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No.NC/JCM/2020

Date: June 18, 2020

The Secretary,
Department of Personnel & Training,
(Government of India),
North Block,
New Delhi-110001

Dear Sir,

Sub: Central Government Employees Group Insurance Scheme(CGEGIS)

Ref.: (i) Customized CGEGIS, Dept. of Expenditure, MoF's OM dated 07.12.2018

(ii) Brief on Customized Group Insurance Scheme (Dept. of Expenditure 06.05.2019)

(iii) Brief Note on CGEGIS (DoPT 06.05.2019)

(iv) Revised proposal for LIC's customized Group Insurance(GI) for Central Government Employees (13.09.2019)

1. **Revision of Central Government Employees Group Insurance Scheme (CGEGIS)** is long overdue since the rates of Sum Assured and the premium thereof continues to be the same since it was decided in 1990 in spite of much inflation and devaluation of money.
 - 2.1. Arising out of 7th CPC recommendations and based on JCM (Staff Side) representation, the Union Cabinet had asked the Ministry of Finance to work out a **Customized Group Insurance Scheme for Central Government Employees** with low premium and high risk cover.
 - 2.2. Staff Side had pointed out that the existing **Scheme of CGEGIS** is having a proven system. It is good except for non-revision of the scheme since 1990.
 - 2.3. Subsequently, some of the **Customized Group Insurance Scheme for Central Government Employees** prepared by LIC was shared with the JCM (Staff Side).
3. **Main drawbacks in LIC proposals:** Staff Side finds following major flaws in the proposal submitted by LIC to Department of Expenditure:
 - 3.1 LIC has not given any proposal for the sum assured of **50 lakh, 25 lakh and 15 lakh** at lesser subscription compared to the recommended by 7th CPC, as advised by the Cabinet.

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- 3.2 The existing system of **CGEGIS is a self-financing scheme**, having non-transferable consolidated fund. When handed over to LIC, it will be treated as a profit centre. Hence subscription and other conditions will be changed to provide profit to LIC.
- 3.3 LIC has proposed a premium (for insurance) **20%** higher than 7th CPC recommendations. In addition to that, **18% GST** on the Subscription have to be borne by employees. Hence, employee will end up in contributing subscription **41.6%** more than the recommendations of the 7th CPC.
- 3.4 **LIC's proposal of revising the subscription every year will be disadvantageous** to the employee and as such not acceptable to the Staff Side.
- 3.5 LIC's proposal of age based subscription increases monthly subscription by **4.28 times**. It may result in different rates of premium for employees belonging to different age group working in the same pay level.
- 3.6 **LIC also proposed for higher subscription** if total number of employees covered in the scheme comes down. This will bring in total uncertainty as staff strength on roll continues to fluctuate due to retirement etc. and non-filling of vacancies.
- 3.7 **LIC asked for transfer of existing corpus** (around Rs.500 crore) which was **most unreasonable, unprecedented and undesirable**, particularly since it does not provide any matching relief to the employees in terms of lower premium.
- 3.8 **Premium proposed to be charged by LIC was too high**, considering a very large group employees to be covered with a sanctioned strength of nearly 38.6 lakh Central Government employees in the CGEGIS.
- 3.9 a) In **LIC's Jeevan Amar Life Term Assurance Plan** (UIN: 512N332V01), for the assured sum of **Rs. 50 Lakh at the entry age of 20, annual premium is Rs.4,356, at the entry age of 30, it is Rs. 6,952**. (The sample illustrative premiums for Jeevan Amar life term assurance plan is attached as Annexure-I).
- b) Even after adding for **Saving Fund under CGEGIS @ 3 times of the premium for Life Term Assurance Plan**, the total amount of subscription for CGEGIS will be less than half of the monthly subscription proposed by the LIC and by the 7th CPC.
- c) **Monthly Subscription can be reduced by 20%** when the scheme is applied for more than 30 lakh employees as a Group as per details given in **Table-2**, based on the Premium for Individual Term Insurance indicated in **Table 1** below:-

Table-1: Monthly subscription in proportion to LIC's Jeevan Amar Life Term Assurance Plan):

| Pay Level of Employee | Insurance Amount Recommended by 7 th CPC Rs. | Proposed monthly subscription for CGEGIS (In proportion to LIC's Jeevan Amar Term Assurance Plan) (#) | | | Corresponding SA (Savings) For 30 years of service @8% annual interest Monthly compounding |
|-----------------------|---|---|-----------------------------|--------------------------------|--|
| | | Insurance Fund (25%) Rs. | Savings Fund (75%) (##) Rs. | Total Monthly Subscription Rs. | |
| Level 10 & above | 50,00,000 | 600 | 1800 | 2400 | 27,02,331 |
| Level 6 to 9 | 25,00,000 | 300 | 900 | 1200 | 13,51,165 |
| Level 1 to 5 | 15,00,000 | 200 | 600 | 900 | 9,00,777 |

(#) **Based on entry age of 30 years for Individual Term Insurance.** (Premium amount rounded off to next hundred Rs.) (##) 7th CPC recommended a ratio of 75:25 for savings fund to insurance fund.

