

Crop Insurance

In pursuance of the announcement made in the Union Budget, 2002-03 for setting-up of an Agriculture Insurance Corporation for farmers, a new Company, viz., Agriculture Insurance Company of India Ltd. (AICI) was established in 2002 with the authorised and paid up capital of Rs.1,500 crore and Rs.200 crore, respectively. NABARD and General Insurance Company (GIC) have contributed 30 and 35 per cent, respectively, and four other Insurance Subsidiaries, at 8.75 per cent each to the equity. One of the objectives for the formation of AICI was to act as the implementing agency for the Government's 'National Agriculture Insurance Scheme' (NAIS). The company has obtained Certificate of Registration from Insurance Regulatory and Development Authority (IRDA). The Pilot Scheme on Seed Crop Insurance that was implemented through GIC has also been transferred to AICI.

NAIS is in operation since *rabi* 1999-2000 and is being implemented by 23 states and 2 UTs. So far, 590.55 lakh farmers have been covered under the scheme. The salient features of NAIS are as follows;

The premium rates in respect of food crops and oilseeds are determined on the basis of flat rates of premium or actuarial rates whichever is less as per the scheme in accordance with the decision of GoI. The rates are ranging from 1.5-3.5% of sum insured in respect of these crops under both kharif and rabi.

- i. In respect of annual commercial / horticulture crops, the premium rates are charged on actuarial basis.
- ii. The actuarial premium rates are worked out on the basis of yield of the past ten years as per the data provided by the State Government concerned. The variation is high due to high variation in the yield during the specified period i.e. ten years. The premium rates, for example, are high in the case of groundnut and cotton (risky crops) because of high variation in yield whereas in case of sugarcane and wheat, the rates are comparatively low since these are stable crops.
- iii. The scheme stipulates transition of premium rates from flat to actuarial in case of cereals, millets, pulses and oilseeds in a period of five years and till such periods, claims beyond 100% of premium are borne by the Government.
- iv. In the case of annual commercial / horticulture crops, the implementing agency is to bear all normal losses i.e. claims up to 150% of premium in the first three years and 200% of premium thereafter subject to satisfactory claim experience.
- v. The small and marginal farmers are entitled to a subsidy of 50% of the premium charged.

- vi. The scheme provides for compulsory coverage in respect of loanee farmers whereas non-loanee farmers may opt for insurance cover on voluntary basis.

The AICI has introduced, on a pilot basis, a new rainfall index based insurance product called Varsh Bima in four states, viz., Andhra Pradesh, Karnataka, Rajasthan and Uttar Pradesh covering 21 rain gauge stations and crops like cereals, pulses and oilseeds during kharif 2004. NABARD is actively involved through its concerned ROs and DDMs in successful launching and marketing of the scheme.