

Seventh Meeting of State Financial Inclusion Forum (SFIF), Bihar

8th July, 2015
Hotel Chanakya, Patna



Organized Under:

Poorest States Inclusive Growth (PSIG) programme



Background-Bihar, which is in the bottom five of CRISIL Financial Inclusion Index, requires cooperation amongst regulators, government agencies, financial institutions, service providers, and other stakeholders to strengthen financial inclusion efforts. Assisted by DFID, the Poorest State Inclusive Growth programme (PSIG) is working towards improving the access of financial services to low income households in 4 poorest states-viz Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The project has 3 components viz. – policy advocacy, improving access to finance and financial literacy.

While SIDBI is the implementing agency for PSIG, ACCESS-ASSIST has been assigned as Secretariat to coordinate the initiatives on policy advocacy in the above four states as well as at the national level. Setting up of multi-stakeholder State Financial Inclusion Forum (SFIF) in each focus state has been agreed as one of the key mechanisms to achieve the objectives under the policy advocacy component. The SFIF is expected to act as an exchange and deliberation Forum to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state. The seventh meeting of the Bihar SFIF was organized on 8th July 2015 in Patna. The list of SFIF members and other participants of the meeting is provided in **Annexure 1**.

SUMMARY OF PROCEEDINGS

The theme of the meeting was ***Jan Dhan se Jan Suraksha (Insurance): Implementation, Opportunities and Challenges***. Apart from SFIF members and PSIG team, the meeting was attended by representatives of commercial banks, insurance companies, technical experts etc. Objective of the meeting was to look at ways of effective roll-out of the recently launched social security insurance schemes of the Govt. – PM Suraksha Bima Yojana (PMSBY) for life insurance and PM Jeevan Jyoti Bima Yojana (PMJJBY) for accident insurance, along with issues related to the insurance component of PMJDY.

1. Opening Remarks by Shri S Ramakrishnan, CGM, SIDBI: The SFIF is active in addressing issues of policy and advocacy in four PSIG states. The forum is bringing out relevant topics of discussion in all four states. All the financial services are very crucial for people; especially insurance is very important as we need to protect our customers. The keenness of the government to universalise access to all financial services including insurance is evident from recently launched schemes and thrust on their implementation. He emphasised that while discussing about the new insurance schemes, the forum should discuss the ground level challenges and propose suggestions to address them effectively.

2. Address by Ms. Ragini Choudhary, Private Sector Advisor, DFID: In India insurance penetration is low and portion of insurance premium collected to the GDP is less than 5%, which is very less when we compare with other countries. Enrolment in general insurance is much lower in compared to life insurance. Earlier efforts made by the RBI, Central Government, NABARD etc. towards financial inclusion through various programmes have focussed on opening bank accounts, but under PMJDY greater emphasis is on insurance and pension. It is talking about effective Financial Inclusion. With the PMJDY and the new social security schemes, awareness regarding insurance is improving due to mass advertisement campaigns promoted by the government. However, the major challenge now is of asymmetric information about these schemes. For example while JDY account holders are aware of insurance cover, they may not have information regarding the terms and conditions of eligibility (use of RuPay card within 45 days before the accident) and claim processing. These important details are generally left uncovered by

advertisements as well as financial literacy camps. Secondly, responsibility of implementation of all these schemes has been assigned to banks which are already overloaded. Thirdly, people do not differentiate between savings and insurance, and if insurance amount could not be claimed once; they do not think of renewal next time. Some of these issues need to be deliberated in the meeting.

3. Action taken report by ACCESS ASSIST: A brief action taken report on follow-up actions of previous SFIF meetings was presented, which is summarized below:

- a. Organize meeting of PSIG, NABARD, JEEVIKA and two banks to develop a collaborative proposal for strengthening Financial Literacy Centre at block level.
 - a. **Action taken:** A dipstick study of Financial Literacy Centre (FLC) has been initiated by ASSIST in all four PSIG states. In Bihar six FLCs will be studied which will include FLCs of all the RRBs and three lead banks. Field testing of tools has been done and study is being carried out. Report of the study will be ready by August to be shared in next SFIF meeting.
- b. Create District level Financial Inclusion forum in consultation and collaboration with Department of Institutional Finance.

