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INDIAN COUNCIL OF FOOD AND AGRICULTURE

CROP INSURANCE IN INDIA

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Crop Insurance in India

Crop insurance in general has not been so successful across the globe in different countries. Policy makers have unrolled various avatars of crop insurance in different times. Considering the unique nature of Indian agriculture and inequitable socio-economic status of Indian farmers, crop insurance has remained a failed attempt in general. Even after repeated revision of the schemes and huge support in the form of premium subsidies for the farmers, crop insurance has failed to produce the desired results. Even after more than decades of existence of crop insurance in some form or the other, it has only reached just a small percentage of the farmers.

NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS)

The Scheme was introduced during Rabi 1999-2000 season replacing Comprehensive Crop Insurance Scheme (CCIS). The Scheme was implemented by Agriculture Insurance Company of India limited, on behalf of Ministry of Agriculture. The main objective of the Scheme was to protect the farmers against the losses suffered by them due to crop failure on account of natural calamities, such as drought, flood, hailstorm, cyclone, fire, pest/ diseases, etc., so as to indemnify the losses and restore their credit worthiness for the ensuing season. The Scheme was

available to all the farmers both, loanee and non loanee irrespective of the size of their holding. The Scheme envisages coverage of all crops including cereals, millets, pulses, oilseeds and annual commercial and horticultural crops in respect of which past yield data is available.

Under National Agri Insurance Scheme, except for

CROP INSURANCE INITIATIVES/SCHEMES

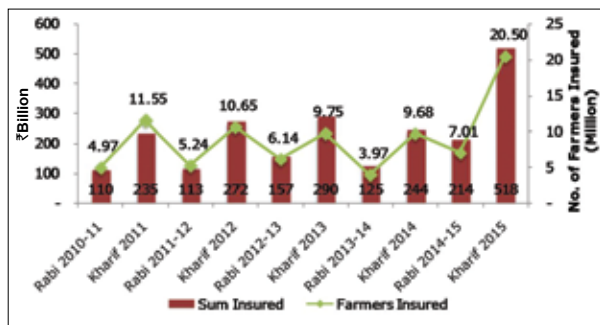
S.No	Time Frame	Initiative/Scheme
1	1971-1978	First individual Approach Scheme
2	1979-1984	Pilot Crop Insurance Scheme (PCIS)
3	1985-1999	Comprehensive Crop Insurance Scheme (CCIS)
4	Rabi 1999-2000 to Rabi 2013-14	National Agricultural Insurance Scheme (NAIS)
5	Rabi 2010-11 season	Modified National Agricultural Insurance Scheme (MNAIS)
6	2007-08	Weather Based Crop Insurance Scheme (WBCIS)
7	2009-10	Coconut Palm Insurance Scheme (CPIS)
8	2016	Pradhan Mantri Fasal Bima Yojana (PMFBY)

Source: Department of Agriculture, Cooperation & Farmers Welfare





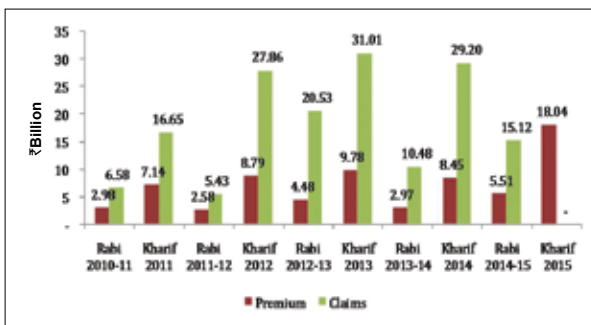
Sum Insured and Farmers Insured under NAIS



Source: IRDA Journal

Rabi season of 2013-14, the number of farmers covered by the scheme witnessed consistent growth, and during Rabi 2014-15, a total of 7 million farmers were brought under the crop insurance scheme and the total sum insured during this season was Rs. 213.80 billion. The coverage of Kharif crops exhibited rapid growth as during Kharif season of 2012, about 10.6 million farmers were covered with a total sum insured of Rs.271.99 billion. The number of farmers covered almost doubled to 2 million during Kharif 2015 with Rs.518.48 billion as the total sum insured. As per administrative approval from GOI, 10% subsidy is to be provided to small & marginal farmers in premium amount in Rabi-Summer, 2015-16 season shared equally by State and Central Government.

