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Pradhan Mantri Jeevan Jyoti Bima Yojana – A Case Study Of Pradhan Mantri Jan Dhan Yojana

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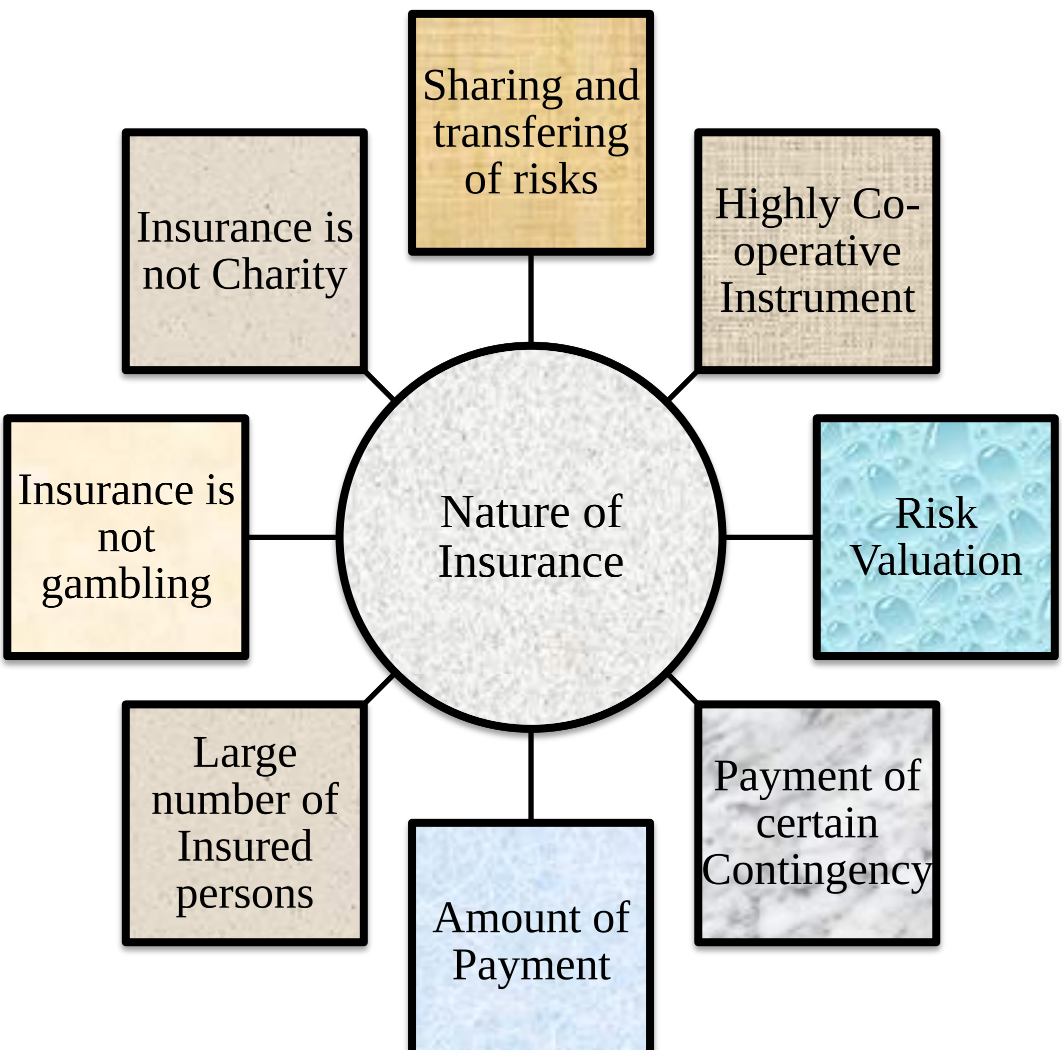
ABSTRACT

The study finds that Pradhan Mantri Jeevan Jyoti Bima Yojana is attractive due to its flexibility, throughout easy and clear process, easy claim process, highly reliable and economical term insurance service. But due to its limited amount of coverage, existing competition and lack of investor's interest, act as barriers in the success road of the scheme. Pradhan Mantri Jeevan Jyoti Bima Yojana was introduced on 1st June 2015, under the promising Pradhan Mantri Jan Dhan Yojana with the aim to provide financial support through cheaper term insurance to all the citizen of India with motto of "Jan-Dhan se Jan Surakhsha". Term insurance is a type of life insurance under which insurance coverage is provided for fixed term (period) and amount on the payment of the pre-decide premium The study is based on secondary data collected from different websites and IRDA Journals.

