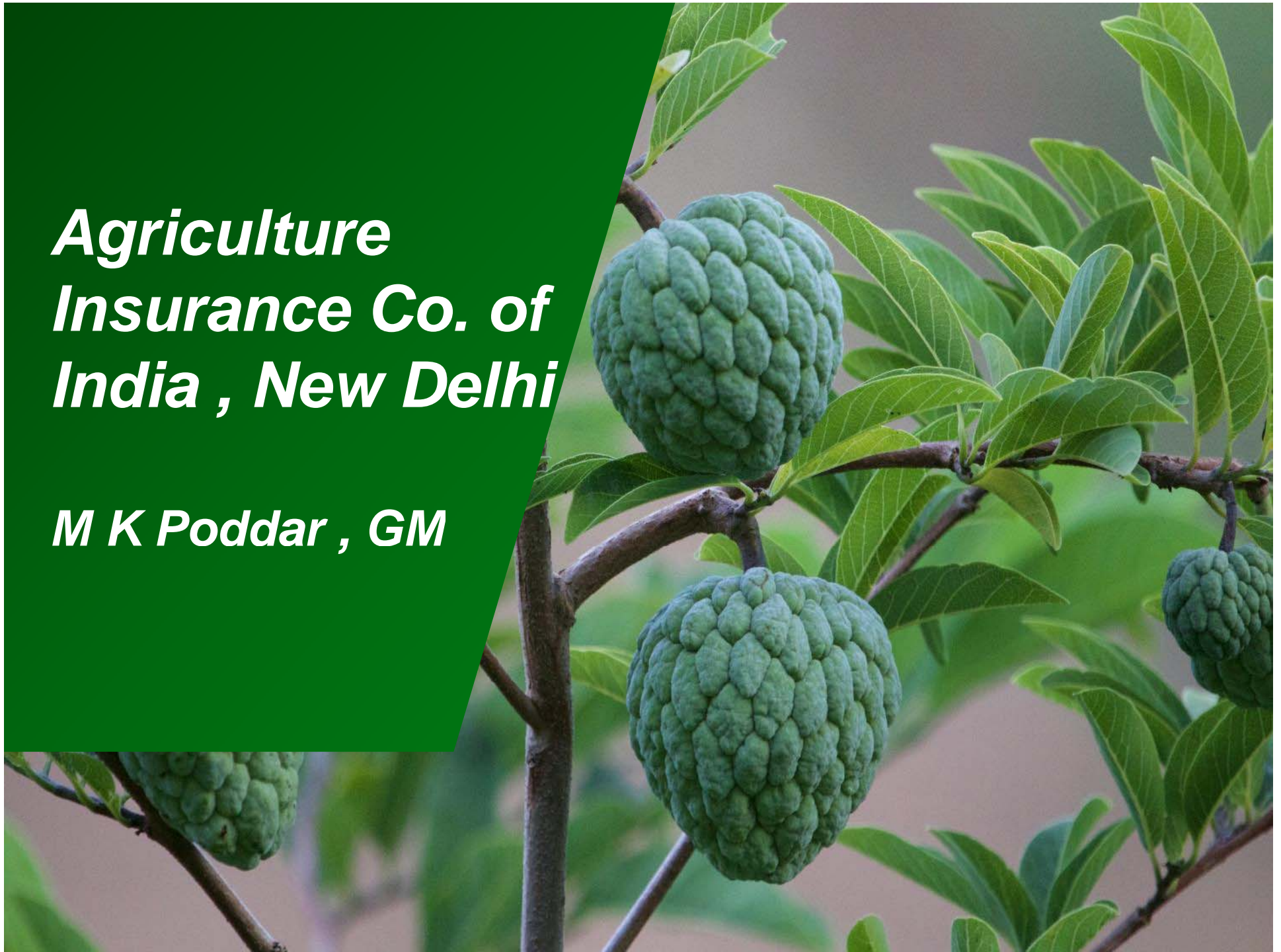


***Agriculture
Insurance Co. of
India , New Delhi***

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)

		Amount in INR billion	
S.NO.	PARTICULARS	2015-16	2014-15
	OPERATING RESULTS		
1	Gross Direct Premiums	35.2	27.4
2	Net Earned Premium#	22.3	15.0
3	Income from Investments (Net)	2.4	2.2
5	Total Income	24.7	17.2
7	Operating Expenses	-0.9	-0.7
8	Net Incurred Claims	-18.6	-17.3
10	Operating Profit/Loss	3.0	0.7

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)**
- 🌱 **Comprehensive Crop Insurance Scheme – CCIS (1985-1999)**
- 🌱 **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

