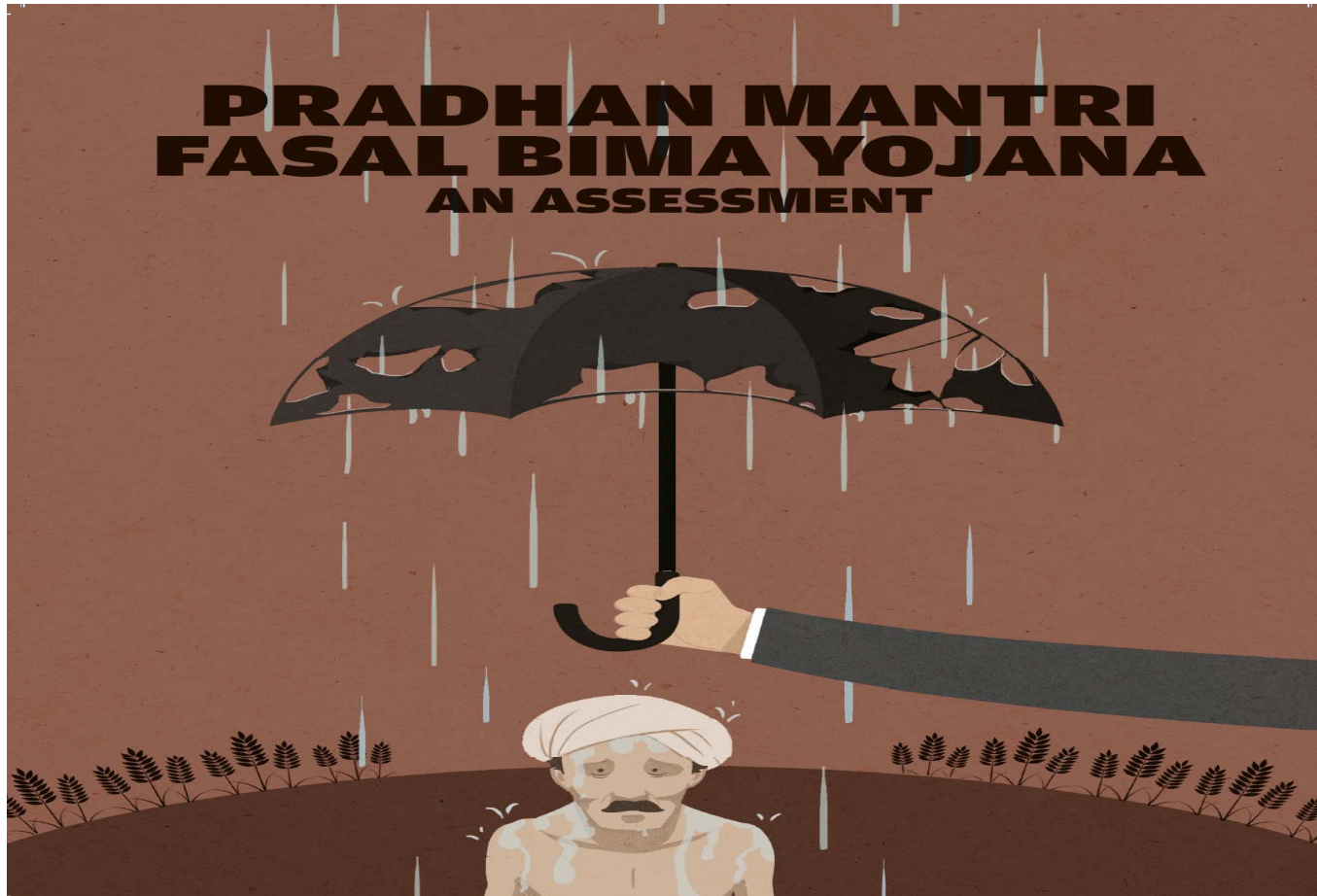


**PRADHAN MANTRI
FASAL BIMA YOJANA
AN ASSESSMENT**



**Chandra Bhushan
Centre for Science and Environment
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Introducing PMFBY



