Offices across Asia and Africa
www.MicroSave.net
info@MicroSave.net

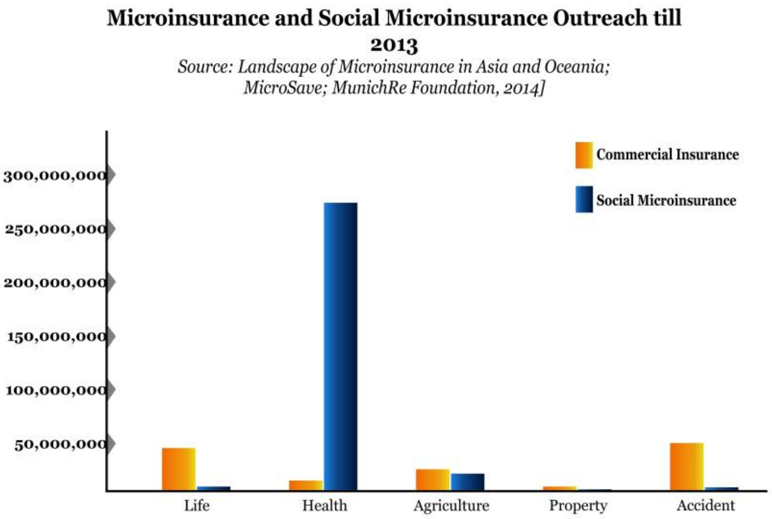
# Policy Brief #13

## *Jansuraksha*: India's New Tryst with Mass Insurance

Premasis Mukherjee

August 2015

India's tryst with microinsurance and micro-pensions is older than most initiatives across the globe. Right from the days of public sector insurance (1960s-1999) through the periods of privatisation and regulation (post 2000), providing insurance for low-income segments has always remained a major agenda of discussion for the government and insurers alike. According to latest estimates, India accounts for more than 42% of global microinsurance coverage. In addition, several social microinsurance products already cover nearly 316 million Indians. This includes a range of life, health and agriculture insurance schemes aimed at low income segments with premiums fully subsidised by the government.[1] Moreover, 4.5 million people in the un-organised/informal workforce are covered by NPS-Lite (a defined contribution (DC) micro-pension scheme with co-contributions from the government).




So when the current Government of India launched another host of insurance and pension schemes for the low income segments on May, 2015, it elicited both jubilation and scepticism. While the government continues with its marketing campaign and celebrations over impressive outreach, critics are arguing that these schemes are remodelled versions of their social insurance predecessors. Globally too, these schemes are yet to attract the attention of experts, who acclaimed the government a couple of months ago for opening of 161.4 million bank accounts under *Pradhan Matri Jan Dhan Yojana* (PMJDY), the flagship financial inclusion programme.

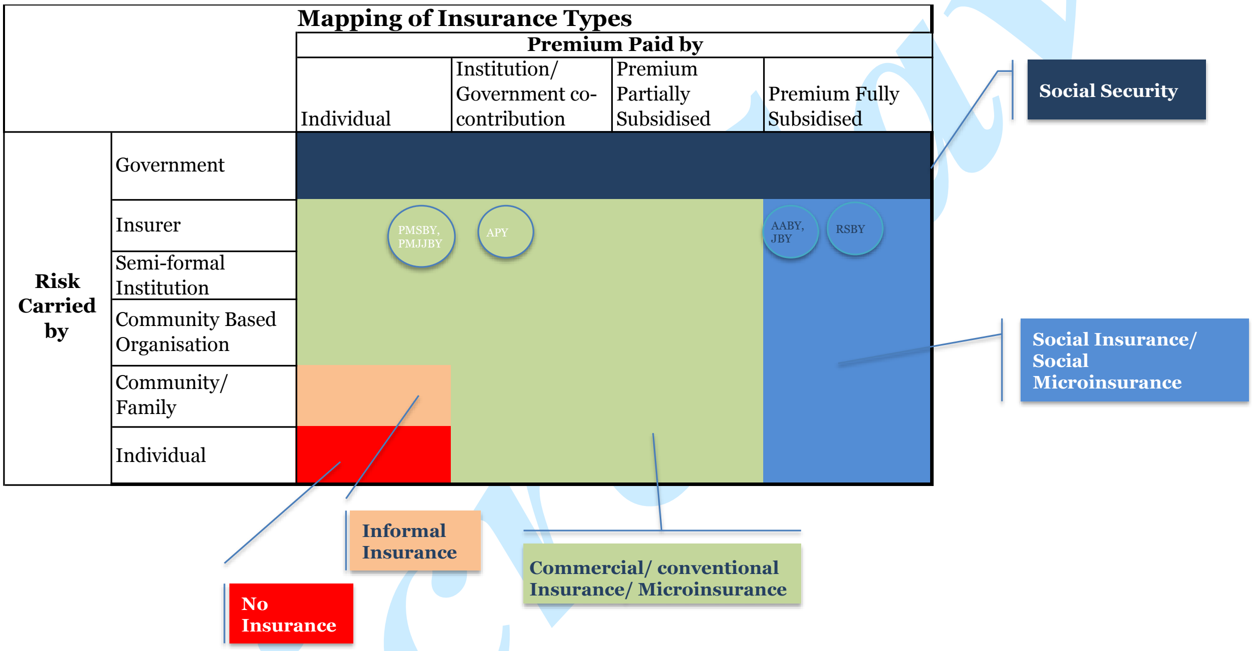
At the outset, let us clarify that the new schemes, collectively called *Jansuraksha* Schemes, are not social security or social insurance schemes in the strict definition of the term. The differentiation between commercial/conventional insurance and social insurance or social security lies in:

- who pays the premium; and
- who carries the risk (whom the premium is paid to).

