SOCIAL INSURANCE AS ASSURANCE : A FOCUS STUDY ON PMSBY & PMJJBY

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Abstract

Risk transfer and financial protection are the two main goals of the insurance industry. Over the last decade, the government of India has launched a variety of insurance programs funded by its citizens. To finance infrastructure and other large-scale development projects, domestic savings must be increased, and this may be done through increasing insurance penetration by broadening the social security net. The Pradhan Mantri Suraksha Bima Yojana (PMSBY) and the Pradhan Mantri Jeewan Jyoti Bima Yojana (PMJJBY) are two of Prime Minister Narendra Modi's signature initiatives, and they have had a profound impact on the Indian insurance market. In the case of PMSBY, you may get accidental insurance coverage of Rs 2 lacs for a low annual cost of Rs 12, whereas in the case of PMJJBY, you can get cover of Rs 2 lacs for a larger but still very affordable annual price of Rs 330. The primary goal of this study is to learn how insurance programs are received and implemented..

Keywords: Social insurance, PMJJBY,PMSBY.

Introduction

Every day, we run the risk of losing money due to the many dangers we face. Insurance is a very effective means of protecting against such losses. In an insurance plan, policyholders pool their resources to cover large losses caused by a limited number of catastrophic events. In India, insurance companies are responsible for covering any and all losses incurred in exchange for a monthly fee. Risk transfer and financial protection are the two main goals of the insurance industry. Over the last decade, the government of India has launched a variety of insurance programs funded by its citizens. Several preexisting systems have also undergone significant revisions. While some of these adjustments have occurred at the state level, others have not. The national government has taken the initiative to modify the way the country's main insurance programs are carried out.

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Social insurance schemes by Government of India

The insurance programs are managed by the central government via private insurance firms. Insurance companies often only become involved in schemes to handle claims that have already been submitted to them. The plan must be implemented by the State Government or by Central Ministry agencies at the State level. The implementing organizations facilitate communication between the insured and the insurance providers. The insurance programs are administered by a mix of governmental and commercial insurance firms. Health insurance programs are a prominent exception to the rule that public sector insurance corporations dominate operations across most schemes. The three private insurance firms are major actors in the health insurance business alongside their public sector counterparts.

Financial bids are often used to choose which insurance providers to work with. There are insurance schemes in which numerous insurance firms operate at the State level, in contrast to the majority of schemes in which a single insurance company is picked to administer the plan. The National Agricultural Insurance Scheme (NAIS) is the only program where the Government of India (GOI) contributes to both premiums and payouts. The Social Security Fund (SSF) managed by the Life Insurance Corporation of India (LIC) is another way the government of India helps its citizens out. With funding from LIC and the government of India, the Social Security Fund was established in 1988–89 to aid in the insurance of the "weaker and vulnerable sections" of society. The premium revenue of the life insurance business increased by 9.4 percent to 3.14 lakhs crore in the preceding fiscal year. The growth rate for Life Insurance Company was 13.5% throughout that time frame. This study examines the Federal Government's insurance programs for the poor and other vulnerable groups. Many people in India do not have access to basic safety nets like health, accident, or life insurance. The alarming trend of our youthful people rapidly aging The Prime Minister unveiled these initiatives on May 9th, 2015. The government has established two insurance programs: Pradhan Mantri Jeevan Jyoti Bima Yojana (for life insurance) and Pradhan Mantri Suraksha Bima Yojana (for accidental death and disability).The most important details of these plans are presented in this study. The implementation dates for these programs are 1 June 2015.To protect its 80 million depositors, the government has invited banks and public sector insurers to form partnerships.The Prime Minister's new initiatives are designed to make it easy for everyone to pay for basic social security via an automatic deduction from their bank account. Death and accidental injury insurance are both covered under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and the Pradhan Mantri JeevanJyothi Bima Yojana (PMJJBY). PMSBY stands apart from the competition because to its two main features. Size and depth are the first striking features.

Literature Survey

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

According to Mandal (2006), Due to the intangible nature of insurance, intermediaries play a crucial role in the dissemination of policies. In India, most life insurance policies are sold by independent agents. The characteristics of a successful life insurance agent are outlined in a recent study. Since life insurance policies are long-term commitments, the agent's work is not done after the policy is sold but rather just starting.

According to Jampala and Adilakshmi(2006), Private insurers in India have been criticized for their lackluster performance for a number of reasons, including the business's protracted duration, strict solvency margin norms, a cap on foreign direct investment of 26%, cost overruns, low agent productivity and high turnover, a lack of available capital, and price-conscious customers. Consolidation in the industry is seen as inevitable by authors as well. It is possible for new life insurance firms to thrive by growing in size, controlling costs, and being picky about the clients they accept. Goodenow and Painter-Eggers of LIMRA (2007)

Nanda (2007) has recorded the country's enormous potential in the life insurance business, as well as the facts that India has the world's fourth biggest economy and is the second fastest expanding economy after China. The author notes, referencing an NCAER study, that thirty percent of India's population has the earning power between eighty thousand and two lakhs, and that fifty percent of this group lives in the rural regions, which presents the enormous possibility for living.