***Keywords*: ** Pradhan Mantri Jeevan Jyoti Bima Yojana; Term Insurance,;Claim Settlement; Premium; Jan Dhan to Jan Suraksha; Pradhan Mantri Jan-Dhan Yojana

1. INTRODUCTION

Government of India is very keen to provide financial risk coverage through different insurance scheme under Pradhan Mantri Jan Dhan Yojana. Under Pradhan Mantri Jan Dhan Yojana there are 3 different schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Surakhsa Bima Yojana and Atal Pension Yojana. Pradhan Mantri Jeevan Jyoti Bima Yojana was introduced on 1st June 2015, under the promising Pradhan Mantri Jan Dhan Yojana with the aim to provide financial support through cheaper term insurance to all the citizen of India with motto of "Jan-Dhan se Jan Surakhsha". Term insurance is a type of life insurance under which insurance coverage is provided for fixed term (period) and on the payment of the pre-decide premium. Pradhan Mantri Jan-Dhan Yojana is national mission for financial inclusion to make sure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.



2. MEANING OF INSURANCE

There are countless risks in every field of life, it is something commonly accepted phenomenon. The chances of occurrences of the events causing losses are quite uncertain because these may or may not take place. Therefore, with this view in mind, people facing common risks come together and make their small contributions in the common fund. While it may not be possible to tell in advance, which person will suffer the losses, it is possible to work out how many persons on an average out of the group, may suffer losses. When risks occur, the loss is made good out of the common fund. In this way each and every one shares the risks. In fact, they share the loss by payment of premium, which is calculated on the likelihood of loss.

3. INSURANCE SECTOR IN INDIA

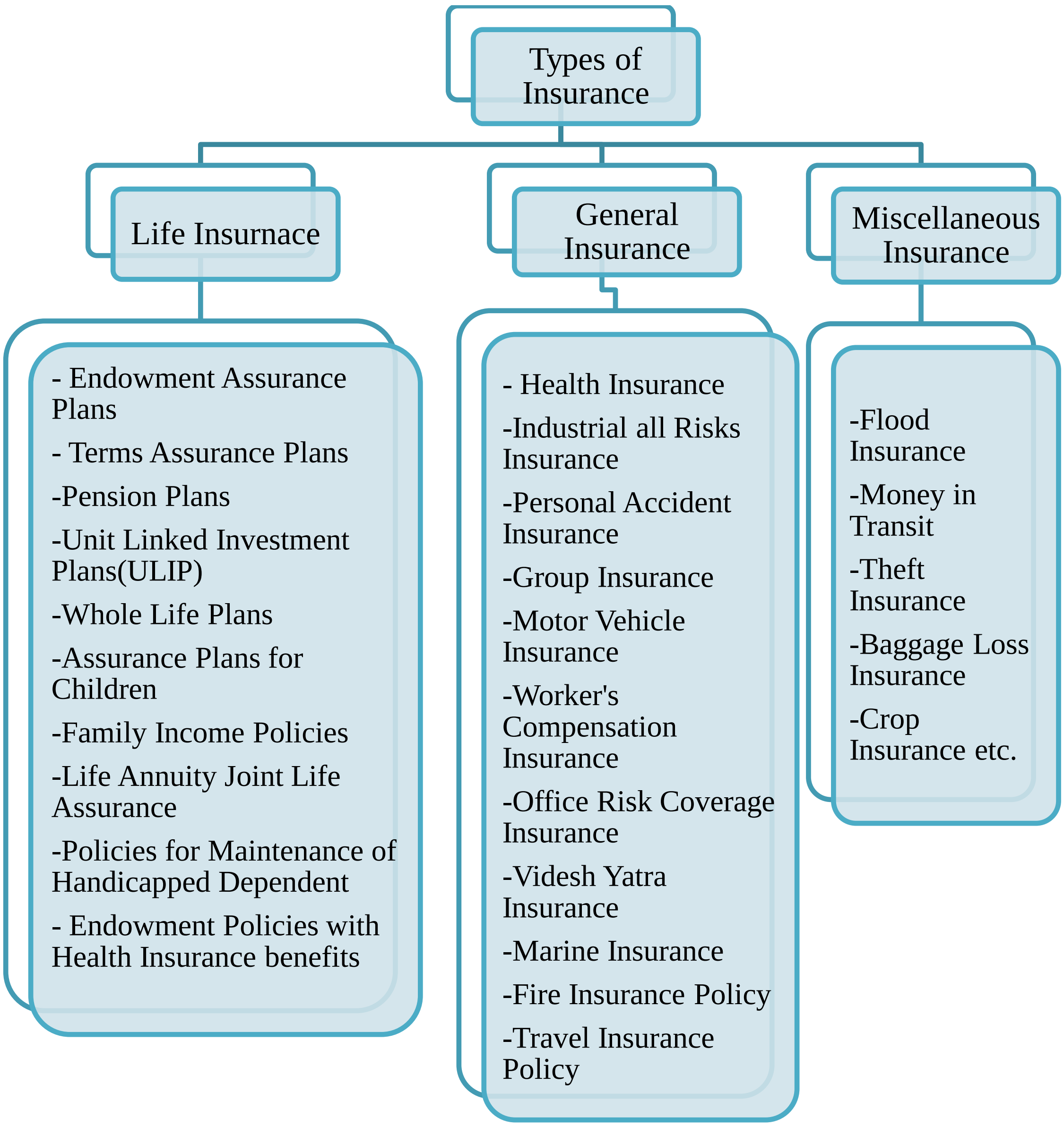
In India, insurance business started 150 years ago. With the establishment of the Oriental Life insurance company in Calcutta, the business of life insurance in India was started in 1818. It was started by Mr. Bipin Behari Dasgupta and Europeans living in India were their primary customers. The first native insurance provider in India was formed in 1870 with the name Bombay Mutual Life Assurance Society. In 1938, Insurance Act was passed and department of insurance under the authority of superintendent of Insurance was established for the administration of the Insurance Act. In 1939 – 1955 uncovers absence of trust which was the foundation of life insurance business and nationalization got vital. LIC of India was formed in 1956 by an Act of parliament and is fully owned by Government of India. As on till date there are total 24 Life Insurance Companies in India. Life Insurance Corporation of India, ICICI Prudential Life Insurance Company, Bajaj Allianz Life Insurance Company, and HDFC Life Insurance Company etc., are the few names of Public sector and Private sector companies.