Social security schemes are those where government underwrites the risk itself, without involvement of any insurance entity. Disaster relief, public health schemes (e.g. National Rural Health Mission) and employment guarantees (e.g. MNREGA) are examples of social security schemes, where the government directly underwrites the risks from its exchequer. In social insurance or social microinsurance schemes, on the other hand, the

[1] Landscape of Microinsurance in Asia and Oceania; Munich Re Foundation by *MicroSave*; 2014

government pays premium to an insurance company on behalf of its citizens, while the risk is entirely underwritten by the insurer. Examples of social microinsurance/social insurance are *Aam Admi Bima Yojana* (AABY), *Rashtriya Swasthya Bima Yojana* (RSBY) and National Agriculture Insurance Scheme (NAIS/mNAIS), where central and state governments of India share the entire or major burden of premium payment. The new schemes (*Pradhan Mantri Suraksha Bima Yojana*, *Pradhan Mantri Jeevan Jyoti Bima Yojana* and *Atal Pension Yojana*), however, are entirely contributory with a very limited direct subsidy (e.g. premium or claim subsidy) component, making them more akin to conventional/ commercial microinsurance than to social insurance.




To assess whether these schemes are indeed offering anything new and innovative, let us start by understanding what they offer.

The *Jansuraksha* scheme is a set of three different products/schemes:

| Name of the Product/Scheme | Benefit | Sum Assured/ Benefit Amount (INR) | Premium (INR) | Outreach (to 14th Aug, 2015) |
|---|---|---|---|---|
| **Pradhan Mantri Suraksha Bima Yojana (PMSBY)** | Personal Accidental Death | 200,000 (USD3,240) | 12 per year (USD0.19) | 81.24million |
| | Permanent Disability (loss of both eyes, arms or legs) | 200,000 (USD3,240) | | |
| | Partial Disability (loss of one eye, arm or leg) | 100,000 (USD1,620) | | |
| **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)** | Death (any cause) | 200,000 (USD3,240) | 330 per year (USD5.35) | 27.43million |
| **Atal Pension Yojana (APY)** | Monthly Pension from the age of 60 | 1,000-5,000, depending on contribution | From 42 per month (USD0.68) [for persons starting at 18 years with minimum pension of INR1,000 ] | 0.65million |

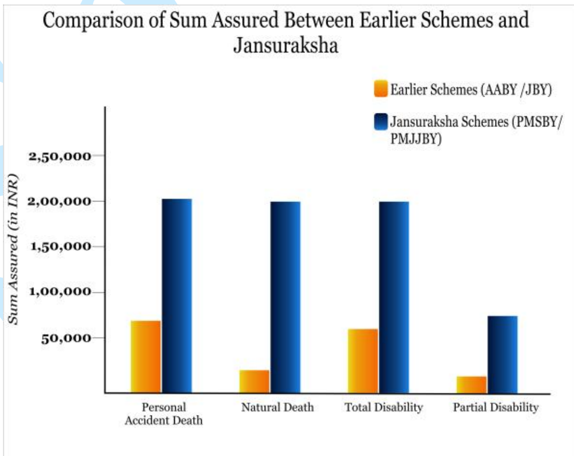
Some features that differentiate these schemes from their predecessors and earlier government initiatives are described below:

### 1) *Impressive outreach through focused campaigning*

After almost two decades of experiments, conventional microinsurance has only managed to cover 14.7% of the target population (which is 9% of overall population and equals to 111.1 million people in India) through myriad insurance programmes[2] concerning life, health, agriculture and accidents. In comparison, in just first three-and-a-half months of launch, the three new schemes covered a staggering 109.32 million people. Definitely, in terms of outreach, these schemes have been a success. Such impressive outreach was achieved through an extensive publicity campaign and intensive above the line (ATL) marketing (in print and electronic media) run by the government in parallel with the launch. Never have social insurance schemes been backed with such high profile publicity and marketing efforts.

### 2) *Higher sum assured as compared to preceding programmes*

In terms of design, PMSBY and PMJJBY can be seen as successors of *Aam Admi Bima Yojana* (AABY) and *Janshri Bima Yojana* (JBY), both of which had life, accidental death, total and partial disability benefits. In comparison, PMJJBY and PMSBY do not offer any new type of benefit to low income people, but cover more than double the sum assured – an augmentation for which experts have been arguing for many years.




