



The Evaluation and Performance of Life Insurance Schemes in India

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Abstract

This study focuses on the insurance schemes being implemented by the Central Government for the vulnerable sections of the society. It provides an overview of the nature of schemes and their basic features, analyzes aspects of their performance and the factors affecting them, highlights expenditure commitment of Government of India on these schemes and discusses issues related to the design and implementation of these schemes. Further, the study also provides some insight into the extent of overlapping between Central and State schemes and the possibility of implementing some of the Central schemes through a common implementing agency.

Key words: Insurance, Risk man, Janashree Bima Yojana, Accident scheme, Group Accident, Health Insurance

1. Introduction

Government supported insurance schemes are a form of social security in India. These schemes are initiated by the Government to provide protection to certain sections of population against income losses and can be categorized as social security as per the definition

of the International Labour Organization (ILO 1984). The need for public support for these schemes arises from the fact that moral hazard and adverse selection problems associated with insurance markets often make it difficult for certain sections of the population to access private insurance markets. Risk adjusted premium rates are



often unaffordable for the weaker sections of the population and the Government needs to step in to provide financial support in the form of premium contribution towards these schemes to facilitate the provisioning of insurance for these sections of the population.

In India, a number of Government supported insurance schemes have been initiated over the last decade. A number of schemes that existed earlier have also been modified substantially. While some of these changes have taken place at the State level, the most important changes, in particular some of the largest insurance schemes in terms of implementation across the country have been initiated by the Central government.

2. Basic features of insurance schemes of Government of India

The insurance schemes are administered by various Central Ministries through insurance companies. For most schemes, the role of insurance companies is limited to settling claims forwarded to them. The responsibility of implementing the scheme lies either with the State

Government or State-level organizations of Central Ministries. The implementing agencies act as links between the targeted groups and the insurance companies. Both public and private sector insurance companies are involved in operating the insurance schemes. In most schemes, the notable exceptions being health insurance schemes, the public sector insurance companies dominate the operations. In health insurance schemes, the three private sector insurance companies are also important players along with the public sector insurance companies. Typically, insurance companies are chosen through financial bids. While in most insurance schemes a single insurance company is selected to implement the scheme, there are schemes where multiple insurance companies operate at the State level.

The Social Security Fund was created in 1988-89 with contributions of both LIC and Government of India to support the provisioning of insurance to the 'weaker and vulnerable sections' of the society. At present, forty five occupational groups are identified to be eligible for insurance support from this fund.



Besides, in most schemes initiated by Government of India, financial support is provided by the Centre alone. In a few schemes, notably the ones in which the extent of public financial support is relatively high; the financial burden is shared by the Centre and the States.

3. Data and Methodology

Identification of insurance schemes for the purpose of the study was carried out on the basis of information reported in three documents of each Ministry. These include the Detailed Demand for Grants, the Outcome Budgets and the Annual Reports. Additional information on individual schemes was collected from the respective Ministries. For Life Insurance Schemes, data were also collected from the Life Insurance Corporation of India (LIC).

4. An Overview of Insurance Schemes of Government of India

The Government of India provides insurance against income losses of vulnerable sections arising out of four major reasons

- (i) Yield losses in agriculture (crop insurance),
- (ii) Death and disability of an earning member of a family (life insurance and group accident insurance schemes),
- (iii) Unforeseen health expenditure (e.g. health insurance)
- (iv) Death of cattle, buffaloes and sheep (e.g. livestock and sheep insurance).

I. Life and Group Accident Insurance Schemes

The Government of India supports two kinds of insurance schemes against death and disability of workers in specific occupational groups: life insurance schemes operated through the Life Insurance Corporation of India (LIC) and Group Accident Insurance Schemes operated by other GICs. The former covers insurance against death and disability due to natural causes in addition to those due to accidents covered in the later. Additionally, the Government of India also extends life insurance support to rural landless households.



Life Insurance Schemes for Specific Occupational Groups and Rural Landless Households

Six occupational groups are supported by Government of India through direct premium contribution for life insurance. These include handloom weavers, handicraft artisans, sheep breeders and power loom workers, khadi artisans and anganwadi workers. It is noteworthy that unlike the six insurance schemes mentioned earlier, these schemes do not receive any direct premium subsidy from Government of India (GoI). Support to rural landless households was initiated by GoI in 2007. Insurance schemes for the first four occupational groups are implemented by the Ministry of Textiles, while the last two are implemented by the Ministry of Micro Small and Medium Industries and the Ministry of Women and Child Development respectively.