Life insurance is mainly taken for two objectives, first is for risk coverage and second is for the investment objective.

i) *Risk coverage* : Lump sum payment is provided if specific event occurred.
ii) *Investment* : Money is invested with a motive of getting greater return.

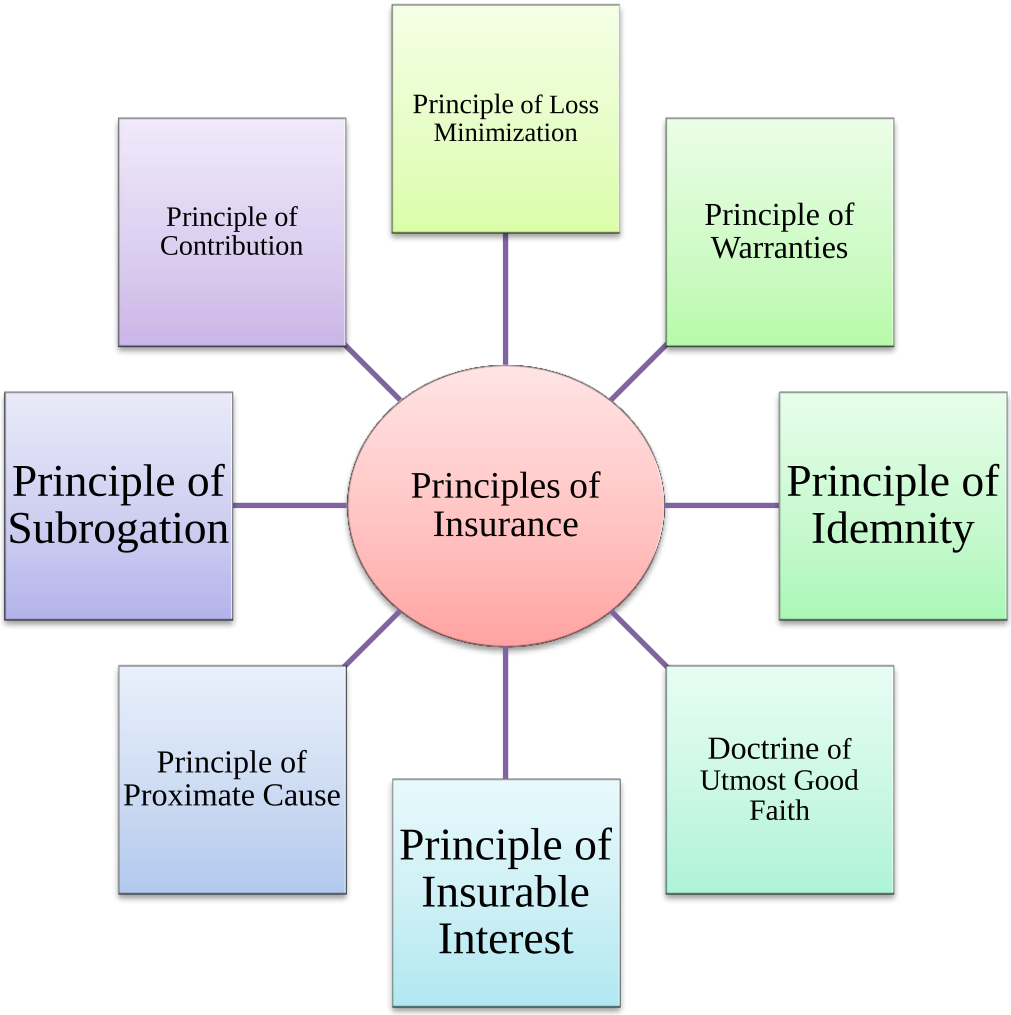
Primary purpose of any insurance service is to provide risk against uncertainty. For this risk management, policy holder regularly pays insurance premium to the insurance providing company. However, the risk is intangible and seldom is the need for a risk coverage felt by an individual customer, therefore an extra effort needed to make the customer understand the need for insurance. [16]

