



An Outlook of Postal Life Insurance in the Current ERA

KEYWORDS

Postal life insurance, Rural Postal life insurance, Indian posts, financial performance

Mr. B. Muthukrishnan

Doctoral Research Scholar, Department of Management, Pondicherry University, Karaikal Campus, Karaikal – 609 605

ABSTRACT *The postal department has different types services offered to the public. They are communication, transportation, financial and value added service. The postal department provides one of the important services called postal life insurance. The insurance services play a vital role in postal department and there are two types of insurance. One the important and oldest insurance services are Postal life insurance and another one Rural Postal life insurance. Postal life insurance covers employees of Central and State Governments, Central and State Public Sector Undertakings, Universities, Government aided Educational institutions, Nationalized Banks, Local bodies etc. PLI also extends the facility of insurance to the officers and staff of the Defense services and Para-Military forces. Apart from single insurance policies, Postal Life Insurance also manages a Group Insurance scheme for the Extra Departmental Employees (Gramin Dak Sevaks) of the Department of Posts. In this study focus on Indian posts overview, Indian posts various services, Indian post financial services of postal life insurance, different types postal life insurance schemes, PLI benefits, PLI financial performance and PLI performing circles in India. In this paper based on secondary data and discussed about the current scenario in postal life insurance.*

1. Introduction

The postal life insurance contract in which the insurance department, in consideration of a premium paid either in lump sum or installments, undertakes to the person for whose benefit the policy is undertaken, a certain sum of money on the death of the insured or on the expiry of the policy, whichever occurs first. For postal life insurance, the risk covered against is death. The life insurance company pays the sum assured in the event of death. At present, postal life insurance enjoys maximum scope because life is the most important asset to the society or an individual. Each and every person requires this insurance. This insurance provides protection to the family at the premature death or gives adequate amount at the old age when earning capacities are reduced. The insurance is not only a protection but is a sort of investment because a certain sum is returnable to the insured at the death or the expiry of a period.

2. Indian posts – Overview

The Department of Posts comes under the Ministry of Communications and Information Technology. The Postal Service Board, the apex management body of the Department, comprises the Chairman and six Members. The six members of the Board hold portfolios of Personnel, Operations, Technology, Postal Life Insurance, Human Resources Development, Planning respectively. The Joint Secretary and Financial Advisor to the Department is a permanent invitee to the Board. The Board is assisted by a senior staff officer of the Directorate as Secretary to the Board. Deputy Directors General, Directors and Assistant Directors General provide the necessary functional support for the Board at the Headquarters.

India has the largest Postal Network in the world with over 1, 55,015 Post Offices (as on 31.03.2009) of which 1, 39,144 (89.76%) are in the rural areas. At the time of independence, there were 23,344 Post Offices, which were primarily in urban areas. Thus, the network has registered a seven-fold growth since Independence, with the focus of this expansion primarily in rural areas. On an average, a Post Office serves an area of 21.21 Sq. Km and a population of 7175 people

4. Financial services of Postal Life Insurance (PLI)

Postal Life Insurance was introduced on 1st February 1884 with the express approval of the Secretary of State (for India) to Her Majesty, the Queen Empress of India. It was essentially

a scheme of State Insurance mooted by the then Director General of Post Offices, Mr. F.R. Hogg in 1881 as a welfare scheme for the benefit of Postal employees and later extended to the employees of Telegraph department in 1888. In 1894, PLI extended insurance cover to female employees of P & T Department at a time when no other insurance company covered female lives. It is the oldest Life insurer in this country.

In the beginning, the upper limit of life insurance was only Rs 4000/- which has now increased to Rs 10 lacs (Rupees Ten Lacs) for all schemes combined - Endowment Assurance and Whole Life Assurance. Over the years, PLI has grown substantially from a few hundred policies in 1884 to 42,83,302 policies as on 31.03.2010. It now covers employees of Central and State Governments, Central and State Public Sector Undertakings, Universities, Government aided Educational institutions, Nationalized Banks, Local bodies etc. PLI also extends the facility of insurance to the officers and staff of the Defence services and Para-Military forces. Apart from single insurance policies, Postal Life Insurance also manages a Group Insurance scheme for the Extra Departmental Employees (Gramin Dak Sevaks) of the Department of Posts.

PLI is an exempted insurer under Section 118 (c) of the Insurance Act of 1938. It is also exempted under Section 44 (d) of LIC Act, 1956.