Action taken: This action point is incorporated in annual plan of PSIG and one district level SFIF meeting will be organized in this financial year.
- c. Third meeting of the Aggregators' forum was organized on 24th April 2015 and was attended by 10 aggregators. Features of Atal Pension Yojana (APY) was discussed and few suggestions about clarity on APY were shared with PFRDA, like –
 - Merger of Swavalamban scheme in APY
 - Clarity over role of different stakeholders
 - Simplification of documentation process
 - Clarity on government's contribution
- d. Next quarter plan-
 - Orientation programme on Atal Pension Yojana
 - Exposure visit of Banks, RRBs, Govt. Officials to MFIs

4. Overview presentation: Overview of insurance industry of India and features of different micro insurance products including new insurance schemes launched under Pradhan Mantri Jan Suraksha Yojana was presented to the forum. India's life insurance is the largest in world with 39 crore policy holders. Insurance penetration in India is 3.9% against 6.3% of world average. India's insurable population is expected to reach 75 crore by 2020. Looking at its growing middle class, insurable young population and growing awareness about need of insurance, Life insurance is projected to comprise 35% of total savings by 2020 as against 26% in 2010. Bihar is the third most populous state of India, which has higher rural population and affected by natural calamities like flood and drought, which makes it a desired state for promotion of insurance products.

Prior to Pradhan Mantri Jan Suraksha Yojana, government had initiated few insurance schemes like Rashtriya Swasthya Bima Yojana, Aam Aadmi Bima Yojana etc for people with low income. Under PMJDY, there is provision of life insurance and accidental insurance. There are few micro insurance products of LIC and other private companies like SBI Life, Kotak Mahindra, HDFC standard etc. in the market.

In May 2015, Central Government launched two new insurance schemes – Pradhan Mantri Jeevan Jyoti Yojana (PMJJBY) and Pradhan Mantri Suraksha Yojana (PMSBY). Where PMJJBY is annually renewable life insurance policy with sum assured of 2 lakhs, PMSBY is annually renewable accidental insurance policy with sum assured of 2 lakhs. People aged between 18 to 50 years are eligible for enrolment under PMJJBY after paying annual premium of Rs. 330 and that of 18 to 70 years are eligible for PMSBY after paying annual premium of Rs. 12. Key stakeholders of this scheme are different banks (public, private and RRBs) and insurance companies both life and general insurance. In Bihar, till 1st July 2015, total number of enrolment under PMJJBY was around 22.5 lakhs against national total of 2.65 crore and under PMSBY, total enrolment in Bihar was 47.24 lakhs compared to total national enrolment of 7.76 crore.

5. Discussion

Major points of discussion are summarized below:

- **Insurance is a 'sense of security'** – Insurance is the biggest social security scheme for the society. Insurance means financial security in case of death of someone or loss of property. It is the sense of security, which comes in case of loss. This basic psychology has to be understood in order to bring whole society in the insurance loop.
- **Premium to GDP ratio is not an appropriate metric-** A view that insurance premium as percentage of GDP is not an appropriate measure, was raised and it was suggested that percentage of people covered and risk coverage per person were better metrics.
- **Urban-Rural and Gender distribution** – The progress under PMJJBY and PMSBY indicates that percentage of number enrolment in rural and urban areas is similar, which implies that the schemes have equal uptake in rural areas. The gender distribution of the policies is 64:36 for male and female respectively. This is very encouraging since other insurance products have a ratio of 85:15. These numbers show positive trend towards gender and rural mainstreaming in social security schemes.
- **Scalability and Sustainability** – Distribution cost of these schemes is being borne by the banks. Amount of premium collected is important to cover administrative costs. Therefore, to make this a viable business opportunity for banks as well as insurance companies, scale (number of enrolments) and sustainability (renewals) are critical.
- **Are the schemes aligned with realities of the poor?–** While there has been a great policy push it still needs to be ascertained if the current schemes are aligned with the realities of poor and unorganized. 90% of workforce is in unorganized sector, 60% are migrants, and women lead 11% rural households and do not have regular income. For this profile of clients, being able to retain a balance of Rs. 342 in the bank account at particular date in order to renew the insurance policies may not be a practical expectation. It needs to be studied whether clients do not understand the importance of renewing the policies or they do not have the resources to do so.