- ❖ Flagship Pradhan Mantri Fasal Bima Yojana (PMFBY) launched from kharif 2016.
- ❖ PMFBY replaced NAIS, MNAIS.
- ❖ WBCIS – restructured, premium made similar to PMFBY.
- ❖ Central government budget allocation of Rs 5,500 crore for 2016–17
- ❖ Plan to cover 40 per cent of agricultural area under PMFBY in 2017–18: provision of Rs 9,000 crore

PMFBY vs. NAIS vs. MNAIS



No	Feature	NAIS [1999]	MNAIS [2010]	PMFBY [2016]
1	Premium rate	Low (1.5–3.5 per cent) and no premium subsidy for horticulture/commercial	High (up to 15 per cent), premium subsidy for all crops	Almost equal to NAIS (1.5–5 per cent), premium subsidy for all crops
2	Insurance unit	Village panchayat, block and taluka	Village/village panchayat for major crops	Village/village panchayat for major crops
3	Indemnity level	60, 80, 90 per cent	80, 90 per cent	70, 80, 90 per cent
4	Sum insured	Loan amount/value of TY/ 150% value of AY	Sanctioned credit limit/value of TY / 150% value of AY	Equal to scale of finance
5	One season-one premium	Yes	No	Yes
6	Insurance amount cover	Full	Capped	Full
7	On-account payment	No	Yes	Yes
8	Localized risk coverage	No	Hailstorm, landslide	Hailstorm, landslide, inundation
9	Post-harvest losses coverage	No	Coastal areas—for cyclonic rain	All India—for cyclonic + unseasonal rain

PMFBY Vs NAIS and MNAIS



No	Feature	NAIS [1999]	MNAIS [2010]	PMFBY [2016]
10	Prevented sowing coverage	No	Yes	Yes
11	Use of technology (for quicker settlement of claims)	No	Intended	Mandatory
12	Claim liability	-	Government will underwrite losses beyond 500 per cent of seasonal gross premium	Government will underwrite losses beyond 350 per cent of seasonal gross premium
13	Minimum sample size for CCE	Not specified	Same in PMFBY and MNAIS	Same in PMFBY and MNAIS
14	Monitoring of scheme	-	Provision for social audit and sending list of beneficiaries to gram panchayat, 1-5 per cent of beneficiary to be crosschecked	Social audit provision removed completely, no beneficiary list will be sent to gram panchayat, 1-5 per cent of beneficiary to be crosschecked
15	Crop insurance app and portal	No	No	Yes
16	Insurance companies	Only government	Government and private both	Government and private both
17	Criteria for performance assessment of insurance companies	No	1) Claim-to-premium ratio 2) Number of farmers benefited to farmers insured ratio 3) Percentage of non-loanee farmers to total number of insured farmers	1) Percentage of actual area insured to total cropped area in the allocated districts/areas 2) Percentage of area insured of non-loanee farmers to total area insured 3) Percentage of claims paid to total admissible claims within the stipulated time 4) Percentage of own-retention of risk insured (SI) to total risk insured
18	Toll-free number for grievances redressal	No	No	Yes, at the insurance company office
19	Awareness	No	No	Yes (target to double coverage to 50 per cent)

PMFBY performance: Kharif 2016



- ❖ No. of insured farmers increased from 3.09 crore in kharif 2015 to 4 crore in kharif, 2016 - 30% increase
- ❖ Area insured increased by 16 per cent in kharif 2016 compared to kharif 2015
- ❖ Average area insured per farmer reduced by 11per cent—from 1.1 ha/farmer in kharif 2015 to 0.98 ha/farmer in kharif 2016
- ❖ Good trend as more small farmers are being covered.
- ❖ During kharif 2015, the sum insured per hectare of land increased from Rs 20,500 in Kharif 2015 to Rs 34,370 in kharif 2016 —an increase of 68%.
- ❖ Promise of PMFBY to bring sum insured closer to the cost of cultivation is partly being fulfilled.