Janashree Bima Yojana (JBY)

Workers in the age group of 18 to 59 years, who are below the poverty line or are marginally above the poverty line, are eligible. The schemes operate under the Janashree

Bima Yojana (JBY) of LIC and provide insurance cover against death and disability of the insured member. Additionally, scholarship benefits are provided to the children of the insured member. The premium rate for insurance schemes of six occupational groups varies between Rs. 200 and Rs. 330 per annum for each insured worker. The premium is subsidized partly from the social security fund and partly by contribution from Government of India (GoI). For most insurance schemes, the worker also shares part of the premium burden. Only in a few schemes, the premium is entirely subsidized by GoI and the social security fund and workers do not share the premium burden. The compensation for the schemes varies between Rs. 30,000 to Rs. 60,000 for natural death and Rs. 37,500 to Rs. 75,000 for partial disability. For accidental death and total disability, the compensation varies between Rs. 75,000 to Rs. 1,50,000. Individuals insured under JBY can also avail a scholarship of Rs. 1200 per year per child (upto two children) for students studying in class IX to XII without



any additional payment of premium under the Shiksha Sahayog Yojana.

Aam Aadmi Bima Yojana (AABY). Under the scheme, the head or one principal earning member of all rural landless households in the age group of 18 to 59 years is eligible for insurance. Identification of rural landless households is done by the State Government. The scheme provides insurance cover against death and disability and extends scholarship benefits to the children of the insured members. The scheme is operated by LIC and entirely subsidized by the Government. The premium of Rs. 200 per household per year is shared equally by the Centre and the State. A separate fund has been created and kept with LIC to meet the premium contribution of Government of India for the scheme. Under the scheme, a rural landless household will receive a compensation of Rs. 75,000 in the case of accidental death and permanent disability, Rs. 37,500 for partial disability and Rs. 30,000 for natural death of the insured member under the scheme. Also, as in JBY, an insured member can also avail a scholarship of Rs. 1200 per year per

child (upto two children) for students studying in class IX to XII without any additional payment of premium under the **Shiksha Sahayog Yojana**

II. Group Accident Insurance

Schemes: Two group accident insurance schemes are supported by Government of India:

The Coir Workers Group Personal Accident scheme

The Coir Workers Group Personal Accident Insurance Scheme in its present form was introduced by Government of India in 2005. At present, the scheme is implemented by the coir board (under the Ministry of Micro, Small and Medium Industries) and operated through the United India Insurance Company Ltd. The scheme is universal in nature and covers 4 lakh coir workers across India. Any coir worker ' who is employed for wages to do any work in connection with the various processes in coir industry and who gets his wages directly or indirectly from the employer or through a contractor or through an agent and depends mainly on coir industry for his livelihood' is eligible to be covered under the



scheme. The premium charged by the insurance company at present was as low as Rs. 1.93 per worker and is paid by Government of India on behalf of the coir workers. No premium contribution is made by the coir workers. Under the scheme, an insured worker is entitled to a compensation of Rs. 50,000 for accidental death and permanent disability and Rs. 25,000 for partial disability.

The Group Accident Insurance Scheme for Active Fishermen

The Group Accident Insurance for Active Fishermen provides insurance against accidental death or disability of licensed fishermen in the age group of 18 to 70 years. Fishermen operating in both marine and inland sectors and registered with fishermen's cooperative society, any organization of fisheries/fishermen or fishermen certified by competent authority are eligible for coverage. The annual maximum premium per fisherman under the scheme is Rs. 30 of which Rs. 29 is shared between the Centre and the States and the remaining Re. 1 per fisherman per annum is paid by FISHCOFED for implementation of

the scheme. In States other than those belonging to the north eastern region, the burden of expenditure is shared equally by the Centre and the State Government (Rs. 14.5 each per fisherman per annum). In case of northeastern States, sharing of expenditure between the Centre and the State is done in the ratio of 75:25. In case of Union Territories, the burden is borne entirely by the Centre. No premium contribution is required from fishermen for coverage under the scheme. A compensation of Rs. 1 lakh is paid to the fishermen's family in case of accidental death or permanent total disability and a sum of Rs. 50,000 paid in case of partial disability. The scheme is implemented through the four subsidiaries of General Insurance Corporation of India (GIC).