Premium and Claims under NAIS



Every year since its launch, huge amount of claims were made as losses caused to agricultural production by farmers. Premium collected for Rabi 2014-15 season was Rs.5.51 billion and the total claims during the same season was a staggering Rs.15.12 billion.

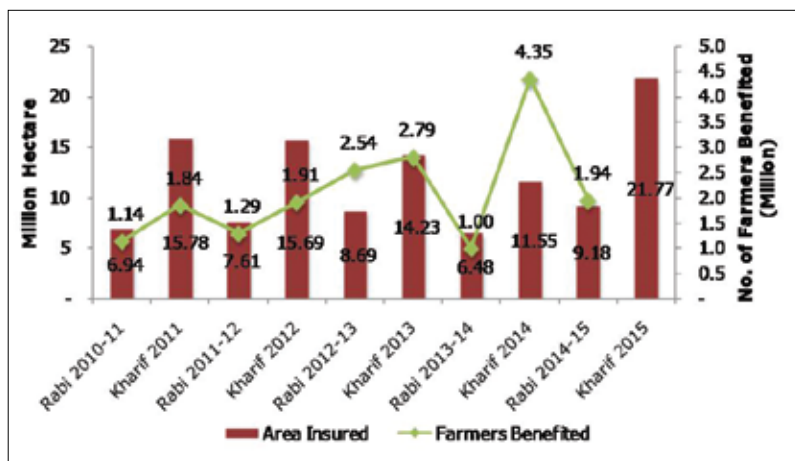
When premium collected and total claims are compared to the number of farmers being covered and the area covered, it reveals quite an interesting trend. The area covered under the scheme decreased from 15.69 million hectare in Kharif 2012 to 11.55 million hectare in Kharif 2014, while the claims increased from a total of Rs.27.86 billion in Kharif 2012 to Rs.29.20 billion in corresponding Kharif season of 2014. This indicates at several possibilities like severe weather failure during 2014 in general,

severe weather failure in some pockets and can also include possibilities of corruption and fraud where there have been illegitimate claims.

MODIFIED NATIONAL AGRICULTURE INSURANCE SCHEME (MNAIS)

The Scheme before incorporation in NCIP was piloted from Rabi 2010- 11 to Kharif 2013. The modified version has many improvements viz., Insurance Unit for major crops are village Panchayat or other equivalent unit; in case of prevented / failed sowing claims up to 25% of the sum insured is payable, post-harvest losses caused by cyclonic rains are assessed at farm level for the crop harvested and left in 'cut & spread' condition up to a period of 2 weeks in coastal areas; individual farm level assessment of losses in case of localized calamities, like hailstorm and landslide; on-account payment up to 25% of likely claim as advance, for providing immediate relief to farmers in case of severe calamities; threshold yield based on average yield of past seven years, excluding up to two years of declared natural calamities; minimum indemnity level of 80% is available (instead of 60% in NAIS); and premium rates are actuarial supported by up-front subsidy in premium, which ranges from 40% to 75%, equally shared by Centre and States.

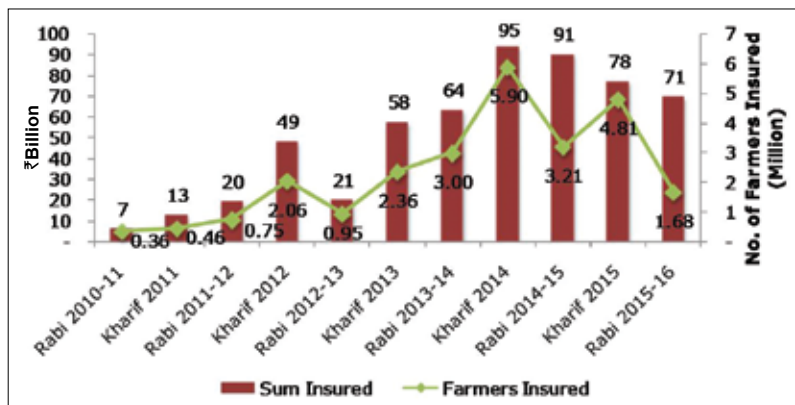
Area Insured and Farmers Benefited under NAIS



