

**TWELFTH REPORT**

**ESTIMATES COMMITTEE  
(2006-2007)**

**(FOURTEENTH LOK SABHA)**

**MINISTRY OF FINANCE  
(DEPARTMENT OF ECONOMIC AFFAIRS-  
INSURANCE DIVISION)**

**INSURANCE SCHEMES FOR WEAKER SECTIONS OF  
SOCIETY**

**Presented to Lok Sabha on 18.12.2006**

**LOK SABHA SECRETARIAT  
NEW DELHI**

**December 18, 2006/Agrahayana 27, 1928(S)**

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**(2006-2007)**

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## **INTRODUCTION**

I, the Chairman of the Estimates Committee, having been authorized by the Committee to submit the report on their behalf present this Twelfth Report on 'Insurance schemes for weaker sections of society' relating to Ministry of Finance (Department of Economic Affairs-Insurance Division).

2. The subject 'Insurance schemes for weaker sections of society' was selected for detailed examination by the Estimates Committee (2005-2006). The Committee heard the views of the representatives of Ministry of Finance on 12<sup>th</sup> September, 2005 and 19<sup>th</sup> June, 2006, Insurance Regulatory and Development Authority and General Insurance (Public Sector) Association(GIPSA) on 5<sup>th</sup> January, 2006, Ministry of Health & Family Welfare and Ministry of Rural Development on 11<sup>th</sup> July, 2006. The Committee further heard the views of representatives of Non-Government Organisations on 29<sup>th</sup> June, 2006 and took the oral evidence of the representatives of the Life Insurance Corporation of India on 25<sup>th</sup> January, 2006 and Ministry of Finance on 17<sup>th</sup> October, 2006. The Committee also held informal discussion on the subject with the representatives of the State Governments of Kerala and Karnataka and also Indian Institute of Management, Bangalore during their on-the-spot study visit to Kochi and Bangalore from 18<sup>th</sup> to 22<sup>nd</sup> September, 2006.

3. The Report was considered and adopted by the Committee at their sitting held on 14<sup>th</sup> December, 2006.

4. The Committee express their thanks to the representatives of the aforesaid Ministries and Organisations for placing before them the detailed information desired in connection with the examination of the subject.

5. For facility of reference, the observations/recommendations of the Committee have been printed in bold type in the body of the Report and have also been reproduced in consolidated form in the Appendix.

**NEW DELHI**  
**December 14 , 2006**  
**Agrahayana 23, 1928(S)**

**C.KUPPUSAMI,**  
**Chairman,**  
**Committee on Estimates**

## **CHAPTER I**

### **INTRODUCTORY**

1.1 The country's population stood at 102.87 crore according to 2001 Census. Persons belonging to economically weaker sections of the society and those living below the poverty line form a significant proportion of our population. Incidence of poverty in the country is estimated by the Planning Commission on the basis of the large-scale quinquennial sample surveys on household expenditure conducted by the National Sample Survey Organisation (NSSO). As per 1999-2000 survey, an estimated 25.35% (27.09% of rural and 23.62% urban population) were below poverty line. The Planning Commission in their Tenth Five Year Plan (2002-07) document highlighted that at the beginning of the new millennium, 260 million people in the country did not have incomes to access a consumption basket which defines the poverty line. Of these, 75 per cent were stated to be in rural areas as agricultural wage earners, small and marginal farmers and casual workers engaged in non-agricultural activities that constitute the bulk of rural poor. The number of persons people living below poverty line is estimated to be in the vicinity of 220 millions in 2007.

1.2 However, the Committee were informed that State Governments have different norms for actual identification of households living below the poverty line. State Governments have issued separate coloured ration cards to BPL families on the basis of such identification . As such, the number of persons falling below the poverty line as per the norms of the State Governments often do not

match the NSSO estimates. Persons who belong to marginally above poverty line also form a significant percentage of population.

1.3 People belonging to the economically weaker sections of society face hazards and live in high-risk environments. Per capita income and per capita consumption are low whereas occupational, financial and health risks are very high. The protection of these people from untimely risks has invited several forms of policy interventions by the Governments at the central and state levels including transfers of cash or food, credit subsidies and public employment schemes etc. Insurance cover is part of the safety nets which may be offered to economically vulnerable sections.

1.4 Nationalization of life insurance business in 1956 and non-life insurance in 1972 was aimed at “ensuring that the message of insurance is carried to every nook and corner of the country.” One of the objectives of Life Insurance Corporation (LIC) is to spread life insurance widely, in particular to the rural areas and to the socially and economically backward classes. With a view to reaching all insurable persons in the country and providing them adequate financial cover against death at reasonable cost, a number of schemes were introduced to cater exclusively to these segments of society.

1.5 At present LIC is administering a social security group insurance scheme, namely, Jana Shree Bima Yojana for weaker and vulnerable sections of the society. However, LIC has withdrawn a few other schemes which were launched for the insurance cover of



the economically weaker sections. These were Landless Agricultural Labourers Group Insurance Schemes, Rural Group Life Insurance Schemes, Krishi Shramik Samajik Suraksha Yojana, 2001 and Social Security Group Insurance Schemes. At present except two central sector schemes, almost all other insurance schemes stand withdrawn or replaced by some other schemes. As such, the number of persons of those marginally above or below the poverty line, who have been covered by insurance schemes is only a minute fraction of the actual number intended to have been covered as per Tenth Five Year Plan. The State-wise statistics of lives covered under social security schemes in the last five years is given at Annexure-A.

## **CHAPTER-II**

### **Insurance Regulatory Development Authority**

2.1 Insurance Regulatory and Development Authority (IRDA) was established in 1999. Following the opening up of the insurance sector to private players in 2000, IRDA has formulated IRDA (Protection of Policy Holders' Interests) Regulations which insurers have to comply with. IRDA has laid down mandatory obligations for both the public and private sector players towards the rural and social sectors to ensure that these areas are not neglected. The definition and obligations are as under :-

#### **A. Definitions :-**

“Rural sector” shall mean any place as per the latest census which has – (i) a population of not more than five thousand; (ii) a density of population of not more than four hundred per square kilometer; and (iii) at least seventy five per cent of the male working population is engaged in agriculture.

“Social sector” includes unorganized sector, informal sector, economically vulnerable or backward classes and other categories of persons, both in rural and urban areas;

“Unorganised sector” includes self-employed workers such as agricultural labourers, bidi workers, brick kiln workers, carpenters, cobblers, construction workers, fishermen, hamals, handicrafts artisans, handloom and khadi workers, lady tailors, leather and tannery workers, papad makers, powerloom workers, physically handicapped self-employed persons, primary milk producers, rickshaw pullers, safai karmacharis, salt growers, seri culture workers, sugarcane cutters, tendu leaf collectors, toddy tappers, vegetable vendors, washerwomen, working women in hills, or such other categories of persons.

“economically vulnerable or backward classes” means persons who live below the poverty line;

“other categories of persons” includes persons with disability as defined in the Persons with Disabilities (Equal Opportunities, Protection of Rights, and Full Participation) Act, 1995 and who may not be gainfully employed; and also includes guardians who need insurance to protect spastic persons or persons with disability;

## **B. Obligations :-**

Every insurer, who begins to carry on insurance business after the commencement of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), shall, for the purposes of sections 32B and 32C of the Act, ensure that he undertakes the following obligations, during the first five financial years :

(a) Rural Sector (i) in respect of a life insurer

- (I) five per cent in the first financial year;
  - (II) seven per cent in the second financial year;
  - (III) ten per cent in the third financial year;
  - (IV) twelve per cent in the fourth financial year;
  - (V) fifteen per cent in the fifth year,
- of total policies written direct in that year;

(ii) in respect of a general insurer :-

- (I) two per cent in the first financial year;
  - (II) three per cent in the second financial year;
  - (III) five per cent thereafter,
- of total gross premium income written direct in that year.

(b) social sector, in respect of all insurers, --

- (I) five thousand lives in the first financial year;
- (II) seven thousand five hundred lives in the second financial year;
- (III) ten thousand lives in the third financial year;
- (IV) fifteen thousand lives in the fourth financial year;
- (V) twenty thousand lives in the fifth year;

the above obligations may be reviewed by IRDA once in every five years.

Obligations of existing insurers. \_\_ (1) The obligations of existing insurers as on the date of commencement of IRDA Act shall be decided by the Authority after consultation with them and the quantum of insurance business to be done shall not be less than what has been recorded by them for the accounting year ended 31<sup>st</sup> March, 2000. (2) The Authority shall review such quantum of insurance business periodically and give directions to the insurers for achieving the specified targets.