In the modern world, Insurance occupies importance due to the amount of risk and increasing complexity in the economic system which can be insured. Various types of insurance evolved with the changing time and demand of system. In India there are mainly two types of Insurance: Life Insurance and General or Non-Life Insurance. Insurance not covered under life insurance and general insurance falls under the Miscellaneous insurance. Following charts shows the various types of insurance :



4. INSURANCE AND SOCIAL SECURITY

In simple sense, insurance is a financial instrument in which losses of few are compensated out of funds (insurance premium) collected from many insured (insurance policyholders). Insurance offers economic security for such losses arising out of happening of insured events e.g. in personal accident policy death due to accident, in fire policy the insured events are fire and other associated risks like riot and strike, explosion etc. Insurance is assurance against instabilities of life. It gives money related recompense to misfortunes emerging out happening of unforeseen occasions, protected under the strategy of insurance. Insurance is no more ideal movement. Also Indian Government has advised a portion of the insurances as necessary, e.g. third party insurance under Motor Vehicle Act, public liability insurance for handlers of hazardous substances under Environment Protection Act etc.



5. LIFE INSURANCE DEMAND OUTLOOK

In the post liberalization period life insurance sector has started gaining new shapes with newer innovations. Big brands like Reliance, Birla, ICICI, Tata, HDFC, Aviva, ING Vysya etc. have tied up with foreign insurance partners. Before privatization life insurance was only provided by the LIC of India. They have monopoly in life insurance sector. Even though the growth has been remarkable over years, yet the insurance penetration is pretty low. The life insurance average index shows that the number of policies sold is very low viz., 13.2 per 100 persons in India compared to the Asian counterparts' countries like Malaysia and Japan where it is 37.0 and 201.4 respectively.

Even the life insurance premium as a percentage of Gross Domestic Product is very low too and which is expected in increase in coming years indicating a vast potential for all the life insurance players. The expected demand for life insurance shows a vast potential to the extent of 650 million estimated for 2005. The key reasons for the positive outlook can be described on two accounts:

- *From the Viewpoint of Investment*

1. The life insurance sector has proved in the past, its obligation to provide a secured and steady return compared to other forms of investments.
2. The payment of the life insurance premiums offers tax incentives and benefits, which have been ongoing since long. Even though Kelkar committee recommendations have posed a threat. But that is still not been implemented.
3. The life insurance investments least risk options compared to stock markets where investors in one form or other form have burned their hands which includes the UTI fiasco.

- *From Social Angle*

1. The change in attitudes and lifestyle, shift to nuclear family system etc. has insisted the need for life insurance.
2. The increasing literacy rate has resulted in directing of financial resource from saving to investment in financial assets.
3. The life insurance product demands is positively affected since the life insurance protections can be used as collateral security for obtaining loans.
4. Due to increasing young population ratio in India, drive the demand for insurance is likely to increase.

In order to attract potential customers, Government of India & LIC of India along with private insurance players is coming with innovative and customer oriented products.

