RURAL INSURANCE - GOVERNMENT SCHEMES

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Abstract: Rural sector is defined as a place with a population of not more than five thousand, where most of the people in that area is involved in farming and agriculture. In India 70% of the population lives in rural areas and a majority of them are engaged in farming and allied agricultural activities. Because of uneconomic holdings and unscientific method most of the farmers are living Below Poverty Lin (BPL As a consequence their economic security, social security and health are threatened. Government of India takes many steps to improve their economic security, social security etc., of the rural people through the introduction of various Insurance schemes under the regulation of IRDAI. This paper analyses Government of India measures to provide a safety net to the rural population through various insurance schemes.

Key words: Rural sector, economic security, social security.

1. INTRODUCTION

India is a developing nation in which 70% of the population resides in rural villages with a population of not more than 5000, where most of the people are involved in agriculture and allied farming activities. A majority of the rural population are living Below Poverty Line (BPL),, they are not concerned about the economic security, social security, health security etc., To ensure the economic and social security of the rural sector, insurance is considered as a better way to ensure the security. Rural insurance provides shield against uncertain events like damage due to rain, floods, drought, crop miscarriage etc. Rural insurance is a device for eliminating risks and sharing the losses. On the recommendation of Malhotra Committee the insurance sector was liberalized and private companies were permitted to operate in India to increase the insurance penetration and competitiveness.

Insurance Regulatory Development Authority was created to regulate insurance business and since its establishment IRDA has played a vital role in orderly and speedy growth of insurance industry in India. The government and IRDA mounted certain guidelines and insurance schemes to cover the rural and social sector. Under its regulations all the insurers have to provide the prescribed policies in rural areas. The government of India also interested in designing and stimulating insurance products for rural and social sectors.

2. OBJECTIVES AND RESEARCH DESIGN

The paper describes the insurance (both life and health) schemes being introduced and Implemented by the Government of India and various steps taken by Insurance Regulatory and Development Authority of India to increase the insurance coverage especially in rural sector. The study based on secondary data collected from journals, annual reports, articles and websites.

3. SCHEMES OF GOVERNMENT

Government of India has introduced a number of insurance (life, health, social security) schemes. These schemes provide insurance coverage at a low cost

3.1 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

This scheme was introduced by the Prime Minister on 9th May 2015.The main intention of this scheme is to provide life insurance cover for all the Indian Citizens between the age of 18 – 50 years having savings bank account. Under the scheme a person gets a life insurance cover of Rs.2 Lakh with an annual premium of just Rs.330 excluding service tax.

1.2. Restructured Weather Based Crop Insurance Scheme (RWBCIS)

The RWBCIS was launched on 18th February 2016 by Prime Minister. Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc. WBCIS uses weather parameters as "proxy" for crop yields in compensating the cultivators for deemed crop losses. Pay-out structures are developed to the extent of losses deemed to have been suffered using the weather triggers. All standard Claims are processed and paid within 45 days from the end of the risk period. The scheme is being administered by Ministry of Agriculture.

3.3. Aam Admi Bima Yojana

The Ministry of Finance had introduced Aam Admi Bima Yojana (AABY) on January 2013 and Janashree Bima Yojana (JBY) earlier run by government was compounded in this scheme. The main purpose of the scheme is to provide life insurance cover to persons who are living below poverty line in rural and municipal areas. Beneath the scheme individuals between age 18 years and 59 years and those who are members of 48 identified occupational groups are covered. The scheme provides benefit of Rs.30,000 on natural death , Rs.75,000 on death or permanent disability due to accident and on partial permanent disability Rs.37,500. The premium of Rs. 200 is contributed by the member or state government or Nodal agency and the remaining 50% is drawn as subsidy from the social security fund constituted by Government of India maintained by LIC of India.

3.4. Pradhan Mantri Suraksha Bima Yojana (PMSBY)

The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs.2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

3.5 Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Pradhan Mantri Jan DhanYojana (PMJDY) was introduced by Prime Minister on August 2018. The main aim of the scheme is to provide a basic Bank account to every family who till now had no account. The bank account comes with a RuPay debit card with a built-in accidental insurance cover of Rs. 1 lakh.. This life insurance cover of Rs. 30,000/- under Pradhan Mantri Jan DhanYojana, gives life insurance cover on death of the life assured, due to any reason, to the deceased's family. The scheme aims to provide security to families from economically weaker sections who cannot afford direct purchase of such insurance. The premium subscription for the life cover under PMJDY is borne by the Government of India.

3.6. Pradhan Mantri Fasal Bima Yojana (PMFBY)

This scheme was introduced on 18th February 2016 by Prime Minister. The main objective of the scheme is to provide insurance cover to Rabi and Kharif crops and also to provide financial support to farmers in case of damage of crops. Under this scheme the farmers have to pay a uniform premium of 2% for all Kharif crops, 1.5% for all Rabi crops and 5% for all commercial crops.