2.2 Sh. C.S. Rao, Chairman , IRDA while explaining the role of IRDA as a monitoring authority stated during oral evidence that :-

“.....we monitor the performance of the companies to look at the solvency of the insurance companies. We also clear their products. We are in the business of ensuring that any obligations that have been cast on the insurers are fully complied with..... One of the obligations that have been cast on the insurer while giving a license is that he shall abide by our prescriptions with regard to the obligations towards the rural areas and the social sector. That is also one of the things that is monitored by the IRDA as a part of its normal programme.....We monitor on a year-to-year basis whether the insurance companies are adhering to those norms or not. .... We do quarterly and yearly monitoring. While in one or two years there have been some shortfall compared to what they should have done. We have warned them and said we will impose punishment if there are any violations. They have done much more than what is warranted as per the regulation. What we find is that the prime insurance companies are willing and eager to fulfill their obligations to the rural areas and also the social sector. Sometimes they have difficulties in reaching those targets because we analysed in some cases and we find that the NGO had moved away to another insurance company because they offer better opportunities. But in the subsequent years, they have been able to make substantially. This is our experiences as far as social sector is concerned”.

2.3 While defending the case of insurance companies regarding non-implementation of the insurance schemes floated by the Union and State Governments, the Chairman, IRDA stated before the Committee as under:-

“If some of the schemes of the State Governments or the Government of India are not being implemented, it is either because of the State Government concerned or the Government of India is unable to make up its mind with regard to the quantum of subsidy that is involved. The insurance company is supposed to evolve schemes without taking into account any subsidy at all. Whatever is financially viable are the schemes that are supposed to be implemented by insurance companies. If the State Government or the Government of India feels that a particular section of the population will not be able to pay the kind of premium that is required, then the subsidy will have to be forthcoming either from the State Government or from the Government of India, whichever is the agency that is sponsoring it.”

2.4 When asked about the criteria being adopted by insurance companies for identification of weaker sections, Chairman, IRDA stated as follows:-

“.... The real problem is of identification. Our urban experience in some of the State has been that 40 per cent of urban population comes under the BPL category. In case of rural areas, it is more than 70 per cent. When we are talking of a BPL oriented universal health scheme, we are talking of a much larger number. But the crux of the problem is to identify the person of the BP category. Unless we do that, what is likely to happen is that this facility would be misused and those who do not belong to the BPL families would get the benefit of it as it happened in the case of ration cards. If we have a scientific

and systematic method by which we can identify the persons of BPL category, it is possible to have this scheme.”

2.5 In regard to definition on below poverty line people in the IRDA regulations, the Chairman, IRDA stated during evidence that:-

“In fact, if you look at the Insurance Act and the regulations that we have made, you will notice that we have not talked about the people below the poverty line at all. What we have done is, we have classified them as occupational groups. We have to identify them with reference to the kind of work that they are doing..... So, our definition of people who are to be covered under social sector are covering the people in the disadvantaged sections of the population. We did not say ‘BPL’. We said any disadvantaged section of the population, any person belonging to an occupational group. He could be a weaver, he could be a fisherman, he could be a toddy tapper, he could be a blacksmith, he could be a goldsmith. Depending upon the kind of occupation that he has got, if he is poor, we have taken them in our definition. We have not defined what that poverty is, but it is left to the imagination of the Government and the insurance companies. The idea is not to restrict, but to see that a large number of weaker sections of the people who are vulnerable and weaker sections are given insurance cover, then an external agency will have to come and then give the subsidy.”

## **CHAPTER III**

### **INSURANCE SCHEMES FOR WEAKER SECTIONS OF SOCIETY**

#### **1. Social Security Group Insurance Schemes**

3.1 The Social Security Fund (SSF) was set up in 1988-89 for providing social security through group insurance schemes to the weaker and vulnerable sections of the society. Subsequently, Social Security Group Insurance Schemes were launched by LIC. The purpose of these schemes was to provide life cover at subsidized rate to the socially and economically backward sections. These schemes provided a sum upto Rs.5000/- on death with accident benefit of Rs.25,000/-. Persons belonging to the following 24 approved occupational groups were covered under the scheme :-

Sr. No.	Occupation
1.	Beedi Workers
2.	Brick Kiln workers
3.	Carpenters
4.	Cobblers
5.	Fisherman
6.	Hamals
7.	Handicraft artisans
8.	Handloom weavers
9.	Handloom and Khadi weavers
10.	Lady Tailors
11.	Leather and Tannery workers
12.	Papad workers attached to 'SEWA'
13.	Physically Handicapped Self Employed Persons
14.	Primary Milk Producers
15.	Rikshaw Pullers/Auto Drivers
16.	Safai Karmacharis
17.	Salt Growers

18. Tendu Leaf Collectors
19. Urban Poor
20. Forest workers
21. Seri Culture
22. Toddy Tapers
23. Powerloom workers
24. Hilly Area women

3.2 The Scheme was frozen and replaced by Janashree Bima Yojana from 10<sup>th</sup> August, 2000. Thereafter only renewal of groups covered earlier is allowed.

3.3 During the period since the instruction of JBY, LIC has identified and approved 19 more groups for their eligibility in addition to above mentioned 24 occupational groups approved under Social Security Schemes.

Sr. No.	Occupation
1.	Food stuffs as Khandsari/Sugar
2.	Textiles
3.	Wood products
4.	Paper products
5.	Leather products
6.	Printing
7.	Rubber and Coal products
8.	Candle products
9.	Toys manufacture
10.	Agriculturist
11.	Transport drivers association
12.	Transport karmacharis
13.	Rural Poor
14.	Construction workers
15.	Fire crackers workers
16.	Coconut processors
17.	Aanganwadi workers and helpers
18.	Kotwal



## 19. Plantation workers

### 2. **Janashree Bima Yojana**

3.4 Janashree Bima Yojana provides for life insurance protection to the rural and urban people who are below or marginally above the poverty line and who are aged between 18 and 59 years. However, the person should be a member of any of the approved vocation or occupation group out of 43 occupational groups approved in this regard. A State Government department which is concerned with the welfare of the relevant section of the group or village panchayat or NGO or any other self help group would have to be a nodal agency. The scheme cannot be offered to individual members unless they form a group of atleast 25. The premium for this scheme is Rs.200 per member. 50% of which is borne by either the member or nodal agency or State Government and the remaining 50% is contributed from the social security fund managed by LIC. In regard to identification of target population for coverage under the scheme, the Secretary (Department of Economic Affairs) stated during the evidence "There are 43 occupational groups which are covered under Janashree Bima Yojana. So, there is no fresh definition of BPL families in case of life cover."

3.5 Schedules of benefits payable to the beneficiary under the Scheme are:-

Event	Benefit Amount
Death (other than by accident)	Rs.20000
Death or total permanent disability due to accident	Rs.50000
Permanent partial disability due to accident	Rs.25000

3.6 The coverage under Janashree Bima Yojana is stated to be as follows :-

Scheme	2000-01	2001-02	2002-03	2003-04	2004-05
	215637	819012	1158239	2507024	3539654

**3.7 Shiksha Sahayog Yojana (SSY)** : In pursuant to the Government's announcement in the Budget 2001-2002, LIC launched the Shiksha Sayhayog Yojana for the benefit of children of members of Janashree Bima Yojana. The scheme provides for the scholarship of Rs.300/- per quarter to students studying in 9<sup>th</sup> to 12<sup>th</sup> standards. The beneficiary has not to pay any premium for availing the supplementary benefit of scholarship.

3.8 The number of Scholarships disbursed during the last 3 years are as follows:

Year	No. of Scholarships
2002-03	47,313
2003-04	1,60,473
2004-05	1,74,179

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3.9 In regard to weaknesses of the above two schemes, LIC in a written reply stated as follows:-

1. No Scheme can be offered to individual members unless they form a group of atleast 25.

2. Only heads of families are covered.
3. Identifying beneficiaries who are below poverty line or marginally above poverty line is difficult. Hence benefits of the scheme may be drawn even by those who are not eligible for the same.

3.10 In regard to the efforts being made to popularize the scheme, representative of the Ministry of Finance stated during the evidence:-

“October, every year is celebrated as social security month where a number of activities do take place. Most of these things are sponsored by NGOs. Groups are organized from some group or Panchayats or some body; they come as our members as master policyholders. We try to target the NGOs of the state. We have a list of NGOs every month and people’s representatives in this area. In this month we made extensive contacts with the people and people’s groups also in the Panchayats. Moreover, even though it is not really our full-profitable business, every year we set a target of number of lives that are to be covered which is given to each of our operating units. This yearly target is renewable every year. Once a group joins we take every effort to see those people are renewing every year without fail so that the cover comes continuously. These are the efforts that we are taking for popularizing the scheme.”