Social insurance for Financial Inclusion

Agents of an insurance company. The author outlines the mindset, strategy, and abilities necessary for a successful career in life insurance sales. So far, we've looked at a lot of data, including studies of the life insurance market in India and elsewhere, as well as studies of the distribution of various life insurance products. This research focuses on PMSBY and PMJJBY, two insurance programs run by the Government of India, to better comprehend consumer expectations as well as the effect and execution of these programs.

Research 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 amongthe people as the premium is much lower than other schemes.

Aim 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 regardto 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

Analysis and discussion

According to data compiled by the Ministry of Finance, just 20% of residents have Life Insurance, 11% of employees have provided Pension Schemes, and 4% of residents have Accidenta Insurance. The plan is a blessing for the underprivileged because of its focus on reaching the people, particularly the poor and the rural population.Pradhan Mantri

Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) are two insurance programmes that will give protection in the case of accidental death or incapacity. The schemes' user-friendly distribution model is meant to remedy the very low penetration of life or accident insurance and retirement income security products now present in the nation. If the bank so chooses, the program might be sold or managed by LIC or another life insurance company ready to provide the product on identical conditions.An individual can join the PMSBY scheme and receive insurance coverage for Rs. 2,00,000/- (two lakh) in the event of accidental death or permanent full disability, or Rs. 1,00,000/- (one lakh) in the event of partial but permanent disability for a yearly premium of just Rs. 12. The plan's effectiveness period will be one year, with annual renewals possible. The goal of insurance programs like PMJJBY and PMSBY is to include the unorganized sector and economically vulnerable members of the population in the social safety net. Up to the end of the year, 2.93 billion PMJJBY policies and 9.28 billion PMSBY policies were sold respectively. The two social security programs now cover more than 10 billion individuals.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Insurance against untimely death and incapacity is provided by PMSBY.The majority of India's rural population does not have access to any kind of social safety net. The majority of this people is still in the dark about periodic government initiatives and has not even reaped the advantages of the banking system.On May 9, 2015, in Kolkata, the Pradhan Mantri of India unveiled the PMSBY initiative to address this major disparity in the lives of regular, low-income Indians.

Insurance Protection: In the event of your death or permanent incapacity, the policy would pay up to Rs. 2 lacs to your beneficiaries. You or your family will get Rs. 2 lacs in the event of your death or total disability, and Rs. 1 lac in the event of your partial impairment. Partial disability is defined as the loss of one eye, one limb, or one hand, whereas full disability is defined as the loss of both.

The yearly premium for this plan, which provides coverage for accidental death and disability up to Rs. 2 lacs, is just Rs. It comes out to a very modest Re. 1 each month. The insurance price under this plan is also the same regardless of your age: Rs. 12 per year for Rs. 2 lacs in protection.

The premium will be automatically deducted from the subscriber's bank account each month. There is no other option.

Duration of Coverage: From June 1, 2015, through May 31, 2016, you'll be protected. The risk coverage period will continue to run from June 1 of this year to May 31 of the next year.

Eligibility: The program is open to anybody in India between the ages of 18 and 70 who has both an Aadhaar Card and a savings bank account. A simple form would need to be filled out in which the nominee's name and the Aadhaar Card number will be linked to the bank account. Each year on June 1st, the participant must submit the paperwork in order to remain in the program. This makes it simple to activate the account and have the whole premium amount deducted from the designated account. To renew the plan automatically each year, all participants need to do is create a bank account and deposit at least Rs. 12/- by June 1st. An individual may choose for perpetual membership in the plan by giving the bank explicit annual renewal instructions. Every year on June 1st, anybody with a bank account and an Aadhaar number connected to the bank account may join the program by submitting a short form to the bank.

Risk-coverage: The payouts for total and permanent disability due to an accident are Rs 2,000,000 and Rs 1,500,000, respectively. An annual election into the program is required for risk coverage. The bank may automatically deduct the annual fee from his account if he opts to provide a long-term continuation option.

PMSBY Administrators: Numerous general insurance providers, both public and private, would participate in and manage the program. The participating banks are allowed to work with whichever general insurance provider they want to administer the plan for their customers. Some of the firms that would participate in this plan include the National Insurance Company Limited, the Oriental Insurance Company Limited, and ICICI Lombard.

