

**Frequently Asked Questions (FAQs) on  
Modified National Agricultural Insurance Scheme (MNAIS)**

**1. What is MNAIS, highlight its main features?**

The ongoing NAIS has been reviewed and modified with an objective to make it more farmer friendly. It has been launched as a pilot in selected States / UTs. In addition to payment of claims for yield loss on area approach basis (as under NAIS), its additional features include:

- i. Unit area of insurance reduced to village/village panchayat level for major crops
- ii. Threshold yield based on average yield of the preceding 7 years excluding upto 2 calamity years declared by concerned State / UT government/authority
- iii. indemnity payment for Prevented sowing/planting risk
- iv. coverage of Post harvest losses due to cyclone in coastal areas
- v. On-account payment upto 25% advance of likely claims as immediate relief
- vi. Minimum Indemnity Level (IL) is raised to 70%
- vii. Uniform seasonality disciplines both for loanee & non-loanee farmers
- viii. The Scheme is to be implemented by Agriculture Insurance Company (AIC) of India and the Private sector insurers. , with adequate infrastructure and experience will also be allowed on selective basis by implementing states, out of the companies shortlisted by DoA, GoI with the aim of creating a competitive market for crop insurance to enable the farmers to insure their crops at reasonable premium rates.

**2. What is the difference between NAIS (National Agricultural Insurance Scheme) and MNAIS? Which is more beneficial?**

MNAIS is an improvement over NAIS, and is based on actuarial premium rates. This scheme is expected to generate more benefits to farmers through coverage of prevented sowing/planting risk and post-harvest losses, increase in minimum indemnity level from 60% to 70%, more precise calculation of threshold yield. Payment of upfront premium subsidy by State and Central Governments will facilitate quick settlement of claims.

**3. What would be the Sum insured for loanee farmers under MNAIS?**

The MNAIS envisages that loanee farmers, are to be covered compulsorily for at least equal to the amount of crop loan sanctioned/advanced for notified crops, which may extend upto the value of the threshold yield of the insured crop at the option of insured farmers. Where value of the threshold yield is lower than the

loan amount per unit area, the higher of the two is sum insured. Maximum sum insured can be opted upto 150% of value of threshold yield/normal sum insured.

**4. What are the benefits of compulsory coverage of loanee farmers?**

In order to meet the objectives of the Scheme i.e. providing financial support to the farmers and help in stabilizing farm income, element of compulsory coverage of loanee farmers is incorporated under NAIS/MNAIS/WBCIS so that the insured farmer gets the claim in the event of shortfall in the yield due to the insured perils/disasters, which would offset the crop loan to the extent of the claims and he would be in a better position to obtain fresh crop loan for the next season after liquidating earlier crop loan. In the event of the crop not insured (sum insured being then loan amount obtained from the bank), the loan remains outstanding in the books of Account of the Bank and farmer is deprived of any support which he would have otherwise got. It also encourages the financial institutions to increase the credit flow for crop production purposes to the farmers as the insurance acts as collateral for the banks. It also ensures the maximum coverage/participation under the scheme.

**5. How is premium calculated under the scheme?**

Before the start of each crop season, participating insurance companies will work out actuarial premium as well as net premium rates (premium rates actually payable by the farmers after premium subsidy) for each notified crop through standard actuarial methodology in conformity with provisions of IRDA.

**6. What is the limit of Sum Insured for availing Premium subsidy?**

Premium subsidy is available to loanee farmers upto the amount of loan sanctioned/advanced or value of Threshold Yield (TY), whichever is higher. For non loanee farmers, subsidy is available upto the value of TY. No premium subsidy available on sum insured above the value of TY.

**7. Can the State government opt / decide the Indemnity Level (IL)?**

IL is assigned on the basis of risk profile / classification of the crop in the selected district (low, medium & high). The IL will be decided by the State Level Coordination Committee on Crop Insurance (SLCCCI) based on a standard principle, and the premium rate will be given at the eligible IL. In other words, the State/insurance companies cannot arbitrarily decide the IL.

**8. How do the States classify Major and Minor crops?**

The major and minor crops are categorized at national / State level. However, for the purpose of MNAIS, it's important to keep in mind that adequate cropped area is required at Insurance Unit (IU) level for conduct of Crop Cutting Experiments

(CCEs). In view of this requirement, it may be ideal to consider acreage in terms of parameters like season, crop, district, sub-district to decide whether or not a particular crop qualifies as major crop. It's quite possible that a crop can be major in some district, and minor in other districts. It may be noted that for 'major crop', the IU has to be Village / village Panchayat.

