provide debit instructions to their bank account. But Banks will not try to push the product as there is no major revenue to them. Government must fix specific targets for Banks for these policies. It must make compulsory for Banks to put banners and paste posters at all Bank branches and ATM

**Why government driven insurance plan fails**

There are number of insurance plans government has started and they don't produce the results as expected. Reason for their poor performance is due to the following factors

- Lack of focus
- Lack of drive
- No targets to chase
- Stopping of plans by next government due to the reason that it was started by previous government
- Not reaching the people
- No proper advertisements / awareness campaigns
- Lack of support from state governments

**How PMJJBY&PMSBYcan become a success story**

Having started the initiative of offering low cost insurance to all, Government should not make this as one more scheme without proper focus. To make the scheme more popular, some suggestions are listed below

- Create Awareness about the scheme and its importance
- More advertisements to be given
- Providing specific targets to Banks and Insurance companies
- Government must use pull marketing strategy for selling these products
- To be sold specifically for Jandhan accounts
- Renewal monitoring should be done constantly so that the goal of the government is achieved

**Why renewal is important**

Both the schemes are yearly schemes and needs to be redeemed every year. Normally people forget to renew their policy, Initiatives such as sending SMS, renewal letters should be initiated to keep the renewal percentage higher. Less focus in this area would mean that there would be a drop in the number of persons insured by these policies, the objective of the government would get defeated because of this.

**Suggestion - PMSBY**

**In addition to selling this product via the banking channel government can think of making it compulsory to issue this policy along with Motor insurance by adding this premium to Motor insurance policies issued and This would serve the purpose that government is looking for as it is mandatory as per law to take motor insurance, If accident cover can be offered along with this it would definitely reach the required target segment**

**Conclusion**

Government Insurance schemes have never been popular so far, with Jan dhan initiative becoming a success story for the recent government, we expect that there would be a focused approach in sale of these two insurance policies. Media should help in promoting the awareness about these policies. Banks must take it as a social initiative and must cover as many as possible

Under these policies. Last but not the least, Insurance companies must also join hands with the government in promoting these schemes and must work with the government to address the grey areas specified above.

**Reference**

1. Website of Jan- dhan
2. Website of IRDA and IRDA annual reports
3. [www.financialservices.gov.in](http://www.financialservices.gov.in)