### 3) *Self-contributory insurance as compared to subsidised premium*

Though the new policies are entirely self-contributory, the government has ensured:

a) that insurance companies and banks actively enrol subscribers in the policies;
b) that insurers underwrite these policies at the premium prescribed by the government (which is much lower than the market price of any comparable insurance policy); and
c) that awareness is created about the products through active marketing by means of various print and electronic media.

This is a departure from the earlier premium subsidy-based insurance schemes, towards smarter subsidies – which are focused on design of the scheme, price regulation and ensuring access through the network of banks. For example, though AABY was a fully subsidised scheme, only 20.3 million subscribers opted for the scheme as compared to 108.7million subscibers (within 3½ months) for PMSBY and PMJJBY. This happened as a result of easy access to the *Jansuraksha* schemes provided to the target population through all of India's extensive bank network (446,752 banking outlets including 125,683 bank branches),[3] increased awareness as a result of the government's publicity and marketing campaigns, increased participation of the banks in actively enrolling clients because of the attractiveness of the incentives offered, as well as encouragement from the Department of Financial Services, Ministry of Finance.

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[2] Landscape of Microinsurance in Asia and Oceania; Munich Re Foundation; *MicroSave*; 2014

[3] Reserve Bank of India Latest Statistical Bulletin; Trends and Progress of Banking in India, RBI, 2014-15

### 4) Price reduction through group insurance

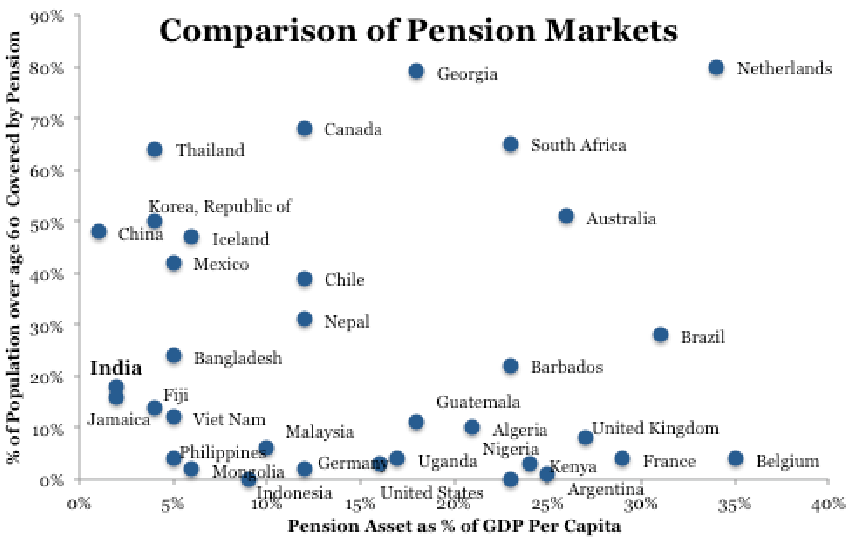
PMSBY and PMJJBY are priced at INR12 (USD0.12) and INR330 (USD5.32) per annum, respectively. This price is much lower than any comparable policies available in the market.[4] Earlier the government used to pay INR200 (USD3.24) towards AABY/JBY for a much lower sum assured. In the new scheme, the price could be reduced primarily due to:

a) use of a group insurance platform, where the enrolling bank is the master policy holder;
b) ensuring a large and undifferentiated pool of subscribers, which makes insurers comfortable to underwrite policies at a lower rate; and
c) assurance by the government to revisit the price based on claim experience and the promise of possibly subsidising claims if they are higher than can be comfortably managed by the insurer.

A two pronged strategy of price innovation and smart subsidy – in the form of promotion and assurance - makes these schemes unique. The reduction in price for life and personal accident insurance is also eventually likely to impact the conventional insurance industry. If the claim ratio remains under control, the large pool of clients created by *Jansuraksha* schemes will ultimately reduce the unit price of life and accident insurance in India.

### 5) Defined benefit pension- a shift from the earlier model

Pension schemes are fundamentally of two kinds: 1) Defined Benefit (DB) Pensions, wherein the pension annuity is defined irrespective of the contribution and investment return; and 2) Defined Contribution (DC) Pension, wherein the pension contribution is defined while the benefit/annuity depends on the investment return.[5] In the last decade, both globally as well as in India, pension schemes have largely shifted from DB schemes to DC schemes. [New Pension Scheme] (NPS) of India and [NPS-Lite], its micro-pension version are DC pension schemes. *Atal Pension Yojana* is fundamentally different from its NPS counterpart (NPS Lite / *Swabalamban* is the predecessor of APY), since it is a partially defined benefit (DB) pension as compared to the overall NPS architecture around defined contribution (DC) pension. Under APY, the subscriber is guaranteed a minimum pension - something that had been lacking in all the previous pension and micro-pension schemes of recent years. Though the committed return is much lower than the current NPS-Lite return (the YoY NPS Lite return for the last 3 years has been 17% approximately as compared to approximately 8.2% assured in APY), the minimum pension guarantee will definitely enhance clients' trust in APY. Furthermore, APY is not purely a DB scheme, since it offers actual return on investment to its clients if the value of the return is higher than the minimum guaranteed benefit. In this sense, the subscriber will enjoy the advantages of both DB (since the minimum pension is guaranteed irrespective of return) and DC pension (since the clients are entitled to get higher pension if the return is more than the minimum guaranteed sum) through APY.