Loanee vs non-loanee farmers

- ❖ Govt claimed quantum jump of more than 6 times in coverage of non-loanee farmers from 14.88 lakh in Kharif 2015 to 102.6 lakh in Kharif 2016
- ❖ Increase in numbers of non-loanee farmers based on figures of four states, Maharashtra, Jharkhand, Madhya Pradesh and West Bengal
- ❖ If we exclude the Maharashtra and West Bengal data, then there is virtually no increase in non-loanee farmers
- ❖ CSE finds that percentage of non-loanee farmers availing insurance remained less than 5 per cent during kharif 2016 and kharif 2015



Issues and challenges

- ❖ PMFBY a transformative scheme : classic case of poor implementation of a good scheme
- ❖ State-level policy:
 - ❖ **Delayed state notification** – no claim due to prevented sowing in MNAIS and PMFBY kharif 2016
 - ❖ **Threshold yield:** not mentioned in state notification - examples include Gujarat, Himachal Pradesh, Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh
 - ❖ Threshold yield declared by govt does not match actual situation on ground
 - ❖ **Sum insured lower than scale of finance:** example of Rajasthan, M.P., Maharashtra - little value for framers, as will not be adequately compensated for the losses

Issues and challenges



Scale of finance vs sum insured in Bundi district, Rajasthan

Crop	Scale of finance as per DLTC meeting (Rs/ha)	Sum insured (Rs/ha) as per Rajasthan State PMFBY notification	Sum insured as a percentage of scale of finance (per cent)
Soya bean	50,000	16,539	33
Paddy	65,000	17,096	26
Urad	30,000	21,750	72.5
Maize	40,000	26,110	65

Source: District Level Technical Committee meeting report dated 14 March 2016 related to calculation of scale of finance at the Bundi Central Cooperative Bank Limited, Bundi district, as received from Brij Mohan Sharma, Chairman, Gram Seva Sahkari Samiti, Arnetha, Bundi, Rajasthan.

Issues and challenges



States not including important crops in the list of notified major crops – example of Haryana, M.P. etc

Example: Important crops not notified in Madhya Pradesh

District	Name of crops not notified or notified only in very small parts of the district	Area under cultivation during kharif 2016 (in ha)	Remarks, if any
Sehore	Moong, urad, maize, tuar	Maize (11,810 ha), tuar (12,310 ha), moong (16,150 ha), urad (1100 ha)	Maize and tuar have been notified in very few insurance units only
Vidisha	Urad, moong	Moong (6383 ha), urad (1,24,600 ha)	Urad and moong extensively sown by farmers in the district but not notified under PMFBY
Hoshangabad	Moong, urad, maize	Moong (52,690 ha), urad (14,080 ha), maize (16,160 ha)	
Harda	Moong, urad, maize	Moong (1500 ha), urad (4000 ha), maize (14000 ha)	
Betul	Jowar, maize, tuar	Jowar (11,230 ha), maize (70,520 ha), tuar (26,840)	Maize and tuar notified only in a few insurance units only

Source: District Agriculture Department, Government of Madhya Pradesh

Issues and challenges



State government not paying subsidy on time – PMFBY taking away significant part of the state agriculture budget

State	Status of the payment of the premium subsidy by the states as in April 2017
Karnataka	Fully paid
Uttar Pradesh	Fully paid
Goa	Fully paid
Uttarakhand	Fully paid
Haryana	Fully paid
Assam	Fully paid
Kerala	Fully paid
West Bengal	Fully paid
Andhra Pradesh	Partially paid
Chhattisgarh	Partially paid
Gujarat	Partially paid
Himachal Pradesh	Partially paid
Jharkhand	Partially paid
Madhya Pradesh	Partially paid
Maharashtra	Partially paid
Odisha	Partially paid
Rajasthan	Partially paid
Tamil Nadu	Partially paid
Telangana	Partially paid
Tripura	Not paid
Meghalaya	Not paid
Bihar	Not paid

