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Claim settlement of Pradhan Mantri Suraksha Bima Yojana under Pradhan Mantri Jan Dhan Yojana

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ABSTRACT

The study finds that Pradhan Mantri Suraksha Bima Yojana (PMSBY) claim settlement is effective due to its flexible, economical, reliable, throughout easy and clear process. But due to its limited awareness in policyholders, 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. The fixed amount is paid on filing claim. Claims settlement is an integral part of the insurance business. The study is based on secondary data collected from different websites and IRDA Journals.

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

1. INTRODUCTION

Insurance is a protection against economical loss arising due to an unexpected event. In any type of insurance coverage claim settlement plays very important part. Claims settlement is an integral part of the insurance business. A right of insured to receive the amount secured under the policy of insurance contract promised by insurer is called claim. When claims are

filed, the insured has to observe the settled rules and procedures and the insurer has also to reciprocate in a similar manner by undertaking appropriate steps for speedy disposal of claims. It is true that claims settlement is complex in nature, but it is the driving force to plant confidence in the hearts of people, in general and beneficiaries in specific. Insurance claim is a right of insured under a contract of insurance. [3]

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 (Fig. 1) [1].

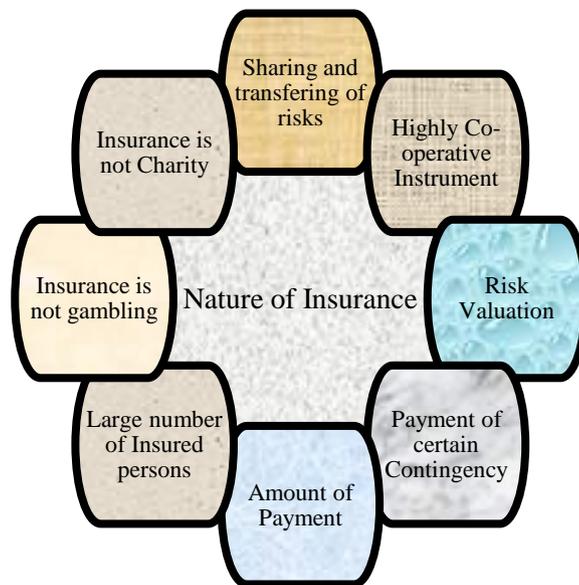


Fig. 1.

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.

