## COMMITTEE ON AGRICULTURE (2020-2021)

## Pradhan Mantri Fasal Bima Yojana - An Evaluation

## TWENTY-NINTH REPORT

### CHAPTER-1 INTRODUCTION

With 54.6% of the country's total workforce, the agriculture sector remains the largest employer in the Indian economy accounting for 16.5% of the country's Gross Value Added (GVA) for the year 2019-20. Given the importance of this sector and in view of the risks involved, the Ministry of Agriculture has introduced several insurance schemes from time to time. A crop insurance scheme was launched in 1985, followed by the **National Agricultural Insurance Scheme (NAIS)** in 1999-2000 which was implemented till 2015-16. Several pilots were also launched simultaneously to explore feasibility of Crop Insurance Products. These led to a cumulative **National Crop Insurance Programme (NCIP) launched in 2013-14, with three component schemes - a modified NAIS, Weather Based Crop Insurance Scheme (WBCIS) and Coconut Palm Insurance Scheme (CPIS)**. Later, in April 2016, the flagship Schemes of Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured WBCIS (RWBCIS) were launched including more risks and making it more understandable and affordable to farmers. Being implemented through 5 Public Sector and 13 Private Sector General Insurance Companies, the scheme aims to ensure comprehensive risk cover for crops of farmers against all non-preventable natural risks from Pre-sowing to Post-harvest stage.

**Objective of the Scheme**

The PMFBY aims at supporting sustainable production in Agriculture Sector by way of:

- Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events.
- Stabilizing the income of farmers to ensure their continuance in farming.
- Encouraging farmers to adopt innovative and modern agricultural practices.
- Ensuring credit worthiness of the farmers, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting the farmers from production risks.

**Scope and Vision of the Scheme**

The premium rates to be paid by farmers are very low. **The uniform maximum premium is 2% (Kharif crops), 1.5% (Rabi crops), and 5% (annual commercial and horticultural crops)**. The balance of actuarial premium is being borne by the Government, to be shared equally by the State & Central Government. The provision of capping the Premium Rate has now been removed, and farmers will get claim against full sum insured without any reduction. Further, the sum insured has been equated to the Scale of Finance.

Digitization efforts have been taken up. "Capturing of CCEs data on smartphones/CCE Agri App and its real time transfer on the National Crop Insurance Portal has been made mandatory from Kharif 2017 and the States have to provide evidence of having conducted CCEs before Government of India share in subsidy is released. **An integrated National Crop Insurance Portal (www.pmfby.gov.in) has been developed to integrate all the stakeholders on a single platform on a real time basis.** Currently, this Portal is available in two languages – Hindi and English and it will be converted into all regional languages. In addition, Direct Transfer of Benefits (Claims) to the farmers' account has been initiated from the Kharif 2018 season.

**Significant Modifications made in the Scheme**

Some of the prominent changes are as follows :-

- Provision of Penalties/ Incentives for States, ICs and Banks
- Detailed Standard Operating Procedure (SOP) for Performance evaluation of Insurance Companies (ICs) and their de-empanelment.
- Inclusion of Perennial horticultural crops (on pilot basis) under the ambit of PMFBY.
- Inclusion of hailstorm in post harvest losses, besides unseasonal and cyclonic rainfall, as well as Inclusion of cloud burst and natural fire in localized calamities.
- Add on coverage for crop loss due to attack of wild animals on pilot basis.
- Target for Coverage to ICs especially of Non loanee farmers (10% incremental).
- Definitions of Major Crops, Unseasonal rainfall and Inundation have been incorporated for clarity and proper coverage.
- Rationalization of premium release process, and methodology for calculation of Threshold Yield. Yield based claims to be settled on the basis of subsidy provided on provisional business data.
- States are allowed to make decisions for inclusion of crops having high premiums for calculation of L1 calculation and for notification.
- Separate Budget Allocation for Administrative expenses (at least 2% of budget of scheme).
- Broad Activity wise seasonality discipline containing defined timelines for all major activities to streamline the process of coverage, submission of yield data and early settlement of claims.
- District and crop wise crop calendar (for major crops) to decide cut off date for enrollment.
- More time to insure farmers to intimate individual claims – 72 hours (instead of 48 hours) through any stakeholders and directly on the portal.
- Detailed Standard Operating Procedure for dispute redressal regarding yield data/crop loss, and for claims estimation w.r.t. add on products i.e. Mid season adversity, prevented/failed sowing, post harvest loss and localized claims, area correction factor and multi-picking crops.
- Detailed plan for publicity and awareness.
- Use of Remote Sensing Technology (RST) in clustering/Risk classification

The detailed discussions has led to the revamping of PMFBY/RWBCIS with effect from Kharif 2020 to make the scheme more beneficial to the farmers.

