

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

**INSURANCE SCHEMES FOR
WEAKER SECTIONS OF SOCIETY**

ESTIMATES COMMITTEE

2007-2008

FIFTEENTH REPORT

FOURTEENTH LOK SABHA

S

E

A

L

**LOK SABHA SECRETARIAT
NEW DELHI**

FIFTEENTH REPORT

**ESTIMATES COMMITTEE
(2007-2008)**

(FOURTEENTH LOK SABHA)

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

(Action taken by the Government on the recommendations contained in the Twelfth Report (Fourteenth Lok Sabha) on the Ministry of Finance (Department of Economic Affairs – Insurance Division)- ‘Insurance Schemes for Weaker Sections of the Society’

**S
E
A
L**

Presented to Lok Sabha on 5th December, 2007

**Lok Sabha Secretariat
New Delhi**

December, 2007/Agrahayana, 1929(S)

CONTENTS

COMPOSITION OF THE ESTIMATES COMMITTEE (2007-2008)

INTRODUCTION

- CHAPTER I** Report
- CHAPTER II** Recommendations/Observations which have been accepted by Government
- CHAPTER III** Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies
- CHAPTER IV** Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee
- CHAPTER V** Recommendations/Observations in respect of which final replies of Government are still awaited.

APPENDICES

- I. Minutes of Sitting of the Estimates Committee held on 3rd December, 2007.**
- II. Analysis of the action taken by Government on the recommendations/observations contained in the Twelfth Report of Estimates Committee (Fourteenth Lok Sabha)**

COMPOSITION OF THE ESTIMATES COMMITTEE
(2007-2008)

1. Shri C. Kuppusami, MP - Chairman

MEMBERS

2. Shri Lal Muni Choubey
3. Shri Bikram Keshari Deo
4. Shri Anant Gudhe
5. Shri Anwar Hussain
6. Shri Syed Shahnawaz Hussain
7. Shri P. Karunakaran
8. *Shri Jaswant Singh Bishnoi
9. Shri Vijoy Krishna
10. Shri B. Vinod Kumar
11. Shri Samik Lahiri
12. Shri Sanat Kumar Mandal
13. Shri Zora Singh Mann
14. Shri Hemlal Murmu
15. Shri D. Narbula
16. Shri Mahendra Prasad Nishad
17. Shri Prabodh Panda
18. Shri Sukdeo Paswan
19. Shri Sachin Pilot
20. Shri R. Prabhu
21. Shri Tufani Saroj
22. Smt. Tejaswini Seeramesh
23. Shri Arjuncharan Sethi
24. Choudhary Bijendra Singh
25. Shri Brijbhushan Sharan Singh
26. Shri Lakshman Singh
27. Kunwar Manvendra Singh
28. Dr. Ramlakhan Singh
29. Shri Rewati Raman Singh
30. Shri Madhu Goud Yaskhi

SECRETARIAT

1. Smt. P.K. Sandhu - Additional Secretary
2. Shri A. Mukhopadhyay - Joint Secretary
3. Shri C.V. Gadgil - Director (I)
4. Smt. Manju Chaudhary - Deputy Secretary II
5. Shri C. Kalyanasundaram - Committee Officer

*Vice Shri Vijay Kumar Khandelwal expired on 13th November, 2007.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on action taken by Government on the recommendations contained in the Twelfth Report of Estimates Committee (Fourteenth Lok Sabha) on the Ministry of Finance (Department of Economic Affairs-Insurance Division)– ‘Insurance Schemes for Weaker Sections of Society’.

2. The Twelfth Report (Fourteenth Lok Sabha) was presented to Lok Sabha on 18th December, 2006. The Government furnished their replies indicating action taken on the recommendations contained in that Report on 18th October, 2007. The Draft Report was considered and adopted by the Estimates Committee (2007-2008) at their sitting held on 3rd December, 2007.

3. The Report has been divided into the following Chapters:-

- I. Report;
- II. Recommendations/Observations which have been accepted by Government;
- III. Recommendations/Observations which the Committee do not desire to pursue in view of Government’s replies;
- IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee; and
- V. Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the Fifteenth Report of Estimates Committee (14th Lok Sabha) is given in Appendix II. It would be observed therefrom that out of 10 observations/recommendations made in the Report, 2 recommendations i.e. 20% have been accepted by Government and the Committee do not desire to pursue 2 recommendations i.e. 20% in view of Government’s replies. Replies of Government in respect of 6 recommendations i.e. 60% have not been accepted by the Committee.