Parameter	Total (India)	Insured	Coverage (%)
Gross Area Sown	195 m ha	47.5 m ha	25
No. of farmers	130 m	37.1 m	28

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

Gol

- 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

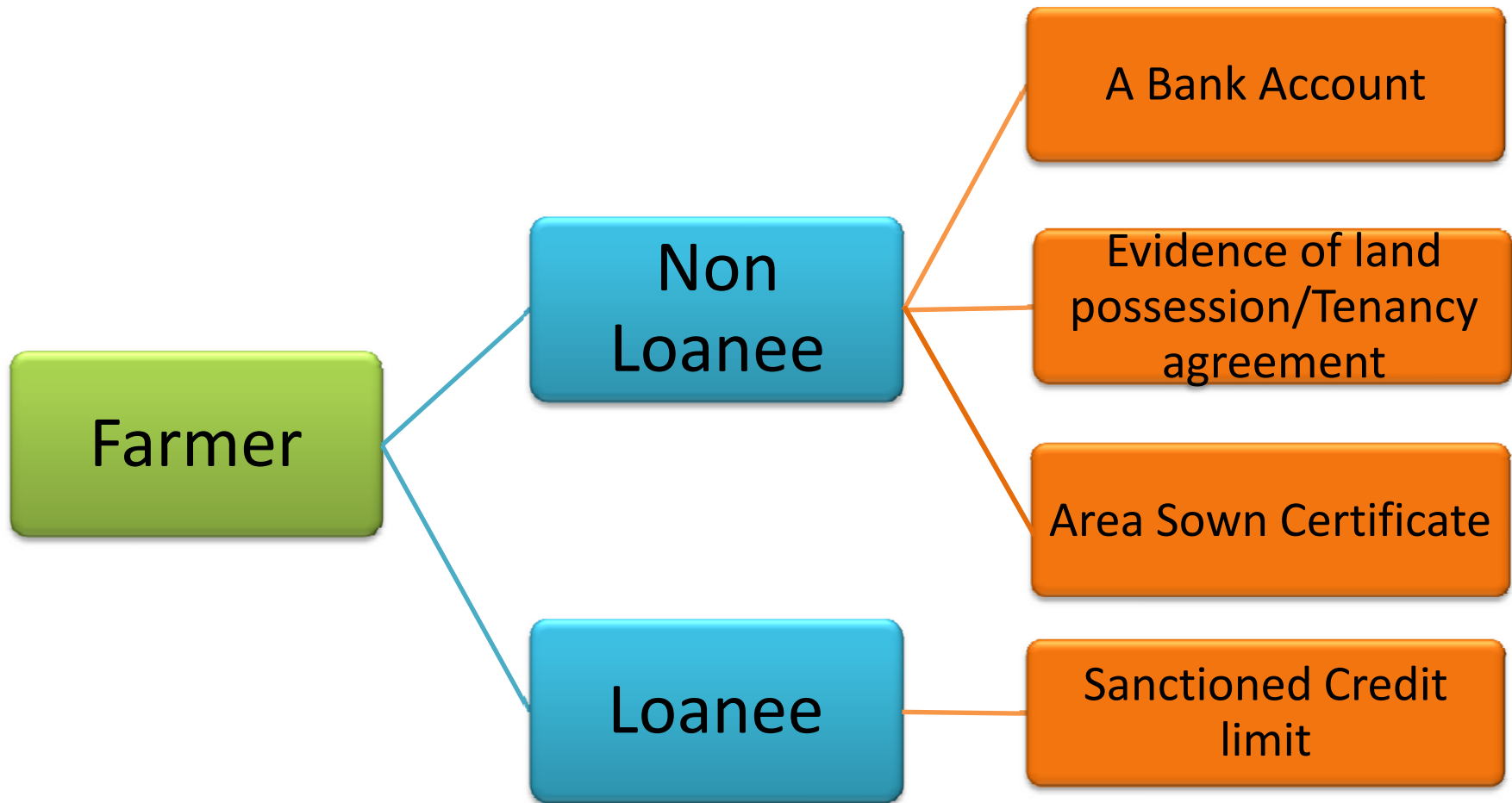
IAs

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