III. Health Insurance Schemes

Four health insurance schemes are supported by Government of India, two for specific occupational groups and two for the BPL population as a whole. For occupational groups, the Government supports Health Insurance Scheme for Handloom Weavers and the Rajiv Gandhi Shilpi Swasthya Yojana for handicraft



artisans. For BPL population, the Rashtriya Swasthya Bima Yojana (RSBY) and Universal Health Insurance Scheme (UHIS) are supported by Government of India (GoI). Schemes for occupational groups are operated by ICICI Lombard; UHIS is operated by the four public sector insurance companies and RSBY by both private and public sector insurance companies across the country.

Health Insurance Schemes for handloom weavers and handicraft artisans

The health insurance scheme for handloom weavers was introduced by the Government of India in the year 2005-06 but was subsequently subsumed under the Handloom Weavers Comprehensive Welfare Scheme (HWCWS) in 2007-08. Similarly, the health insurance scheme for handicraft artisans called the Rajiv Gandhi Shilpi Swasthya Yojana initiated in 2006-07, was subsumed under the Handicraft Artisans Comprehensive Welfare Scheme (HACWS) in 2007-08. Although subsumed under umbrella schemes, these schemes continue to operate as individual components

under the larger schemes. The schemes are operated by ICICI Lombard and administered by the Ministry of Textiles.

The health insurance schemes provide insurance coverage for health expenditure of handloom weavers and handicraft artisans in the country. Under the schemes, four members of a weaver's/artisan's family (in the age group of 1 day to 80 years) are covered: the weaver/artisan, his/her spouse and two children. For handicraft artisans, apart from the artisan, any three members can be chosen among spouse, children and dependents. The scheme covers both pre-existing and new diseases with a maximum overall coverage of Rs. 15,000 per year, of which upto Rs. 7500 can be used for outpatient treatment. The weaver/artisan can avail treatment without payment of any cash in a panel of hospitals recognized by ICICI Lombard or can get reimbursement of medical expenditure if incurred in other health facilities. Each eligible weaver/artisan family is provided a 'health card' using which treatment can be availed in selected health facilities without payment or



expenses reimbursed if treated in other health facilities.

For handloom weavers, the premium contribution per weaver is about Rs. 988 annually, of which about Rs. 809 is contributed by the Government of India and Rs. 179 by the weaver or the State government on his/her behalf. However, the weaver is required to make a minimum contribution of Rs. 50 even in the case where the State Government bears the burden of weaver's contribution. For handicraft artisans, the annual premium for the scheme is Rs. 897 per artisan per annum. Bulk of this is contributed by the Government of India. The handicraft artisan contributes only Rs. 200 in case of General category artisans and Rs. 100 in case of artisans belonging to the north eastern region, Scheduled Castes and Scheduled Tribes or artisans who are below poverty line. The rest of the premium burden is borne by Government of India.

Health Insurance for BPL (Below Poverty Limit) Population

The Rashtriya Swasthya Bima Yojana

The Rashtriya Swasthya Bima Yojana provides insurance coverage for certain hospitalization expenses and daycare procedures to the BPL population. Under this scheme a BPL family can avail free hospitalization care upto Rs. 30,000 per annum in selected private and public health facilities. A maximum of five members of a family can be covered under the scheme on a floater basis. Of Rs. 30,000, Rs. 1000 per annum (a maximum of Rs. 100 per visit) can be used for meeting transportation costs under the scheme. The scheme is implemented by insurance companies selected through bids at the State level. At present, enrollment of BPL families has been completed in 172 districts and is in progress in 65 districts across 23 States in India. The premium rate is estimated to be upto Rs. 750 per annum per family. The actual premium rates however vary between Rs. 449 to Rs. 697 per annum per family based on the bids submitted by insurance companies. The premium burden is shared between the Centre and the State in the ratio of 75:25, subject to a



maximum subsidy of Rs. 565 per family per annum by GoI. For north-eastern States and Jammu and Kashmir, the premium burden is shared between the Centre and the States in the ratio of 90:10. Additionally, the Central Government also bears the cost of the smart cards at the rate of Rs. 60 per card. While the cost of enrollment and issuance of smart cards under the scheme is borne by the insurance company, the cost of setting up a State nodal agency is borne by the State Government. Although the beneficiary family does not contribute to premium, it needs to pay Rs. 30 per annum as registration fee.

