



A case study with overview of Pradhan Mantri Suraksha Bima Yojana – A Scheme of Pradhan Mantri Jan Dhan Yojana

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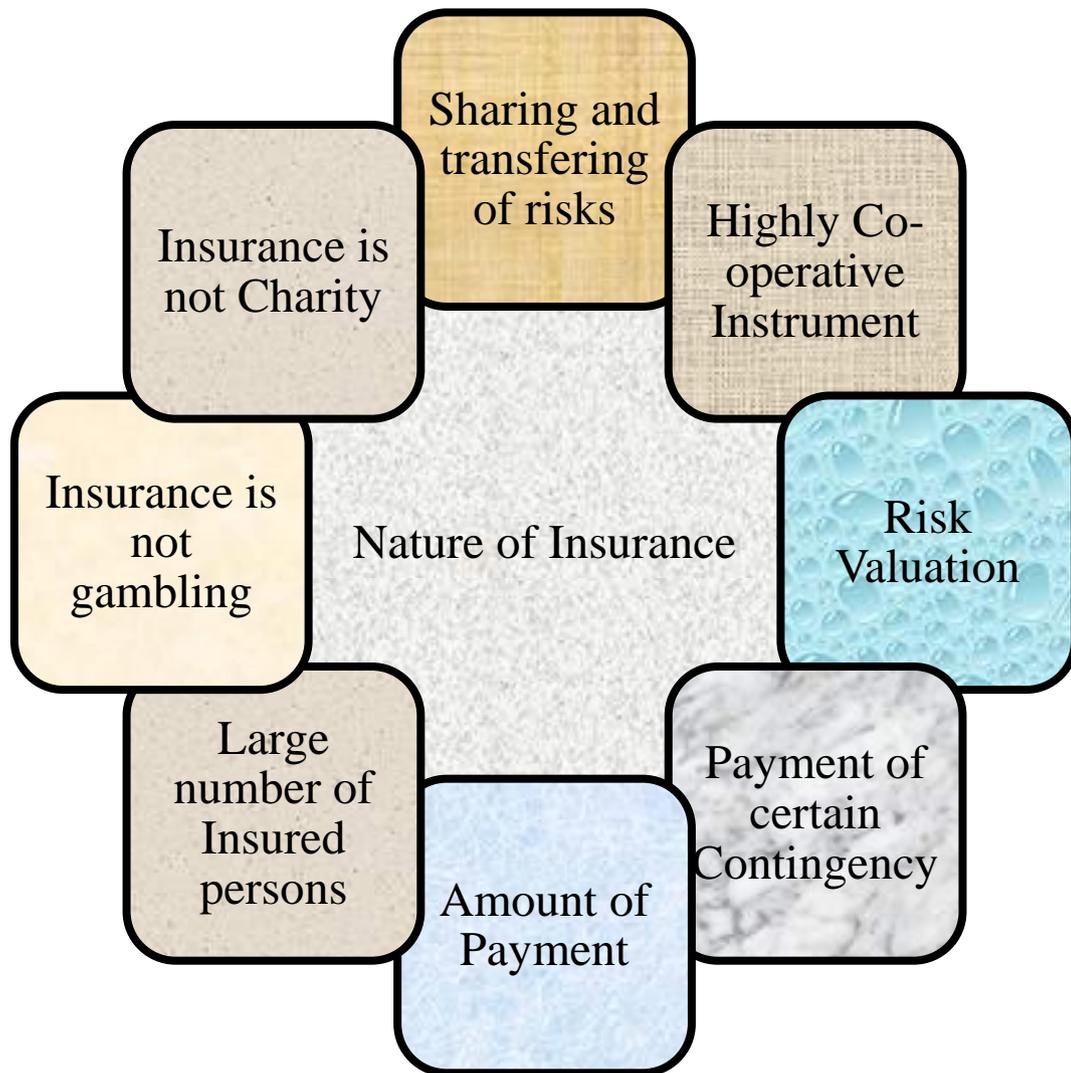
ABSTRACT

The study finds that Pradhan Mantri Suraksha Bima Yojana is attractive due to its flexibility, throughout easy and clear process, easy claim process, highly reliable and economical personal accident insurance scheme. 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 Suraksha 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". Accidental insurance is a type of general insurance under which insurance coverage is provided for fixed term (period) and amount, on the payment of the pre-decide premium. This fixed amount is only paid in case of happening of any unfortunate accident only. The study is based on secondary data collected from different websites and IRDA Journals.