Table-2 Monthly subscription for Group Insurance @ 20% lesser than subscription charged by LIC for Individual Life Term Assurance (shown in table-1) plus savings Fund in the ratio 25:75

| Pay Level of Employee | Insurance Amount Recommended by 7 th CPC Rs. | Proposed monthly subscription for CGEGIS - (20% less than LIC's Jeevan Amar Term Assurance Plan's premium) (#) | | | Corresponding SA (Savings) For 30 years of service @8% annual interest Monthly compounding |
|-----------------------|---|--|-----------------------------|--------------------------------|--|
| | | Insurance Fund (25%) Rs. | Savings Fund (75%) (##) Rs. | Total Monthly Subscription Rs. | |
| Level 10 above | 50,00,000 | 480 | 1440 | 1920 | 21,61,865 |
| Level 6 to 9 | 25,00,000 | 240 | 720 | 960 | 10,80,932 |
| Level 1 to 5 | 15,00,000 | 160 | 480 | 640 | 7,20,621 |

4. PROPOSALS OF THE STAFF SIDE

- 4.1. Staff Side proposes that for the sum assured recommended by 7th CPC the following rates of Monthly subscription @ 20% less than the Premium for Individual Term Insurance plus Savings Fund as derived in table-2 above.

| Pay Level of Employee | Insurance Amount Recommended by 7 th CPC Rs. | Proposed monthly subscription for CGEGIS - (20% less than LIC's Jeevan Amar Term Assurance Plan's premium) | | |
|-----------------------|---|--|------------------------|--------------------------------|
| | | Insurance Fund (25%) Rs. | Savings Fund (75%) Rs. | Total Monthly Subscription Rs. |
| Level 10 & above | 50,00,000 | 480 | 1440 | 1920 |
| Level 6 to 9 | 25,00,000 | 240 | 720 | 960 |
| Level 1 to 5 | 15,00,000 | 160 | 480 | 640 |

- 4.2 **Monthly Subscriptions of Rs.1920, Rs.960 and Rs.640 for Sum Assured of Rs. 50 lakh, 25 lakh and 15 lakh** for the Levels proposed by the 7th Pay Commission respectively and payable to the family of the deceased employee in case of an employee's death.
- 4.3 **Ratio of the Insurance Fund and Saving Fund should be 25% : 75%** respectively.
- 4.4 In case of retirement, employees be paid a maturity benefit in proportion to the subscription, length of service and applicable interest rates.
- 4.5 The **CGEGIS** should continue to be handled by the Government as here to for.
- 4.6 The proposal to tie up with **LIC** should be dropped forthwith especially keeping in view the drawbacks in the proposal of LIC, as enlisted earlier in this letter,
- 4.7 The **Revised Scheme**, drawn after consideration of the above proposals, may please be discussed with the JCM Staff Side, and be finalised early as the revision thereof has already been delayed for too long.

Hoping for an early favourable decision on the long pending issue is solicited

Yours faithfully,

(Shiva Gopal Mishra)
Secretary

Encl: 1 Annexure

- √Copy: **Secretary**, Department of Expenditure, Ministry of Finance – for necessary action please.
√Copy: All Constituents of JCM(Staff Side) – for information.

Annexure I

LIC's JEEVAN AMAR LIFE TERM ASSURANCE PLAN (UIN: 512N332V01)

The sample illustrative premiums for both **Option I** (Level Sum Assured) and **Option II** (Increasing Sum Assured) for **Basic Sum Assured of Rs.50 Lakh**.

Option I (Level Sum Assured):

| Age | Policy term | Regular Annual Premium | Annual Premium for limited premium Paying term of (Policy term minus 5) years | Annual Premium for limited premium Paying term of (Policy term minus 10) years | Single Premium |
|-----|-------------|------------------------|---|--|----------------|
| 20 | 20 | Rs. 4,356 | Rs. 5,104 | Rs.6,556 | Rs.48,928 |
| 30 | 20 | Rs. 6,952 | Rs. 6,952 | Rs.8,932 | Rs.66,088 |
| 40 | 20 | Rs.13,545 | Rs. 13,545 | Rs.17,595 | Rs.1,27,395 |

Option II (Increasing Sum Assured):

| Age | Policy term | Regular Annual Premium | Annual Premium for limited premium Paying term of (Policy term minus 5) years | Annual Premium for limited premium Paying term of (Policy term minus 10) years | Single Premium |
|-----|-------------|------------------------|---|--|----------------|
| 20 | 20 | Rs. 5,715 | Rs. 5715 | Rs. 8,595 | Rs. 63,720 |
| 30 | 20 | Rs. 8,415 | Rs. 8415 | Rs. 12,870 | Rs. 94,095 |
| 40 | 20 | Rs. 17,664 | Rs. 17644 | Rs. 27,232 | Rs. 1,95,868 |

Eligibility conditions and other Restrictions:

- a) Minimum Age at entry: [18] years (Last Birthday)
- b) Maximum Age at entry: [65] years (Last Birthday)
- c) Maximum age at Maturity: [80] years (Last Birthday)
- d) Minimum Basic Sum Assured: Rs. 25,00,000/-.
- e) Maximum Basic Sum Assured: No Limit.
The Basic Sum Assured shall be in multiples of: Rs. 1,00,000/-, if Basic Sum Assured for the policy is Rs.25,00,000/- to Rs. 40,00,000/-
Rs. 10,00,000/-, if Basic Sum Assured for the policy is above Rs. 40,00,000/-.
- f) Policy Term: [10 to 40] years
- g) Premium Paying Term:
Regular Premium: Same as policy term
Limited Premium: [Policy Term minus 5] years for Policy Term [10 to 40] years
: [Policy Term minus 10] years for Policy Term [15 to 40] years