The salient features of the Scheme after issue of revamped guidelines are as follows:

- To address the demand of farmers, the scheme has been made voluntary for all farmers. However, there is no change in farmers' share of the premium.
- The premium subsidy sharing pattern between Centre and North Eastern States has been changed from 50 : 50 to 90:10. This has been done to allow more States to notify the scheme and existing States to notify more crops and areas to facilitate greater coverage of farmers under the scheme. For remaining States, subsidy sharing pattern will continue as 50 : 50.
- States have to decide on the high risk crops/areas. They can remove these crops from notification or notify these crops/areas and bear the entire subsidy over and above 25% for irrigated and 30% un-irrigated crops/areas. Alternate risk mitigation measures will also be explored for these high risk areas/crops.
- Option has been given to the States to choose the notional value of average yield or the Scale of Finance as sum insured. Option has also been given to States to choose additional risk covers besides shortfall in yield-based cover depending upon the local weather challenges and requirements of the farmers.
- The delay by some States in submission of crop yield data will now be suitably addressed using technological solutions. However, the states delaying the release of subsidy beyond stipulated timelines can not participate in upcoming seasons.
- Two-step process of crop yield estimation using weather and satellite indicators etc. is adopted.
- Universalization of smart sampling techniques through satellite data for crop cutting.
- Provision has been made for earmarked administrative expenses @ 3% for strengthening the infrastructure and technology for better delivery of the Scheme.

**Allocation under the Scheme**

| Year | Budget Estimates | Revised Estimates | Actual Release |
|---|---|---|---|
| 2019-20 | 14000.00 | 13640.85 | 12638.32 |
| 2020-21 | 15695.00 | - | 4813.00 |

(Rs. in crore)

## CHAPTER II ANALYSIS OF THE SCHEME

The scheme has been opted by 27 states and union territories in one or more seasons. The scheme in 2016-17 covered 30% of Gross Cropped Area. Further there has been a 37% increase in the voluntary participation of non-loanee farmers in 2019-20. Although the scheme remains voluntary for all the farmers from the Kharif 2020 season, alternate mechanisms such as access to Common Service Centres and encouraging enrollment to the portal come under the scheme to facilitate growth.

### A. Implementation of the Scheme

State governments have the authority to select companies and crops notified under the scheme. 5 Public Sector and 13 Private Sector Empanelled General Insurance Companies are involved in the implementation of the scheme. The scheme has been in force since the last 4 years and is currently in its fifth year.

The percentage of gross cropped area covered in the year 2017-18 to 2019-20, has seen a decrease due to capturing of Aadhar number, other land details as well as some states opting out of the scheme.

Year wise coverage of Gross Cropped Area -

| Sr. No. | Year | % of GCA Covered* |
|---|---|---|
| 1. | 2017-18 | 26 |
| 2. | 2018-19 | 27 |
| 3. | 2019-20 | 25 |

Deduplication by making Aadhar mandatory, announcement of Debt Waiver Scheme by some States, land record integration in the States of Maharashtra and Odisha and non-implementation/suspension of implementation of the scheme by some States like Bihar, West Bengal and Andhra Pradesh have led to decrease in coverage area.

Financial constraints of the state governments of Bihar and West Bengal and low claim ration during normal season led to disassociation of the two states. However, the scheme remains popular among the farmers in spite of non-implementation in some states as the increase in application from 485.5 lakh in 2015-16 to 608.8 lakh during 2019-20 shows.

**B. Coverage of Farmers**

The scheme is voluntary in nature and is available to all farmers, both Loanee and Non-Loanee/ other farmers. The defaulter loan farmers and tenant farmers growing the Notified Areas are also eligible to avail the benefits of agricultural insurance. However, the data for Loanee and Non-Loane wise data has been maintained on National Crop Insurance Portal (NCIP). Data for Tenant farmers only exist from the 2018 Kharif season.