Table – 1

Pratan Mantri Fasal Bima Yojana Statistics

Year	No. of insurers	Claims paid (in crores)
2015-16	12,41,135	172.99
2016-17	26,95,210	369.42
2017-18	45,93,459	894.48

(Source: IRDA report)

3.7. Rural Postal Life Insurance

Rural Postal Life Insurance (RPLI) scheme was introduced by the government on the recommendation of Malhotra Committee .The main aim of this scheme was to extend the insurance coverage to rural and weaker sections through post offices. In this competitive market RPLI is providing life insurance cover at a very low cost than the other insurance companies and are managed by the employees of Department of Posts. This scheme is administered at low cost operation and its benefit is passed to insured in form of bonus. RPLI offers Grama Suraksha, Grama Suvidha, Grama Santosh, Grama Sumangal, Gram Priya and scheme for physically handicapped persons. The minimum sum assured in these schemes is Rs 10,000 and Maximum is Rs 3 lakh. In case of whole life and endowment assurance the maximum age limit is 55 years and 45 years in other plans. These schemes have compulsory medical examination and for non - medical policies the maximum age is 35 years.

Table – 2

RPLI Statistics

Year	No. of policies procured	Sum assured (in crores)	No. of active policies	Aggregate sum assured (in crores)	Premium income (in Crores)	Fund balance
2016-17	375134	6850.45	14684096	83983047	2120.02	20716.62
2015-16	258225	2668.90	14915652	81733.73	2012.17	18113.78
2014-15	477360	4652.35	15245387	82822.26	1983.95	15771.55
2013-14	871462	6712.39	15014314	79466.45	1960.24	13352.01
2012-13	1634767	7413.17	14664650	75154.06	1703.16	11388.20
2011-12	2714856	9088.99	13547355	69754.17	1558.93	9141.43

(Source : IRDA report)

3.8. Varshitha pension Bima Yojana:

Varsshitha pension Bima yojana was formerly launched by the finance minister on 2014 . All the senior citizens who subscribe to the VPBY will receive an assured guaranteed return of 9% under the policy.This scheme also allows withdrawals of deposit amount by the annuitant after 15 years of purchase of the policy.

3.9. Pradhan Mantri Vaya Vandana Yojane (PMVVY):
In order to protect elderly persons aged 60 years and above against future fall in their income due to uncertain conditions and also to provide social security during old age PMVVY is launched. It is a simplified scheme of assured pension is being implemented by LIC of India. Under the scheme , on payment of an initial lump sum of amount ranging from a minimum price of Rs. 1,50,000 or Rs.1000 per month to a maximum of Rs.7,50.000 or Rs. 5,000 p.m , the subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum payable monthly.

3.10. Ayushman Bharat-Pradhan Mantri Jan Aarogya Yojana (AB-PMJAY):
This scheme is launched by Prime Minister on September 2018. The main aim of the scheme is targeted at poor , deprived rural families and identified occupational category of urban worker families. ABPMJAY will cover a benefit cover of Rs.5 lakh per family per year for secondary and tertiary care hospitalization. It will substitute the existing Rashtriya Swashya Bima Yojana launched in 2008.

4. ROLE OF IRDA

IRDA had mounted certain conventions under which the insurers have to satisfy the prescribed goals towards the social and rural sector annually. The insurers have to cover the year wise targets in footholds of number of lives under social responsibilities and year wise approved targets in terms of proportion of policies to be underwritten and percentage of total gross premium income. Agreeing to the regulations the insurers have to underwrite business in rural and social sectors based on the year of commencement of their operations and the applicable targets are linked to the year of operations of each insurer. For meeting these requirements, the regulations further provide that, if an insurance company commences operations in the second half of the financial year and is in operations for less than six months as at 31st March of the relevant financial year , no rural or social sector obligations shall be applicable for the said period; and the annual obligations as indicated in the Regulations shall be reckoned from the next financial year which shall be considered as the first year of operations for the purpose of compliance. In cases where an insurance company commences operations in the first half of the financial year, the applicable obligations for the first year shall be 50 per cent of the obligations as specified in these regulations. The financial year 2014-15 onwards all the twenty three private sector life insurance companies had fulfilled their rural and social sector requirements applicable to them. Among the life insurers, the Life Insurance Corporation of India had contributed a higher proportion of policies in rural and social sector. LIC underwrote 25.70 per cent of the new policies and private insurers underwrote 26.3 per cent of their new individual policies in the rural sector. All the 23 private life insurers had fulfilled their social sector obligations during 2017-18. The private life insurers also covered more number of insurance on social lives.

5. CONCLUSION

Human life is full of uncertainties and various unexpected atrocious events. These risks end in the death of the human or losing their capacity to earn. In absence of social security, economic security system the insurance covers the risk of life and provides financial security. In order to safeguard the weaker sections of the public, the governments of India and Insurance Regulatory Authority of India have been taking various initiatives even though lot has to be done. In order to attract the rural sector the innovative distribution modes should be used and also the insurance agents should be properly trained to make the rural people aware about the importance of life insurance and other insurance.

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