Universal Health Insurance Scheme

Prior to the introduction of RSBY, the Universal Health Insurance Scheme was introduced in 2003 to provide health insurance to the BPL population. The scheme continues to be supported by GoI along with RSBY. As in RSBY, the scheme provides insurance against hospitalization expenses of BPL families' upto 30,000 on a floater basis. Additionally, the scheme provides for a compensation of Rs.

25,000 in the event of death of the earning head of the family due to accident as well as compensation for loss of livelihood to the earning head of the family @ Rs. 50 per day up to a period of 15 days. Unlike RSBY, the premium rate of UHIS is only partially subsidized by the Government. The premium rate under the scheme is Rs. 300 for individuals (of which Rs. 200 is subsidized by GoI), Rs. 450 for a family of five (of which Rs. 300 is subsidized by GoI) and Rs. 600 for a family of seven (of which Rs. 400 is subsidized by GoI). Also, unlike RSBY, the premium is subsidized only by GoI and no contribution is made by the State Government.

The Family Welfare Linked Health Insurance Scheme

The Government of India has also initiated the Family Welfare Linked Health Insurance Scheme in 2005 to provide insurance cover against death and complications arising from sterilization procedure. The scheme was introduced as a modified version of the earlier scheme of paying ex-gratia to persons facing death or complications following the sterilization procedure. In the revised



family welfare linked health insurance scheme introduced in 2005, a compensation of Rs. 2 lakhs is paid in case of death in hospital or seven days from the date of discharge from hospital following a sterilization procedure. In case of death following sterilization within 8 days to 30 days from the date of discharge from the hospital, a compensation of Rs. 50,000 is paid. In the event of failure of sterilization a person is provided compensation of Rs. 30,000 and for complications arising out of sterilization within 60 days of discharge, a maximum compensation of Rs. 25,000 is paid. Additionally, an indemnity upto Rs. 2 lakhs is paid per doctor or facility for at most four cases a year. The scheme is being implemented by ICICI Lombard at present. The premium paid by Government of India to ICICI Lombard is based on the expected number of sterilizations in a year. For the year 2010, premium per person (without service tax) for the scheme was Rs. 26 with an estimated 50 lakh sterilizations to be conducted in that year.

IV. Livestock and Sheep Insurance

GoI initiated two schemes to provide insurance to cattle bearers and sheep breeders against income losses due to death of sheep and cattle:

The livestock insurance scheme

The livestock insurance scheme was introduced by the Government of India in 2005- 06 to provide insurance to 'cattle rearers' against income losses due to death of crossbred and high yielding cattle and buffaloes. Under the scheme, an animal is insured at its market price and the beneficiary is compensated by that amount in the event of death of the animal. The scheme is implemented through one or more insurance agencies at the State-level, under the supervision of the State Livestock Development Board and State Department of Animal husbandry. The selection of insurance companies at the State-level is based on premium rates offered through bids and their ability and exposure in providing specific insurance services. While in most States a single insurance company is selected,



multiple insurance agencies have been selected in some States for providing insurance services related to the scheme. At present, the scheme is being implemented on a pilot basis in 300 selected districts across 27 states in India. The Government of India provides a 50 per cent subsidy in the premium for a maximum of two animals per beneficiary. In addition to the premium subsidy, the Government of India also spends on payment of honorarium to veterinary practitioners who are involved at the time of insuring and registering claims (at the rate of Rs. 50 and Rs. 100 per animal respectively).

The sheep insurance scheme

The Sheep Insurance Scheme was introduced by the Government of India in the 11th plan. The Sheep Insurance scheme provides insurance coverage against death of sheep in the age group of 1 to 7 years in the area covered under the Central Wool Development Board. The premium per sheep for the insurance is Rs. 44 of which Rs. 19 is contributed by the beneficiary and Rs. 25 by Government of India. Against this premium, the insure is entitled to a compensation of Rs. 1200 per sheep

in the event of death of sheep. The scheme is implemented through the Central Wool Development Board and operated through insurance companies. The Oriental Insurance Company of India has been selected by the Central Wool Development Board to operate the scheme.