The original deadline to participate in the program was May 31, 2015; however, the government has granted us an additional three months, until August 31, 2015, to complete the enrollment process and provide auto-debit permission. The government may grant a three-month extension of this enrollment period, bringing the cutoff date to November 30, 2015.

Tax Advantage: The premium is exempt from taxation under section 80C, and the revenues are excluded from taxation under section 10(10D).However, if the total insurance payout is more than Rs.1,000,000, a TDS of 2% will be withheld. If the insurer does not receive a completed Form 15G or Form 15H.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

The PMJJBY is only one of Narendra Modi's enormous social welfare initiatives. The yearly renewal option is what sets this policy apart from term life insurance.

whether on a yearly basis or a longer time frame. The insurance payment is paid after the insured's death.

Applicants must be at least 18 years old and have a checking or savings account to be considered. Those who sign up for the program before to turning 50 may pay a premium to extend their life insurance coverage until age 55.

This insurance has a yearly cost of INR 330. The fee will be deducted from their account once a year. This will be taken care of by the insurance company or bank at where the policy is being opened.

The monthly fee will be taken directly out of the subscriber's bank account.

Guaranteed payout of 2 million Indian Rupees upon death. Participation in the program is subject to an annual election. The yearly charge will be taken out of his account without his involvement if he choose to give a long-term continuation option.

The Life Insurance Corporation of India (LIC) is the plan provider for PMJJBY. But other life insurers may join the effort if they so wish via relationships with certain banks. Banks whose clients have enrolled in the PMJJS program will be considered the principal account holders in the case of a PMJJS. The LIC or the other insurers will complete the claims settlement and administration procedures, which should be easy to understand and utilize for policyholders. Before moving further, we will check with the banks.

Beginning on June 1, 2015, and ending on May 31, 2016, participants may enroll. Automatic premium deduction enrollment and permission forms are due by May 31, 2015. Date of new expiration: August 31, 2015. The entire annual premium will be due upon acceptance, and candidates applying after this date will be required to

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self-certify their exceptional health. Authorization for automatic deduction must be received by May 31 of the renewal year. In order to renew the insurance beyond this date, the policyholder must submit a self-certification of good health and the entire yearly premium payment. After the first year has gone, all that's needed to re-enroll is a self-certification of good health and the entire yearly price. The same procedure applies when resuming insurance coverage after having temporarily lapsed.

Cancellation of Insurance: In most policies, protection ends when the policyholder turns 55. However, this only holds true if the policyholder keeps renewing the coverage. If the policyholder has insufficient funds in the bank account where the policy is kept to maintain even the bare minimum needed to keep the policy in effect, the policy will lapse. If the person in issue hasPolicyholders risk losing their premium payment if it is accidentally sent to the insurer in several installments.

Why Banks Exist: The yearly fee will be deducted from the master accounts, but the banks will have additional duties as well. Their primary duty will be to handle the payment of insurance premiums to the respective providers. As part of the enrolling process, they will also need to fill out a statement of permission and an auto-debit authorization form. If they cooperate with the insurer throughout the claims process or at any other time, they will get it and be permitted to keep it.

Facts

- Yearly premium that is the least expensive available and which does not change with age. When opposed to other insurance providers, whose rates grow with age, this is by far the most significant perk.
- Security for the family since coverage may be utilized for medical and other personal expenditures in the event of the insured's untimely death or total and permanent incapacity (with a minimum entrance age).
- Easy renewal with little paperwork needed.
- Poor individuals and young people, in particular, stand to gain a great deal from these programs.
- A lot of credit for the success of these programs goes to the government and financial institutions.
- • These programs are available to persons in both urban and rural areas.

- • The PMJJBY and PMSBY programs will receive around 12,520 crores over the course of five years from the government.

Improvements

• The government and financial institutions need to do more to spread knowledge about insurance programs to all parts of the country.

• Future threats may be mitigated only if people from all walks of life step forward willingly to support these programmes.

Conclusion

Many individuals feel vulnerable and uneasy because they are put in situations they cannot control. Many factors influence the amount to which people save in financial instruments and purchase insurance, including the size and scope of the insurance industry and the level of economic growth in the nation. Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) are two insurance programmes that will give protection in the case of accidental death or incapacity. The initial level of involvement in these programs by private sector banks was lower than that of public sector banks. However, after witnessing the positive reaction, private sector banks have said they are now getting intriguing inquiries and will be participating heavily. The number of people signing up for these plans is growing rapidly, and if they are executed even more effectively and the benefit is sent to the actual subscriber, they will go a long way toward providing a social security system to the big segment of the population that has been left unprotected up to this point. These novel plans would be groundbreaking endeavors to guarantee the safety of millions of citizens at a low cost.

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