3.11 A representative of NGOs involved in implementation of insurance schemes for weaker sections while explaining the reasons for dismal coverage under the scheme, stated during evidence that:-

“.....my contention here is that the LIC, which is a very large organisation has floated this scheme, but people outside of Delhi, or even in Delhi are not aware of this. It is primarily because BPL people mostly stays in the slums or in marginalized areas. They are not aware of the scheme. I go to such people to speak to them that such and such scheme exists. People are not aware. My contention here is that the LIC if it has to reach to a larger audience, then has to pay a

little more to publicity. They have to advertise more use publicity material, or may be use the services of the Doordarshan for reaching out to people living in villages or in the slums and marginalized areas.

My second contention here is that the Panchayati Raj institutions which have its reaches far and wide in the remote areas, if they could take up this issue as one of the important aspects of their work, then perhaps they will be able to reach out to those people who are categorized as BPL families.”

### **3. Universal Health Insurance Scheme**

3.12 Universal Health Insurance Scheme (UHS), first launched in July, 2003 and redesigned in 2004 covers mainly hospitalization benefit upto a limit of Rs.30000 for a BPL family including compensation for death of the earning head of the family for Rs.25000. Compensation to the earning head of the family towards loss of earnings at the rate of Rs.50 per day for the period of hospitalization to a maximum of 15 days is also payable. The premium payable is Rs.365 for an individual, Rs.548 for a family of 5 and Rs.730 for a family of 7 with a central Government subsidy of Rs.200 for an individual, Rs.300 for a family of 5 and Rs.400 for a family of 7 as per Budget 2004-05. In regard to identification of target population for coverage under the scheme, representative of the Ministry of Finance informed the Committee during the evidence as under:-

“In case of non-life cover, under Universal Health Insurance Scheme of BPL, we take the definition of the Planning Commission. But all the State Governments have issued separate coloured ration cards to BPL families. So, we cover only those families which are given the BPL ration cards by different State Governments.”

3.13 The coverage under UHIS is as given below :-

Years	No. of Policies	No. of families	No. of Persons
2003-04	327562	416688	1161604
204-05	52772	65718	182641

3.14 To a query regarding the reasons for unsatisfactory coverage under UHIS, the Ministry of Health and Family Welfare stated in their note that the Universal Health Insurance Scheme has not taken off for a number of reasons including the unsatisfactory efforts on increasing enrolment, unsatisfactory thrust of public sector insurance companies in linking service provision and to ensure quality health care etc.

3.15 When asked about the failure to cover more people under health insurance scheme, the Chief executive, General Insurers (Public Sector) Association of India (GIPSA) stated as follows during evidence before the Committee :-

“...Knowing the experience that we have, the health insurance cover has not been successful because of the laws that we have. It means that the premium, the consideration which we get has been far low than the amount that we have been paying. Another reason is that we have not been able to enlarge the base. Unless the base is enlarged, certainly premium will go down because volume will go up. What is happening unfortunately is that in urban areas only those people who are vulnerable to diseases are coming forward to take the policies and in rural areas also, it started happening. So, only a select few take it. The population has been identified and they are coming forward to take it. It is not a question of Government subsidizing the schemes. It should be remunerative to the insurance companies. We do not want to make money out of it. But it should be on the basis of ‘no profit,

no loss'. But unfortunately at the end of the day, it turns out to be a loss-making proposition. The subsidy has to be stopped and then, it must be remunerative. That means, the premium must commensurate with the risk that we take. That is the basic problem. I am sure, in another 2-3-4 years, if the base is enlarged, this will be taken care of, once the premium goes down."

3.16 During the evidence, the Chief Executive, GIPSA further stated as follows:-

"...We had mentioned earlier also that BPL population finds it difficult to pay even the subsidized premium. Although subsidy is available from the Government, there is a lack of awareness and affordability among these people. So, we felt that if the Government allows 100 per cent subsidy for BPL families for the initial period of two to three years, to increase awareness and save them from rural indebtedness arising out of health hazards, gradually shifting to a self-supportive scheme, these scheme will be successful. If the State Governments are encouraged to take master policies for the entire State, it will reduce the cost of implementation and will bring in awareness quickly and uniformly all over the country for better evaluation. Lack of reach of insurance companies in true sense to the actual rural areas needs to be looked into by creating a separate entity, if possible, for socially-oriented schemes. Then there is the fact that the claim ratio in health insurance is much higher and the business is loss-prone all over. This requires a different approach other than what is followed at present by the public sector insurance companies'.

3.17 When asked about the plan of Ministry of Finance to cover all the BPL families under Universal Health Insurance Scheme (UHIS), Special Secretary, Ministry of Finance deposed before the Committee

as under:-

“I am not in a position to give a target as to by which time we will be able to cover all the BPL families. But the restriction of the scheme was that it was to be implemented only through the public sector insurance companies. That is the Budgetary announcement. We have had about one year’s discussion within the Government which involves the Health Ministry, Finance Ministry and the insurance companies. Now, the private sector insurance companies have also come forward. ....Health provisioning, whether for BPL families or for general, is done by the Health Ministry. By virtue of the fact that only public sector insurance companies are under the administrative control of the Ministry of Finance, we are before you today. Now, there is in fact a direction right from the Prime Minister himself. He had taken a meeting in which a presentation was done by the Health Ministry in which they have been asked to design a scheme which will be applicable to all the BPL families irrespective of whether the scheme is to be implemented by the public sector insurance companies or by the private sector insurance companies. The coverage will be all over India. The coverage will be for all the BPL families. That scheme is now being designed by the Health Ministry.”

## **CHAPTER-IV**

### **OTHER SCHEMES**

#### **1. LANDLESS AGRICULTURAL LABOURERS GROUP INSURANCE SCHEME (LALGI)**

4.1 Landless Agricultural Labourers Group Insurance Scheme (LALGI) was launched on 15<sup>th</sup> August, 1987 and termed as the world's largest group insurance scheme which would about 1.2 cores landless agricultural labourers throughout the country. Under this scheme, heads of families who were landless agricultural labourers were insured and the scheme provided for the following:

<b>Eligibility</b>	18 to 60 years
<b>Benefit</b>	Rs. 2000/- (prior to 10.1.92 it was Rs. 1000/-
<b>Premium</b>	No premium charged. Entire premium was drawn from Social Security Fund.

The scheme was run on “no profit no loss” basis by LIC. The scheme was withdrawn w.e.f. 14.8.2000 as it was envisaged that the insurance cover of Re. 2000/- was too low.

#### **2. RURAL GROUP LIFE INSURANCE SCHEMES**

4.2 Rural Group Life Insurance Schemes came into effect from 15.8.1995. These schemes were to provide life insurance protection to the rural masses. Person as aged 20 years or more but less than 50 years were eligible to enter the schemes. A person belonging to a household below the poverty line was eligible for a subsidy of 50% in the premium, which was shared by the Central and State



Governments in equal proportion. The annual premium was Rs. 60/- p.a. for a person aged 20-40 years, on the date of joining and Rs. 70/- for aged 40 to 50 years. In the event of death of a member before age 60 years, a flat sum assured of Rs. 5000/- was paid to the appointed beneficiary. The scheme was administered through elected panchayats. The scheme was discontinued w.e.f. 01.4.2000 as there was a proposal to have an all-encompassing single, simple land comprehensive scheme of insurance which will be easy to operate.

### **3. KRISHI SHRAMIK SAMAJIK SURAKSHA YOJANA**

4.3 Krishi Shramik Samajik Suraksha Yojana was launched on 1<sup>st</sup> July, 2001. The object of the scheme was to provide life insurance protection, periodical lump sum survival benefit and pension to the agricultural workers. Persons between age 18 and 50 years could enter into the scheme. Persons engaged in one or more of the following agricultural occupations in the capacity of a labourer on hire, whether paid in cash or kind or partly in cash and partly in kind were eligible under this scheme:-

- a) farming
- b) dairy farming
- c) production
- d) raising of livestock, bee-keeping or poultry farming and
- e) any practice performed on a farm as incidental to or in conjunction with the farm operation.

LIC in a written reply has stated that the sale of new policies was discontinued from December, 2003 as advised by Ministry of

Labour and that the amount of subsidy was too high and Ministry of Labour's proposal was turned down by the Ministry of Finance.

4.4 Premium under the scheme was Rs. 365/- per annum and the Government contributed double the amount from Social Security Fund besides Rs. 100/- for life covers. Gram Panchayats were the nodal agency, which identified the agricultural workers and organized them into groups of minimum 20 and submitted details to LIC. The scheme was launched in 50 selected districts. The details of the lives covered and benefits accruing were as under:

YEAR	COVERAGE OF LIVE INFORCE
2004-05	36,810
2003-04	57,044
2002-03	1,38,235
2001-02	1,01,209

**Benefits: (while the membership is in force)**

On death before age 60:

Payment of sum assured along with  
return of accumulated Amount with interest : Rs. 20,000/-

Payment of an additional sum assured in  
Case of death due to accident: Rs. 30,000/-

In case of total permanent disability: Rs. 50,000/-

In case of partial permanent disability: Rs. 25,000/-

4.5 Besides above, lump sum survival benefit of Rs. 3000/- were to be provided at the end of every 10<sup>th</sup> Year after entry into the scheme.