NEW DELHI;
December 3, 2007
Agrahayana 12,1929(S)

C. KUPPUSAMI,
Chairman,
Committee on Estimates.

CHAPTER 1

REPORT

1.1 This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twelfth Report (Fourteenth Lok Sabha) on the Ministry of Finance (Department of Economic Affairs-Insurance Division) - "Insurance schemes for weaker sections of society".

1.2 The Committee's Twelfth Report (Fourteenth Lok Sabha) was presented to Lok Sabha on 18th December, 2006. It contained 10 observations/recommendation. Action Taken Notes on all these observations/recommendations have been received from the Ministry of Finance (Department of Economic Affairs - Insurance Division).

1.3 Replies to the observations and recommendations contained in the Report have broadly been categorized as under:-

- (i) Recommendations/Observations which have been accepted by the Government.
Sl. Nos. 1, 5 (Total 2, Chapter II)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply.
Sl. Nos. 4, 10 (Total 2, Chapter III)
- (iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee.
Sl. Nos. 2, 3, 6, 7, 8, 9 (Total 6, Chapter IV)
- (iv) Recommendations/Observations in respect of which final reply of Government are still awaited.
Nil (Chapter V)

1.4 In the following paragraphs, the Committee have dealt with recommendations/observations in respect of which Government's replies have not been accepted by them.

Janashree Bima Yojana

Recommendation (Sl. No. 2, Para No. 2)

1.5 Having felt that the poor coverage under Janashree Bima Yojana is mainly due to certain inherent weaknesses in its restrictive approach and conditionalities attached to the scheme, the Committee had recommended as follows:-

“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 10th 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 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 criteria can not avail himself of coverage under this scheme. The committee are at a loss in comprehending the logic of restricting the benefits under the scheme to persons belonging to 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 can not meet the objective of providing Life Insurance protection to the entire population of rural and urban poor living below or marginally above the poverty line. The Committee, therefore, recommend that the 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 & 60 Years. Since the scheme aims at covering economically weaker section of the society, the system of grouping a minimum of 25 persons should also be reviewed so that the coverage under restructuring the scheme is extended even to those individuals who are unable to meet the requirement of forming a group of 25 members from end identified occupation but willing to join the scheme”.

1.6 The Ministry in its action taken reply has stated as follows:-

“Life Insurance Corporation of India (LIC) has informed that Janashree Bima Yojana (JBY) is a group insurance scheme and the premium has been worked out keeping in view that the minimum group size would be 25. If the group size is brought down, the premium would substantially increase. At present, 44 vocational groups have been identified out of which two belong to 'rural poor' and 'urban poor'. LIC has reported that it has covered full population in the states of Rajasthan and Uttarakhand. As on 15th August, 2006, 22.23 lac heads of BPL families in the State of Rajasthan and 2.00 lac families in Uttarakhand have been covered under the Scheme. As per information provided by the LIC, there were 1,00,73,332 lives covered under JBY as on 31st March, 2006. Recently, another scheme by the name of "Aam Admi Bima Yojana" has been launched that shall provide

death/disability benefit to rural landless households in the country. This scheme is targeted towards 1.5 crore rural landless households.

IRDA has informed that sale of individual policies involves multiple contacts and for policies involving small premiums, the level of remuneration is not adequate to meet the costs of establishing contacts. The agents, have, therefore little incentive to canvass these policies. The problem of reaching out to the people is, therefore, addressed by canvassing group policies to select occupational groups. The advantage of reaching out to the groups is that it provides adequate members. Moreover, the advantage of group approach is that if the leaders are motivated they, in turn, explain the benefits to other members and involve them in the scheme. Further, each identified group can be supported by a Department of the State Government as most schemes are sponsored by the government. As different departments deal with different occupational groups the insurers find it easier to deal with each occupational group as a separate entity and devise schemes suited to their needs. “