[4] As per Policy bazar.com, an online website for comparing insurance prices, the market rate for a personal accident policy (with disability rider) with Sum Assured INR200,000 costs around INR160-250 (USD2.5-3.9)per year.

[5] Germany, Finland and Switzerland follow completely DB schemes while Chile, France, Greece, Poland and Hungary follow complete DC Pension. Rest of the countries have a mix of DB and DC schemes.

### *6) Simplification of enrolment*

In all the three policies, *Aadhaar*, the unique identification number is considered as a primary KYC for enrolment – making it much simpler to enroll compared to cumbersome forms and documentation required for these schemes' earlier counterparts. Payment of premiums/contributions is also made easier through auto-debit from subscribers' bank accounts – many of which were opened under the PMJDY campaign.

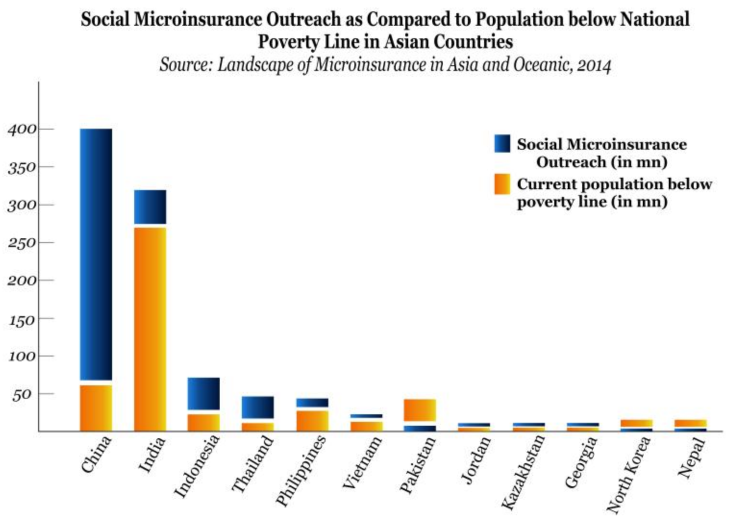
### *7) Augmented use of bank accounts*

So far, the largest criticism against financial inclusion programmes of India has been for their focus on opening of bank accounts rather than on the transactions made through these accounts – 46.93% PMJDY accounts had zero balance as of 29th July, 2015. PMSBY, PMJJBY and APY, however, can be operated through bank accounts only - making a strong case for deposits into the newly opened PMJDY accounts. Indeed in the first three-month period of *Jansuraksha*, zero balance PMJDY accounts have reduced by 8.85%. State Bank of India, which opened maximum number of *Jansuraksha* policies, has recorded a reduction of 15.5% in its zero balance PMJDY accounts in the same period. Moreover, since insurance subscriptions are linked to a specific bank account, these insurance products can also enhance customer loyalty and reduce migration of clients from one bank to another. Apart from sustaining float in these accounts, banks can also explore opportunities to up-sell other bank products to these hitherto un-banked clients.

### *8) Stratified incentive for value chain players*

Both PMSBY and PMJJBY have a clear incentive structure for banks as well as Business Correspondents or agents who can actually sell the policies. To date, many agents have become dormant because of lack of sufficient revenue stream or transactions. Though insurance alone will not be able to solve the issue, it is a positive step forward to augment income of the agents.

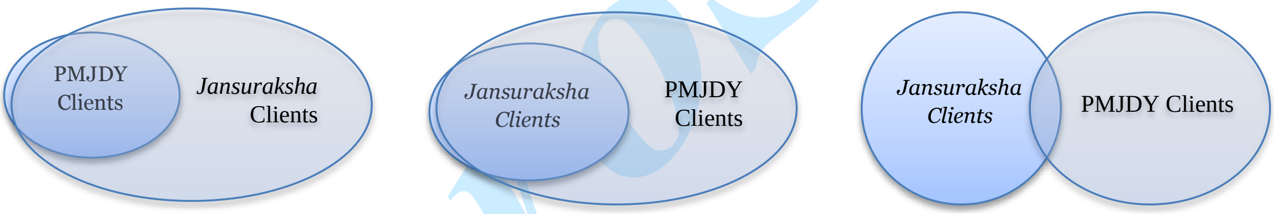
There is little doubt that the new *Jansuraksha* (social security) schemes offer a paradigm change from the hitherto landscape of microinsurance and social insurance in India. It is commonly held that commercial microinsurance is targeted at the population segment living within USD1.25-USD4 a day. The segment above this income level is expected to subscribe to conventional insurance; the segment below is typically the beneficiary of social microinsurance schemes. A couple of years ago, however, we saw social microinsurance schemes being also offered to segments above the 'below poverty level' (which was hence eating into the commercial microinsurance target market). In other words, governments were subsidising premiums of a segment that was otherwise expected to pay for microinsurance and possibly even commercial insurance policies. In this sense, the new set of policies are an about turn, where the government expects even the below poverty line population to subscribe to self-contributory insurance schemes, while the government itself creates a conducive environment for low cost, scalable insurance through smart subsidies. It will be interesting to see if similar experiments are replicated elsewhere in the near future.