Minimum pension of Rs. 100/- p.m. were to be paid to the member on reaching age 60.

4.6 When asked for reasons for the closure of the scheme, Finance Secretary stated that:

“The Krishi Shramik Samajik Suraksha Yojana was started in 2001 but got frozen because Labour Department could not provide budgetary devolutions for new enrolments. So, the scheme got frozen in 2004. For new members, the Labour Ministry has not been able to provide additional funds and that is why, the scheme stands frozen.”

#### **4. RURAL POSTAL LIFE INSURANCE**

4.7 Rural Postal Life Insurance PLI (RPLI) came into being as a sequel to the recommendation of the Official Committee for Reforms in the Insurance Sector (Malhotra Committee). The Committee had stated that Rural Branch Postmasters who enjoy a position of trust in the community have the capacity to canvass life insurance business within their respective areas. The Government accepted this recommendation and permitted Postal Life Insurance to extend its coverage to the rural areas with effect from 24.3.1995, mainly because of the vast network of Post Offices in the rural areas and low cost of operations. The prime objective of the scheme is to provide insurance cover to the rural public in general and to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population. RPLI has now a total of about 56 lacs policies with a total Sum Assured of about Rs. 27,000 Crore and the fund balance of about Rs. 1297 Crore as on 31.3.2006.

## 5. MICRO INSURANCE SCHEMES

4.8 Keeping in perspective the abysmal insurance coverage of the poor and the need for having insurance products that can be afforded by the rural and urban poor, IRDA floated the concept of Micro insurance and notified regulations for the same in November, 2005. Focus of the regulations was to provide a platform our rules to provide insurance to the targeted segment of the society.

4.9 The following are the terms of life Micro Insurance Products

Type of Cover	Minimum amount of Cover	Maximum amount of Cover	Term of Cover Min.	Term of cover Max	Minimum Age at entry	Maximum Age at entry
Term Insurance with or without return of premium	Rs.5,000	Rs.50,000	5 years	15 years	18	60
Endowment Insurance	Rs.50,000	Rs.30,000	5 years	15 years	18	60
Health Insurance Contract (Individual)	Rs.50,000	Rs.30,000	1 year	7 years	Insurer's discretion	Insurer's discretion
Health Insurance Contract (Family)	Rs.10,000	Rs30,000	1 year	7 year	Insurer's discretion	Insurer's discretion
Accident Benefit as rider	Rs.10,000	Rs.50,000	5 year	15 years	18	60

- Notes: 1. Group insurance products may be renewable on a yearly basis
2. The minimum number of members comprising a group shall be at least twenty for group insurance.

4.10 The following are the terms of non-life micro insurance product

Item	Type of Cover	Min. Amount of Cover	Max. Amount of Cover	Term of Cover Min.	Term of Cover Mix.	Min. Age at entry	Max. Age at entry
1	Dwelling and contents, or livestock or tools or implements or other named assets/or Crop insurance against all perils	Rs.5,000 Per asset cover	Rs.30,000 Per asset cover	1 year	1 year	NA	NA
2	Health Insurance Contract (Ind.)	Rs.5,000	Rs.30,000	1 year	1 year	Insurer's discretion	
3	Health Insurance Contract (family) (option to avail limit for individual/floating on family)	Rs.10,000	Rs.30,000	1 year	1 year	Insurer's discretion	
4	Personal Accident (per life earning member of family)	Rs.10,000	Rs.50,000	1 year	1 year	5	70

Note : The minimum number of members comprising a group shall be at least twenty for group insurance.

## **CHAPTER-V**

### **Insurance Schemes run by State Governments**

5.1 State Governments of Punjab, Uttanchal and the Government of U.T. of Pondichery are providing /had provided insurance cover to all the Heads of the families living below poverty line under Janshree Bima Yojana. Some States have covered entire occupational groups. Tamil Nadu has covered handloom weavers, Maharashtra has covered unorganized labour and Andhra Pradesh has covered rickshaw pullers, shopkeepers, agricultural labourers etc. LIC in a written reply, has stated that such steps taken by the state Governments are definitely advantageous for providing insurance coverage for weaker sections.

5.2 Government of Kerala assumed a Health Insurance Scheme namely Kudumshree this year for below poverty line people. As per this scheme a death compensation of Rs. 1 lakh and medical expenses (of a family consisting of 5 members) upto Rs. 30,000/- per annum is offered. The premium for the scheme is Rs.399/. Of which Rs.99/- shall be borne in the ratio of 1:1:1 by the State Government, Local Self Government and the beneficiary respectively. Rs.300/- will come as subsidy from the Central Government. The scheme is to be operated by a private insurance company named ICICI Lombard. As the subsidy of Rs. 300/- under UHIS can be availed only by the Public Sector Insurance Companies, the scheme remains a non-starter. In this regard, a representative of the Ministry of Health and family Welfare stated before the Committee during evidence as follows:-

“A lot of these explanations are existing in the universal health insurance scheme. Among other explanations, this also

perhaps is an explanation that the scheme has not been doing well, as it is evident. That is why in Kerala, when they worked out the Kudumbashree which was originally taken from UHI scheme. They made seven very critical departures from the UHI project. Pre-existing diseases were covered in the Kudumbashree which Kerala developed. First year exclusions were covered, maternity benefits were covered, cost of domiciliary hospitals were covered, mental illness, full disability compensation and partial disability compensation was also covered. Surprisingly, the premium worked out which was lower than what was the premium for UHIS. None of these is allowed under the existing UHIS. They had managed to negotiate through an open process and able to get this particular thing. The only problem, as you know, is the scheme has not started. Out of 25 lakh below the poverty line families in Kerala, about eight lakh have already deposited their share of Rs. 33, the State Government was to give Rs. 33, local Government, Rs. 33. They had expected Rs. 300 to come as subsidy from the Government of India, which is as I mentioned because of the specific budgetary statement that it would only be available for public sector insurance companies, the Finance Ministry has not been able to do that. ...They wanted to develop with ICICI Lombard through open and transparent process and they were being provided under UHIH scheme a sum of Rs.580/- for a family of five but the actual amount available was Rs.399/- but the Ministry of Finance has not yet agreed to release the subsidy of Rs.300/-."

5.3 Government of Assam has also introduced Mukhya Mantrir Jibon Jyoti Bima Achoni which is a combined Health Insurance and Personal Accident Scheme for all the citizens of the State. The objective of the scheme is to provide medical expenses upto a maximum of Rs.25,000/-. In regard to implementation of this scheme, a representative of GIPSA stated during evidence, "whether people have got the benefits of the scheme or not is not known."

5.4 Government of Andhra Pradesh has also launched one Grahya Raksha Yojana in which all the BPL families whose houses are destroyed by natural calamities are eligible to claim Rs.10,000. Another scheme of Andhra Pradesh is a personal accident cover. Anybody in that State who is a farmer or a poor man is covered upto an insurance of Rs.one lakh. Premium for these schemes is paid by the Government of Andhra Pradesh. In regard to implementation, the Committee were informed that though it is loss making, it is successful.

5.5 In the state budget of 2006-07, the Government of Karnataka announced to implement a health insurance scheme for landless agricultural labourers under the name of "Swarana Suraksha". The scheme will be implemented by adapting the "Universal Health Insurance Scheme" of the Government of India.



## **CHAPTER-VI**

### **SUGGESTIONS RECEIVED BY THE COMMITTEE**

#### **Suggestion made by the Ministry of Rural Development**

6.1 National Rural Employment Guarantee Act was enacted in 2005 which guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. The Act came into force initially in 200 districts and will be extended gradually to other areas notified by the Central Government. In the operational guidelines, 2006 of the Act, it has been mentioned that the Act will cover the whole country within five years. Employment is provided as per the job cards issued by the Gram Panchayat to every registered household. The Secretary, Ministry of Rural Development while explaining the utility of job cards for the identification of rural masses for coverage under insurance schemes, stated as follows:-

“What we can offer from the Rural Development Department, if it works out, could be certainly much more plausible than what the health mission can offer or any other group can offer. Today, at the village level, we have a whole arrangement which is working in these poorest districts for mobilizing the poorest households for doing really hard work. They are there. Suppose the premium is as low as Rs.100 or Rs.150. A day's wage in most of these places is Rs.60 or Rs.65. Suppose a person says that he is willing to give a day's wages, it is not much for a full annual coverage. He may be working for hundred days, but because of our job card, you can actually find him in the village for the entire period. So, we want to use the job card as the point from which you can get a full year coverage for every household. We think that we can do it.