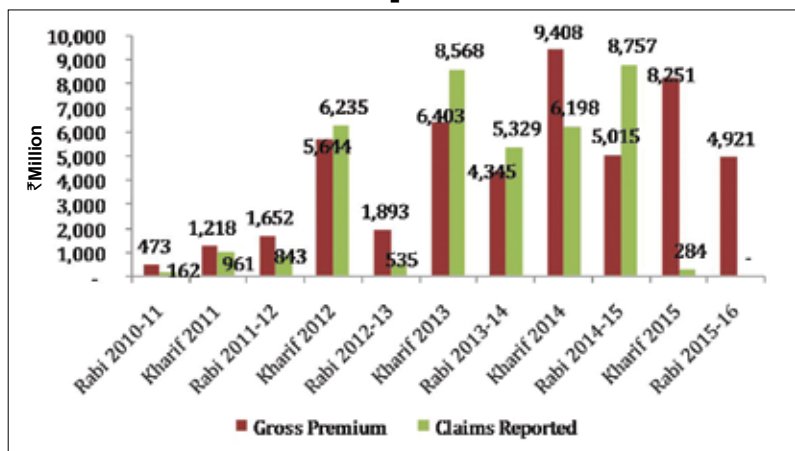
Source: IRDA Journal

The study of figures about number

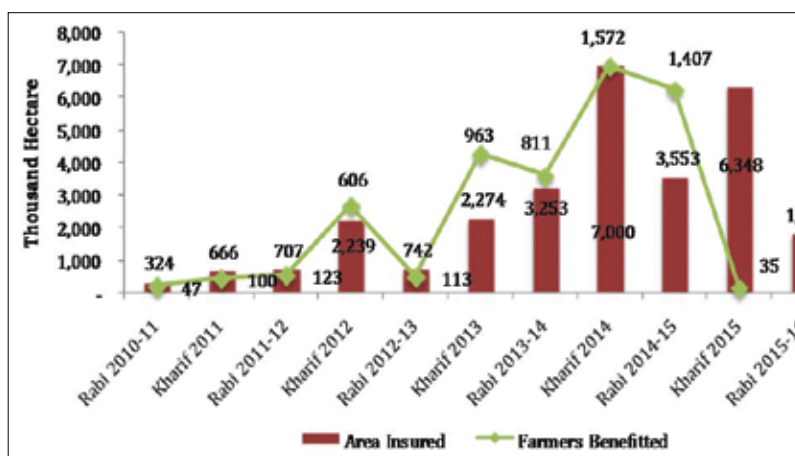
Sum Insured and Farmers Insured under MNAIS



Gross Premium and Claims Reported under MNAIS



Area Insured and Farmers Benefited under MNAIS



Source: IRDA Journal

of farmers covered and sum insured under the Modified National Insurance Scheme reveals that the highest increase was witnessed in Rabi 2014-15 when the number of farmers opting for the insurance scheme was 3.21

million and sum insured was Rs.91.08 billion. The figures for Kharif farmers showed a similar trend. However, the figures fell down to 4.81 million farmers and Rs.78 billion as sum assured during the Kharif season of

2015.

A study in terms of premium v/s claims reported reveals that farmers are perhaps realizing the benefit of agriculture insurance schemes and perhaps getting used to insurance, even if it means later that no crop loss or damage occurred due to any natural or biological disasters.

While number of Kharif farmers have benefitted from the scheme have always been higher when compared to the Rabi season. However, 2014-15 was an exceptional one when perhaps due to extreme weather calamity, the number of claims were more from the Rabi season farmers than the Kharif season ones.

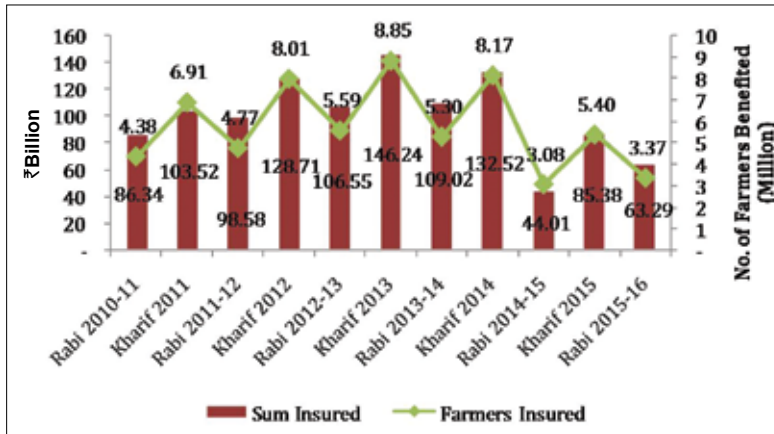
WEATHER BASED CROP INSURANCE (WBCI)

Weather Based Crop Insurance that was introduced in 2011-12 on a pilot basis with an aim to make it more convenient for the farmers to avail crop insurance appeared to have received good response from the farmers.