**Various steps have been taken to encourage small and marginal farmers to avail the Scheme such as utilizing insurance companies to run marketing campaigns and awareness programmes, such as holding camps in rural regions to educate farmers about crop insurance programmes. Other awareness-raising activities include participation in agriculture fairs, mela, distribution of pamphlets in local languages, broadcasting through audio-visual media, broadcasting advertisements about the features and benefits of the scheme, conducting workshops and trainings for State officials, financial institutions, and farmers, and participating in agricultural fairs.**

**C. Coverage of crops**

"The PMFBY envisages coverage of all crops viz.

(i). Food crops (Cereals, Millets and Pulses),

(ii). Oilseeds

(iii). Annual Commercial / Annual Horticultural crops.

(iv). In addition, pilots for coverage can be taken for those perennial horticultural/commercial crops for which standard methodology for yield estimation is available."

**D. Coverage of Risks and Exclusions**

The scheme's **basic coverage** takes care of the risk of yield loss to standing crops from sowing to harvesting.This extensive risk coverage is offered to cover yield losses caused by non-preventable risks including drought, dry periods, flood, inundation, widespread insect, and others on an area-based basis, disease outbreak, landslides, lightning-caused natural fires, storms, hailstorms, and cyclones. Add-On coverages include - **Prevented Sowing/Planting/Germination Risk, Mid-Season Adversity, Post-Harvest Losses, Localized Calamities, Add-on coverage for crop loss due to attack by wild animals**.

**E. Empanelment of Insurance Companies(ICs)**

The States/UTs have to select insurance company(ies) out of a **list of 18 companies for a period of 3 years through bidding process on season to season/year to year basis**. These companies are as follows:-

PUBLIC SECTOR INSURANCE COMPANIES

1. Agriculture Insurance Company of India Ltd. (AIC)
2. National Insurance Company Ltd. (NIC)
3. New India Assurance Company Ltd. (NIAC)
4. Oriental Insurance Company Ltd. (OIC)
5. United India Insurance Company Ltd. (UIIC)

PRIVATE SECTOR INSURANCE COMPANIES

1. Bajaj Allianz General Insurance Company Ltd. (Bajaj-Allianz)
2. Bharti AXA General Insurance Company Ltd.(Bharti-Axa)
3. Cholamandalam MS General Insurance Company Ltd.
4. Future Generali India Insurance Company Ltd.(Future-Generelli)
5. HDFC-ERGO General Insurance Company Ltd. (HDFC-ERGO)
6. ICICI-Lombard General Insurance Company Ltd.(ICICI-Lombard)
7. IFFCO-Tokio General Insurance Company Ltd. (IFFCO-Tokio)
8. Reliance General Insurance Company Ltd. (RGIC)
9. SBI General Insurance Company Ltd. (SBI GIC)
10. Shriram General Insurance Company Ltd. (Shriram GIC)
11. Tata-AIG General Insurance Company Ltd. (Tata AIG)

12. Universal Sompo General Insurance Company Ltd. (USGIC)
13. Royal Sundaram General Insurance company Ltd. (RSGIC)

**The criteria for the empanelment of insurance companies state that the companies "mainly engaged in agriculture/rural insurance business and having adequate experience, infrastructure, financial strength and operational capabilities are empanelled by the Department of Agriculture & Cooperation and Farmers Welfare."**

These companies are required to open a functional office at Tehsil level in each district, deployment of at least one Agent at Block Level in the allocated Districts and have to deploy one Agriculture Graduate in each District.

Companies have also been directed to indicate their Toll Free Numbers prominently for the benefit of the farmers. The performance of insurance companies will be evaluated on various counts like enrollment of loanee and non-loanee farmers; settlement of claims within prescribed period; district offices & human resources, etc. Penalties have also been imposed on some companies.

**F. Sum Insured and Fixation of Premium**

As part of the Revamped Operational Guidelines for PMFBY, the states are required to choose either the Scale of Finance or Notional Average Value method for calculation of Sum Insured for a district-crop combination for the entire period of contract. The Crop-wise sum insured notified in the First Year/Season could be changed in the Subsequent Year/Season as per the change in the Scale of finance or the MSP/ Farm Gate Price as available for the Notified crop and decided upon by the State. The sum Insured for an individual farmer is equal to the Scale of finance or Notional Average Value per hectare multiplied by the area of the notified crop proposed by the farmer for insurance. Area under cultivation shall always be expressed in hectares.