Right now there has been a lot of publicity for it. In some States the scheme has taken off extremely well. Madhya Pradesh, Rajasthan, Tamil Nadu, Andhra Pradesh, Orissa, Chhattisgarh are the places where the schemes is really in full swing. We believe it is perfectly possible for us, if a company is also willing to stand side by side with us.”

### **Suggestions of Indian Institute of Management, Bangalore**

6.2 During the Committee’s visit to Bangalore on 21.09.2006, Centre for Insurance Research & Education , Indian Institute of Management, Bangalore made a presentation to the Committee on the subject “Insurance Schemes for the weaker sections of the society”. They highlighted the following points concerned with poor insurance coverage of weaker sections of the society:-

- (i) High cost of distribution and administration due to low sum assured and corresponding low.
- (ii) The current channels are more urban oriented and this provides constraints.
- (iii) Seasonal nature of income leading to irregular payment of premium.
- (iv) Operational challenges in obtaining reliable documentation at the time of issuing policies, securing acceptable proof of age, collecting and remitting premiums promptly and accurately etc.
- (v) Claims management problematic; verifying the authenticity of claims time consuming and expensive.

6.3 For affecting improvements in this area, the IIM, Bangalore made the following suggestions:

- (i) Introduction of package policies such as the Farmers' Package policy covering various perils including accident, death and disability of the earning member of the family, natural calamities, etc. to increase the awareness of risk and insurance and save on distribution costs.
- (ii) Introducing insurance products that provide flexibility in premium payment. Payment schedule to be linked to the harvest season, with an option for top-up payments by farmers in periods of surplus incomes, along with a facility for irregular premium payments due to natural disasters without affecting the continuity of the insurance cover.
- (iii) New approaches to widen the coverage to be devised. For example, any loan disbursed can stipulate that there should be compulsory death and disability cover. Insurers could sell insurance products on the back of banking products widely made available by way of 'kisan' credit cards. Auto drivers purchasing vehicles with bank loans could be sold a compulsory life insurance policy. Housemaids could be registered and the employer may be required to compulsorily insure them. Vehicle owners may be required to provide compulsory insurance for their paid drivers etc.
- (iv) Innovative distribution approaches through partnership with village level institutions and non-governmental

organizations. This would help to lower distribution and claim costs.

- (v) The Indian postal service could also be used to sell health and general insurance policies, besides the existing postal life insurance.
- (vi) Portability to be insured.
- (vii) Introduction of simplified health insurance policies. The main requirement is to reimburse hospitalization expenses incurred for major surgery, or accident.
- (viii) Payment of claims is an important area. The post offices could be utilized in this important activity, through opening of postal savings accounts or bank account in the joint name of the insured and his spouse to ensure payment of proceeds to the affected party.

## **RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE**

1. The Planning Commission in their Tenth Five Year Plan (2002-07) document highlighted that at the beginning of the new millennium, 260 million people in the country did not have incomes to access a consumption basket which defines the poverty line. Of these, 75 per cent were stated to be in rural areas with the bulk of the rural poor comprising as agricultural wage earners, small and marginal farmers and casual workers engaged in non-agricultural activities. The fact that such a significant proportion of population of the country belonging to economically weaker sections of the society and living below poverty line both in rural and urban areas is highly vulnerable to high-risk work environments and health hazards, policy and programmatic initiatives on the part of the Central Government are needed for providing protection against natural calamities including crop failure; diseases; and untimely loss of lives. Recognizing the necessity for Government's initiatives for providing social security to these segments of population, the Committee took up the subject 'Insurance schemes for weaker sections of the society' for examination. The Committee had detailed interactions with the representatives of Ministry of Finance (Department of Economic Affairs-Insurance Division); Public Sector Insurance Companies; Ministry of Health and Family Welfare; Ministry of Rural Development; and informal discussions with State Governments of Kerala and Karnataka as well as IIM Bangalore. After going into the various aspects relating to implementation of and performance under different life and non-life insurance schemes announced from time to time by the Government and launched by Public Sector Insurance Companies, the Committee are of the view that there is an urgent need to pay focused attention on revamping and redesigning the various insurance schemes being operated for weaker and vulnerable sections of the society so that the insurance coverage amongst these sections of the society is not only widened but the intended benefits also reach the targeted segments. The different aspects

relating to the subject have been dealt with in detail by the Committee in the succeeding paragraphs.

2. The Committee note that subsequent to setting up of the Social Security Fund in 1988-89 for providing social security through group insurance schemes to the weaker and vulnerable sections of the society, different group insurance schemes for approved occupational groups belonging to these sections are being subsidized from this Fund at the rate of 50 per cent of the premium payable. However, in pursuance of Government's announcement in Budget 2000-2001, this Social Security Scheme was frozen from 10<sup>th</sup> August, 2000 and only renewal of groups covered earlier is allowed. This scheme was simultaneously replaced by Janashree Bima Yojana (JBY) which provides life insurance protection to the rural and urban poor persons who are below or marginally above the poverty line provided they belong to the identified occupational group. Since its launch the administering agency i.e., the Life Insurance Corporation (LIC) has identified and added another 19 occupational groups for coverage under JBY thus taking the total of approved occupational groups under JBY to 43. The Committee find that only about 35.40 lakhs persons stood covered under this scheme by way of new enrollment or renewal during the year 2004-05. Taking into consideration the size of the population intended to be covered under the scheme, the Committee are convinced that it will take a very long time to cover all the targeted people at the present pace. The Committee also feel that the poor coverage under JBY is mainly due to certain inherent weaknesses in its restrictive approach and conditionalities attached to the scheme such as the persons covered under the scheme should belong only to any of the 43 occupational groups identified and notified by LIC, the coverage under the scheme should be offered only to a group having minimum membership of 25 persons and only heads of families should normally be covered. In the opinion of the Committee, the basic understanding that policies for

insurance need to be canvassed and that the insurance industry is always supply driven, is missing in the formulation and practices in this scheme. Obviously, any person living below or marginally above poverty line who is unable to meet the aforesaid criterion can not avail himself of coverage under this scheme. The Committee are at a loss in comprehending the logic of restricting the benefits under this scheme to persons belonging only to certain identified occupational/vocational groups and that too with a minimum membership of 25 such persons. In the opinion of the Committee, the scheme in its present form cannot meet the objective of providing life insurance protection to the entire populace of rural and urban poor living below or marginally above the poverty line. The Committee, therefore, recommend that this scheme should be so revamped and restructured that the benefit of life insurance coverage reaches all those persons who live below or marginally above poverty line in the age segment between 18 and 60 years. Since the scheme aims at covering economically weaker sections of the society, the system of grouping a minimum of 25 persons should also be reviewed so that the coverage under restructured scheme is extended even to those individuals who are unable to meet the requirement of forming a group of 25 members from an identified occupation but willing to join the scheme.

3. According to the information made available to the Committee, the Ministry of Finance introduced the Universal Health Insurance Scheme (UHS) in July 2003 and notified it within one year of its operation in 2004 restricting the scheme only for the BPL families. This scheme is at present being implemented by four public sector insurance companies. Astonishingly, this scheme could cover merely 65728 families comprising 1,82,641 persons during the year 2004-05. The main reasons put forth by the Government for the poor coverage under the scheme are unsatisfactory efforts at increasing enrolment, unsatisfactory thrust of public sector insurance companies in linking service provision and to ensure quality

health care, BPL population's difficulty to pay even the subsidized premium, unremunerativeness of the scheme to insurance companies, and its implementation only through the public sector insurance schemes etc. Evidently, this scheme has been conceived without undertaking a feasibility study and implemented without taking into consideration the ground realities with the result that the performance under the scheme has been dismal. This view of the Committee has been further reinforced by the disclosure made during evidence by the Special Secretary in Ministry of Finance that the Prime Minister has directed the Ministry of Health and Family Welfare to redesign a health insurance scheme which will cover all the BPL families in the entire country irrespective of whether the scheme is to be implemented by the public or private sector insurance companies. The Committee expect that suitable lessons will be drawn from this experience and concrete action in right direction will be taken atleast now by undertaking a comprehensive review of the UHIS in its present form with a view to overcoming the obstacles noticed in the operation of the scheme particularly in regard to poor coverage, role of insurance companies in the implementation of the scheme and the quantum of subsidy on premium payable by the Government. Needless to say that decreasing the burden on economically weaker sections and increasing coverage both in terms of number of diseases covered and amount reimbursable under the scheme should be the thrust areas with particular emphasis on proper provisions for delivery of hassle free services.

