Indian Banks' Association

Chief Executives of all Member Banks

Dear Sirs/Madam,

Pradhan Mantri Sneh Bandhan Scheme – An insurance focused Deposit Scheme

Please find enclosed a Scheme called Pradhan Mantri Sneh Bandhan Scheme received from the Department of Financial Services to be launched with effect from 1st August 2015. This gift product is designed keeping in view the ensuing Raksha Bandhan festival in mind. However, the product is relevant for other festivals, social occasions and family celebrations also. Essentially the gift giver buys the gift instrument (typically a bankers’ cheque or Gift Card), and gives to a sister or a relative as a gift on the given occasion. The giftee presents the instrument to the bank to be deposited in her existing account or a new account to be opened. The bank can open a Zero balance BSBDA account, if need be. The three variations of the gift instrument are as under:

1. Instrument for Rs. 201. This will facilitate premium payment for Pradhan Mantri Suraksha Bima Yojana over a period of several years.
2. Instrument for Rs.351. This will facilitate one year premium payment for Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana.
3. Instrument for Rs.5001. This will facilitate premium payment for both PMJJBY and PMSBY over a period of several years.

It is envisaged that in respect of product 1 and 3 above, the interest on fixed deposit created will meet premium payment of the insurance product(s). In the illustration given in the Scheme, it is envisaged that the premium for initial 2 years will be retained in the savings account and the balance amount kept in fixed deposit for 5 to 10 years. Banks could however, examine alternate approaches to optimize the process and to ensure availability of balance in the account for meeting premium payment every year on the designated date. (example: after deducting the 1st year premium, the balance could be kept in short term deposit maturing on 31st May 2016. On that day, after retaining amount required for premium payment on 1st June 2016 the remaining amount could be placed in longer term deposits with annual interest getting credited to the savings account on 31st May every year which will facilitate premium payment on 1st June).

Banks may ensure the giftee is eligible for enrolment in the insurance schemes concerned and necessary enrolment forms are got filled up. In the event, the giftee is already covered for the current year under the said insurance schemes, the amount may be utilized for premium payment in subsequent years. This is for your information and necessary action.

Yours faithfully,

K Unnikrishnan
Deputy Chief Executive

Encl: as above