**9. Can the area re-sown/replanted after “prevented / failed sowing” be insured under MNAIS?**

The re-sown/replanted crops/areas (after availing prevented / failed sowing benefit) shall be eligible for insurance, within the cut off date if the 2<sup>nd</sup> crop sown is a notified crop and the same is resown within the original seasonality.

**10. What should be the Insurance Unit (IU)?**

MNAIS clearly envisages that the IU should be Village / Village Panchayat or any other equivalent unit for major crops, and for other crops it can be a unit between Village Panchayat to Taluka, to be decided by the State/UT Government.

**11. Who will establish Weather stations?**

The State Government is primarily responsible for providing all necessary inputs like yield data and weather data/information to insurance companies. Therefore, State Govt. shall establish and strengthen weather station network. However, where weather network of Government does not exist, the weather data from private data provider will be arranged by insurance companies.

**12. Upto what period is the Post Harvest cover available and which perils are covered?**

The Post harvest cover is available upto 14 days from harvest for crop lying in 'cut & spread' condition only, arising out of cyclonic rains. In other words, no insurance cover would be available on expiry of 14 days from the date of harvest. Claim intimation in respect of losses arising within 14 days from the harvest must be given within 48 hours of occurrence of peril i.e. cyclone.

**13. Can NAIS and WBCIS be notified in same district as notified for MNAIS?**

Ideally the district notified under MNAIS will not have other crop insurance schemes, viz. NAIS or WBCIS. Moreover, once a district is notified under MNAIS, preferably all the insurable crops within the district should be notified under MNAIS only. However, States may have the option to notify a particular crop or a particular tehsil / block under MNAIS, in which case other Schemes can be operated for rest of the crops / tehsils / blocks.

**14. What all factors are taken into account for taking decision on releasing notification in a particular area?**

The major factors that form the basis of the decision for releasing a notification are - availability of past yield data based on CCEs for adequate number of years, cropped acreage, and ability to conduct requisite number of CCEs for estimating yield during proposed season, etc.

**15. How the claims are assessed for widespread calamities?**

In case of widespread calamities leading to damage and loss of notified crops, claims are settled on area approach basis. The State Government have to conduct requisite number of Crop Cutting Experiments (CCEs) i.e. atleast 4 CCEs per village/ village panchayat for crops other than groundnut (8 CCEs for groundnut) , and 10 CCEs per Mandal/Firka/Revenue Circle etc., for estimation of actual yield and submit the yield data for each notified crop(s)/area(s) to insurance company for calculation of admissible claims. Any insured crop in a notified area recording lower actual yield than the guaranteed yield shall automatically become eligible for compensation/ claim. The shortfall in yield is determined for each crop and is the difference between the guaranteed yield and the current season's actual yield. Shortfall % is determined by expressing the shortfall as a proportion of guaranteed Yield. Claim is then computed by multiplying the sum insured with the shortfall %. Therefore no claims would be admissible/payable in case the current season's actual yield is more than the threshold yield. Applicable amounts of claims so arrived at are credited to the farmers' accounts through the banks in case of those farmers who are covered through the banks and by way of account payee cheques in case of non-loanee farmers covered through insurance intermediaries.

**16. Is 'On account' payment to be implemented in all States?**

Insurance companies in consultation with concerned State / UT Govt based on agro meteorological data / satellite imagery / acreage damaged or any other proxy indicator will decide about crops / areas eligible for 'on account' payment. Services of expert agency may also be used for estimating / quantifying the benefits under 'on-account' payment. It will be implemented only in States where such proxy indicators can be established.

**17. When is 'On account' payment to be considered?**

'On account' payment shall be considered at the Insurance Unit level if the estimated crop losses are more than 50% (as compared to normal / average yield).

**18. How the assessment for on-account payment of claims due to Mid-Season Adversity will be done?**

In case of adverse seasonal conditions during crop season viz. floods, prolonged dry spells, severe drought etc, insurance companies in consultation with concerned State Government/UT based on agro meteorological data/satellite imagery or any other proxy indicator will decide the admissibility and amount of on-account payment of claims for the notified crops/ areas. Appraisal of mid-season adversity and quantum of on-account payment will be established jointly by Government of India/concerned State Government/UT and insurance company(ies).

**19. What is the Maximum amount payable under 'on-account' payment?**

The maximum amount payable should not exceed 25% of the likely claims. The on-account payment shall be subject to adjustment against claims assessed on yield basis i.e. only difference of claims would be paid if final yield based claims is more than the on-account payment already made.