5. Performance of Insurance Schemes

The coverage has also been low for most life insurance schemes. In 2011-12, the scheme with the highest coverage among the life insurance schemes viz. the Group Accident Insurance Scheme for Active Fishermen covered only about a third of the targeted population. The scheme for Khadi workers had coverage of around 30 per cent, while that for handloom weavers around 20 per cent. For the other schemes, the coverage was less than 10 per cent.. The estimates of coverage for handicraft artisans were based on data on the number of handicraft artisans reported in the Joint Census of handlooms and power looms 1995-96. For handloom weavers, estimates have been based on the Handloom Census of India 2011-12. Estimate of coverage of khadi workers is based on



the khadi employment figures reported in the Annual report of Khadi and Village Industries Commission 2009-10. Estimate of the total number of fishermen (male and female) was taken from the Livestock Census. Estimate of coverage of sheep breeders is based on data provided by the Central Wool Development Board and that of power loom workers is based on data provided by the Office of Textile Commissioner Mumbai. In Aam Aadmi Bima Yojana, it is important to note that the number of rural landless households in the country is much larger than NSSO's estimate, which is quoted by Government of India in this context. Studies have indicated that NSSO's land and livestock surveys underestimate the proportion of landless households in rural India because of a methodological reason.¹³ As a result, in States like Andhra Pradesh where AABY is implemented in a major way, the number of rural landless households covered under the scheme is double the NSSO's estimate of total number of rural landless households in the State.

In livestock and sheep insurance, the coverage was less than 9 per cent. In 2011-12, a total of 6.8 lakh cattle and buffaloes were insured under the livestock insurance scheme, which constituted about 3.04 per cent of the total number of female exotic and cross breed cattle and buffaloes in the 100 selected districts. Notably, as data on high yielding cattle and buffaloes are not available separately from the livestock census, the denominator includes all female exotic and cross breed cattle and buffaloes. Under sheep insurance, about 4 lakhs of sheep were covered by the end of March 2011, which constituted less than 1 per cent (0.7 per cent) of the total sheep population of the country.¹⁴ This coverage is estimated based on the total sheep population in the country based on the Livestock Census.

The coverage of health insurance schemes is relatively better. The Rashtriya Swasthya Bima Yojana (RSBY) has been able to cover about 23 per cent of the total BPL households in the country (about 50 per cent of the BPL households in the implemented districts). The coverage



of weavers under the health insurance schemes for handloom weavers and handicraft artisans under the Rajiv Gandhi Shilpi Swasthya Yojana is also relatively better. In 2011-12, the number of health cards issued to handloom weaver families, constituted about 55 percent of the total number of handloom weavers reported in the country. Similarly, under the scheme for handicraft artisans in 2011-12, the number of handicraft artisans insured constituted about 20 per cent of the total number of handicraft artisans employed in the handicraft sector. Estimates of coverage under the scheme for handloom weavers is based on data on the number of people associated with handloom weaving (full time and part time) reported in the Handloom Census of India 2011-12. The corresponding figures for handicraft artisans have been taken from the Joint Census of Handlooms and Powerlooms 1995-96. The Universal Health Insurance Scheme for the BPL population however, has a negligible coverage. In 2010-11, less than 0.9 per cent of the BPL population was covered under the scheme.

6. Conclusion

The study observed that illiteracy and lack of basic schooling lead to problems in understanding the benefits of the scheme and the operational modalities in terms of premium requirements and submission of claims along with required documents, which in turn adversely affects the performance of the schemes. While the evaluation study on Bima Yojana for handicraft artisans indicated low awareness among handicraft artisans, the evaluation of health insurance for handloom weavers found that awareness is not an issue in the targeted group. Discussions with State-level officials also indicate that part of delay in settlement of claims is due to difficulties faced in terms of submitting the required documents, which arises at least partially from illiteracy. In crop insurance schemes, where beneficiaries need not submit claims, delay in settlement of claims is primarily due to the delay in the receipt of the yield data from the State based on crop cutting surveys and release of funds from the State Governments. Thus awareness camps



on insurance to the mass are very essential.

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