6. PRADHAN MANTRI JAN DHAN YOJANA :

Pradhan Mantri Jan-Dhan Yojana (PMJDY) of Government of India is national mission for financial inclusion to make sure access to financial services, namely, Credit, Insurance, Banking/ Savings & Deposit Accounts, Remittance, Pension in reasonable manner. Saving account can be opened in any bank branch or business correspondent (Bank Mitr) outlet. Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book or A.T.M, he/she will have to fulfill minimum balance criteria.

6. 1. Documents required to open an account under Pradhan Mantri Jan-Dhan Yojana

1. If Aadhaar Card/Aadhaar Number is available then no other documents is required. If address has changed, then a self certification of current address is sufficient.
2. If Aadhaar Card is not available, then any one of the following Officially Valid Documents (OVD) is required: Voter ID Card, Driving License, PAN Card, Passport & NREGA Card. If these documents also contain your address, it can serve both as Proof of Identity and Address.
3. If a person does not have any of the officially valid documents mentioned above, but it is categorized as low risk by the banks, then he/she can open a bank account by submitting any one of the following documents:

i. Identity Card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions;
ii. Letter issued by a gazette officer, with a duly attested photograph of the person.

6. 2. Pradhan Mantri Jan-Dhan Yojana (PMJDY) has following benefits which are as follows

A. Interest given on deposit.
B. Accidental insurance cover of Rs.One Lakh.
C. No minimum balance required if accountholders don't opt for cheque book and ATM.
D. Life insurance covers of Rs. Thirty Thousand.
E. Amount transfer facilities all across the country.
F. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts such as LPG Subsidies and scholarship etc.
G. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted.
H. Access to Pension, insurance products.
I. Accidental Insurance Cover, Ru Pay Debit Card must be used at least once in 45 days.
J. Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household. [13]

Social security schemes- Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, and Atal Pension Yojana focuses at providing reasonable widespread access to essential social security protection and fulfilling requirements of below poverty line population.

Following are the features of schemes which are as follows as :

a) Pradhan Mantri Suraksha Bima Yojana provides accident insurance worth Rs 2 Lakhs at just Rs 12 per year.
b) Pradhan Mantri Jivan Jyoti Bima Yojana provides life insurance worth Rs 2 Lakhs at just Rs 330 per year.
c) Atal Pension Yojana provides a pension of up to Rs 5000 a month depending on the contribution.

7. PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY) :

The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one year term life insurance scheme which provides life coverage of Rs. 2 lakhs and it is available for a one year period stretching from 1st June to 31st May at a premium of Rs.330/- per annum per member and is renewable every year, it offers insurance coverage for death due to any reason. It is available for people in the age group of 18 to 50 years (life cover up to age 55) having a savings bank account who gives their approval to join and enable auto-debit. The risk coverage on the lives of the enrolled persons has already started from 1st June 2015.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) scheme is offered / administered through LIC and other Indian private Life Insurance companies. For enrolment banks have tied up with insurance companies. Participating Bank is the holder of master insurance policy.

7. 1. Allocation of Premium Paid

a. Insurance Premium to LIC of India /other insurance company: Rs.289/- per annum per member;
b. Reimbursement of Expenses to Business Correspondence/ Micro/Corporate/Agent : Rs.30/- per annum per member;
c. Reimbursement of Administrative expenses to participating Bank: Rs.11/- per annum per member.

The life insurance coverage on any person shall cease due to any of the following events and no benefit will become payable there under:

a. 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).
b. Closure of account with the Bank or insufficiency of balance to keep the insurance in force.
c. If any person holds more than one insurance policy under PMJJBY since one can join PMJJBY with one insurance company with one bank account only.

Initial enrolment period in the scheme was from 1st May to 31st May '2015, which was later extended up to 31st Aug' 2015, by this date eligible persons joined the scheme without giving self-certification of good health, even though eligible persons can join the scheme on any date by paying the premium for full year. Individuals who quit the insurance under PMJJBY at any point may re-join the scheme in future years by paying the annual premium and submitting a self-declaration of good health.

8. CLAIM MANAGEMENT OF LIFE INSURANCE SERVICES :

Claims management means all the managerial decisions and processes relating to the claims settlement and payment in accordance with the terms and conditions of insurance contract. It comprises carrying out the entire claims settlement process along with focus on observing and minimizing the claims settlement costs.

Claims philosophy, claims preparation, claims processing and claims settlement are the essential components of claims management. Procedure or specified approach to settle the claims is known as claims philosophy.