**20. When the claims are payable/assessed for prevented sowing/planting?**

Due to non receipt of sufficient rainfall or excess rainfall or other weather adversities, farmers in a particular insurance unit may not be in a position to either sow or transplant crop or grow crop (failed at an early stage). When this incidence is widespread i.e. majority of area in one insurance unit remains unsown / failed sowing, then insurance company, based on weather / rainfall position, area sown, crop condition report/other data data/information provided by IMD/State Govt for the insurance unit, will decide extent of claims to be paid. The decision to declare a particular insurance unit eligible for failed / prevented sowing will be taken by the State in consultation with the insurance company.

**21. What is the scale of payment for prevented sowing?**

The rainfall requirement for sowing and the quantum of inputs used before sowing vary from crop to crop. The crop wise slabs for payment need to be finalised and approved by the SLCCCI beforehand. To make it simple, as an illustration, say, 50% of 25% (of sum insured) may be paid if sowing could not be done; 75% of 25% if sowing is done; and 100% of 25% if the germinated crop is withered away or destroyed at very early stage.

**22. When the claims are payable/assessed for localized calamities?**

Insured farmers who experience crop losses due to occurrence of localised perils i.e. hailstorm and landslide will give immediate notice (in standard format) to insurance company through concerned financial institution /channel partner or

directly, within 48 hours along with particulars of crop insured and extent and cause of damage. On receipt of loss intimation, insurance company shall depute Loss assessors (authorised loss assessors or technical personnel of the company) to area for assessment of crop loss. District Revenue administration and Agriculture Department shall assist insurance company in assessing extent of crop loss.

**23. What is the scale of payment for localized perils/calamities?**

Cost of inputs incurred until time of occurrence of peril, and expected loss in final yield due to peril, will form basis for loss assessment. In case claims settled under localised claims are less than 'area approach' claims, only balance claims shall be paid to insured. However, if claims settled under localized calamities are higher than widespread calamity based claims, farmer is not required to refund the claim.

**24. How the claims are assessed for Post Harvest losses on individual basis?**

In case of occurrence of specified peril of cyclone in coastal areas (as notified by State Government) resulting in damage to harvested crop lying in field in 'cut & spread' condition, insured farmer has to lodge a written claim intimation in standard format to the insurance company through Nodal Bank/Intermediary or directly within 48 hours of occurrence of event. This coverage is available only upto maximum period of two weeks (14 days) from harvesting. Harvested crop bundled and heaped at a place before threshing is beyond coverage under post harvest losses.

Assessment of damage will be on individual plot basis. Insurance company will nominate an authorised loss assessor who will visit the field and assess damage and submit report to insurance company. Services of local officials of Bank and Agriculture / Revenue authorities, may be utilised for this purpose by insurance company.

Based on report submitted by loss assessor, insurance company will arrive at claim payable and loss as a percentage of sum insured. Claim payable will be higher of area approach based claim and claim assessed for post harvest losses.

**25. What care has been taken to prevent intra-district competition among the various players under MNAIS?**

The scheme incorporates a provision that in case multiple insurers have to be engaged by the state then one district/area will be served by only one insurer.

**26. Who will bear the claims under MNAIS?**

The claims are to be fully borne by the implementing insurance company. However, the Government shall act as reinsurer of last resort in case claim ratio exceeds 500.

**27. What are the chargeable premium rates and premium subsidy?**

The premium rates are calculated actuarially, and the rates paid by farmers are likely to be higher than NAIS for food crops & oilseeds. The premium subsidy by the government ranges upto 75% depending on the premium slabs.

**28. How is the premium subsidy shared?**

Premium subsidy is to be shared by Centre & State Government on 50:50 basis.

**29. What will be financial liabilities on Government on MNAIS? How does it differ from NAIS.**

The Government will provide only upfront premium subsidy ranging upto 75% to all farmers and is shared by the Central and State Government on 50: 50 basis and all claims liability would be on the concerned insurance companies. Whereas, under NAIS the financial liabilities towards claims beyond 100% of premium in case of Food Crops & Oilseeds and 150% of premium in case of annual horticultural/commercial crops alongwith 10% premium subsidy to small and marginal farmers, Bank Service charges and 20% of A&O Expenses is to be borne by the Government and are shared on 50:50 basis by the Central Government and the respective State Government. However, from Kharif 2011 season, all financial liabilities towards claims of annual commercial/horticultural crops will be borne by the Implementing Insurance Company i.e. AIC.

**30. What are the provisions to settle the disputed claims/additional claims arisen due to any problems/mistake/errors/omission under MNAIS?**

The settlement of all claims of the insured farmers is the responsibilities of the concerned Insurance companies. However, disputed claims / sub-standard claims, if any will be referred through SLCCCI to GOI and decision of GOI in case of any interpretation of provisions of scheme or disputes will be binding on State Govt. / Insurance Company / Banks and the farmers.