**The actual premium paid by the insurance companies are determined by the state government through the transparent bidding process. There are many methods to calculate premium rates, most significant being the experience method. However, the premium rate varies from crop to crop and area to area.**

## G. Settlement of Claims

The Department has presented a state-wise distribution of settlement of claims. However in case of delay of claims, reasons include - "delayed transmission of yield data; late release of their share in premium subsidy and/or yield data by some States, yield related disputes between insurance companies and States, non-receipt of account details of some farmers for transfer of claims and National Electronic Fund Transfer (NEFT) related issues, etc". However the department regularly monitors the scheme, use of improved technology, revision/revamping of Operational Guidelines wherein provision has been made for timely release of State Govt. share. Penalty provisions for late settlement of claims by insurance companies and late release of funds by

State Governments have also been stipulated under these guidelines. "Moreover, there is a provision of Penalties/Incentives for States, ICs and Banks i.e. 12% interest rate per annum to be paid by the Insurance Company to farmers for delay in the settlement of claims beyond 10 days of prescribed cut off date for payment of claims".

## H. Formation of Clusters

The department divided states into clusters ensuring a mix of high and low risk profiles.

The objectives of Clustering/ Clubbing of districts should be done to achieve the following objectives:

1. Cluster formation shall be applicable for upto 3 years and shall not be changed during the contract period. Different Clusters may be defined based on the risk profile of the district so as to increase the diversification of risk within a cluster and enable risk spreading for insurers.
2. Clusters may contain districts with mixed agro-climatic zones so as to increase the diversification of a risk within a cluster.
3. Crop-wise associated risk may also be diversified among the clusters and shall be factored in cluster formation.

**I. Crop Cutting Experiments**

Due to reduction in unit area to village/village panchayat, number of Crop Cutting Experiments (CCEs) have increased tremendously under the scheme. However, carrying out so many Crop Cutting Experiments under the scheme is highly time consuming and labor intensive and is a challenging task for the States due to lack of infrastructure, funds, short harvesting time period, time interval/seasonality in nature, etc.

To curb such issues, various steps like CCEs on agri app and directly on the portal, sharing of CCEs scheduled to the insurance companies and co-witness of CCEs by insurance companies have been taken. Besides, other technological intervention mechanisms have also been put forth to ensure transparency and decrease human intervention etc.

**J. Publicity and Awareness**

The government has implemented a number of measures, including the active participation of all parties, particularly States, and the implementation of insurance firms for the conduct of publicity campaigns and awareness programmes, including organization of programmes in rural regions to increase farmer knowledge of crop insurance programmes. The government has mandated that insurance companies use 0.5% of the total premiums they grossly collect for public relations and awareness-building.

For PMFBY to be implemented successfully, training and capacity building are essential. A large number of parties are involved in the operation of the system, including 45,000 Common Service Centres (CSCs), 540 banks, 18 empanelled insurance companies, and 27 State Governments and UTs.

**Objectives of Capacity Building Exercise**

1. To develop better understanding of scheme implementation aspects among the implementing stakeholders, especially the key provisioning and implementation modalities/protocols to be followed in line with defined seasonality discipline.
2. To facilitate better coordination among stakeholders for clarity about own roles and responsibilities and integration with other stakeholders for streamlining of scheme activities.
3. Better monitoring of the scheme at different levels of implementation and adhering to timelines to achieve scheme objectives of timely claim payment to farmers.
4. To build a pool of resources in terms of knowledgeable human resources at different levels and knowledge repository in terms of training material.
5. To build overall literacy on crop insurance among the stakeholders, through sensitization programmes with active support of Insurance Companies and help farmers in taking informed decisions."

**K. Grievance Redressal Mechanism**

In case of redressal mechanism, the department has constituted District Level Grievance Redressal Committee (DGRC)/ District Level Monitoring Committee (DLMC) led by Tehsil/Taluka or District Agriculture/Horticulture Officer as well as the State Level Grievance Redressal Committee (SGRC)/State Level Monitoring Committee (SLMC) led by Deputy Secretary/Director