1.7 The Committee note that more than one crore lives have been covered under Janashree Bima Yojana as on March, 2006. They further note that 22-23 lakh heads of BPL families in the State of Rajasthan and 2 lakh families in the State of Uttarakhand have been covered under the scheme as on 15th August, 2006. In this regard, the Committee fail to understand the reasons for not furnishing the figures for majority of other States. Considering the huge size of Below Poverty Line and marginally above poverty line people in the country, the coverage of the scheme is still far from satisfactory. The Committee had recommended that grouping a minimum of 25 persons should be reviewed and they are not satisfied with the reply of the Ministry that premium of JBY, which is a group insurance, has been worked out keeping in view the minimum group size of 25 beneficiaries and that the premium would increase substantially if the group size is brought down. In this regard, the Committee are of the view that the Government should subsidize the scheme instead of increasing the premium till the income levels of economically weaker sections improves and enables them to gravitate from subsidized schemes to self-reliant schemes. Moreover, the reply of the Ministry is silent

on Committee's observation on restricting the benefits under the scheme to persons belonging to only certain identified occupational/ vocational groups. The Committee feel that due to this restriction, many occupations such as barbers, blacksmiths, plumbees, painters etc. will remain uncovered. The Committee, therefore, reiterate their earlier recommendation that the scheme should be revamped to the effect that groups less than 25 upto a level of 10 members should be permitted to be insured and the occupational groups left out should also be brought under the purview of the scheme.

Universal Health Insurance Scheme

Recommendation (Sl. No. 3, Para No. 3)

1.8 In realizing the need for a comprehensive review of the Universal Health Insurance Scheme in view of its poor performance, the Committee recommended as follows:-

“According to the information made available to the committee, the Ministry of Finance introduce 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. The scheme is at present being implemented by four Public sector Insurance Companies. Astonishingly, this scheme could cover merely 65728 families comprising 182641 persons during the year 2004-05. The main reasons put forth by the Govt. 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 at least 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”.

1.9 The action taken reply of the Ministry has stated as follows:-

“The inability of BPL population to pay even the premium of Rs.165/-, Rs.238/- and Rs.340/- after the provision of subsidy of Rs.200/-, Rs.300/- and Rs.400/- is a major hurdle in implementation of the scheme.

The Ministry of Labour has introduced a health insurance scheme for unorganized sector workers belonging to BPL category and their family members (a family unit of five) shall be the beneficiaries. Under this scheme the Government of India shall contribute 75% of the annual premium and 25% shall be paid by; the respective State Government. The beneficiary shall have to pay Rs.30/- per annum as registration/renewal fee. The scheme is conceived as a simple product covering all pre-existing diseases and is to be a costless scheme for the beneficiaries. This will give the beneficiary a sense of belonging to be part of the Insurance Scheme. The scheme is to be implemented from the next financial year i.e. 2007-08”.

1.10 The Committee are not satisfied with the reply furnished by the Ministry. The Committee, in view of the poor performance of the Universal Health Insurance Scheme (UHIS) had recommended a comprehensive review of the scheme. Hon'ble Prime Minister has also directed the Ministry of Health and Family Welfare to reformulate a health insurance scheme which will cover all the BPL families in the entire country. The Committee are astonished to note that in their action taken reply, the Ministry has given the reference of the policy introduced by Ministry of Labour for unorganized sector BPL workers. The Committee feel that the Ministry has not viewed the recommendation of the Committee seriously. They have also not given the status of UHIS scheme. While reiterating their earlier recommendation to review the UHIS as also the direction by the Prime Minister, the Committee very strongly recommend that all sincere efforts should be made to review/redesign the health insurance scheme which will cover all the BPL families.

1.11 Moreover the Committee feel that the Ministry have very casually furnished the action taken reply on the recommendations. They have stated that the Ministry of Labour has introduced a health insurance scheme and it will be implemented from the next financial year i.e. 2007-08. They have failed to understand that 2007-08 is the current financial year. The Committee, therefore, strongly feel that while furnishing the information to the Committee, utmost attention is required to be paid by the Ministry.

Role of IRDA and Insurance Division in implementation of Insurance Schemes

Recommendation (Sl. No. 6, Para No. 6)

1.12 Taking into account the lack of coordination between different Ministries which is one of the reasons for discontinuance of some of the insurance schemes, the Committee recommended as follows:-

“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 1st 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”.