The *Jansuraksha* schemes, however, are not without challenges. To date, the schemes have been able to cross the first hurdle: outreach. The longer-term success of the schemes will, however, depend on efficient and effective management of a number of issues, which have been described below:

1) ***Targeting the right clients***: The *Jansuraksha* schemes are target neutral in design. Although the inherent objective of the schemes is inclusion of low-income people, the products have been offered to the general population to ensure a large pool of clients and to maintain a generic risk profile. Only a thorough analysis of current and future enrolments will be able to measure to what extent has the low-income segment actually enrolled into the insurance and pension schemes. Unless an analysis (and regulation) of the targeting is done, banks and insurers might adopt the path of least resistance and enrol their regular walk-in customers, who do not constitute the core target population of the schemes. As on 29$^{th}$ July 2015 *Jansuraksha* policies totalled 61% of PMJDY accounts opened by all banks. However, there are 19 banks (12 public sector and 7 private), that have enrolled more number of clients under *Jansuraksha* policies than the number of PMJDY accounts they have opened. Unfortunately, there is no estimate available on what percentage of *Jansuraksha* enrolment is done through PMJDY accounts.

   There are three possible scenarios as a result of the current client targeting for the *Jansuraksha* schemes:




**Intended Paradigm**
*Jansuraksha Schemes cover majority of PMJDY clients (erstwhile financially excluded population) and move towards insuring the other banked customers for universal coverage.*

**Probable Current Scenario 1**
*Majority of PMJDY clients are covered by Jansuraksha schemes, while approximately 39% is left uninsured, and very few regular customers of banks are enrolled into the scheme.*

**Probable Current Scenario 2**
*There is little correlation amongst PMJDY and Jansuraksha clients—meaning banks have enrolled their regular high value customers in Jansuraksha, while majority of PMJDY clients (low income/rural clients) are left uninsured.*

   To accurately ascertain whether banks and insurers are adequately focused on the low income and hitherto financially excluded segments (essentially characterised by PMJDY accounts), it is necessary to conduct regular monitoring to find out which of the above scenarios is playing out at each of the banks. Simultaneously, banks following the intended model, (i.e. those which are focusing on PMJDY/low income clients for *Jansuraksha* schemes before moving onto their regular clients), should be appropriately incentivised and rewarded. Policymakers might also be interested to know the characteristics and other trends of clients (geographically and demographically) enrolling into the schemes. Though broad level rural and urban categorisation is already done, bank- and state-wise categorisations need to be conducted to understand the focus of banks, as well as to customise the product(s) in future.

   In addition, the government can also try to actively identify target client groups and mandate banks and institutions to enrol people from these segments. There are a host of social security schemes managed by several ministries/departments of the government, which are targeted to the low income and informal sectors. For example, nearly 39.48 million people who necessarily belonged to the low-income informal/unorganised workforce[6] were employed in MNREGA (in 2014-15), a programme managed by the Ministry of Rural Development. Similarly 36.31 million households are covered in RSBY, a scheme managed

[6] MNREGA Website, Public Portal

by the Ministry of Labour.[7] Policymakers can assess ways to converge these schemes and mandate banks to deliver *Jansuraksha* products to beneficiaries of different social security schemes. Now that nearly 14.14 million MNREGA workers are also identified through the *Aadhaar* enabled payment system,[8] the government might also consider linking *Jansuraksha* schemes (especially *Atal Pension Yojana*) to the MNREGA platform to actively deliver pension products to this vast unorganised and informal workforce.

2) ***Making people aware of the schemes:*** The initial outreach in *Jansuraksha* was driven by the publicity campaign and marketing by the government and banks. The long-term success of the schemes will, however, depend on use of the schemes. Unless the public/subscribers are aware of the benefits and processes, there is little probability that the schemes will have any major impact on the overall insurance/microinsurance landscape of India. Actual usage of the schemes is a direct indicator of awareness. In the first year of RSBY implementation, almost two thirds of the insured villages recorded zero claims, and individual states' recorded claim ratio (hospitalisation ratio) ranged from 0.1% (for Assam) to 5.2% (Kerala) indicating huge variances in awareness about the scheme.[9]

In case of *Jansuraksha* too, such variances can be expected if awareness creation efforts are not uniform across the country. It is therefore necessary to assess clients' awareness levels and review claim trends periodically to ascertain whether people are just enrolled as a result of massive publicity or are also actively using the insurance services whenever required.