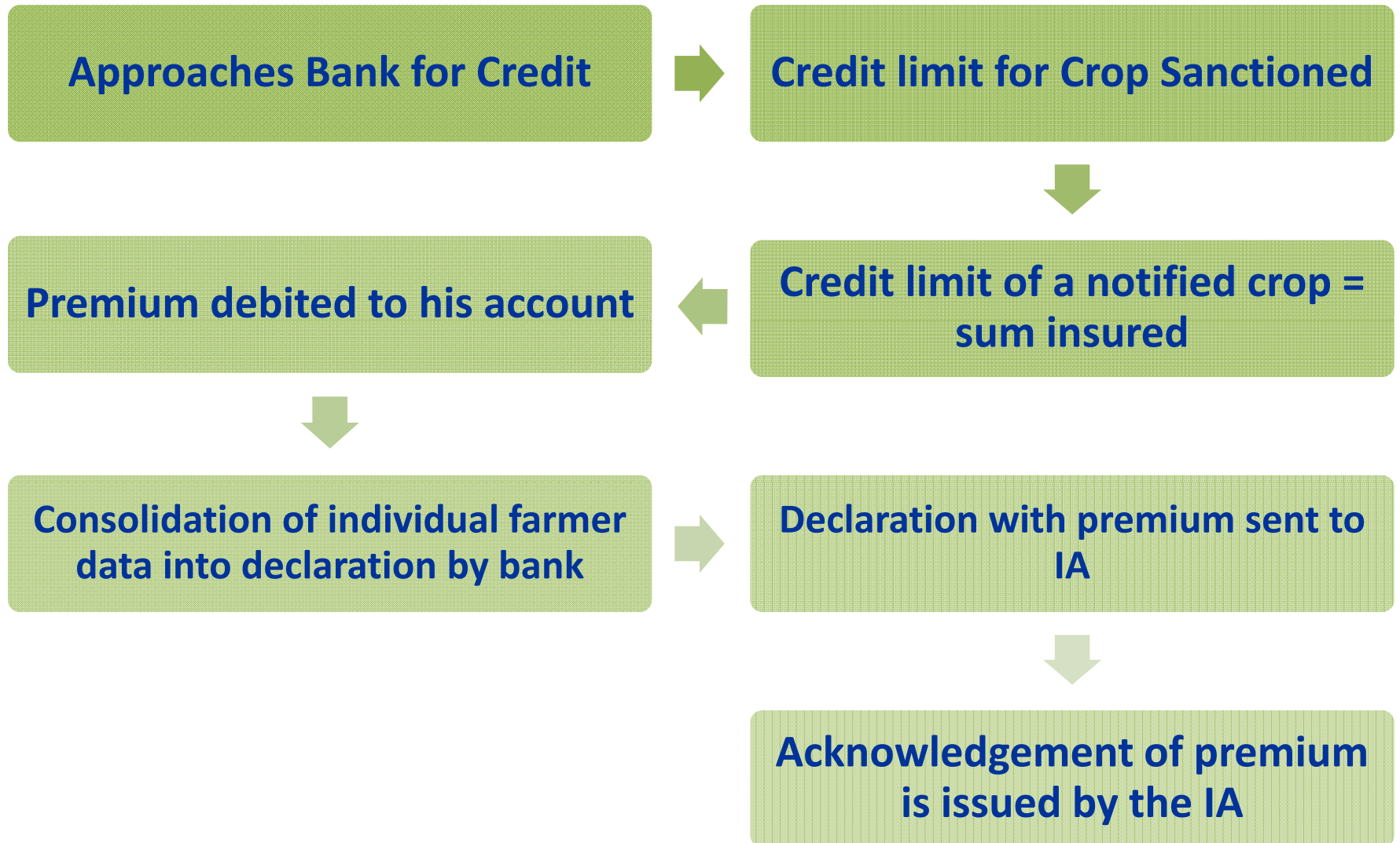
FI/Intermd

- Receives proposals and premium from farmers
- Insurance coverage starts

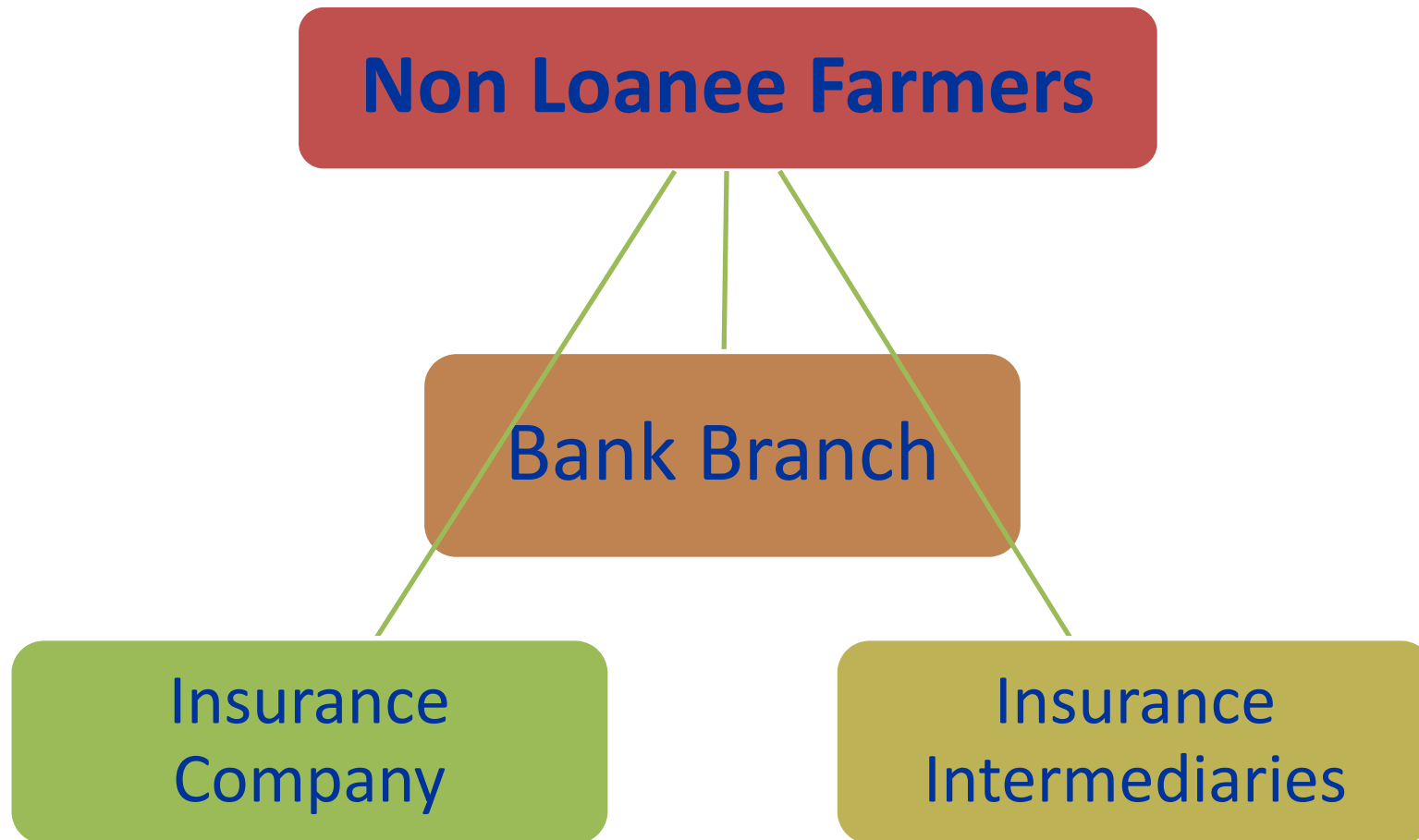