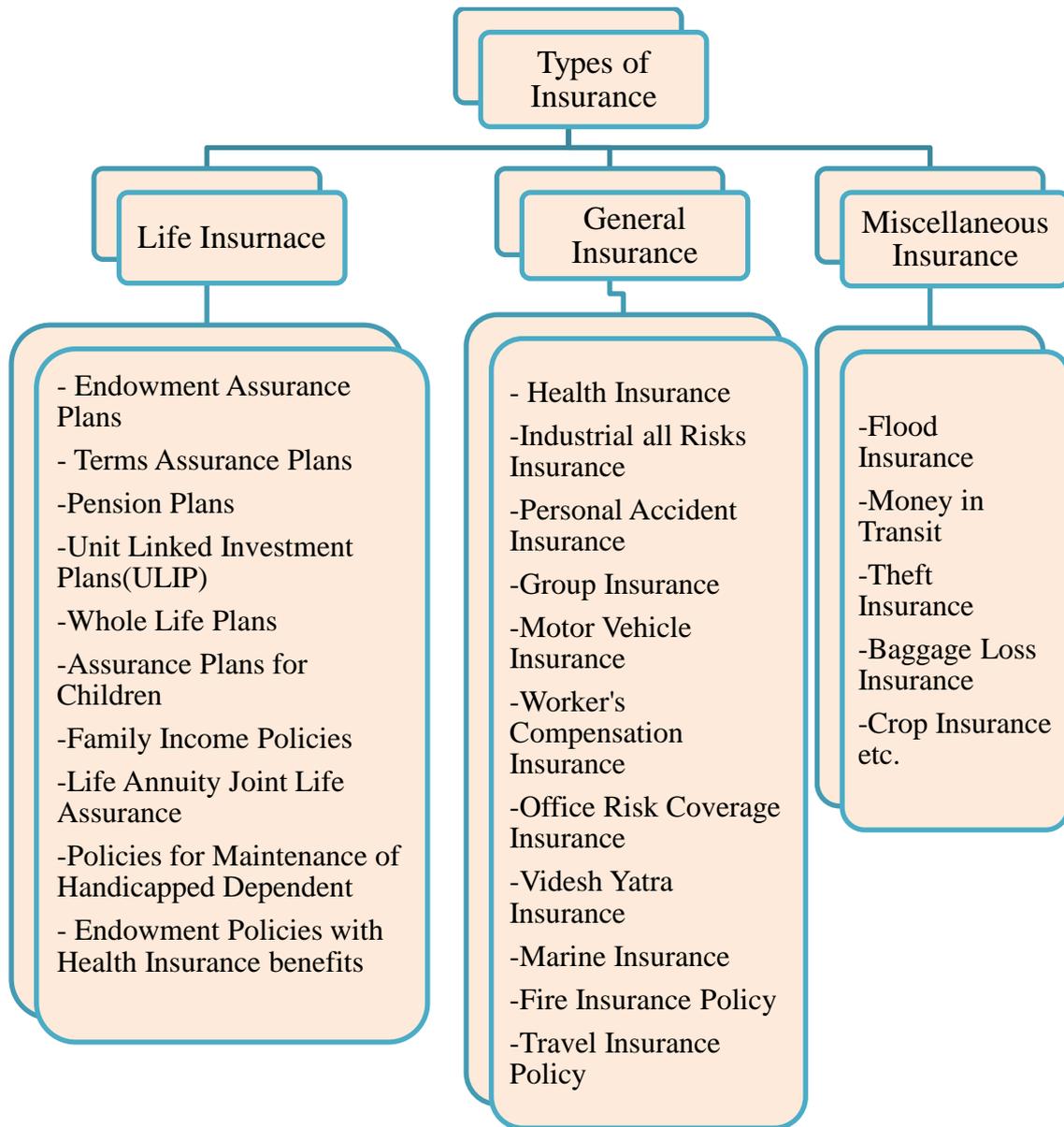
Keywords: Pradhan Mantri Suraksha Bima Yojana; Accidental Insurance; Claim Settlement; Premium; Jan Dhan to Jan Suraksha; Pradhan Mantri Jan-Dhan Yojana