Claims philosophy involves the claims management principles, methods and procedures of claims handling along with the preparation of guidelines regarding the receipt of claims from the policyholders or claimants, claims analysis, finding out possible solution on the particular issues and disputes, evaluating the claims cost and expenses impacts evaluation, relation of consumer satisfaction to the claims settlement, observing the claim payment and refining the claims settlement efficiency and payment systems and avoiding unnecessary disputes of claims.

The claims process incorporates the essential claims method and its handling. The claims handling includes the observing of events, which created the loss to the insured and due to that claim was filed by insured. The claims procedure comprises two fold procedures to be followed by the insurance providing companies and insured or policyholders.

From the point of view of the insurance providing companies, it contains the suffering of loss, understanding and finding out the cause of action, giving notice of claim to the insurance providing company, giving sufficient proof of loss to the insurance providing company or his employee or the loss evaluator and surveyors. The insurance providing company, on the receipt of the claim from the insured or policyholders, has to take definite instant precautionary steps which involves claims verification, claim application reviewing, reply to the claimant or policy holder, carry out claims inquiry, claims negotiation, settlement of claims and claims payment.

9. CLAIM SETTLEMENT UNDER PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY)

The Claim settlement is the very important part of an insurance contract and insurers or insurance providing company should show positive objectivity in claims settlement. The insurer's obligation under the policy is discharged after the claim settlement. Proper claim settlement is the end result of a life insurance contract. It will not be an overstatement to say that the goodwill of an insurance company is determined by the efficiency and effectiveness with claims are processed and settled. [8]

At the time of claim the nominees/heirs of the insured person have to contact respective bank branch where the insured person was having saving bank account. On receipt of death intimation, the designated bank branch shall send the claim form, death certificate, discharge form and certificate of insurance from the nominated beneficiary and shall send to the designated branch of the bank for preferring the claim with concern unit of the life insurance Company. On admission of the claim, the claim amount will be paid to the bank account of the nominee with intimation to the designated branch of the bank. In case of any requirements or claim is not accepted, the same will be intimated to designated branch of the Bank.
Following Tables show the glance of current status of PMJJBY :

Table 1. Number of Enrollment till 9-11-2015.

Scheme Name	Rural Male	Rural Female	Urban Male	Urban Female	Grand Total*
PMJJBY	89,49,121	55,29,696	89,76,381	50,74,277	2,85,29,475

*Rankings & Summary report for PMJJBY as on 9-11-2015
(http://www.jansuraksha.gov.in/Files/Reports/9.11.2015.pdf)

From the above table we can see that, PMJJBY is almost equally popular in rural and urban males whereas in the case of rural and urban females, there is slight difference in the choices. [10]

Table 2. Number of Claim filed and paid.

Scheme Name	Total Numbers of Claims	Total Numbers of Claims Paid	Total Numbers of Claim pending with Insurer	Total Numbers of Claim Under Process	Rejected	Total Numbers of Claim with Blank Status
PMJJBY	6,860	4459	2,127	153	50	71

*Claim report for PMJJBY as on 9-11-2015 (http://www.jansuraksha.gov.in/claims-pmjjby.aspx)

From the above table we can see total numbers of claim filed so far and their payment till date.

9. 1. Pros and Cons

Pros :

1. Highly Flexible.
2. Easy to apply for and continue.
3. Highly reliable.
4. Very low cost.
5. Clear cut claim settlement process.

Cons :

1. Insurance is only provided for Rs 2 Lakhs only, which is not sufficient.
2. Existing terms insurance are more competitive.
3. Investors greatest barriers lies within themselves such as, least interest in analysis different types of available term insurance schemes, prone to procrastination and laziness, less futuristic and planning for future expenses, unable to understand concept of inflation and volatility of returns. [15]

10. CONCLUSION

Pradhan Mantri Jeevan Jyoti Bima Yojana is focused to provide insurance coverage for death due to any reason to all the citizen of India especially unorganized sector workers with motto of "Jan-Dan se Jan Surakhsa". Under Pradhan Mantri Jan Dhan Yojana existing channels of banking industry is very well utilized and still there is good scope for innovation and marketability. Pradhan Mantri Jeevan Jyoti Bima Yojana is attractive due to its flexibility, throughout easy and clear process, easy claim process, highly reliable and economical term insurance service. But due to its limited amount of coverage, existing competition and lack of investor's interest, act as barriers in the success road of the scheme.

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