Requirements for Coverage



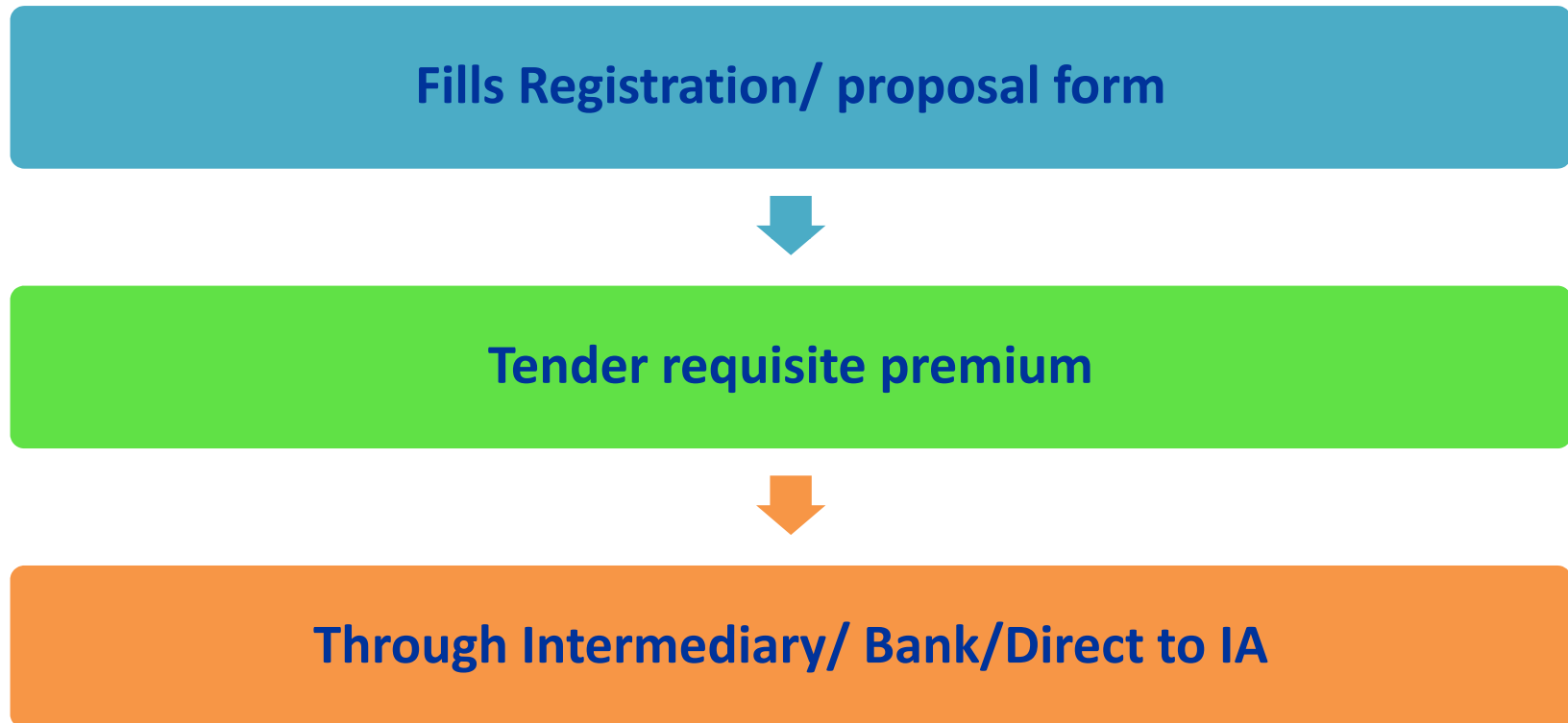
Loanee Farmers - Flow



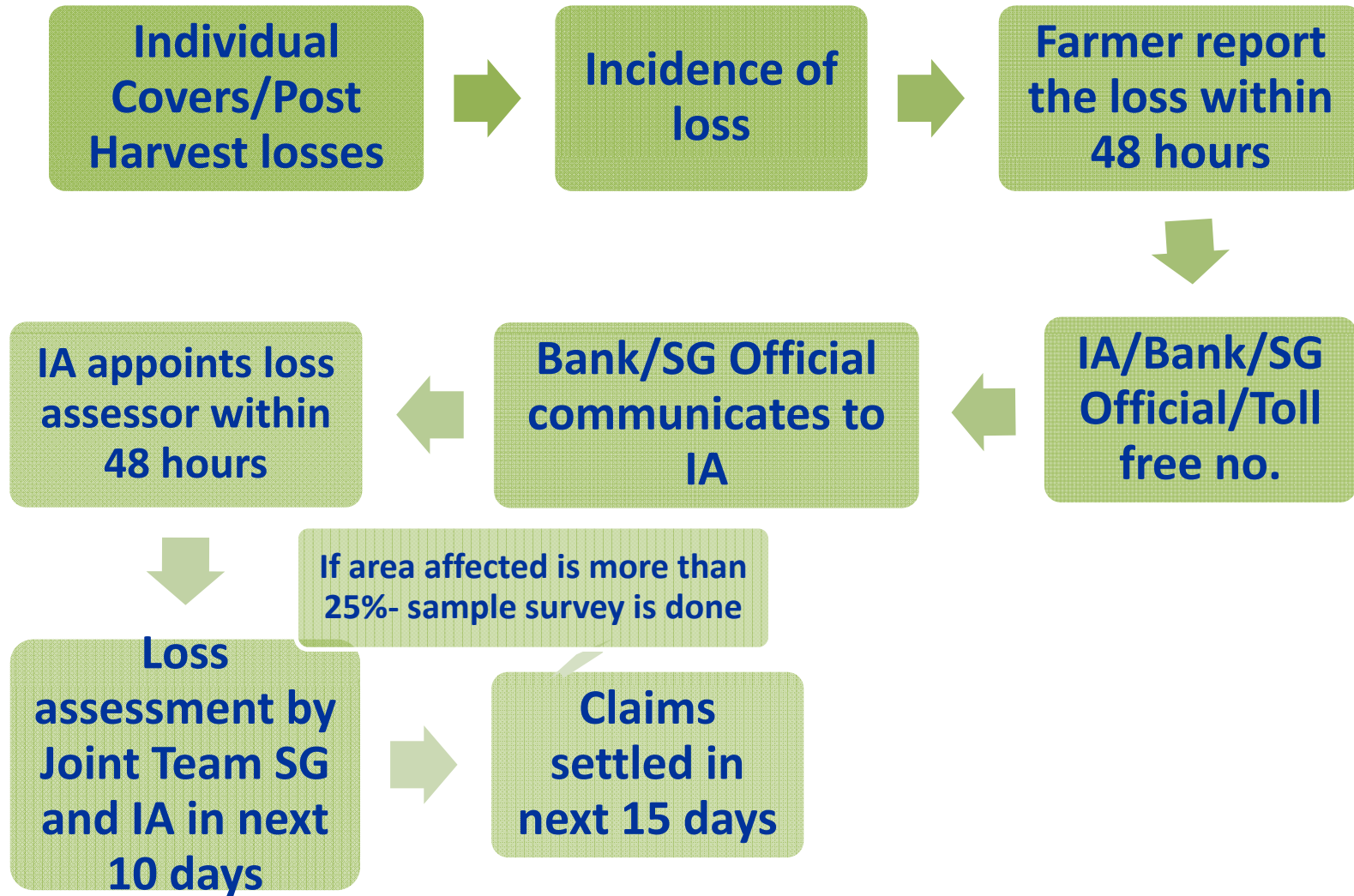
Non Loanee Farmers – Channels of Coverage