4. The Committee note that the some of the State Governments have been launching health insurance schemes on the lines of UHIS. The State Government of Kerala has also launched a health insurance scheme in the name of Kudumbashre to be operated by one of the insurance companies in private sector. The premium for the scheme is Rs.399/-, of which Rs.99/- shall be borne in the ratio of 1:1:1 by the State Government, Local Self Government and the beneficiary respectively and Rs.300/- to come as



subsidy from the Central Government. The Committee have been informed that about eight lakh persons have deposited their share of Rs.33/- towards premium, but the scheme remains a non-starter as the Central Government has not released the subsidy of Rs.300/- on the ground that such subsidy under UHIS can be availed of only by Public Sector Insurance Companies. Since the interests of as many as eight lakh persons of the vulnerable sections of society are being adversely affected only due to procedural requirements despite payment of their part of premium, the Committee urge the Government to settle this issue with the Government of Kerala and report on action taken immediately to the Committee.

5. The Committee's examination also reveals that several insurance schemes were launched by the Government for providing social security to economically weaker sections of the society but a number of such schemes were subsequently either withdrawn or modified for one reason or the other. While Krishi Shramik Samajik Suraksha Yojana was launched in 2001, it was closed in the year 2003 and only renewals are being allowed now. The main reason for discontinuance of this scheme is stated to be that the amount of subsidy was too high and that the Ministry of Labour's proposal in this regard was turned down by the Ministry of Finance. Similarly, Landless Agricultural Labourers Group Insurance Scheme introduced in 1987 with the aim of covering 1.2 crore landless agricultural labourers too was withdrawn in the year 2000 as the insurance cover of Rs.2000/- was considered to be too low. Further, Rural Group Life Insurance Schemes introduced with effect from 15<sup>th</sup> August, 1995 for providing life insurance protection to the rural masses was discontinued from 1<sup>st</sup> April, 2000 on the ground that there was a proposal to have an all-encompassing single, simple and comprehensive scheme of insurance which will be easy to operate. As brought out earlier in the Report, even the Social Security Group Insurance Schemes had been frozen and replaced by JBY in the year 2000. In yet another instance, proposals are

stated to be under consideration to chalk out another scheme in place of UHIS introduced in the year 2003 and redesigned in 2004. The Committee take a serious view of such dilatory approach displayed by the Government in providing insurance coverage to economically weaker sections of the society. Undoubtedly, most of the insurance schemes for this segment of population have been conceived without proper evaluation and in-depth study. The Committee, therefore, recommend that Government should devise a scientific mechanism whereby any Ministry embarking on an insurance scheme for economically weaker sections must be made to undertake a thorough study on the feasibility of the scheme in its entirety before its launch so that the prevalent state of affairs is avoided atleast in future.

6. The Committee are also of the firm belief that lack of coordination between different Ministries is one of the reasons for discontinuance of some of the insurance schemes for economically weaker sections of the society as is evident from the mid-way closure of Krishi Shramik Samajik Suraksha Yojna within two and a half years of its launch as the Ministry of Finance turned down the proposal of Ministry of Labour on the ground that the amount of subsidy under the scheme was too high. The Committee are in no doubt that this aspect of subsidy could have been taken into consideration before introducing this scheme on 1<sup>st</sup> July, 2001 and its subsequent withdrawal in December, 2003 could have been avoided on this count. This speaks volumes about the manner in which the insurance schemes meant for targeted segments are being devised and implemented by the Government. Since the Insurance Regulatory and Development Authority(IRDA) and the Insurance Division in the Ministry of Finance are concerned with the activities of both life and non-life insurance sector in the country and have a pivotal role in the matter, the Committee desire that the IRDA along with the Insurance Division should not only be made to provide requisite guidance in formulation and effective implementation of such schemes to the administrative Ministries assigned with the

responsibility of conceptualizing and implementing the scheme but should also assume responsibility for evaluating the scheme and suggesting mid course remedial measures for improving performance under the scheme rather than taking recourse to withdrawal of scheme. The Committee trust that suitable steps in this direction will be taken in right earnest.

7. The Committee are also concerned to find that the extent of coverage under Central Sector insurance schemes introduced for economically weaker sections continues to be poor despite some of these schemes being in operation for considerable period of time. Several reasons have been adduced for the poor coverage under the different schemes. Some of the prominent problem areas are : limited reach of insurance companies, problems of identification of economically weaker families both in rural and urban areas, high cost of distribution and administration due to low sum assured, seasonal nature of income of the economically weaker sections leading to irregular payment of premium, operational problems in obtaining reliable documents at the time of issuing policies, problems of claims management and non-existence of suitable channelising agencies who can collect premium as well as settle the claims. In the opinion of the Committee, launching of separate schemes for life and non-life insurance coverage is yet another important reason for poor coverage under different schemes. Although rural group insurance schemes were discontinued in April 2000 ostensibly on the ground that there was a proposal to have an all encompassing single, simple and comprehensive scheme of insurance which would be easy to operate, the Committee are constrained to observe that this has lamentably not been done despite a lapse of considerable period of over six years. The Committee, therefore, recommend that a single comprehensive insurance scheme should be introduced by combining life, accident and health insurance coverage without any further delay for providing easy and affordable insurance protection to economically weaker population in the country. A cost-effective scheme carrying lowest possible premium should be put in place and the

**Government should subsidize a major part of the premium atleast in the initial stages of the new scheme.**

**8. The Committee note that the IRDA (Obligations of Insurers to Rural Social Sectors) Regulations 2000 defines economically vulnerable classes as persons who live below the poverty line. Therefore, the new scheme may provide for flexible rules in regard to timing of payment of premium by below poverty line families as they may sometimes not be able to contribute their part of the premium at the time specified for the purpose by the insurance companies. The Government may also consider introducing fool proof institutionalized arrangements for collection of premium in easy and regular instalments from the BPL families at the time of payment of wages or while extending any financial assistance including facility of micro-financing. The amount so collected can be paid in lump-sum when the premium becomes due. For the purposes of identification of economically weaker sections, the Government may evolve a suitable mechanism whereby the job cards issued under National Rural Employment Guarantee Act(NREGA) could, among other methods, be used for identification of rural poor. For the districts not covered under NREGA at present, suitable modalities for identification of the targetted population may be formulated. The present impasse arising out of the methods of estimation of NSS and actual identification of BPL households by State Governments should not be allowed to stand in the way of offering insurance cover to manual workers who report for work under NREGA on a regular basis. A similar arrangement may also be made for the urban poor. Considering the operational challenges in regard to limited reach of insurance companies; collection of premium; and settlement of claims, the Committee are of considered view that huge net work of post offices with its reach even in the remotest areas in the country can be gainfully utilised by involving their personnel who are familiar with the segment of population they serve. The services of NGOs, SHGs, etc., who are already in this field can also be utilised for depositing premium collected from the**

beneficiaries and for settlement of claims with the nearest post office. The Committee trust that the Government would address this issue in right earnest and devise a single comprehensive insurance scheme for the economically weaker population in the country.

9. The Committee's examination also reveals that keeping in view the dismal insurance coverage to the rural and urban poor, the Insurance Regulatory and Development Authority (IRDA) as part of its developmental role has introduced the concept of micro-insurance IRDA is stated to have taken several steps to ensure that the benefits of micro-insurance reach the people who require it most and to see that the products are not priced out of the reach of the needy. The Committee have been informed that IRDA has imposed certain obligations on all the insurance companies to undertake such percentages of life insurance business and general insurance business in the rural and social sector as prescribed by it. While the number of persons living below poverty line both in rural and urban areas is estimated to be in the vicinity of 220 millions in 2007, the Committee find it astonishing that obligations imposed by IRDA to undertake insurance of those coming under 'rural' or 'social sector' are far short of real needs. IRDA being responsible for the development and regulation of the insurance sector, the Committee expect the Authority to play a proactive role in providing insurance coverage to those living below and marginally above poverty line. The Committee, therefore, stress that a comprehensive review of prescribed obligations should be undertaken by IRDA and remedial steps taken to meet the needs of the economically weaker sections of the society.

10. The Committee find that IRDA Regulations 2000 define economically vulnerable classes as persons who live below the poverty line. However, poverty line itself has not been defined in the IRDA Regulations. During evidence, Chairman IRDA also admitted that the authority has not defined poverty and it is left to the imagination of the Government and Insurance Companies. In the absence of any clear definition of poverty, the

Committee feel that IRDA appears to be relying on the restrictive consumption and income based criteria followed by the Planning Commission for identification of poor households. The Committee are of the view that while such a criteria may be relevant for targeting Public Distribution System etc., the concept of capability deprivation may perhaps be more relevant for the purposes of insurance. The Committee, therefore, stress that it is imperative for IRDA to have a clear definition of poverty so that the economically vulnerable sections of the society may actually reap the benefits of insurance protection.