1.13 The Government in its action taken reply stated as follows:-

“In the recently implemented Aam Admi Bima Yojana (AABY) the central Government has consulted all the state Governments and Ministry of Labour. Similarly, State Governments suggestions are considered at the time of formulating modalities. Modifications in the scheme, if any, are also made for their successful functioning.

IRDA has informed that while a coordinated approach is desirable, it is

not possible to have one scheme which can be applied uniformly looking at the size and population of the country. A scheme has to provide for regional variations and it is essential that the local administration is also involved in the formulation and subsequent implementation of the scheme, particularly when subsidy is involved and a whole section of the population is proposed to be covered”.

1.14 The Committee take a serious view of the reply given by the Ministry to the recommendation of the Committee about the role of Insurance Regulatory Development Authority and Insurance Division in the Ministry on formulation and implementation of insurance schemes. The reply furnished by the Ministry is totally silent on the steps taken to assign role to IRDA and Insurance Division as desired by the Committee. The Committee have noted that a scheme has to provide for regional variations and it is essential that the local administration is also involved in the formulation and subsequent implementation of the scheme particularly when subsidy is involved and a whole section of the population is proposed to be covered. The Committee are in agreement with this view but there should be an apex level organization to monitor and to take corrective steps when the scheme is not implemented as envisaged. Hence, the role of IRDA and Insurance Division is important and essential being specialists in the field. The Committee, therefore, reiterate their earlier recommendation and desire that IRDA should be responsible for suggesting recourse remedial measures for improving performance of the scheme.

Comprehensive Insurance Scheme

Recommendation (Sl. No. 7, Para No. 7)

1.15 Having felt that the need for a comprehensive insurance scheme for weaker sections of the societies, the Committee recommended as follows:-

“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 canalizing 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”.

1.16 The Government in its action taken reply stated as follows:-

“IRDA has informed that while a coordinated approach is desirable, it is not possible to have one scheme which can be applied uniformly looking at the size and population of the country. A scheme has to provide for regional variations and it is essential that the local administration is also involved in the formulation and subsequent implementation of the scheme, particularly when subsidy is involved and a whole section of the population is proposed to be covered.

In the recently implemented Aam Admi Bima Yojana (AABY) not only life of the head of the family is covered but also a free add-on scholarship benefit for the Children of the members of AABY is provided under the scheme. A scholarship at the rate of Rs. 100/- per month will be given to a maximum of two children studying between 9th to 12th standard”.

1.17 The Committee do not subscribe to the view of IRDA that while a coordinated approach is desirable, it is not possible to have one scheme which can be applied uniformly looking at the size and population of the country. Analysis of the performance of different insurance schemes meant for economically weaker sections presents a very grim picture. Several schemes were launched and subsequently either withdrawn or merged with other schemes but none of the schemes had achieved their goals. At present Janashree Bima Yojana is being implemented to provide life insurance coverage to identified vocational groups including rural poor and urban poor. Another scheme viz. “Aam Admi Bima Yojana” has been launched recently that aims of providing death/disability benefit to rural landless households in the country. On health insurance front, while there is an Universal Health Insurance Scheme meant for BPL families, Ministry of Labour has introduced another health insurance scheme for unorganized sector workers belonging to BPL category. Overall scenario of the health insurance schemes meant for weaker sections of the society is not encouraging as there is lot of overlappings etc. As a result, intended benefits are not reaching the targeted population. The Committee, therefore, reiterate their earlier recommendation that a single , simple, hassle-free, affordable insurance scheme should be introduced by combining life, accident and health insurance coverage for economically weaker population in the country.

**Identification of rural and urban poor for implementation
of the proposed scheme**

Recommendation (Sl. No. 8, Para No. 8)

1.18 Realising the need for identification of rural and urban poor for coverage

under the proposed insurance scheme, the Committee recommended as follows:-

“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 installments from 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”.

