

FINANCIAL INCLUSION

FDs to fund premium of insurance schemes

Deposit plans and gift cheque are long-term subscription initiatives aimed to boost participation

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In the backdrop of Raksha Bandhan, which falls on 29 August this year, the government is set to increase its efforts to promote Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) by launching a long-term subscription initiative to fund the premiums of these products.

According to a Ministry of Finance circular issued to insurance companies on 1 August, the government has launched Suraksha Deposit Scheme, Jeevan Suraksha Deposit Scheme and Jeevan Suraksha Gift Cheque. Under these schemes, you can make a deposit of ₹201, ₹5,001 and ₹351, respectively. The money will be used for long-term subscription of the two insurance schemes.

Insurance companies have welcomed the initiatives. "It is an empowering initiative, especially when you consider that most women don't give their personal financial security top-most priority. The government is using the festival of Raksha Bandhan to enable women to receive these gift cards instead of receiving cash. They can use the cards to buy the Pradhan Mantri insurance schemes. This should also help the uninitiated learn about banking," said R.M. Vishakh, managing director and chief executive officer, IndiaFirst Life Insurance Co. Ltd.

However, banks are yet to get an update on the new schemes.

"Tweaks have been happening for a while and we are waiting for the final circular. We will be able to get a clear picture by tomorrow (6 August)," said an official of a public sector bank who didn't want to be named.

Based on what insurance companies and banks said, and contents of the finance ministry circular (*Mint* has a copy), here's what to expect from the three new products.

Deposit schemes

The money from Suraksha Deposit Scheme and Jeevan Suraksha Deposit Scheme will be used for subscription of PMSBY and PMJJBY, respectively. In May this year, Prime Minister Narendra Modi had launched PMSBY, a group life insurance term plan, and PMJJBY, an accident insurance plan, in an attempt to increase the focus on providing access to financial services.

PMJJBY is a pure term plan with a sum assured of ₹2 lakh and renewable yearly. You can opt for this if you are between 18 and 50 years of age by paying a premium of ₹330. PMSBY is a personal accident insurance with a sum assured of ₹2 lakh at a yearly premium of ₹12. Claims are payable on accidental death, permanent total disability or permanent partial disability.

If you opt for Suraksha Deposit Scheme, out of ₹201, ₹24 will be reserved to pay two annual premiums of ₹12 each for PMSBY. The remaining ₹177 would be retained with the bank in a fixed deposit (FD) for five to 10 years for payment of premium for PMSBY.

If you pick Jeevan Suraksha Deposit Scheme, you will have to deposit ₹5,001. Out of this amount, ₹684 will be used to pay two annual premiums for both PMSBY and PMJJBY (₹12 and ₹330, respectively, per year). The

remaining ₹4,317 will be converted in an FD for 5-10 years. This will pay the future premiums of the two insurance schemes till the maturity of the FDs.

If you decide to gift someone a Jeevan Suraksha Gift Cheque, you will have to pay ₹351 for the gift card. The recipient can use the gift cheque to enrol for the insurance schemes. Of the cheque's value, ₹342 (₹12+₹330) will be used to subscribe to the two insurance programmes. The remaining ₹9 will be retained by the bank as service charge.

What you should know

According to banks that we spoke to, the money that goes into an FD—₹177 in case of Suraksha Deposit Scheme and ₹4,317 in case of Jeevan Suraksha Deposit Scheme—will earn interest rate as per the prevalent rate for the particular tenor.

Here's an example. ICICI Bank Ltd offers 8% interest per annum on deposit of 5-10 years. If you opt for ICICI Bank, the money put in an FD under the two deposit schemes—₹177 and ₹4,317—will earn 8% interest per annum. If you take a yearly interest payout on the FD under Suraksha Deposit Scheme, it will earn about ₹15. Out of this, the bank will deposit ₹12 on your behalf towards the premium for PMSBY. The remaining interest amount, along with the principal, will continue to earn interest. At the end of tenor, the money will be credited to the customer's account.

According to banks, all terms and conditions that apply to a normal FD will be applicable on these deposits too.

The deposit schemes and the gift cheque have been launched to provide more access to the insurance plans.

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