

Varsha Bima

Frequently Asked Questions (FAQs)

Q 1: What is insurance?

Insurance is a technique where losses suffered by few are met from the funds accumulated through small contributions made by many who are exposed to similar risks.

Q 2: What is crop insurance?

Crop insurance is a means of protecting the farmers against uncertainties of crop yields arising out of practically all natural factors beyond their control.

Q3: What is rainfall insurance?

Rainfall insurance is a mechanism, which protects the farmer against anticipated shortfall in yield arising out of deviations in rainfall.

Q.4: What is Varsha Bima?

Varsha Bima is a mechanism for providing effective risk management aid to those individuals and institutions likely to be impacted by adverse rainfall incidence. AIC introduced Varsha Bima-2004 covering adverse deviations in rainfall during Kharif 2004 season as a pilot project in 20 IMD rain gauge stations across 4 states and expanded the scheme as Varsha Bima-2005, which was implemented in and around 130 districts/ rain gauge areas across 10 states of the country covering almost all major crops the scheme during Kharif 2005.

Based on experience gained during the previous years, AIC has now designed and fine-tuned Varsha Bima for implementing in about 140 IMD rain gauge Station areas across 16 states during Kharif 2006, covering more crops and with more coverage options.

Q.5: How is Varsha Bima different from NAIS?

NAIS is a crop yield-based scheme and compensation is paid to the farmers when the actual average yield of an area of a particular crop is less than the guaranteed yield (specified percentage of preceding 3 or 5 years average yield) in the area. Varsha Bima is a Rainfall based crop insurance scheme and compensation is paid when the actual rainfall recorded during the season falls short of specified percentage of normal rainfall of the area.

Q.6: What are the advantages of Varsha Bima?

There are many advantages under Varsha Bima. The major advantages are:

- a) Trigger events like adverse rainfall can be independently verified & measured.
- b) It allows for speedy settlement of claims, as early as a fortnight after the insurance period.
- c) All cultivators – irrespective of Loanee or Non-Loanee; Small / Marginal or Other; Owners or Tenants / Sharecroppers can buy Varsha Bima.
- d) It provides transparent, fully objective and flexible premium & compensation structures suiting varied requirements of different sections of the farming community.
- e) Wide choice of coverage options is available – sowing failure risk, seasonal rainfall, rainfall index, vegetative phase cover etc.
- f) Varsha Bima payouts are transparent, efficient & direct, and hence more effective, scientific and foolproof.
- g) Varsha Bima could also be designed for crops / areas where adequate historical yield data is not available.

Q.7: What are the different options available under Varsha Bima?

The options available under Varsha Bima are

Option – I: Seasonal Rainfall Insurance: The aggregate actual rainfall during the season is compared with the normal rainfall for the season. The adverse deviations beyond 20% would trigger claim payout. Full claim is paid when the adverse deviation reaches 80%.

Option – II: Rainfall Distribution Index: The actual rainfall index for the season is compared with the normal rainfall index for the season. The adverse deviations in index beyond 20% would trigger claim payout. Full claim is paid when the adverse deviation in index reaches 90%. The index is constructed to maximize the correlation (between crop yield and rainfall), by assigning “Key Factor Weights” for weekly rainfall within the season corresponding to different crop growth phases.

Option – III: Sowing Failure:

In case of sowing failure option, aggregate rainfall between 15th June and 15th August is compared with the normal rainfall for the period, and adverse deviations of 40% and beyond triggers claim payout. Full claim is paid when the adverse deviation reaches 80%.

Options - IV: Vegetative Phase

The coverage is against adverse deviation in Actual Rainfall (in mm) from Normal Rainfall (in mm) beyond 20% between 1st August/16th August and 30th September/31st October to 30th November. The sum insured per hectare is the maximum pay-out corresponding to the maximum potential loss. The maximum pay-out of 100% of sum insured is available at deviations of 80% & above.

Q.8: Can I take more than one coverage option for my crop?

Preferably you cannot take more than one coverage option. If you want full season option, either you go for 'seasonal rainfall insurance' or 'rainfall distribution index'. On the other, if you want limited period option, you can go for 'sowing failure' option or 'vegetative phase' cover. In other words, the sowing failure option and vegetative phase cover is largely in-built in full seasons' options.

Q.9: Who can take Varsha Bima?

Any cultivator who intends to sow the crop, & stands to lose financially in case of deficit rainfall, and has the financial capacity to pay requisite premium can take Varsha Bima.

Q.10: Can I cover my crop both under NAIS and Varsha Bima?

NAIS is compulsory for farmers availing crop loans for notified crops, and Varsha Bima can not be taken by the farmer for the crop and to the extent for which the crop loan is availed, because of compulsory nature of NAIS.

A farmer who is cultivating multiple crops, and availing crop loan for a particular crop, can purchase Varsha Bima for other crops for which crop loan is not availed. Similarly, a farmer who is cultivating a mono crop and availing crop loan only for a portion of the acreage / land can purchase Varsha Bima for the balance acreage / land for which crop loan is not availed. It can be understood through examples: -

Example 1: A farmer is growing two crops (Paddy & Jowar) in a season. He has taken loan for Paddy crop but has not taken loan for Jowar crop. He can now purchase Varsha Bima for his Jowar crop.

Example 2: A farmer has 5 acres of land growing Paddy. He avails crop loan for 3 acre of Paddy crop. In this case his balance 2 acres of Paddy could be insured under Varsha Bima.

Q.11: Where can I buy Varsha Bima?

The coverage under Varsha Bima at the grass-root level shall be made mostly through the existing network of Rural Finance Institutions (RFIs) as in NAIS, particularly Cooperative Sector Institutions. AIC shall also directly market through Agri-preneurs / provide insurance subject to availability of its network. The networks of formal and informal institutions working in the rural areas, such as NGOs, SHGs, Farmers' Groups could also be utilized for delivery of Varsha Bima. The interested farmers may contact the nearest point of Rural Financial Institutions (RFIs) or specialized agents or marketing personnel of AIC.

Q.12: When can I buy Varsha Bima?

You can buy Varsha Bima cover during Kharif season normally up to 30th June. However, in case you are cultivating a short duration crop or buying 'sowing failure option' then the last date for buying is 15th June, where as for 'vegetative phase' cover the last date for buying is 15th August.

Q.13: What is the limit of my insurance?

Sum insured (maximum limit of insurance) is already worked out for each option. It is normally the average of the cost of production and value of production. However, in case of sowing failure option, the input cost incurred till the end of the sowing period is considered and is pre-fixed.

Q.14: How much time will be taken for Claim settlement?

Normally Claims are processed and settled within a fortnight from receipt of rainfall data from IMD.

Q.15: What is Insurance Period?

The Insurance Period is specified time duration for a particular crop and option, which denotes the period of rainfall covered under Varsha Bima.

Q.16: Can we purchase Varsha Bima in groups?

Yes. Incase of groups of cultivators who would like to be insured under Varsha Bima a single crop-wise proposal would be adequate, followed by summary sheet containing the details of individual cultivators.

Q.17: What is the procedure for claim?

The claims are automated in so far as the insured cultivator is concerned. The insured cultivator becomes eligible for compensation when there is ascertain deficit in actual Rainfall within the jurisdiction of the IMD Rain-gauge station, as compared to the "Normal Rainfall". In such case, all insured Cultivators under a particular crop and coverage option shall be deemed to have suffered the same deficit in rainfall (leading to crop loss) and become eligible for claims.