Agriculture Insurance Co. of India, New Delhi

M K Poddar, GM
About the Company

Formation

• Formed on 20th December 2002
• Took over operations from GIC w.e.f. 1st April 2003
• Promoters: GIC (35%), NABARD (30%), 4 PSU GI Cos. (8.75% each)
• Authorized Share Capital – INR 15 b
• Paid-up Share Capital – INR 2 b
• Net-worth (31.03.16) - INR 24.5 b

Structure

• 2-Tier structure - Corporate office and 17 Regional Offices in State Capitals
• All offices have IT platform for business operations
• 300 regular employees (H.O. 95 ; R.O.s 205)
## Financial Highlights – (2015-16)

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>PARTICULARS</th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>OPERATING RESULTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Gross Direct Premiums</td>
<td>35.2</td>
<td>27.4</td>
</tr>
<tr>
<td>2</td>
<td>Net Earned Premium#</td>
<td>22.3</td>
<td>15.0</td>
</tr>
<tr>
<td>3</td>
<td>Income from Investments (Net)</td>
<td>2.4</td>
<td>2.2</td>
</tr>
<tr>
<td>5</td>
<td>Total Income</td>
<td>24.7</td>
<td>17.2</td>
</tr>
<tr>
<td>7</td>
<td>Operating Expenses</td>
<td>-0.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>8</td>
<td>Net Incurred Claims</td>
<td>-18.6</td>
<td>-17.3</td>
</tr>
<tr>
<td>10</td>
<td>Operating Profit/Loss</td>
<td>3.0</td>
<td>0.7</td>
</tr>
</tbody>
</table>
Indian Agriculture: Salient Features

- **Population**: 1.2 billion
- **Farm Holdings**: 138 million
- **85% farmers own <2 ha**
- **Net Sown Area**: 142 m ha
- **Av. land size**: 1.15 ha
- **50% Area under Cereals & Millets**
- **69% Population dependent on Agriculture**
EVOLUTION OF CROP INSURANCE

- First ever scheme on ‘Individual’ approach basis (1972-78)
- Pilot Crop Insurance Scheme – PCIS (1979-1984)
- National Agriculture Insurance Scheme – NAIS (Rabi 1999- Rabi 2015)
- Farm Income Insurance Scheme – FIIS (Rabi 2003-04 season & Kharif 2004 season)
- Pilot Weather Based Crop Insurance Scheme (Kharif 2007)
- Pilot Modified NAIS in 50 Districts (Rabi 2010-11)
- National Crop Insurance Program (MNAIS + WBCIS) – Rabi 2013-14 to Rabi 2015-16
- Prime Minister Fasal Bima Yojana (Crop Insurance Scheme) – Kharif 2016
Crop Insurance System in India

- Predominantly Index based
- Credit linkage - presently compulsory
- Cost of insurance is additionally financed by the credit institutions
- Insurance acts as collateral, lending agency has the first lien on claim
- Sum Insured is based on production cost – works as a safety-net
- Claims process is automated being ‘index’
- Multi-Agency Platform
- Private insurers enjoy same level of support as public insurer
## Crop Insurance Penetration - India

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Total (India)</th>
<th>Insured</th>
<th>Coverage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Area Sown</td>
<td>195 m ha</td>
<td>47.5 m ha</td>
<td>25</td>
</tr>
<tr>
<td>No. of farmers</td>
<td>130 m</td>
<td>37.1 m</td>
<td>28</td>
</tr>
</tbody>
</table>
Prime Minister Fasal Bima Yojana [PMFBY]

Farmers’ Perspective
Key Features

- Premium rates for farmers: Kharif 2%, Rabi 1.5% and AC/AH Crops - 5%
- Sum Insured – District Level Technical Committee approved Scale of Finance
- Covers all Food crops, Oilseeds & Annual Commercial/Annual Horticultural Crops
- Available to all Farmers - compulsory for borrowing & optional for non-borrowing
- Scheme operates on Area approach for wide spread calamity viz drought
- Individual farm level loss assessment for Hailstorm, Landslide and Inundation damages
- Covers Post harvest losses at individual farm level for crop left in ‘cut & spread’ for drying due to cyclonic and unseasonal rains
- Covers prevented/failed sowing
- Provision for on-account payment in case of mid season calamities to crops
- Implemented from Kharif 2016 countrywide
Coverage Procedure

**GoI**
- Formulated the scheme
- Issued Administrative Approval for FY 2016
- Releases 50% Premium subsidy to Insurers

**SGs**
- Issued Scheme Notification for the season
- Allocate district to Insurance companies through tendering process
- Decide unit areas and crops to be insured
- Releases balance 50% premium subsidy to the insurers

**IAs**
- Sends notification to Bank (FI)/Intermediaries and other stake holders in the district
- Coordinates with GoI, SG and Banks

**FI/Intermd**
- Receives proposals and premium from farmers
- Insurance coverage starts
Requirements for Coverage

Farmer

Non Loanee
- A Bank Account
- Evidence of land possession/Tenancy agreement
- Area Sown Certificate
- Sanctioned Credit limit

Loanee
Loanee Farmers - Flow

Approaches Bank for Credit → Credit limit for Crop Sanctioned

Credit limit for Crop Sanctioned → Credit limit of a notified crop = sum insured

Credit limit of a notified crop = sum insured → Declaration with premium sent to IA

Declaration with premium sent to IA → Acknowledgement of premium is issued by the IA

Premium debited to his account → Consolidation of individual farmer data into declaration by bank
Non Loanee Farmers – Channels of Coverage

Non Loanee Farmers

Bank Branch

Insurance Company

Insurance Intermediaries
Non Loanee Farmers - Flow

1. Fills Registration/proposal form
2. Tender requisite premium
3. Through Intermediary/Bank/Direct to IA
Loss Event – Flow 1

Individual Covers/Post Harvest losses

Incidence of loss

Farmer report the loss within 48 hours

IA appoints loss assessor within 48 hours

Bank/SG Official communicates to IA

IA/Bank/SG Official/Toll free no.

If area affected is more than 25% - sample survey is done

Loss assessment by Joint Team SG and IA in next 10 days

Claims settled in next 15 days

Claims settled in next 15 days
Loss Event – Flow 2

- Sowing failure
- State Govt. declares that a notified insurance unit as affected > 75% area remains unsown for a crop
- Insurance Cover Terminates
- Insurance company settles 25% of SI as claim
Loss Event – Flow 3

Mid Season Adversity/Crop Failure

SG issues order invoking this provision within 7 days of the loss event

If loss is more than 50% of expected yield of NIU claims are paid up to 25% of likely claim

Joint Committee of SG & IA assess the loss in notified insurance unit in next 15 days
Loss Event – Flow 4

1. Widespread calamity/losses

2. SG conducts CCEs at Notified Ins Unit under GCES at end of crop season

3. Actual yield (AY) data sent to IA within defined Cut off date

4. IA compares yield data received with Threshold yield (TY)

5. If AY < TY for a crop, claims become payable

6. Claims is credited to farmers A/C
Key Challenges

- Competitive Market environment
- Business Risk due to Cluster based allocation
- Enhancing the office network to each Tehsil/District
- Low market penetration by Banks in spite of Compulsory nature of scheme
- Claims assessment on individual farm basis as per PMFBY (localised and Post harvest Losses)
- Nodal Banks concept discontinued – except cooperative
- Short Windows - Pricing, Marketing & Claims Assessment
- Moral Hazard in yield estimation
- Adverse selection by the Farmers and Banks
Questions ?