Need for more options in insurance products/schemes – Aam Aadmi Bima Yojana (AABY) is a popular social security scheme that offers sum assured of Rs. 30,000 for a premium of Rs 100. The new LI scheme offers sum assured of Rs. 2 lakhs for a premium of Rs 330 p.a. However, a segment of the target group may need an option with premium around Rs 150-200 which could offer a sum assured of Rs 1 lakh.

6. Key Challenges

- Ñ **Distribution channel restricted to banks** – For PMJJBY and PMSBY, government is restricting to one channel of distribution, i.e. banks. The schemes could be widened up to include other channels available at the last mile.

- Ñ **Low level of financial awareness** – 90% of accounts under PMJDY are with zero balance. Clients are not aware of eligibility conditions for overdraft; conditions for getting insurance benefits, process for insurance claim and settlement etc. There are only 2 reported claim cases in PMJDY, which may not be the reality. Claims are there but people have no idea where to go for claim settlement. Procedure for claim settlement should be displayed at the banks. In addition, people need to make aware that Aadhar is must for availing benefits from all these schemes so they should see importance of getting Aadhar.
- Ñ **Nominee details not available** – Insurance companies are concerned that details of nominee for Life insurance scheme are not being collected accurately which is expected to create issues during claim settlement. Two or more nominees can turn up for claiming the sum assured.
- Ñ **Pure risk coverage vs. component of money back** – People are keen to know about the return in case of no claim; they expect investment/savings element rather than accept insurance as a purely risk management tool. However, in case of money back/endowment policies for poor clients, the premium amount will be high and infeasible. It is therefore important emphasize upon difference between insurance and saving and importance of insurance through financial awareness mechanisms.
- Ñ **Gap in reconciliation of data** – There are gaps in data given by banks and insurance co and collected at corporate office level of banks. So, banks and insurance companies need to resolve this issue for uniformity of data at all level.
- Ñ **Default at the time of premium deduction** – After enrolment, around 40% enrolments are turned into default category due to unavailability of sufficient balance in the client's account.
- Ñ **Getting necessary documents is difficult** – To apply for claim settlement, there is need of getting documents like FIR & postmortem report (accidental death) and death certificates. In reality, to get all these documents is very tedious and time consuming.

7. Way forward and Suggestions –

- **Gram Panchayats, schools, and other channels like NGOs, MFIs can be involved in awareness campaigns** – Gram Panchayat and schools must be involved in promoting social security schemes. Without involving these, mass advertisement will not mark much impact. NGOs, MFIs can also act as channels for promoting these schemes.
- **Auto-debit/other premium collection mechanisms** – There should be options in collection of premium. If annually is not feasible for someone, then it could be done in monthly or quarterly installments and there may be local collection mechanisms. Policy lapsing in case of even literate policyholder is very common, so there should be flexible collection mechanism for premium collection.
- **Advocacy for life insurance scheme with multiple options** – There may be demand of creating more options under the scheme, say Rs 50,000 or one lakh cover with premium in the range of Rs. 100 to 200. It will be helpful in increasing coverage and provide more appropriate risk cover and premium option for the poor.
- **Involvement of BCs is critical** – There are thousands of BCs working in the field. They can be very useful channel for promoting and distributing these schemes. It will be a win-win situation for both BCs and beneficiaries, because BC will get commission and beneficiary will get insurance. In addition, BCs can be utilized to educate people for keeping the balance in their account for this purpose.

8. Action Point –

- Take up the issues, challenges, and suggestions to the level of IRDA for further advocacy

9. Next Meeting – next meeting of SFIF will be organized in the month of September. The key theme to be addressed will be *“Atal Pension Yojana”*.

10. Vote of thanks

Ms. Sonmani Choudhary, State Director - PSIG, SIDBI expressed sincere thanks to all participants for actively participating in the meeting. She said that the discussion was very lively and participated by all the stakeholders. The discussion was very informative and many points can be taken forward for advocacy.