1.19 The Ministry in its action taken reply has stated as follows:-

“IRDA has reported that the social sector covered under the Insurance Act includes (i) those in unorganized sector (ii) those in informal sector (iii) economically vulnerable sections and (iv) other categories of persons. The suggestion of the Committee that in respect of economically vulnerable sections, they may be given flexibility with regard to the timing of payment of premium as also payment of the premium in one installment. IRDA has issued micro insurance regulations which provide for a micro insurance agent who can be a Non Government Organisation (NGO), MFI or Self Help Group (SHG) who will procure group policies after pooling funds. It may be desirable to pursue this line of action as the poorest of the poor (BPL) cannot afford individual premium which are beyond his means and thus requires a group coverage. The insurers may not find it economical to contact individual beneficiaries and collect premium.

Further, the problem of reaching out to the people is addressed by canvassing group policies to select occupational groups. The advantage to reaching out to the groups is that it provides adequate members”.

1.20 The Committee are concerned to note that no reply has been given by the Ministry to the suggestion of the Committee that the Government may evolve a suitable mechanism whereby the job cards issued under National Rural Employment Guarantee Act (NREGA) can be used for identification of rural poor. In regard to reaching out to the economically weaker section, the Committee have noted that this problem can be addressed as defined in IRDA regulations for micro insurance coverage. As per IRDA regulations, a micro insurance agent can be a Non-Government Organization or a Self Help Group who will procure group policies after pooling funds. The Committee while reiterating their earlier recommendation that a single comprehensive insurance scheme for the economically weaker sections of the society should be formulated, further recommend that services of NGOs, SHGs may be utilised for the proposed scheme. The Committee also reiterate their earlier recommendation that the flexible rules may be framed 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. In regard to identification of rural and urban poor, the Committee desire that the Government should now furnish the details of the action taken on the suggestions of the Committee.

Obligation of Insurance Companies in covering rural and social sectors

Recommendation (Sl. No. 9, Para No. 9)

1.21 On finding that the obligations imposed by IRDA to undertake insurance of those under rural/social sector are far short of real needs, the Committee recommended as under:-

“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”.

1.22 The reply given by the Government is as follows:-

“IRDA has reported that it is endeavoring to increase the coverage by facilitating insurers to procure the services of established NGOs to canvass insurance policies. The social sector policies with full premium paid by the insured cannot succeed if they are competing with subsidized policies designed by State/Central Government and implemented through insurers. Since more States are coming with insurance schemes benefiting weaker sections, all insurers (public as well as private) should be given opportunity to participate so that they get involved in schemes and learn from the experience of working with the weaker sections. As the economic position improves, the association between the insurer and insured could continue to prosper and the weaker sections may gravitate from subsidized schemes to self-reliant schemes”.

1.23 The Committee’s recommendation was very specific that IRDA should undertake a comprehensive review of its regulations on obligation on all the insurance companies to undertake such percentages of life insurance business in the rural and social sector as prescribed by it. The Committee are pained to note that the recommendation of the Committee has not been viewed seriously by the Ministry and the reply furnished by it is silent on the action taken by IRDA in this regard. Since the obligations imposed by IRDA on insurance companies to undertake insurance of those coming under rural and social sector are far short of real needs, the Committee reiterate their earlier recommendation to undertake a comprehensive review of the obligations. The action taken on the recommendation should be communicated to the Committee within three months of the presentation of the Report.

Implementation of Recommendations

1.24 The Committee would like to emphasize that they attach greatest importance to the implementation of recommendations accepted by the Government. They

would, therefore, urge that the Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In case it is not possible to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1 Para No. 1)

The Planning Commission in their Tenth Five Year Plan (2002 – 2007) 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 wages 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 arrears 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 Scheme for weaker sections of the society' for examination. The Committee had detailed interaction with the representatives of the 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 Government of Kerala and Karnataka as well as IIM Bangalore. After going into the various aspect 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 succeeding paragraphs.

Reply of the Government

The Government is fully alive to providing Insurance benefits to the downtrodden. Government/Public Sector Insurance Companies have launched Schemes catering to the weaker section of societies.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.iii dated 18.10.2007]

Recommendation (Sl. No. 5, Para No. 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 15th August, 1995 for providing life insurance protection to the rural masses was discontinued from 1st 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.

Reply of the Government

Government has taken note of the recommendations of the committee. In the recently implemented Aam Admi Bima Yojana (AABY) central Government consulted all the state Governments and Labour Ministry and discussed the scheme in all details. Similarly, State Governments suggestions are considered and modifications are also made based on discussions in the schemes for their successful implementation.