The government can also motivate banks and insurance companies to conceive and implement low cost, effective and technology-enabled insurance literacy campaigns. The Indian government has mandated all companies [with a net worth of INR 5 billion (USD 78.36mn) or more, or with a turnover of INR 10 billion or more (USD156,71mn) or earning a net profit of INR 50 million or more (USD0.78mn)] to spend at least 2% of their last 3 years' average net profits on corporate social responsibility (CSR) activities.[10] This translates into a corpus of INR 200 billion-250 billion (USD3.13bn-3.92bn) per year to be spent by corporates on socially relevant projects.[11]

The government can make insurance (and financial) literacy campaigns a legitimate part of CSR spending to incentivise financial institutions to invest in these activities. The government can either create a *Jansuraksha*/insurance literacy fund from CSR funding by financial institutions and insurance companies; or allow the institutions' cost of insurance/*Jansuraksha* literacy campaigns as a direct CSR expenditure. In the latter case, however, the government can prescribe some qualifying criteria for the banks and insurers to ensure that the quality and effectiveness of these campaigns are not diluted. To avail CSR allowance on literacy/marketing campaigns, the insurers and/or banks may be mandated to ensure a minimum renewal rate (benchmarked from IRDA prescribed persistency rate of 50%) or adequate timely claim processing (>95% claim settlement ratio of which >95% is processed within 30 days of intimation).

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[7] RSBY Website, Figures as on 31st March , 2015

[8] MNREGA Website; R19.6Aadhaar Demographic Verification Status for DBT Districts Report (as on 6th August, 2015) for 287 notified districts under DBT scheme

[9] Performance Trends and Policy Recommendations; RSBY Working Paper; September 2011

[10] Companies Act, 2013

[11] An Analysis of Corporate Social Responsibility in India; Economics and Political Weekly; December 2014; and approximation by Indian Institute of Corporate Affairs in different seminars and conferences

3) ***Managing claims effectively:*** The *Jansuraksha* schemes are priced significantly lower than their conventional counterparts. The success of the schemes, therefore, will depend on whether the insurers are able to manage the claims within the assumed risk profile. As of 2013-14, the life insurance industry paid 96.75% of claims reported (96.22% in case of group policies), of which more than 95% were settled within 30 days of reporting. The current *Jansuraksha* schemes need to perform equally well in terms of both claim ratio and claim settlement period. As on 14th August, 2015, only 49% of the claims are paid in PMSBY and PMJJBY. Of these, 94% of PMJJBY claims are paid within 30 days of reporting and only 77% of PMSBY claims were paid within a month of claim.[12] Defintely, the claim servicing of Jansuraksha schemes need sincere improvement. Though a lot of the rejections are related to initial mis-communication and documentation related, one cannot deny the the need of awareness creation and fast processes in managing claims. The institution (insurance company wise) level difference in performance is also indicative of

**<u>*Jansuraksha* Claim Trends from First 3.5 months</u>**

***Pradhan Mantri Suraksha Bima Yojana***

- Number of claims reported: 279
- Claim settlement ratio (number of claims paid as percentage of number of claims reported): 49.10%
- Average number of days for paying claims: 22 days
- Percentage of claims processed within 30 days: 77%
- Claims pending (or under process): 37.28%
- Claims rejection ratio: 13%
- Rejection reasons:
  - Accident before cover start date: 56%
  - Natural death claimed under PMSBY: 24%

***Pradhan Mantri Jeevan Jyoti Bima Yojana***

- Number of claims reported: 1,139
- Claim settlement ratio: 49.43%
- Average Number of days for paying claims: 11days
- Percentage of claims processed within 30 days: 94%
- Claims pending/under process: 49.34%
- Claim rejection ratio: 1.23%
- Claim rejection reason
  - Death before cover start date: 80%

**Insurer Performance in *Jansuraksha***

**Performance of Major Insurers Under PMSBY**

| | Claims Reported | Claims Settled | Claim Settlement Ratio | Claim Rejection Ratio | Average Days to Settle Claims | Percentage of claims settled in >30 days | Percentage of claims under process for >15 days |
|---|---|---|---|---|---|---|---|
| New India Assurance | 59 | 32 | 54% | 0.00% | 25 | 34% | 14% |
| National Insurance | 46 | 24 | 52% | 17% | 27 | 38% | 24% |
| Oriental Insurance | 31 | 9 | 29% | 13% | 26 | 22% | 29% |
| United India Insurance | 105 | 63 | 60% | 18% | 19 | 14% | 6% |

**Performance of Major Insurers Under PMJJBY**

| | Claims Reported | Claims Settled | Claim Settlement Ratio | Claim Rejection Ratio | Average Days to Settle Claims | Percentage of Claims Settled in >30 Days | Percentage of Claims Under Process for >15 Days |
|---|---|---|---|---|---|---|---|
| LIC of India | 542 | 137 | 25% | 0.18% | 23 | 18.98% | 32.47% |
| Star Union Dai Chi | 182 | 142 | 78% | 0.55% | 7 | 0% | 0.55% |
| SBI Life | 205 | 166 | 81% | 0.98% | 6 | 0% | 1.46% |
| India First Life Insurance | 206 | 117 | 57% | 5% | 10 | 5.98% | 10.68% |

efficiency and intent of the providers, which need to be properly monitored, incentivised and rewarded. If these schemes fail to pay claims or pay them on a timely basis, the reputation and effectiveness of the schemes will suffer heavily.