1. INTRODUCTION

Government of India in their budget 2015 announces three different insurance schemes for social security under Pradhan Mantri Jan Dhan Yojana such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana and Atal Pension Yojana. Pradhan Mantri Suraksha Bima Yojana was introduced on 1st June 2015, under the promising Pradhan Mantri Jan Dhan Yojana with the aim to provide financial support and coverage through cheaper accidental insurance to all the citizen of India with motto of “Jan-Dhan se Jan Surakhsha”. In Accidental Insurance policies, Insurer normally pay a good some amount of death benefit to your beneficiary in the unfortunate event of your death, due strictly to an accident that causes death within a specified period of time. Definition of accidental insurance sometimes changes with the change in the insurance providing companies. 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 [1-21].



2. 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. Any insurance other than life insurance falls under the category of general insurance. There are in

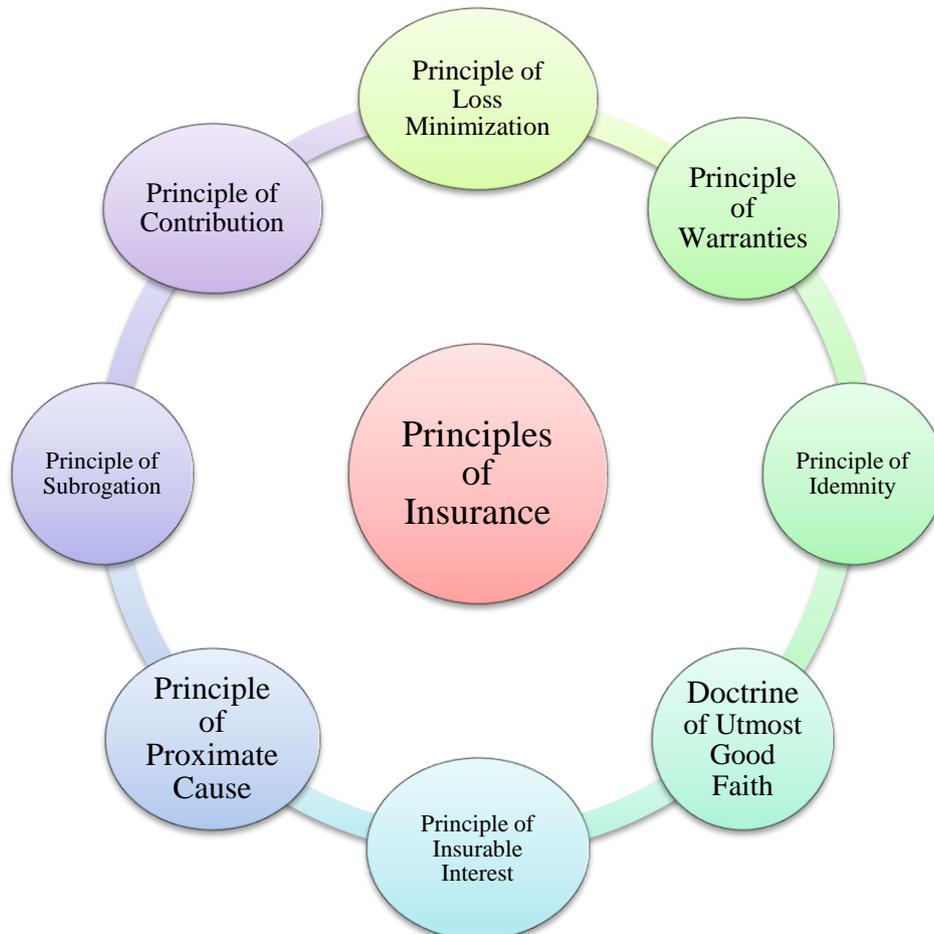
total 28 General Insurance Company in India such as General Insurance Corporation of India, National Insurance Company Limited, Oriental Insurance Company Limited, The New India Assurance Company Limited, United India Insurance Company Limited, ICICI Lombard General Insurance Limited, IFFCO Tokio General Insurance Pvt. Limited and Reliance General Insurance Limited etc.