The Ministry of Labour has introduced a health insurance scheme for unorganized sector workers belonging to BPL category and their family members (a family unit of five) shall be the beneficiaries. Under this scheme the Government of India shall contribute 75% of the annual premium and 25% shall be paid by; the respective State Government. The beneficiary shall have to pay Rs.30/- per annum as registration/renewal fee. This will give the beneficiary a sense of belonging to be part of the Insurance Scheme.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/2007-Ins.III Dated 18.10.2007]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Sl. No. 4, Para No. 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 Govt., Local self Govt. and the beneficiaries respectively and Rs. 300/- to come as subsidy form the Central Govt. The Committee have been informed that about 8 lacs persons have deposited their share of Rs. 33/- towards premium, but the scheme remains a non-started as that Central Govt. has not released the subsidy of Rs. 3000/- on the ground that such subsidy under UHIS can be availed of only by Public sector Insurance Companies. Since the interest of as many as 8 lacs persons of the vulnerable sections of society are being adversely effected only due to procedural requirements despite payment of their part of premium, the committee the urge the Govt. to settle this issue with the Govt. of Kerela and report on action taken immediately to the Committee.

Reply of the Government

. Government of Kerala had introduced health insurance scheme 'Kudumbashre' through ICICI Lombard General Insurance Company. Since subsidy under UHIS can be availed only through public sector insurance companies, Government of India could not accept the proposal of Government of Kerala.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.III Dated 18.10.2007]

Recommendation (Sl. No. 10, Para No. 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.

Reply of the Government

The approach adopted by the Government when it implements schemes through Public Sector Insurers is to identify specific occupational groups and cover all members of the section through a group insurance policy. It is therefore easy to identify the members with the help of departments at the State level who are responsible to promote welfare schemes. For example, the Fisheries Department takes care of fishermen and the Handloom Department takes care of weavers. The problem becomes acute if the intention is to cover only the BPL among these communities. The group concept will have to be replaced by creating a sub group of 'Weaker Sections' among these occupational groups. It is not economical or feasible to deal with individual members. In respect of cases where income is the criteria for sale of policies, the insurer has to necessarily depend upon the State Agencies to identify the beneficiaries. It is neither feasible nor desirable for the insurers to define BPL and do the identification themselves. Moreover, there is no unanimity in the definition of BPL or application of that criteria for identifying the beneficiaries. The BPL for Public Distribution System is not necessarily the same as

those eligible for benefits under the rural development scheme. It is for this reason that the IRDA Regulations do not define BPL. The definition and list of beneficiaries is drawn by the department, which sponsors the scheme. It should also be recognized that perceptions regarding poverty vary from State to State and insurers have neither the expertise nor the means to identify the BPL population. It is better to leave it to State departments who are implementing various developmental schemes.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.III Dated 18.10.2007]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENTS REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 2, Para No. 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 10th 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 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 criteria can not avail himself of coverage under this scheme. The committee are at a loss in comprehending the logic of restricting the benefits under the scheme to persons belonging to 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 can not meet the objective of providing Life Insurance protection to the entire population of rural and urban poor living below or marginally above the poverty line. The Committee, therefore, recommend that the scheme should be so revamped and restructure that the benefit of Life Insurance coverage reach us all those persons who live below or marginally above poverty line in the age segment between 18 & 60 Years. Since the scheme aims at covering economically weaker section of the society, the system of grouping a minimum of 25 persons should also be reviewed so that the coverage under restructuring the scheme is extended even to those individuals who are unable to meet the requirement of forming a group of 25 members from end identified occupation but willing to join the scheme.

Reply of the Government

Life Insurance Corporation of India (LIC) has informed that Janashree Bima Yojana (JBY) is a group insurance scheme and the premium has been worked out keeping in view that the minimum group size would be 25. If the group size is brought down, the premium would substantially increase. At present, 44 vocational groups have been identified out of which two belong to 'rural poor' and 'urban poor'. LIC has reported that it has covered full population in the states of Rajasthan and Uttarakhand. As on 15th August, 2006, 22.23 lac heads of BPL families in the State of Rajasthan and 2.00 lac families in Uttarakhand have been covered under the Scheme. As per information provided by the LIC, there were 1,00,73,332 lives covered under JBY as on 31st March, 2006. Recently, another scheme by the name of "Aam Admi Bima Yojana" has been launched that shall provide death/disability benefit to rural landless households in the country. This

scheme is targeted towards 1.5 crore rural landless households.