[12] *Jansuraksha* Website and *MicroSave* Analysis

Moreover, *Jansuraksha* schemes involve a long value chain to deliver the services: the client-> bank agent-> bank branches-> banks-> insurance company. To maintain high quality standards across such a long value chain, the schemes must ensure:

- that processes for claim intimation, documentation and processing are smooth and fast;
- that all the value chain members (especially Business Correspondents [BCs]/agents and bank branch staff) are trained in the process of claim intimation, documentation and processing;
- that all the people involved in claim processing are adequately incentivised or rewarded for rapid processing of claims; and
- that technology enabled processes are developed to support swift processing of claims.

4) ***Keeping the risk profile healthy and price under control:*** The government has assured insurers that the price of the policy will be revisited based on claim experience. In addition, the government has taken responsibility to settle claims if the premiums collected fall short of the claim liability. However, given the price sensitivity of Indian clients, it will be difficult for insurers and the government to increase the premiums for the schemes after a year or two of roll out. Though the government expects premiums to reduce due to competition amongst bidding insurers – as was the case with RSBY — the *Jansuraksha* premiums are already much lower than the market rates. It could therefore be a challenge for insurance companies to maintain a healthy portfolio and avoid unsustainable claim ratios if prices are not monitored and modified appropriately. Furthermore, different states, insurers and banks might experience differences in their claim ratios depending upon their client profiles and exposure. Policymakers must track claim trends to find out whether differences in claim levels are a sector level issue or an institutional issue. Otherwise, the government might find itself reimbursing insurance companies for their own adverse selection (e.g. enrolling people with higher risk profiles). Also, to avoid regular re-pricing, the schemes need to be monitored closely for cost control opportunities. The government can also facilitate creation of a unique claim servicing/re-insurance fund to pay for catastrophic risks, so that it does not have to take claim subsidy decisions on an *ad hoc* basis every year.

The government (and IRDA) already have a successful experience of managing a similar pool for terrorism risk in the insurance portfolio of India. The *Jansuraksha* claim pool can replicate this concept and maintain a unique reserve fund for continuity and efficient management of *Jansuraksha* claims. Interestingly, the government need not necessarily spend from its exchequer to create such a fund. If CSR funding can be allowed to contribute to such a fund (along the lines of CSR funding to Prime Minister's Relief Fund), many institutions - including insurers and financial institutions - might be keen to contribute.

5) ***Ensuring renewals***: So far, only public sector banks have shown major interest in these schemes and therefore constitute 95% of *Jansuraksha* clients. Private sector banks, on the other hand, have cumulatively enrolled only 5.27 million clients, which is less than 30% of the *Jansuraksha* clients enrolled by State Bank of India alone. The popular argument is that the PSU banks have been obliged to enrol such high number of clients due to very active persuasion by the Ministry of Finance. Since the policies are of a one-year term, they need to be renewed every year to keep the momentum intact. Indian insurers are, however, not very adept at being persistent with renewing their policies.

Though the government has invested hugely in marketing and publicity in the first year of launch, one cannot depend on such excitement and push everytime in the years to come. Responsibility of renewal and ensuring continuity of polices, therefore, will depend upon banks' and insurance companies' ability to reach out to customers effectively and motivate them to continue the policies after the first year. Unless major players in the banking sector are convinced of the viability and benefit of these schemes, there is a sizeable risk that banks might abandon the schemes within 2-3 years of launch.

At a policy level, the government needs to monitor the renewal performance of banks and insurance companies in order to assess their interest in, and commitment to the schemes. Besides this, the government and institutions can also engage in client level marketing (below the line marketing) through cost effective and technology-enabled solutions. As mentioned earlier, such initiatives of banks and insurance companies can be integrated into their CSR activities, provided the institutions are performing well on claim processing and renewals.

According to recent studies by *MicroSave*, many Business Correspondents (BCs) and Bank Mitra (BMs) are finding the business (only cash-in and cash-out transactions on basic savings accounts) financially unattractive. Since *Jansuraksha* schemes offer handsome incentives for both banks and the business correspondents/agents (INR1 for PMSBY and INR10 for PMJJBY), these schemes can be attractive conduits in the augmenting income of BCs/BMs. BCs/BMs, therefore, can be motivated to sell these policies and help maintain renewals.

6) ***Ensuring continuity:*** Government policies in India suffer from a horizon issue. Much like the AABY and JBY, the next incumbent government might decide to discontinue the current set of *Jansuraksha* schemes. So far, the government has neither committed a dedicated fund, nor made a permanent arrangement to continue the policies conceived. In absence of a continuity policy, the schemes will suffer from a perpetual threat of extinction whenever a new government comes to power. While the present government can celebrate the biggest insurance revolution on the globe, it must also consider options to create a *Jansuraksha* continuity fund or consider legislations to make the schemes integral to all future social insurance/social security measures of the country. The continuity fund can be used to boost the generic publicity and cover marketing costs borne by the government in addition to underwriting the cost of administration, monitoring, reporting and other incidental costs of running the schemes. Though these costs are apparently marginal, the absence of a dedicated fund will make the schemes dependent on budgetary allocation by successive governments to them. Instead, the current government can ensure creation of this fund through a one time budgetary allocation. Alternatively, the government might also invite (and allow) CSR funding (similar to what is mentioned for creation of *Jansuraksha* claim servicing/re-insurance fund) into the fund. The fund thus created can potentially become an important factor in ensuring the sustainability of *Jansuraksha* for future years to come. It is important to note here that the continuity fund is objectively different than the *Jansuraksha* claim/re-insurance pool suggested earlier. While the primary objective of the claim/re-insurance pool is to hedge against catastrophic claims and infrequent high claim years, the purpose of the continuity fund will be to manage operational and management costs of the *Jansuraksha* schemes over the upcoming years. However, if the government so decides, both these funds can also be managed through a single corpus created either by government allocation, CSR funding ,bank/insurer's contribution or a combination of all of these.