General insurance is mainly taken for one objective, i.e. for risk coverage which involves lump sum payment is provided if specific event occurred. 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 [17].

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.

3. 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.

4. 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 Mitra) 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.

4. 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.

4. 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 Jeevan 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.

5. PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

The Pradhan Mantri Suraksha Bima Yojana (PMSBY) is a one year accidental 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.12 /- per annum per member and is renewable every year, it offers insurance coverage for death due to specifically due to accidents. It is available for people in the age group of 18 to 70 years 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 Suraksha Bima Yojana (PMSBY) scheme is offered / administered through GIC and other Indian private general insurance companies. For enrolment banks have tied up with insurance companies. Participating Bank is the holder of master insurance policy.

5. 1. Allocation of Premium Paid

- a. Insurance Premium to PSGIC / other insurance company: Rs.10/- per annum per member;
- b. Reimbursement of Expenses to BC/Micro/Corporate/Agent: Rs.1/- per annum per member;
- c. Reimbursement of Administrative expenses to participating Bank: Rs.1/- per annum per member.

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

- a. On attaining age 70 years (age near birth day).
- 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 PMSBY since one can join PMSBY with one insurance company with one bank account only.
- d. 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.

Initial enrolment period in the scheme was from 1st May to 31st May 2015, which was later extended up to 31th December, 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 PMSBY at any point may re-join the scheme in future years by paying the annual premium and submitting a self-declaration of good health.

6. CLAIM MANAGEMENT OF 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.

7. CLAIM SETTLEMENT UNDER PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

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 an 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].

Immediately after the accident due to which claim arises, the nominees/heirs of the insured person have to contact and submit duly complete claim form at respective bank branch where the insured person was having saving bank account. On receipt of death intimation due to accident, the designated bank branch shall send the claim form, original first information report (F.I.R)/panchnama, post mortem report and 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 general insurance Company. In case of disability due to accident, copy of disability certificate issued by a civil surgeon should be submitted. Claim form duly completed should be filed within 30 days of occurrence of event. 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 PMSBY:

Table 1. Number of Enrollment till 04-01-2016.

Scheme Name	Rural Male	Rural Female	Urban Male	Urban Female	Grand Total*
PMSBY	2,92,18,697	1,95,71,243	2,78,33,739	1,62,44,000	9,28,67, 679

* Rankings & Summary report for PMSBY as on 04-01-2016
(<http://www.jansuraksha.gov.in/Files/Reports/04.01.2016.pdf>)

From the above table we can see that, PMSBY is opted by 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
PMJJBY	2,313	1,244	499	205	365

* Claim report for PMSBY as on 04-01-2016 (<http://www.jansuraksha.gov.in/claims-pmsby.aspx>)

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

7. 1. Pros and Cons

7. 1. 1. Pros

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

7. 1. 2. Cons

1. Insurance is only provided for Rs 2 Lakhs only, which is not sufficient.
2. Existing accidental insurance are more competitive.
3. Investors greatest barriers lies within themselves such as, least interest in analysis different types of available accidental 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].

8. CONCLUSIONS

Pradhan Mantri Surakha Bima Yojana (PMSBY) is focused to provide insurance coverage for death due to accident 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. Through all these schemes Government of India is planning to secure life for the poor people, they also know that the mortality rate is very high especially unorganized sector workers due to not able to maintain a healthy life.

Pradhan Mantri Surakha Bima Yojana (PMSBY) 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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(Received 03 January 2016; accepted 18 January 2016)