IRDA has informed that sale of individual policies involves multiple contacts and for policies involving small premiums, the level of remuneration is not adequate to meet the costs of establishing contacts. The agents, have, therefore little incentive to canvass these policies. The problem of reaching out to the people is, therefore, addressed by canvassing group policies to select occupational groups. The advantage of reaching out to the groups is that it provides adequate members. Moreover, the advantage of group approach is that if the leaders are motivated they, in turn, explain the benefits to other members and involve them in the scheme. Further, each identified group can be supported by a Department of the State Government as most schemes are sponsored by the government. As different departments deal with different occupational groups the insurers find it easier to deal with each occupational group as a separate entity and devise schemes suited to their needs.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.III Dated 18.10.2007]

Recommendation (Sl. No. 3, Para No. 3)

According to the information made available to the committee, the Ministry of Finance introduced the Universe Health Insurance Scheme (UHIS) in July 2003 and notified it within one year of its operation in 2004 restricting the scheme only for the BPL families. The scheme is at present being implemented by four Public sector Insurance Companies. Astonishingly, this scheme could cover merely 65728 families comprising 182641 persons during the year 2004-05. The main reasons put forth by the Govt. 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 at least 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.

Reply of the Government

The inability of BPL population to pay even the premium of Rs.165/-, Rs.238/- and Rs.340/- after the provision of subsidy of Rs.200/-, Rs.300/- and Rs.400/- is a major hurdle in implantation of the scheme.

The Ministry of Labour has introduced a health insurance scheme for unorganized sector workers belonging to BPL category and their family members (a family unit of five) shall be the beneficiaries. Under this scheme the Government of India shall contribute 75% of the annual premium and 25% shall be paid by; the respective State Government. The beneficiary shall have to pay Rs.30/- per annum as registration/renewal fee. The scheme is conceived as a simple product covering all pre-existing diseases and is to be a costless scheme for the beneficiaries. This will give the beneficiary a sense of belonging to be part of the Insurance Scheme. The

scheme is to be implemented from the next financial year i.e. 2007-08

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.III Dated 18.10.2007]

Recommendation (Sl. No. 6, Para No. 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 1st 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 till withdrawal of scheme. The Committee trust that suitable steps in this direction will be taken in right earnest.

Reply of the Government

In the recently implemented Aam Admi Bima Yojana (AABY) the central Government has consulted all the state Governments and Ministry

of Labour. Similarly, State Governments suggestions are considered at the time of formulating modalities. Modifications in the scheme, if any, are also made for their successful functioning.

IRDA has informed that while a coordinated approach is desirable, it is not possible to have one scheme which can be applied uniformly looking at the size and population of the country. A scheme has to provide for regional variations and it is essential that the local administration is also involved in the formulation and subsequent implementation of the scheme, particularly when subsidy is involved and a whole section of the population is proposed to be covered.

[Ministry of Finance, Department of Financial Services
O.M. No. S-11012/04/207-Ins III Dated 18-10-2007]

Recommendation (Sl. No. 7, Para No. 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 operational 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 canalizing 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 nil

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.

Reply of the Government

IRDA has informed that while a coordinated approach is desirable, it is not possible to have one scheme which can be applied uniformly looking at the size and population of the country. A scheme has to provide for regional variations and it is essential that the local administration is also involved in the formulation and subsequent implementation of the scheme, particularly when subsidy is involved and a whole section of the population is proposed to be covered.

In the recently implemented Aam Admi Bima Yojana (AABY) not only life of the head of the family is covered but also a free add-on scholarship benefit for the Children of the members of AABY is provided under the scheme. A scholarship at the rate of Rs. 100/- per month will be given to a maximum of two children studying between 9th to 12th standard.

[Ministry of Finance, Department of Financial Services
O.M. No. S-11012/04/207-Ins III Dated 18-10-2007]

Recommendation (Sl. No. 8, Para No. 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 installments 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 targeted 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.