Alternatively, the government can also concretise the *Jansuraksha* schemes by separate legislation, so that future government(s) cannot discontinue them abruptly. Instead of a direct regulation, the government can conceive a separate executive structure to implement and monitor *Jansuraksha* schemes as well as other social insurance and social security schemes. If brought under one executive body, delivery and coordination amongst all the social insurance, social security and *Jansuraksha* schemes are expected to be more robust and effective than the current scenario. Though it might not be irreversible altogether, it will be much more difficult for any future incumbent government to alter a well defined executive structure under a ministry than revoking a set of insurance products.

Additionally, the government should continue publicity campaign for *Jansuraksha* schemes till it reaches a substantial threshold (around 30 million enrolments like RSBY/MNREGA etc.), where it becomes politically difficult to revoke such schemes.

**Conclusion**

*Jansuraksha* schemes are so far, undoubtedly the largest insurance success story on the globe in terms of reaching millions of clients within a very short period of time with voluntary insurance products. Extensive publicity and marketing, and use of smart subsidies along with design level innovations in both products as well as the processes used to deliver them, have enabled the schemes to reach more than 108 million clients within 3 months. The universal approach of the schemes will also enable creation of a large insurance pool for insurers, which might also reduce the premium rates of conventional insurance in the near future. The success of the schemes in the long term will, however, depend on how continuity of the schemes is ensured. To achieve long-term sustainability, some of the possible policy level interventions could be:

- ***Regular Monitoring***: Regular monitoring of the schemes' performance in terms of client targeting, claim experience, and process efficiency so that the product and process designs can be modified and customised for improved effectiveness. This will also be valuable to motivate banks/insurers either through soft incentives like rewards and recognitions and/or through structural incentives like tax breaks and/or CSR allowance of certain activities related to *Jansuraksha*.

- ***Awareness Creation***: Extensive marketing/insurance literacy campaigns by banks/insurance companies and/or the government are key to ensuring domain and client centrality of *Jansuraksha* schemes. This will prompt renewal and extend outreach to a threshold number of clients in future years, thus making the schemes central to financial inclusion and the social security fabric of the country (domain centrality). In addition, this will ensure adequate and apppropriate use of the products, and appreciation of the value of the schemes, thus making the schemes integral to the overall financial lives of the users – a key factor for client centrality. Both these factors can help ensure the continuity of the schemes since they will make it difficult to revoke the schemes in future.

- ***Convergence:*** The government currently runs myriad different social security and insurance programmes under several ministries and departments. In the new era of smart subsidies — as witnessed in the case of *Jansuraksha* schemes — the government needs to converge the social security and DBT (direct benefit transfer) schemes targeting the low income, informal/unorganised sector under one ministry or an executive regulatory structure. Since *Jansuraksha* schemes are universal in design, they can be pivotal in such convergence. Convergence of these schemes with *Jansuraksha* will not only ensure active and proper targeting of clients, but will also enable effective governance of all the related schemes, and thus prove vital in ensuring their continuity.

- ***Jansuraksha Fund***: To insure against catastrophic risks in *Jansuraksha* and to manage divergent claim experience in future years, the government should consider setting up a *Jansuraksha* continuity fund and/or re-insurance pool. This fund(s) can play the dual role of helping the government sail through high claim and catastrophic years as well as ensuring continuity of the schemes in the long term. If the government so chooses, income from this fund can also be selectively used for marketing and publicity of the schemes in future years.

- ***CSR Allowance***: India sits on a potential CSR corpus of INR 200-250 billion (USD3.13-3.92bn) a year. This corpus can be explored to manage a host of necessary expenditure under *Jansuraksha*. This can save the government's money as well as incentivise financial institutions (and other stakeholders in *Jansuraksha*) to remain invested in the schemes. Some possible ways in which mandatory CSR spending can be explored under *Jansuraksha* are:
    - Allowing *Jansuraksha* related marketing and insurance literacy expenditure by banks and insurance companies in their CSR mandate (to avoid misuse of the provision, the government can create some qualifying criteria for financial institutions in order to avail this facility); and
    - Creation of the corpus of the proposed *Jansuraksha* continuity fund and/or re-insurance pool. Any contribution towards this fund can be allowed under the CSR mandate of the institutions, so that they are motivated to provide towards both - *Jansuraksha* as well as CSR.