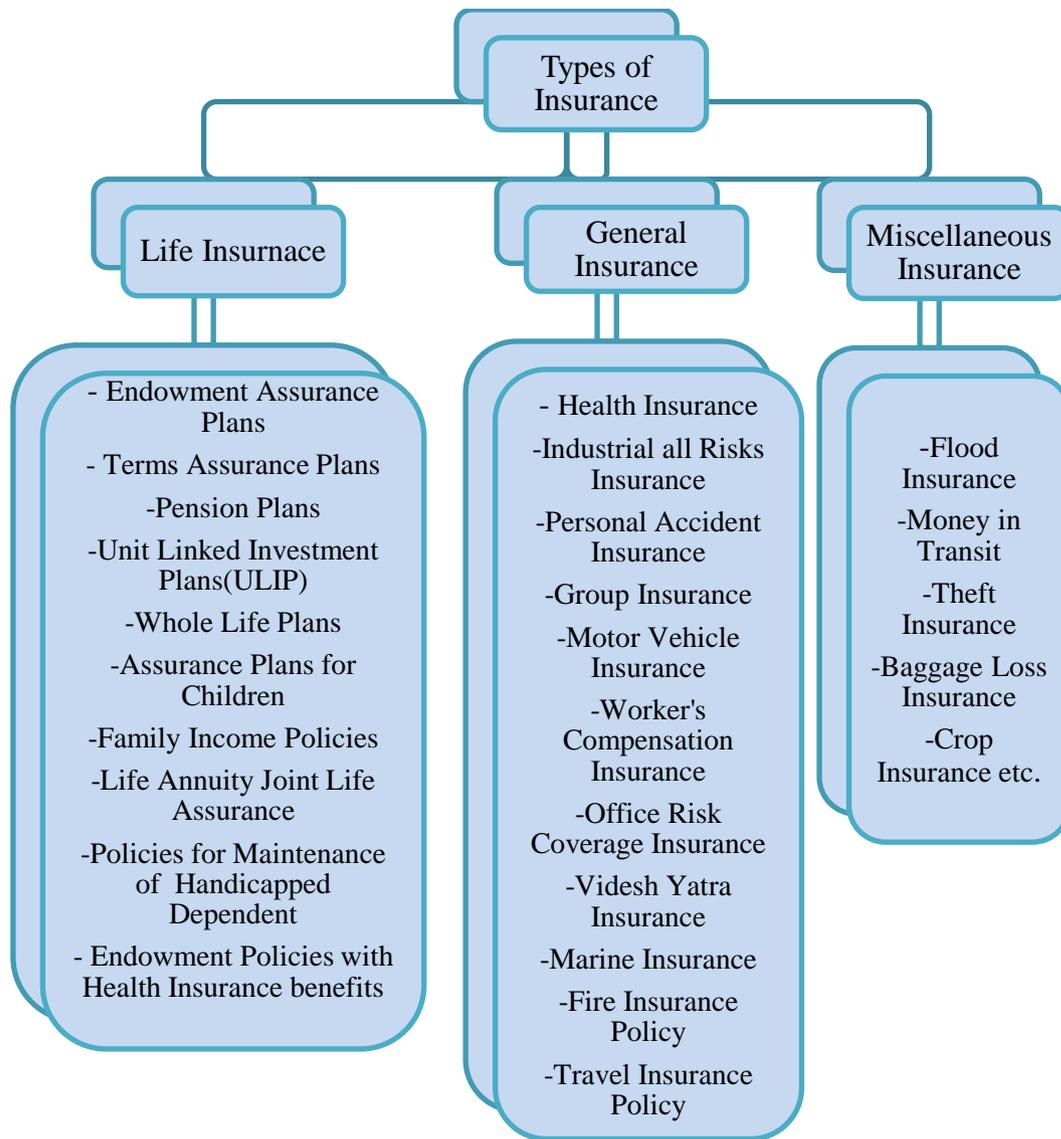


Fig. 2.

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.

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 which are 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 (Fig. 2).

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. (Fig. 3) [1]

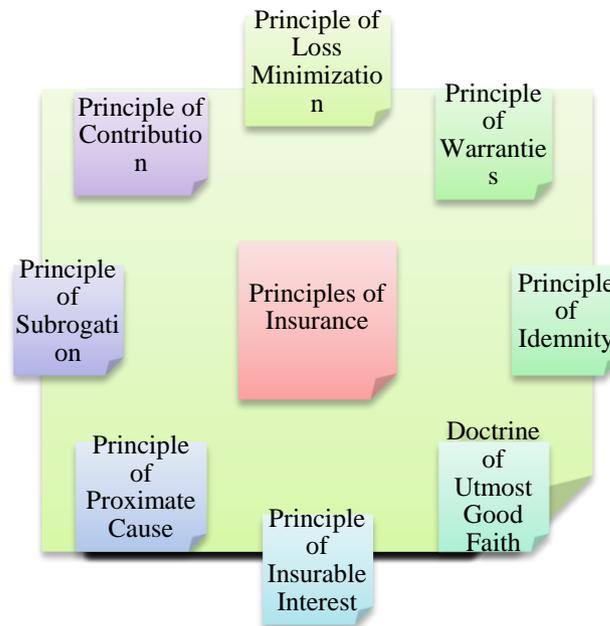


Fig. 3.

4. 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]

5. 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.

5. 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.

5. 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 account holders 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.

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 and cost of schemes which are as follows :

- 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. [8]

6. 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 Surakha 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.

6. 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. [1]

6. 2. Benefits

S. No	Benefits	Sum Insured
1	Death	Rs. 2 Lakh
2	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 (Disability)	Rs. 2 Lakh
3	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot (Disability)	Rs. 1 Lakh

6. 3. Master Policy

Participating Bank will be the Master policy holder on behalf of the participating subscribers. A simple and subscriber friendly administration & claim settlement process is finalized by the respective general insurance company in consultation with the participating Banks. Enrolment period in the scheme is from 1st June to 31st May every year, 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.

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

**PRADHAN MANTRI SURAKSHA BIMA YOJANA
(PMSBY)
SPECIMEN CLAIM FORM**

This form is issued without admission of liability. It must be completed and submitted to the branch where the insured holds the underlying Bank Account, preferably within 30 days of the accident resulting in claim.