Reply of the Government

IRDA has reported that the social sector covered under the Insurance Act includes (i) those in unorganized sector (ii) those in informal sector (iii)

economically vulnerable sections and (iv) other categories of persons. The suggestion of the Committee that in respect of economically vulnerable sections, they may be given flexibility with regard to the timing of payment of premium as also payment of the premium in one installment. IRDA has issued micro insurance regulations which provide for a micro insurance agent who can be an Non Government Organisation (NGO), MFI or Self Help Group (SHG) who will procure group policies after pooling funds. It may be desirable to pursue this line of action as the poorest of the poor (BPL) cannot afford individual premium which are beyond his means and thus requires a group coverage. The insurers may not find it economical to contact individual beneficiaries and collect premium.

Further, the problem of reaching out to the people is addressed by canvassing group policies to select occupational groups. The advantage to reaching out to the groups is that it provides adequate members.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.III Dated 18.10.2007]

Recommendation (Sl. No. 9, Para No. 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.

Reply of the Government

IRDA has reported that it is endeavoring to increase the coverage by facilitating insurers to procure the services of established NGOs to canvass insurance policies. The social sector policies with full premium paid by the insured cannot succeed if they are competing with subsidized policies designed by State/Central Government and implemented through insurers. Since more States are coming with insurance schemes benefiting weaker sections, all insurers (public as well as private) should be given opportunity to participate so that they get involved in schemes and learn from the experience of working with the weaker sections. As the economic position improves, the association between the insurer and insured could continue to prosper and the weaker sections may gravitate from subsidized schemes to self-reliant schemes.

[Ministry of Finance, Department of Financial Services O.M. No. S-11012/04/207-Ins.III Dated 18.10.2007]

CHAPTER V

RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT
ARE STILL AWAITED

Nil

NEW DELHI;
December 3, 2007
Agrahayana 12, 1929

C. KUPPUSAMI
Chairman,
Committee on Estimates.

MINUTES OF SITTING OF THE ESTIMATES COMMITTEE
(2007-08)

NINTH SITTING

The Committee sat on Monday, the 3rd December, 2007 from 1500 hours to 1530 hours.

PRESENT

1. Shri C. Kuppusami, MP - Chairman

MEMBERS

2. Shri Bikram Keshari Deo
3. Shri Anant Gudhe
4. Shri D. Narbula
5. Shri Sachin Pilot
6. Shri Tufani Saroj
7. Shri Arjuncharan Sethi
8. Kunwar Manvendra Singh
9. Dr. Ramlakhan Singh
10. Shri Rewati Raman Singh

SECRETARIAT

1. Shri A. Mukhopadhyay - Joint Secretary
2. Shri C.V. Gadgil - Director
3. Smt. Manju Chaudhary - Deputy Secretary II

2. At the outset, the Chairman on his behalf and on behalf of the Committee placed on record their profound sorrow on the sad demise of Shri Vijay Kumar Khandelwal, MP and Member of Estimates Committee. The Committee observed two minutes silence as a mark of respect to the departed soul. Then the Chairman informed the Committee that Shri Jaswant Singh Bishnoi, MP has been elected as a new Member of the Committee.

Contd/..2

3. The Committee then considered and adopted, without any amendments, the draft Fifteenth Report on action taken by the Government on the recommendations contained in the Twelfth Report of the Estimates Committee (14th Lok Sabha) on the Ministry of Finance (Department of Economic Affairs – Insurance Division) - 'Insurance Schemes for Weaker Sections of the Society'.

4. The Committee authorized the Chairman to finalise the Report and present the same to the House.

The Committee then adjourned.

APPENDIX II

(Vide Introduction to Report)

Analysis of the action taken by Government on the recommendations contained in the Twelfth Report of the Estimates Committee (Fourteenth Lok Sabha)

(i)	Total number of recommendations/observations	10
(ii)	Recommendations/observation which have been accepted by the Government Sl. Nos. 1, 5	2
	Percentage	20%
(iii)	Recommendations/observations which the Committee do not desire to pursue in view of Government's reply Sl. No. 4, 10	2
	Percentage	20%
(iv)	Recommendations/observations in respect of which Government's replies have not been accepted by the Committee Sl. Nos. 2, 3, 6, 7, 8, 9	6
	Percentage	60%
(v)	Recommendation/Observation in respect of which Final replies of Government are still awaited.	Nil