Sl. No.	Name	Designation	Organization	E-Mail Address
1	Ayandev Saha	General Manager	K.M. Dastur Reinsurance	ayandev.saha@hotmail.co.uk
2	K.S. Rakshit	Managing Director	Bihar State Cooperative Bank Limited	scbbihar@gmail.com
3	V. Lakshmana Rao	G.M.	Uttar Bihar Gramin Bank	ubgb@ubgb.in
4	P. C. Mishra	Area Head	Bajaj Allianz GIC Ltd.	prawin.mishra@bajajallianz.co.in
5	Keerti	State Director	Bihar Mahila Samakhya Society	msbihar@hotmail.com
6	Ranjeet Sinha	Chief Manager	UCO Bank	Circleoffice.patna@ucobank.com
7	Shakti Kumar Singh	Manager	UCO Bank	Circleoffice.patna@ucobank.com
8	Aloke Samayar	Dy. Manager	Oriental Insurance Co Ltd	aloksamayar@orientalinsurance.co.in
9	Manish Kumar	I P (Programme Officer)	Department of Post	pobhr@indiapost.gov.in
10	Neelesh Sinha	Programme Coordinator	RGVN	neeshpat1@gmail.com
11	Rashmi Sinha	Co promoter	SAIJA	sinha.rashmi60@gmail.com
12	Gangesh Kumar	Manager	NABARD	gangesh.kumar@nabard.org
13	Dhruv Kumar	AGM	NABARD	dhruv1959@rediffmail.com
14	Anil Kumar	Chief Manager	Central Bank of India	rdpatnazo@centralbank.com
15	Rajesh Bhugra	Regional Manager	SBI Life Insurance	rajesh.bhugra@sbi-life.com
16	Sanjay Bhatnagar	Regional Sales Manager	SBI Life	prem.vidyarthi@sbi-life.com
17	Prawin Kumar	Manager	RBI	prawinkumar@rbi.org.in
18	S. Ramakrishnan	CGM (SFMC)	SIDBI	sramakrishnan@sidbi.in
19	Ragini B Chaudhary	PSD Advisor	DFID	r-chaudhary@dfid.gov.uk
20	Kshitiz Kumar	Sr. Manager	Madhya Bihar Gramin Bank	kshitizmbgb@gmail.com
21	Jiban Kumar Jha	Project Manager	BRLP	jiban@brlp.in
22	Mukesh Chandra Sharan	PC (FI)	BRLP	mukesh@brlp.in
23	Ranjeet Kumar	Rural Department	Tata AIG	ranjeet12345@gmail.com
24	Shruty Sinha	BDM (CL)	Tata AIG	Shruty.sinha@tata-aig.com
25	Amit Rai	AGM	SIDBI	amitrai@sidbi.in
26	Rajeev Roshan	Rural Bank Coordinator	Bajaj Allianz	rajeev.roshan@bajajallianz.co.in

27	Padmanabh	Bancassurance Head Bihar	Bajaj Allianz GIC Ltd	Padmanabh.gautam@bajajallianz.co.in
28	Saurabh Chatterjee	Asst. Manager	SIDBI	saurabhc@sidbi.in
29	Sayantani Chatterjee	Project Coordinator	ACCESS ASSIST	Sayantani@accessassist.org
30	Aparna Shukla	Manager	Access Assist	aparna@accessassist.org
31	Sonmani Choudhary	State Director	SIDBI	sonmanic@sidbi.in
32	M.P. Bhagat	Dy. Director (Banking)	Finance (Institution) GoB	Inputs.banking@gmail.com
33	Arvind Kumar Singh	Dy Manager	SLBC	Slbc.bihar@sbi.co.in
34	Dinesh Sharma	Admin Officer	New India Assurance	dinesh.sharma@newindia.com
35	Prashant Sinha	Admin Officer	The New India Assurance Co. Ltd	prashant.sinha@newindia.co.in
36	Tapan Kumar Palit	Chief Manager	Punjab National Bank	tkpalit@pnb.co.in
37	C Raj	DGM	SBI	dgmoutreach.lhopat@sbi.co.in
38	Rashid Iqbal	Circle Nodal Manager	Axis Bank	rashid.iqbal@axisbank.com
39	Tushar Krishna	Sr. Project Coordinator	Access Assist	tushar@accessassist.org
40	Radhika Agashe	Executive Director	Access Assist	radhika@accessassist.org