01	Name of the Account holder (Insured person)	
02	Full address of the Insured:	
03	Name and address of the Bank Branch:	
04	Savings Bank Account Number:	
05	Contact details of insured (if available): Mobile No: Phone number: email address: Aadhar no. if available:	
06	Details of Nominee (in case of death of insured): Name: Mobile / Phone number: Email address: Bank Account Particulars(for electronic transfer): Aadhar no. if available:	
07	Details of Accident: a) Day, Date, and Time of occurrence: b) Where did it occur: c) Nature of Accident: d) Cause of Death/Details of Injury.	
08	Name address and contact details of Hospital/ attending Doctors:	
09	State where and when a Medical or other Officer of the Company can visit the Insured.	
10	Documents to be Submitted in support of the Claim: a) In case of Death: Original FIR/ Panchnama, Post Mortem Report and Death Certificate. b) Incase of Permanent Disablement: Original FIR/Panchnama and Disability Certificate from Civil Surgeon. c) Discharge voucher	

Declaration : I hereby declare and warrant that the foregoing particulars are true and complete in every respect and I agree that if any of the details given above are proved to be false or untrue, or there is any suppression or concealment, my right of compensation shall be forfeited. I also declare that I have not claimed the amount due under PMSBY cover on account of the above accident through any other cover under 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. 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. Claim form contains all the necessary information about the insured, bank, nominee, death/disability event and attending doctor details etc. it also have declaration by claimant/nominee. Form has to be certified by authorized bank official before processing it. 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 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. Insurer will verify and confirm that premium has been remitted for the insured and the insured is included in the list of insured persons in the master policy. Claim shall be processed by the insurance company which has issued the master policy for the bank within 30 days of its receipt from the bank.

**PRADHAN MANTRI SURAKSHA BIMA YOJANA
SPECIMEN DISCHARGE VOUCHER**

Claim No. : *(to be filled by Bank)*

Policy No.:

Name of Bank / branch:

Name of Insured:

Bank Account No. of Insured:

Date:

In Consideration of approval of my claim referred above, I/We hereby accept from *(name of the Insurance Company)* the sum of Rs. *(approved net Claim amount)* **in full and final settlement** of my/our claim arising out of which occurred on *(date of loss)* covered under Policy No. valid for the period from..... to I/We hereby voluntarily give discharge receipt to the Company **in full and final settlement** of all my/our claims present or future arising directly/indirectly in respect of the said loss/accident. I/We hereby also subrogate all my/our rights and remedies to the Company in respect of the above loss/damages.

One Rupee Rev. Stamp

Signature of the Nominee /Insured.

Full Name :

Address :

Account No of Nominee :

Witness

Full Name

Address

Counter Signature of Authorised Official of the Bank

The admissible Claim amount will be remitted to the Bank Account of the insured or the nominee, as the case may be. In case of death of an insured who has not named his/ her nominee the admissible claim amount shall be paid to the legal heirs of the insured on production of Succession Certificate/ Legal Heir certificate from the Competent Court/ authority.

Maximum time limit for Bank to forward duly completed claim form to Insurance Company is thirty days and maximum time limit for Insurance Company to approve claim and disburse money thereafter is thirty days. 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. Nominee or beneficiary is required to submit discharge voucher for full and final settlement of claim. In case of any requirements or claim is not accepted, the same will be intimated to designated branch of the Bank. [1]

Following Tables show the glance of current status of PMSBY:

Table 1. Current Claim settlement status till 26/12/2016

Scheme Name	Total Number of persons Enrolled	Total Number of Claims received	Total Number of Claims disbursed
PMSBY	9.786 crore	9,984	7,261*

*Summary report for PMSBY performance as on 26/12/2016, <http://www.jansuraksha.gov.in/Performance.aspx>

From the above table we can see that, PMSBY is opted by good number of persons all across India. Since it is new due to that numbers of claims are quite less but total number of claims disbursed is high

8. PROS AND CONS

Pros:

1. Simple claim settlement process.
2. Using existing client base of banks.
3. Highly flexible claim settlement.
4. Easy to apply for and continue.
5. Highly reliable and big step towards social security.
6. Pre-specified claim settlement duration.
7. Very low cost i.e. Rs 1 per month.
8. Covers partial & complete disability.

Cons:

1. Insurance is only provided for Rs 2 Lakhs only, which is not sufficient.
2. Existing accidental insurance are more competitive.

3. Lack of awareness of claim settlement process among ultimate consumers
4. 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.

9. CONCLUSION

Claim settlement need to be as per requirement of the customers, so that at the time of need, no customer should be suffered due complexity of the claim settlement process. Faster claim settlement reduces the cost of processing any claim whereas multiple stages in the process should be avoided since it increases the cost of claim settlement. For increasing the speed, policyholders should be provided proper information on regular bases. 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) claim settlement is effective due to its flexibility, throughout easy and clear process, highly reliable and economical service. But due to its limited awareness in policyholder, coverage, existing competition and lack of investor’s interest, act as barriers in the success road of the scheme.

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