5. PLI plans:

The postal life insurance currently provides seven types of plans. They are as follows:

- ❖ Whole Life Assurance (SURAKSHA)
- ❖ Convertible Whole Life Assurance (SUIDHA)
- ❖ Endowment Assurance (SANTOSH)
- ❖ Anticipated Endowment Assurance (SUMANGAL)
- ❖ Joint Life Assurance (YUGAL SURAKSHA)
- ❖ Scheme for Physically handicapped persons
- ❖ Children Policy

5.1 Whole Life Assurance (SURAKSHA)

This is a scheme where the assured amount with accrued bonus is payable to the assignee, nominee or the legal heir after death of the insured. Minimum Age at entry is 19 years and the maximum Age at entry is 55 years. The minimum

Sum Assured is Rs 20,000 and the maximum Sum Assured is Rs 10 lacs. The policy can be converted into an Endowment Assurance Policy after completion of one year and before 57 years of age of the insurant. Loan facility is available after completion of four years and policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

5.2 Convertible Whole Life Assurance (SUVIDHA)

The features of this scheme are more or less same as Endowment assurance. Policy can be converted into Endowment Assurance after five years. Age on the date of conversion must not exceed 55 years. If option for conversion is not exercised within 6 years, the policy will be treated as Whole Life Assurance. Loan facility is available. The policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

5.3 Endowment Assurance (SANTOSH)

Under this scheme, the proponent is given an assurance to the extent of the Sum Assured and accrued bonus till he/she attains the pre-determined age of maturity. In case of unexpected death of the insurant, the assignee, nominee or the legal heir is paid the full Sum Assured together with the accrued bonus. The minimum age at entry is 19 years and the maximum Age at entry is 55 years. The minimum Sum Assured is Rs 20,000 and the maximum Sum Assured is Rs 10 lacs. Loan facility is available and policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

5.4 Anticipated Endowment Assurance (SUMANGAL)

It is a Money Back Policy with maximum Sum Assured of Rs 5 lacs. Best suited to those who need periodical returns. Survival benefit is paid to the insurant periodically. Two types of policies are available - 15 years term and 20 years term. For the 15 years term policy, the benefits are paid after 6 years (20%), 9 years (20%), 12 years (20%) and 15 years (40% and the accrued bonus). For the 20 years term policy, the benefits are paid after 8 years (20%), 12 years (20%), 16 years (20%) and 20 years (40% and the accrued bonus).

5.5 Joint Life Assurance (YUGAL SURAKSHA)

It is a joint-life Endowment Assurance in which one of the spouses should be eligible for PLI policies. Life insurance coverage is provided to both the spouses to the extent of sum assured with accrued bonus with only one premium. All other features are same as an Endowment policy.

5.6 Scheme for Physically handicapped persons

The maximum limit of Insurance for Physically Handicapped persons in PLI is the same as others and he/she can take any one of the plans. Medical examination is compulsory under this scheme in order to determine the exact nature and extent of their handicap and its bearing on the life being

insured. Depending upon the nature and extent of handicap, normal or a slightly higher premium is charged.

5.7 Children Policy

The Department has introduced Children Policy under PLI/RPLI, with effect from 20th Jan 2006. The salient features of this scheme are as under:-

- The Scheme is envisaged to provide Insurance cover to the children of PLI/RPLI policy holders.
- Maximum two children in family will be eligible to take children policy.
- Children between the age of 5 and 20 years are eligible and maximum sum assured is Rs 1 lakh or equivalent to the sum assured of the main policy holder whichever is less.
- The main policy holder should not have attained the age of 45 years.
- No premium is required to be paid on the children policy on the death of the main policy holder and full sum assured with the accrued bonus shall be paid to the child after the completion of the term of the children policy. On the death of the child/children, full sum assured with the accrued bonus shall be payable to the main policy holder.

7. Postal Life Insurance (PLI) – Benefits

PLI is the only insurer in the Indian Life Insurance market today, which gives the highest return (bonus) with the lowest premium charged for any product in the market.

8. Performance of Postal Life Insurance (PLI) in India

year	No. of Policies	Sum Assured (Rupees in millions)
2007-2008	2,04,904	28972.5
2008-2009	3,55,700	50206.2
2009-2010	3,24,931	72109.2
2010-2011	5,97,234	133662.2
2011-2012	5,40,743	135192.5

Sources: Indian Posts Annual Reports

Chart: 1

9. Top five performing circles (2008-2009)

PLI	
Name of Circle	Sum Assured (in Rs. Crore)
Andhra Pradesh	2112.80
Tamil Nadu	752.58
Maharashtra	669.21
Karnataka	599.47
Gujarat	495.26

Sources: Indian Posts

Conclusion :

Postal life insurance aims at distributing the losses of individual members of a community over the whole of the community. It is a mechanism (scheme) by which members of a community combine to avoid a range of individual risks. No one can predict death. Therefore, every person is prepared to contribute a small fixed sum annually to a common fund on the condition that an amount will be paid to beneficiary after death.