Source: Agriculture Insurance Company Limited, April 2017

Issues and challenges



- ❖ Negligible coverage of sharecropper and tenant farmers – issues with states tenancy laws
- ❖ Mixed cropping and crop diversification discouraged
- ❖ Lack of farmers / PRI involvement in PMFBY
- ❖ Poor awareness about PMFBY provisions



Implementation challenges

- ❖ Wrong and double premium deduction
- ❖ Poor capacity of insurance companies - lack manpower and infrastructure in rural areas, have no functional offices in tehsils and no agents at block level
- ❖ No direct linkage of farmers with insurance companies; farmers infact unaware of their coverage status – as they are not provided any policy document or details
- ❖ Lack of coordination and non-existent grievance redressal mechanism



Implementation challenges

Loopholes in assessment of crop loss

- ❖ Number of crop-cutting experiments – only 4 at Village panchayat level
- ❖ Cases of bogus crop-cutting experiments
- ❖ Lack of trained outsourced agencies
- ❖ Scope for corruption
- ❖ Lack of innovative technology usage
- **Overall, there are too many loopholes in the CCEs. Unless they are fixed, crop insurance will not be able to help farmers get their legitimate claims**

Bogus CCE examples – PMFBY Kharif 2016



- Kohla village, Sonipat, Haryana – CCE not done – paddy crop
- Bundi district, Rajasthan – RTI reveals that CCEs for soya bean crop not done
- Ghazipur, Uttar Pradesh - AIC already paid claim of mid season adversity based on joint survey by insurance company and govt official – but later CCE data provided by govt officials incorrectly says no losses
- Tamil Nadu – officials conducted CCEs at the block or district level instead of revenue village level – as required by PMFBY

Implementation challenges



❖ Inadequate and delayed claim payment to farmers

- ❖ Non-payment for localized calamity
- ❖ Huge delay in payment to farmers
- ❖ Many insurance companies cited delay in claim for non-receiving state subsidy, **but claim delayed in states where subsidy was already given.**

Very high all India average actuarial premium rate



Year	Average actuarial premium rate under NAIS (per cent)	Average actuarial premium rate under MNAIS (per cent)	Average actuarial premium rate under WBCIS (per cent)	Average actuarial premium rate under PMFBY (per cent)
2011	3.3	9	9.9	
2012	3.6	11.5	10.1	
2013	3.9	11.2	10.1	
2014	3.7	9.9	11.8	
2015	4	Data not available	11.6	
2016			11.6	12.55

Source: Estimated by CSE from data collected on different schemes from AIC and Ministry of Agriculture

Very high actuarial premium rates in some states and regions



Average actuarial rate in Gujarat during kharif 2016 was 20.5 per cent, in Rajasthan 19.9 per cent and in Maharashtra 18.9 per cent

Example: Actuarial premium rates in Madhya Pradesh

District of MP	Crop	Actuarial rate (per cent)
Umariya	Tuar	40
Ujjain	Tuar	28
Agar Malwa	Gram	35
Shahdol	Tuar	22
Anuppur	Soya bean	20
Anuppur	Alsi	28
Hoshangabad	Paddy	26
Betul	Soya bean	21
Balaghat	Gram	30
Narsinghpur	Soya bean	25

Source: *Saptahik Kisan Duniya* (RNI-MPHIN/2007/21488), Year 10, Issue 50, Bhopal, 4-20 December 2016



Massive profits to companies

- ❖ IRDAI report indicates - PMFBY played a significant role in the growth of non-life insurance industry in the financial year 2016–17.
- ❖ Gross direct premium of general insurance companies grew by 32 per cent, from Rs 96,376 crore in 2015–16 to Rs 1.27 lakh crore in 2016–17
- ❖ Nearly half of this growth came from crop insurance
- ❖ CSE analysis indicates that during kharif 2016, companies made close to Rs 10,000 crore as 'gross profits'
- ❖ Under PMFBY, profit is private but liability is public - *if premium-to-claim ratio at the national level in a crop season exceeds 1:3.5, or percentage of claims to sum insured exceeds 35 per cent, whichever is higher, the government will provide protection to insurance companies*

How beneficial is PMFBY in vulnerable regions?