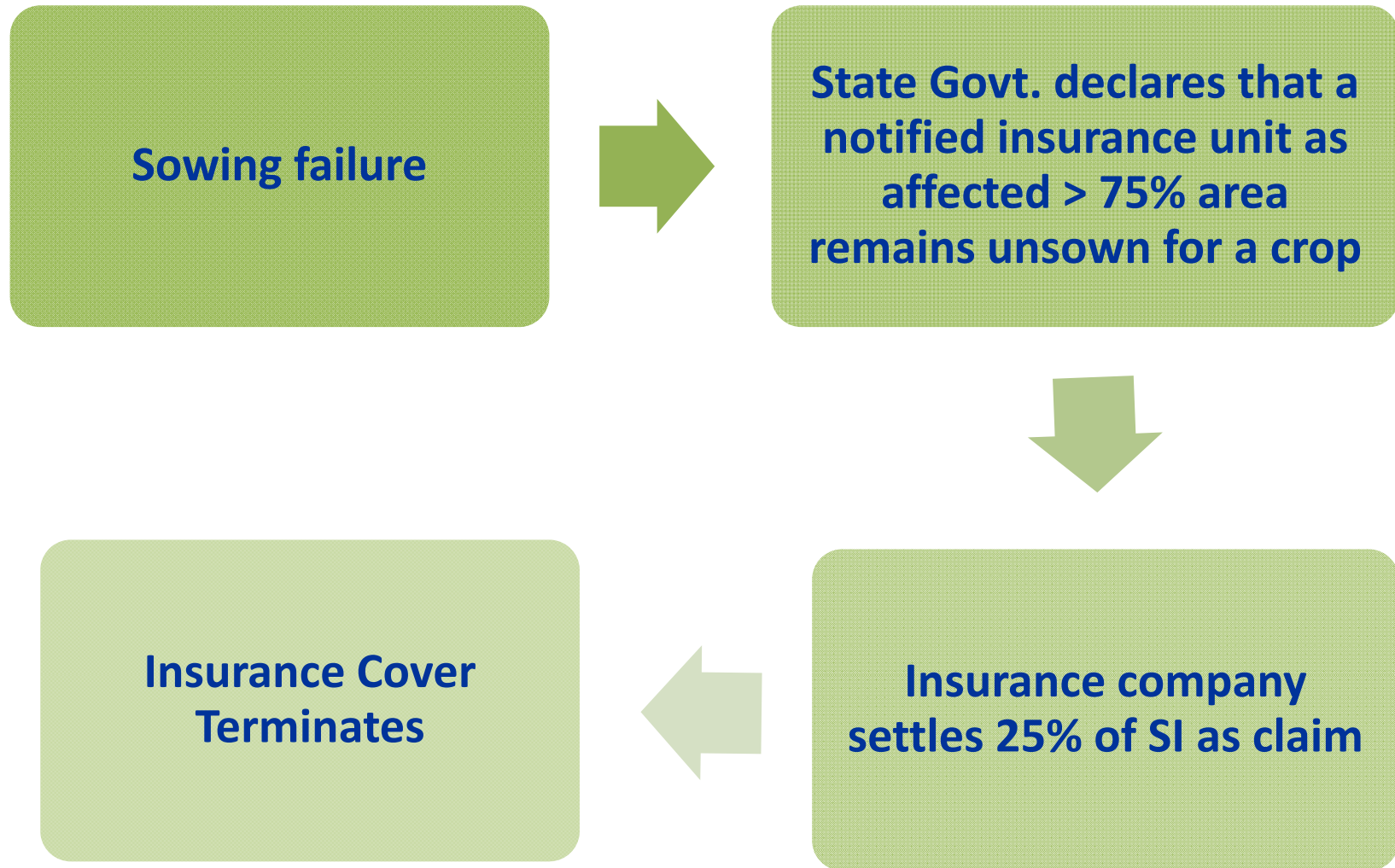
Non Loanees Farmers - Flow



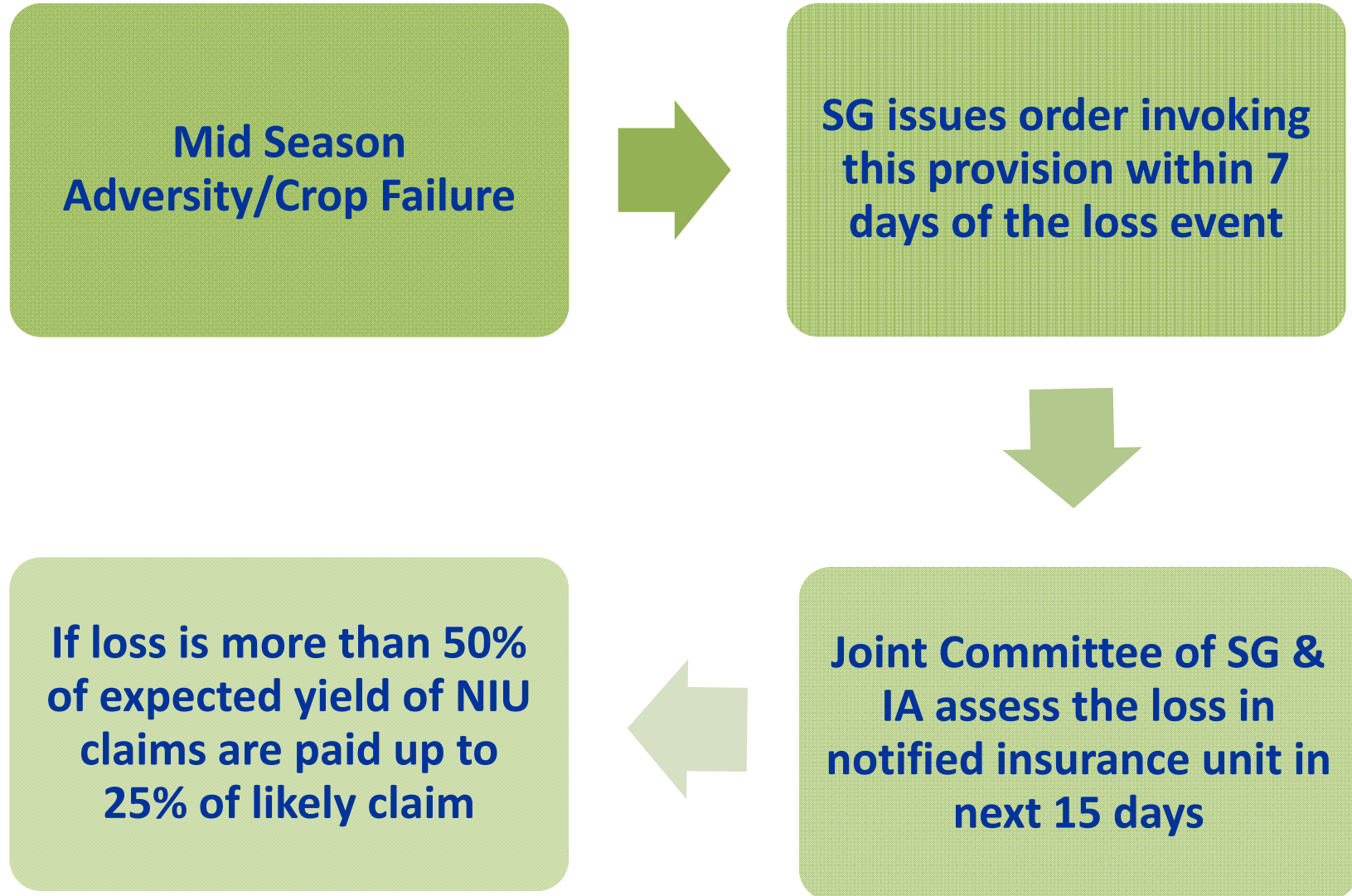
Loss Event – Flow 1



Loss Event – Flow 2



Loss Event – Flow 3



Loss Event – Flow 4

Widespread calamity/losses



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



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



IA compares yield data received with Threshold yield (TY)