**PART-II**

**OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE**

- **Withdrawal of States -** Two provisions of the revamped Operational Guidelines should be suitably modified as these may lead to withdrawal of States from the Scheme. These are states delaying the release of subsidy beyond stipulated timelines that can't participate in upcoming seasons; the requisite Central Share of premium subsidy (90:10 for North Eastern States and 50:50 for remaining States) will be provided for areas/crops having gross premium rate upto 25% for Irrigated and upto 30% for Un-irrigated Areas/Crops and the States have to bear the entire subsidy for areas/crops having Gross Premium Rate over and above 25% for Irrigated and 30% for Un-irrigated areas/crops. Though most of the withdrawing States are implementing their own Scheme, withdrawal of more states would defeat the purpose of the scheme.
- **Offices of Insurance Companies at District/Tehsil Level** - Offices and officials of Insurance Companies (ICs) implementing PMFBY are non-existent at Tehsil level in several Districts. This must be ensured by the department and the details (address of functional offices of ICs implementing PMFBY at Tehsil Level in each District, with name and contact number(s) of official(s) deployed, etc) must be uploaded on National Crop Insurance Portal (NCIP) on a regular basis.
- **Performance Evaluation of Insurance Companies -** The Department should prepare a time-frame and strictly adhere to the timelines for performance evaluation of Insurance Companies on a regular basis and apprise the Committee of action taken in this regard.
- **Imposing Penalty on Insurance Companies -** There is a delay on account of procedural aspects in taking action against the defaulting ICs. Action against the defaulting Companies so as to make sure that the whole process of penalization is completed within a fixed timeframe.
- **Coverage of farmers -** Although the Loanee farmers can opt out of the Scheme by submitting a declaration form, most of the farmers are ignorant about this provision and the amount gets mandatorily deducted from their account. The Department should change this provision and provide that only those Loanee farmers who want to avail the Scheme be required to fill the requisite form for deduction. There should be no compulsory deduction from the account of Loanee farmers, a mechanism be made available to the farmers covered to get the stepwise updates about their registration, deduction of

premium, etc. through SMS on their registered mobile phones to keep them informed about each stage.

- **Delay in Settlement of Claims -** One of the major impediments in the successful implementation of PMFBY is the delay in the settlement of claims.
  - The delay in settlement of claims is not acceptable in any way and therefore, strongly recommend to make the scheme more technology driven and ensure that all the institutional mechanisms work in tandem so that registration of farmers, conducting of CCEs, settlement of claims, etc becomes hassle free and farmer-friendly.
  - A timeline should be fixed for ICs to settle their claims and in case of non-adherence to the timelines the Insurance Companies be penalized.
  - When the reason for delay is non-payment of Subsidy by the State, the premium paid by the farmers should be returned along with interest within a fixed time frame.
- **Grievances Redressal Committees -** 15 States/Union Territories have notified both District and State Level Grievance Redressal Committees in their respective States, with some also having them at Taluka level.
  - Ensure formulations of Grievances Redressal Committees at different levels by all the remaining States/UTs in compliance with the clauses of Operational Guidelines of Scheme on priority.
  - Nomination of local public representatives (MP(s)/MLA(s) etc.) in the District Level Grievance Redressal Committee.
  - The Department should maintain a record/data on types of grievances resolved by these Grievances Redressal Committees
  - The Department should provide a Toll Free number of 3-4 digits for queries regarding PMFBY, registration of complaints by the farmers, information regarding action taken on their complaints, etc. The Toll Free Number be popularized in a big way and at the same time it should be made sure that the complaints are attended to in a time bound manner for effective monitoring of the implementation of the Programme.

- **Technological Interventions -** The Department should expand and universalize the different technological interventions such as use of Smart Sampling Technique through the Satellite Data, use of Drones, etc. for Crop Cutting Experiments and should coordinate with the State Governments and impress upon them to integrate the land records with the National Crop Insurance Portal on Top Priority Basis.
- **Publicity and Awareness of the Scheme -** 0.5% of Gross Premium per Company per -Season has been earmarked for publicity and awareness. The Department should ensure/monitor the expenditure of 0.5% of Gross Premium per Company per Season for publicity and awareness is actually made so as to increase the coverage of farmers specifically the Small and Marginal farmers under the PMFBY.
- **Utilization of CSR Funds -** There is no provision in the PMFBY that the Insurance Companies implementing PMFBY have to spend their share of profits as the Corporate Social Responsibility (CSR) in the districts from where the profit has been earned. The Department should incorporate 75 such a provision under the PMFBY for utilization of share of profit under Corporate Social Responsibility (CSR) in the State/District by the Insurance Companies from which the profit has been earned.
- **Utilization of Administrative Expenses -** The Department should monitor the utilization of the allocated amount on a regular basis for strengthening the infrastructure and technology for better delivery under the Scheme.