**NEW DELHI**  
**December 14 , 2006**  
**Agrahayana 23, 1928(S)**

**C.KUPPUSAMI,**  
**Chairman,**  
**Committee on Estimates**

**ANNEXURE –A**

**STATE-WISE STATISTICS OF LIVES COVERED UNDER SOCIAL SECURITY SCHEME IN THE LAST FIVE YEARS**

<b>STATE</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
HARYANA	3587	2293	1277	8671	10686
HIMACHAL PRADESH	515	3533	3101	3509	11898
JAMMU & KASHMIR	1595	25	4313	4431	15570
PUNJAB	0	20121	6334	11235	17433
RAJASTHAN	58769	81274	80399	92619	105469
CHANDIGARH	317	20146	10380	112863	175148
DELHI	394	8438	3415	21560	16023
MADHYA PRADESH	2757929	2892906	2882156	2784816	2841039
UTTAR PRADESH	254312	239631	340792	765510	876223
ASSAM	1667	8410	706640	1005460	40088
BIHAR	209040	216981	7435	867	512190
ORRISA	120579	137598	37293	7298	256275
WEST BENGAL	234371	231770	5469	4766	722116
KERALA	33084	34257	54023	60456	74475
TAMILNADU	125435	158112	171757	426927	387970
ANDHRA PRADESH	123429	244514	224207	437173	783462
KARNATAKA	131252	140159	94296	122920	217078
GOA	3853	2358	7182	10500	17103
GUJARAT	780462	609592	782500	898356	770362
MAHARASHTRA	32291	58832	97203	113752	312613
CHATTISGARH	5017	0	1732	388	2389576
ARUNACHAL PRADESH	0	0	120	0	0
JHARKAND	0	0	2453	0	0
MEGHALAYA	0	0	600	0	0
TRIPURA	0	0	26629	0	0
<b>TOTAL</b>	<b>4877918</b>	<b>5110950</b>	<b>5550706</b>	<b>6894077</b>	<b>10091817</b>

## **Appendices**

### **MINUTES OF SITTING OF THE ESTIMATES COMMITTEE (2005-2006)**

#### **TENTH SITTING**

**The Committee sat on Thursday, the 12<sup>th</sup> September, 2005  
from 1100 to 1300 hours.**

#### **Present**

Shri C. Kuppusami - Chairman

#### **Members**

2. Shri Sartaj Singh Chhatwal
3. Shri Lal Muni Choubey
4. Shri V. Kishore Chandra S. Deo
5. Shri Anant Gudhe
6. Shri P. Karunakaran
7. Shri Vijoy Krishna
8. Prof. Chander Kumar
9. Shri Samik Lahiri
10. Shri Sanat Kumar Mandal
11. Shri Prabodh Panda
12. Shri Sukdeo Paswan
13. Shri Annasaheb M.K. Patil
14. Shri K.S. Rao
15. Shri Iqbal Ahmed Saradgi
16. Shri Arjun Charan Sethi
17. Shri M.A. Kharabela Swain

#### **Secretariat**

1. Shri P.K. Bhandari - Joint Secretary
2. Shri B.D. Swan - Deputy Secretary
3. Shri Cyril John - Under Secretary
4. Shri Hoti Lal - Assistant Director



**Witnesses**

**Ministry of Finance (Department of Economic Affairs)**

1. Shri A.K. Jha - Secretary
2. Shri Vinod Rai - Additional Secretary (FS)

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)**

Shri C.S. Rao - Chairman

**Life Insurance Corporation of India**

Shri T.S. Viyayan - Managing Director

**New India Assurance Co. Ltd. & Head of General Insurance (Public Sector) Association of India**

Shri R. Beri - Chairman & Managing Director

2. The Committee was briefed by the representatives of Ministry of Finance (Department of Economic Affairs) and other organizations on the subject - 'Insurance Schemes for Weaker Sections of Society'. The briefing was concluded.

3. A verbatim record of the proceedings was kept.

**The Committee then adjourned**

**MINUTES OF SITTING OF THE ESTIMATES COMMITTEE  
(2005-2006)**

**SIXTEENTH SITTING**

**The Committee sat on Thursday, the 5<sup>th</sup> January, 2006  
from 1100 to 1315 hours.**

**Present**

Shri C. Kuppusami                      -              Chairman

**Members**

2.        Shri Sartaj Singh Chhatwal
3.        Shri Lal Muni Choubey
4.        Shri Adhir Ranjan Chowdhury
5.        Shri V. Kishore Chandra S. Deo
6.        Shri Anant Gudhe
7.        Shri Jai Prakash
8.        Shri P. Karunakaran
9.        Shri B. Vinod Kumar
10.       Shri Samik Lahiri
11.       Shri Bhartruhari Mahtab
12.       Shri Sanat Kumar Mandal
13.       Shri Zora Singh Mann
14.       Shri Prabodh Panda
15.       Shri Sukdeo Paswan
16.       Prof. M. Ramadass
17.       Shri K.S. Rao
18.       Shri M.A. Kharabela Swain

**Secretariat**

1.       Shri B.D. Swan                      -              Deputy Secretary
2.       Shri J.S. Chauhan                   -              Under Secretary

Contd..2..

### **Witnesses**

#### **INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)**

1. Shri K.K. Srinivasan, Member
2. Shri Suresh Mathur, Joint Director
3. Shri P.A. Balasubramanian, Consultant

2. The Committee took oral evidence of the representatives of Insurance Regulatory and Development Authority (IRDA) on the subject Ministry of Finance (Department of Economic Affairs – Insurance Division) - 'Insurance Schemes for Weaker Sections of Society'. The evidence was concluded.

3. A verbatim record of the proceedings was kept.

#### **The Committee then adjourned**

**MINUTES OF SITTING OF THE ESTIMATES COMMITTEE  
(2005-2006)**

**SEVENTEENTH SITTING**

**The Committee sat on Thursday, the 5<sup>th</sup> January, 2006  
from 1500 to 1620 hours.**

**Present**

Shri C. Kuppusami                      -              Chairman

**Members**

2.      Shri Adhir Ranjan Chowdhury
3.      Shri Jai Prakash
4.      Shri Bhartruhari Mahtab
5.      Shri Sanat Kumar Mandal
6.      Shri K.S. Rao
7.      Shri Iqbal Ahmed Saradgi
8.      Shri Manabendra Shah
9.      Shri M.A. Kharabela Swain

**Secretariat**

1.      Shri A.M. Mukhopadhyay              -              Joint Secretary
2.      Shri B.D. Swan                              -              Deputy Secretary
3.      Shri J.S. Chauhan                              -              Under Secretary

## **Witnesses**

### **GENERAL INSURANCE (PUBLIC SECTOR) ASSOCIATION (GIPSA)**

1. Shri R.C. Jain, Chief Executive, GIPSA
  2. Shri H.P. Singh, Assistant General Manager
2. The Committee took oral evidence of the representatives of General Insurance (Public Sector) Association (GIPSA) on the subject Ministry of Finance (Department of Economic Affairs – Insurance Division) - 'Insurance Schemes for Weaker Sections of Society'. The evidence was concluded.
3. A verbatim record of the proceedings was kept.

### **The Committee then adjourned**

## **MINUTES OF SITTING OF THE ESTIMATES COMMITTEE (2005-2006)**

### **NINETEENTH SITTING**

The Committee sat on Wednesday, the 25<sup>th</sup> January, 2006  
from 1030 to 1235 hours.

#### **Present**

Shri C. Kuppusami - Chairman

#### **Members**

2. Shri Sartaj Singh Chhatwal
3. Shri Lal Muni Choubey
4. Shri V.Kishore Chandra S.Deo
5. Shri Anant Gudhe
6. Shri Vijoy Krishna
7. Shri B.Vinod Kumar
8. Shri Samik Lahiri
9. Shri Bhartruhari Mahtab
10. Shri Sanat Kumar Mandal
11. Shri Prabodh Panda
12. Shri Sukdeo Paswan
13. Shri K.S. Rao
14. Shri Jyotiraditya M. Scindia
15. Shri M.A. Kharabela Swain
16. Shri Chandra Pal Singh Yadav

#### **Secretariat**

1. Shri A.M. Mukhopadhyay - Joint Secretary
2. Shri B.D. Swan - Deputy Secretary
3. Shri Cyril John - Under Secretary

Contd..2..

**Witnesses**

**Life Insurance Corporation of India (LIC)**

1. Shri A.K. Shukla, Chairman
2. Shri N.B. Sathe, Chief (SBU-P&GS)
3. Shri M.K. Kukreti, Secretary (Board Sectt.)

2. The Committee took oral evidence of the representatives of Life Insurance Corporation of India on the subject Ministry of Finance (Department of Economic Affairs – Insurance Division) - 'Insurance Schemes for Weaker Sections of Society'. The evidence was concluded.