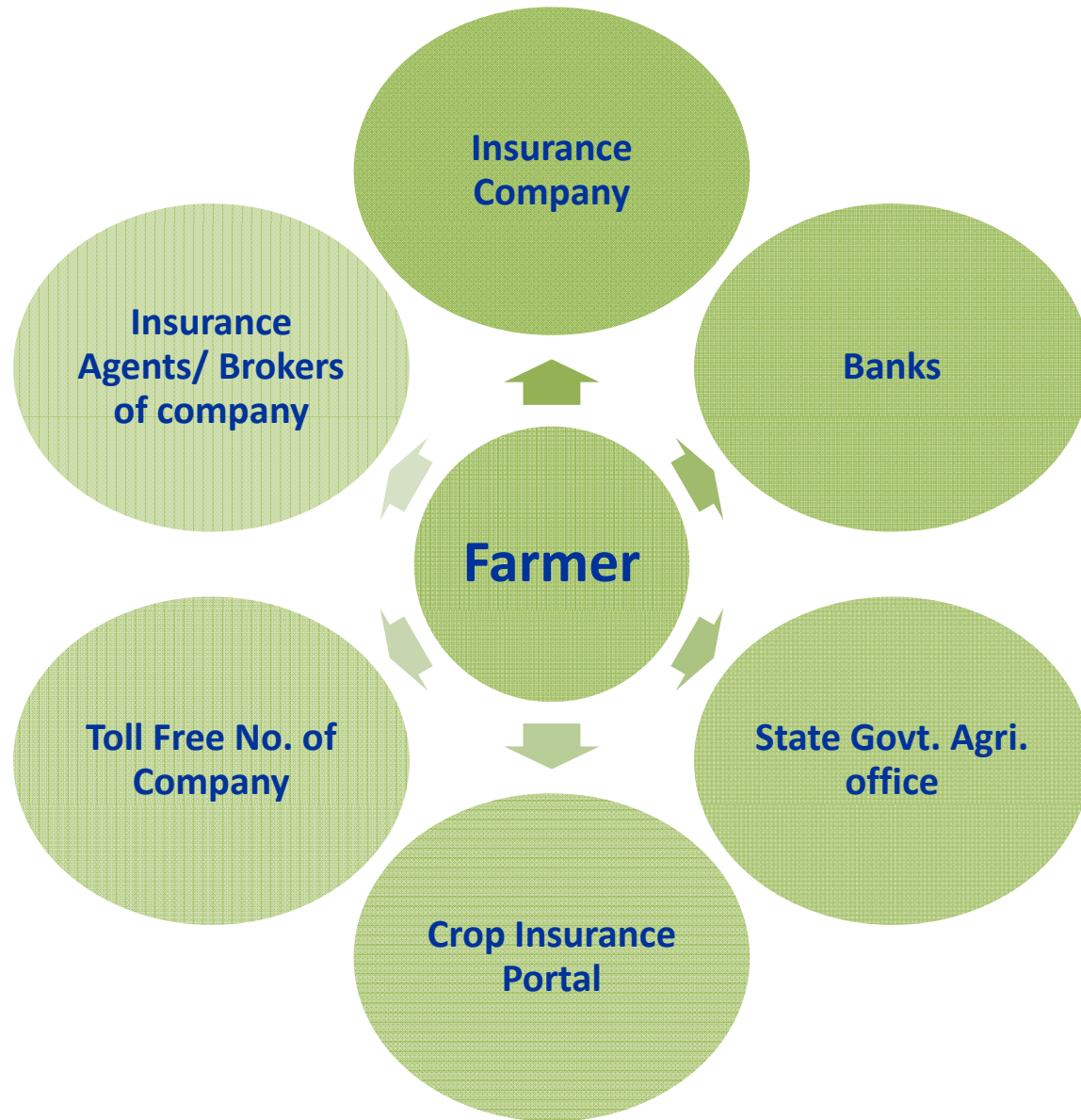


If $AY < TY$ for a crop, claims become payable



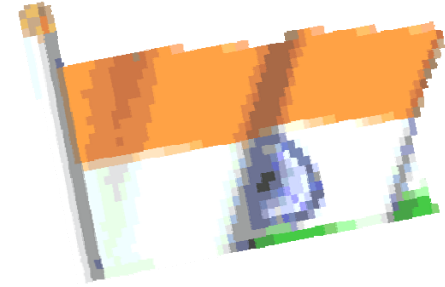
Claims is credited to farmers A/C

Information on Crop Insurance



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 ?