- ❖ Factors like low indemnity levels, low threshold yields, low sum insured and default on loans make PMFBY a poor scheme

Case study: Moong crop in Ashti Taluka, Beed district, Marathwada, Maharashtra

Parameters	As per Maharashtra State Kharif 2016 Notification on PMFBY	Remarks
Threshold yield in kg per ha (at 70 per cent indemnity level)	313	This is 50 per cent lower than the threshold yield estimated by CSE
Sum insured (Rs/ha)	18,000	50 per cent lower than the cost of cultivation
Cost of cultivation (Rs/ha)	34,147	Maharashtra State Agriculture Price Commission for 2015–16
Premium paid by farmer (Rs/ha)	360	
Claim received at 50 per cent crop loss (Rs/ha)	No claim as average yield is more than threshold yield	Even if the farmer loses half of his crop, he will not receive any compensation
Claim received at 60 per cent crop loss (Rs/ha)	1,898	Claim amount is 5.6 per cent of the cost of production
Claim received at 70 per cent crop loss (Rs/ha)	5,923	Claim amount is 17.3 per cent of the cost of production
Claim received at 100 per cent crop loss	18,000	This is 50 per cent of the cost of production

Why are actuarial premium rates in Bihar high despite low historical claims?



Scheme, year and season	Sum insured (in lakh rupees)	Gross premium (in lakh rupees)	Actuarial premium rate (%)	Claim (in lakh rupees)	Claim as % of gross premium
MNAIS kharif 2011					
Bihar	9,729.4	2,224.3	22.9	440.9	19.8
All India	134,588.5	12,178.9	9.0	9,609.9	78.9
MNAIS kharif 2012					
Bihar	85,567.4	19,746.2	23.1	4,766.3	24.1
All India	4,89,694.0	56,435.8	11.5	62,345.6	110.5
MNAIS kharif 2013					
Bihar	97,879.7	18,109.6	18.5	14,620.3	80.7
All India	5,82,583.4	65,038.1	11.2	85,679.3	131.7
PMFBY kharif 2016					
Bihar	6,52,600.0	1,12,040.0	17.2	23,110.0	20.6
All India	1,26,45,046.4	15,89,109.8	12.6	5,96,207.4	37.5

Source: Ministry of Agriculture and Farmers Welfare, Gol

Note: MNAIS data for Kharif 2014 and 2015 was not available.

Recommendations



- Coverage of tenant and sharecropper farmers should increase.
- All the crops should be covered under crop insurance. Diversification of crops and mixed farming should be promoted.
- ‘Potential yield’ should be used for crops for which historical average yield data is not available.
- Damage caused by wild animals, fire, cold waves and frost to crops should also be considered at the individual level. Damage caused by unforeseen weather events like hailstorms should also be included in the category of post-harvest losses.
- Farmers consent must be taken before deducting crop insurance premium. They must be given a proper insurance policy document, with all relevant details.

Recommendations



- Panchayati Raj Institutions and farmers need to be involved at different stages of implementation.
- The insurance unit (IU) must be reduced over a period of time. In any case, it should not be more than village level. If the IU cannot be at the individual level and is kept at village panchayat level, premium should also be collected at the village panchayat level—not the individual level.
- Incentivise group of small farmers or a group of women farmers and promote group insurance.
- Sum insured should not be less than scale of finance and/or cost of production.
- PMFBY timelines from insurance coverage to claim payment should be strictly adhered to.

Recommendations



- Robust assessment of crop loss should be done through capacity building of state governments, involvement of PRIs and farmers in loss assessment, auditing and multi-level checking to ensure credibility of data and testing incorporating technology such as remote sensing, drones and online transmission of data.
- All PMFBY related data related to farmers must be available in the public domain and shared openly with farmers.
- The clause addressing prevented sowing and post-harvest losses must be implemented appropriately by issuing state notifications prior to sowing.
- Develop agriculture intelligence information system.
- Robust scheme monitoring and grievance redressal mechanism should be in place