3. A verbatim record of the proceedings was kept.

**The Committee then adjourned.**

# **MINUTES OF SITTING OF THE ESTIMATES COMMITTEE**

(2006-07)

## **THIRD SITTING**

The Committee sat on Monday, the 19<sup>th</sup> June, 2006 from 1100 hour to 1230 hour.

### **Present**

Shri C. Kuppusami - Chairman

### **Members**

2. Shri Lal Muni Choubey
3. Shri P. Karunakaran
4. Shri VijayKumar Khandelwal
5. Shri Vijoy Krishna
6. Shri Samik Lahiri
7. Shri Sanat Kumar Mandal
8. Shri Prabodh Panda
9. Shri K.S.Rao
10. Prof. Rasa Singh Rawat
11. Shri Jyotiraditya M. Scindia
12. Shri Lakshman Singh
13. Dr. Ramlakhan Singh
14. Shri Rewati Raman Singh
15. Shri Dharmendra Yadav

### **Secretariat**

- |    |                      |   |                    |
|----|----------------------|---|--------------------|
| 1. | Shri A. Mukhopadhyay | - | Joint Secretary    |
| 2. | Shri Rajeev Sharma   | - | Deputy Secretary   |
| 3. | Shri Cyril John      | - | Under Secretary    |
| 4. | Smt. Manju Chaudhary | - | Assistant Director |

2. At the outset, the Committee took a briefing from the representatives of Ministry of Finance (Department of Economic Affairs – Insurance Division), LIC, IRDA and GIPSA on the subject, 'Insurance Schemes for weaker sections of society'. The Committee decided to hold the next sitting on 29<sup>th</sup> June, 2006.



3. A verbatim record of the proceedings has been kept.

**The Committee then adjourned.**

**(2006-07)**

## Present

Shri C. Kuppusami - Chairman

## Members

2. Shri Lal Muni Choubey
3. Shri Anant Gudhe
4. Shri P. Karunakaran
5. Shri Vijay Kumar Khandelwal
6. Shri Samik Lahiri
7. Shri Sanat Kumar Mandal
8. Shri Prabodh Panda
9. Shri K.S.Rao
10. Prof. Rasa Singh Rawat
11. Shri Iqbal Ahmed Saradgi
12. Shri Arjuncharan Sethi
13. Shri Brijbhushan Sharan Singh
14. Dr. Ramlakhan Singh
15. Shri Madhu Goud Yaskhi

## Secretariat

- |    |                      |   |                    |
|----|----------------------|---|--------------------|
| 1. | Shri A. Mukhopadhyay | - | Joint Secretary    |
| 2. | Shri Rajeev Sharma   | - | Deputy Secretary   |
| 3. | Shri Cyril John      | - | Under Secretary    |
| 4. | Smt. Manju Chaudhary | - | Assistant Director |

2. The Committee took oral evidence of representatives of three NGOs, namely, Chetanalaya, Khadi and Village Industries Commission and Madhok Foundation, on the subject 'Insurance schemes for weaker

sections of society'. The Committee also decided to hold their next sitting on 11<sup>th</sup> July, 2006.

3. A verbatim record of the proceedings has been kept.

**The Committee then adjourned.**

## **MINUTES OF FIFTH SITTING OF THE ESTIMATES COMMITTEE**

(2006-07)

The Committee sat on Tuesday, the 11<sup>th</sup> July, 2006 from 1100 to 1335 hours.

### **Present**

Shri C. Kuppusami - Chairman

### **Members**

2. Shri Adhir Ranjan Chowdhury
3. Shri Bikram Keshari Deo
4. Shri V. Kishore Chandra S. Deo
5. Shri Anant Gude
6. Shri P. Karunakaran
7. Shri Samik Lahiri
8. Shri Sanat Kumar Mandal
9. Shri Prabodh Panda
10. Shri K.S.Rao
11. Prof. Rasa Singh Rawat
12. Shri Arjuncharan Sethi
13. Shri Brijbhushan Sharan Singh
14. Shri Lakshman Singh
15. Dr. Ramlakhan Singh
16. Shri Madhu Goud Yaskhi

### **Secretariat**

- |    |                      |   |                    |
|----|----------------------|---|--------------------|
| 1. | Shri A. Mukhopadhyay | - | Joint Secretary    |
| 2. | Shri Rajeev Sharma   | - | Deputy Secretary   |
| 3. | Shri Cyril John      | - | Under Secretary    |
| 4. | Smt. Manju Chaudhary | - | Assistant Director |

2. The Committee took oral evidence of the representatives of Ministry of Health and Family Welfare (Department of Health) and Ministry of Rural Development (Department of Rural Development) on the subject 'Insurance Schemes for Weaker Sections of Society' relating to Ministry of Finance (Department of Economic Affairs –Insurance Division).

3. A verbatim record of the proceedings was kept.

**The Committee then adjourned.**

## **MINUTES OF EIGHTH SITTING OF THE ESTIMATES COMMITTEE**

(2006-07)

The Committee sat on Tuesday, the 17<sup>th</sup> October, 2006 from 1100 to 1245 hours.

### **Present**

1. Shri Samik Lahiri - Convener

### **Members**

2. Shri Lal Muni Choubey
3. Shri Bikram Keshari Deo
4. Shri Anant Gudhe
5. Shri Jai Prakash
6. Shri P. Karunakaran
7. Shri Vijaykumar Khandelwal
8. Prof. Chander Kumar
9. Shri Sanat Kumar Mandal
10. Shri Prabodh Panda
11. Shri Iqbal Ahmed Saradgi
12. Shri Manabendra Shah
13. Shri Lakshman Singh
14. Shri Madhu Goud Yaskhi

### **Secretariat**

1. Shri Rajeev Sharma - Deputy Secretary
2. Smt. Manju Chaudhary - Assistant Director

**Witnesses**

**Ministry of Finance**

- (I) Shri Vinod Rai, Special Secretary, Financial Sector
- (II) Shri G.C. Chaturvedi, Joint Secretary

**INSURANCE REGULATORY DEVELOPMENT OF INDIA (IRDA)**

Shri C. S.Rao, Chairman, IRDA

**REHABILITATION COUNCIL OF INDIA**

Dr. J.P. Singh, Member Secretary

- 2. Since the Chairman expressed his inability to attend the sitting, the Committee requested Shri Samik Lahiri, Member of the Committee to chair the sitting of the Committee under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.
- 3. The Committee then took oral evidence of the representatives of Ministry of Finance (Department of Economic Affairs-Insurance Division) and Insurance Regulatory Development Authority (IRDA) on the subject 'Insurance schemes for weaker sections of society'.
- 4. A verbatim record of the proceedings was kept.

**The Committee then adjourned**

**MINUTES OF TENTH SITTING OF THE ESTIMATES COMMITTEE**  
**(2006-07)**

**The Committee sat on Thursday, the 14<sup>th</sup> December, 2006 from 1500 hours to 1545 hours.**

## Present

Shri C. Kuppusami - Chairman

## Members

2. Shri Adhir Ranjan Chowdhury
3. Shri V. Kishore Chandra S. Deo
4. Shri Vijaykumar Khandelwal
5. Shri Vijoy Krishna
6. Prof. Chander Kumar
7. Prof. Rasa Singh Rawat
8. Shri Arjuncharan Sethi
9. Shri Lakshman Singh.
10. Dr. Ramlakhan Singh

## Secretariat

1. Shri A. Mukhopadhyay - Joint Secretary
2. Shri Rajeev Sharma - Deputy Secretary
3. Shri Manju Choudhary - Assistant Director

2. The Committee considered the draft Report on Insurance schemes for weaker sections of society relating to Ministry of Finance (Department of Economic Affairs-Insurance Division) and adopted the same with minor modifications/additions given in the Annexure.



3. The Committee authorized the Chairman to finalise the Report in the light of modifications and also to make verbal and other consequential changes, if any, arising out of factual verification by the concerned Ministry and present the same to the House.

4. XX XX XX XX XX

**The Committee then adjourned**

## ANNEXURE

### MODIFICATIONS MADE BY THE ESTIMATES COMMITTEE IN THE DRAFT REPORT ON INSURANCE SCHEMES FOR WEAKER SECTIONS OF SOCIETY RELATING TO MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS-INSURANCE DIVISION).

<u>Para No.</u>	<u>Line</u>	<u>Modification</u>
3.	3 (from bottom)	<b>After:</b> coverage <b>Add :</b> both in terms of number of diseases covered and amount reimbursable.
8.	16	<b>After:</b> rural poor <b>Add:</b> For the districts not covered under NREGA at present, suitable modalities for identification of the targeted population may be formulated.

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