The following graph depicts the number of farmers insured along with the sum insured during each cropping season.



Sum Insured and Farmers Insured under WBCI



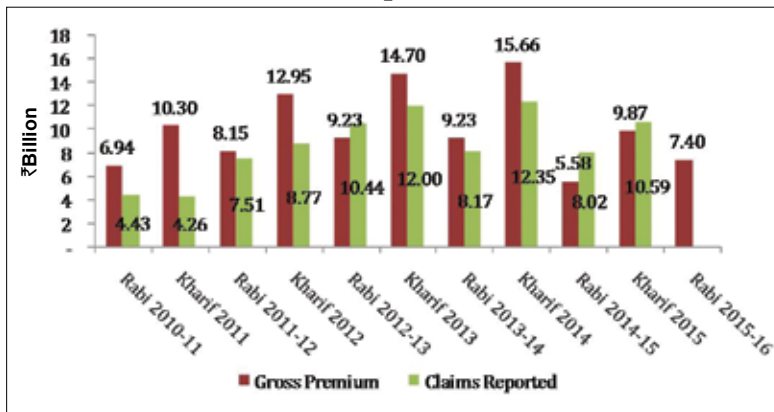
PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY)

Pradhan Mantri Fasal Bima Yojana (PMFBY)-2016 has been the most recent version of crop insurance in the country. Pooling in the important learning from all the earlier schemes and taking into consideration of access to technology in the recent days, Pradhan Mantri Fasal Bima Yojana promises to take care of the loopholes of earlier schemes.

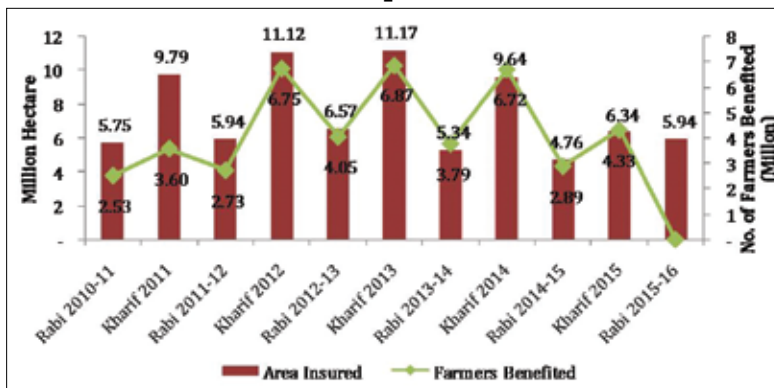
The Nodal Banks intermediaries may collect the list of individual insured farmers (both loanee and non-loanee) with requisite details like name, fathers' name, Bank Account number, village, categories - Small and Marginal group, Women, insured holding, insured crops, sum insured, premium collected, Government subsidy etc., from concerned branch in soft copy for further reconciliation. This will be done online once the E platform is put in the place.

Like other agriculture related schemes ranging from fertilizer subsidies to subsidised loans and loan waiver for farmers, crop insurance schemes were also observed to be highly skewed in favour of just few states and only the large and wealthy farmers. Number of farmers covered by crop insurance is more in states like Maharashtra, Madhya Pradesh and Andhra Pradesh. Within these states too, it was mostly the large farmers who reaped the benefits of the insurance schemes. Interestingly Uttar Pradesh which has the highest farming population, has the least numbers of farmers covered by crop insurance. ■

Gross Premium and Claims Reported under WBCI



Gross Premium and Claims Reported under WBCI



Source: IRDA Journal

Gross premium and claims reported continued to increase till Kharif 2014 when the gross premium and the total claims reported for this season was Rs.15.66 billion and Rs.12.35 billion respectively. However, Rabi 2014-15 and Kharif 2015 witnessed a drastic decline in terms of both gross premium collected and claims reported.

During 2012-13 including both Kharif and the Rabi seasons, total area covered by this pilot scheme was 17.69 million hectare and total number of farmers benefited was 10.81 million. The area increased to 14.39 million hectare benefitting 9.61 million farmers during 2014-15 seasons of Rabi and Kharif.



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