



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA



Handbook on Crop Insurance



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1. ABOUT THIS HANDBOOK

This handbook is designed by the Insurance Regulatory and Development Authority of India (IRDAI) as a guide on Crop Insurance i.e. insurance of crops and gives general information only. No information given herein replaces or overrides the terms and conditions of coverages more specifically contained in Administrative Instructions issued by Government of India for National Crop Insurance Programme (NCIP) or National Agricultural Insurance Scheme (NAIS) and notifications issued by respective state governments for their implementation. Insurance companies are designated as Implementing Agencies for implementation. No information given herein replaces or overrides the terms and conditions of insurance policy in case of policies commercially sold to individual farmers.

Please approach the intermediary like branch bank, co-operative society, duly licenced broker or agent of concerned insurance company registered with IRDAI for specific information regarding insurance programme, scheme or policy for additional information.

2. CROP INSURANCE

Crop or Agriculture Insurance covers risks of anticipated loss in yield of various crops. Almost the entire of Crop Insurance business comes from 'Schemes' or 'Programme'. These Schemes operate on principles of 'Area Approach'. Coverage is compulsory for farmers taking crop loans from rural financial institutions (RFIs) for cultivation of crops, i.e., loanee farmers. Non-loanee farmers can also insure their crops under the same schemes. The main Schemes available to farmers in respect of crop insurance are as under:

- a) National Agricultural Insurance Scheme (NAIS) of Government of India
- b) National Crop Insurance Programme (NCIP) of Government of India
 - i. Modified National Agricultural Insurance Scheme (MNAIS),
 - ii. Weather Based Crop Insurance Scheme (WBCIS) and
 - iii. Coconut Palm Insurance Scheme (CPIS)
- a) **National Agricultural Insurance Scheme (NAIS)**

NAIS was introduced in the year 1999 and is presently in operation in a few states. The Scheme

is practically an all-risk insurance cover based on 'Area Yield Index'.

Which are the crops covered: The Scheme covers all food, oilseeds and annual commercial / horticultural crops for which historical yield data is available and crop cutting experiments are planned for the current year. State governments issue notifications containing names of crops, areas eligible for insurance, rates of premium etc. at the beginning of each cropping season.

Who can insure: The Scheme is available to all Farmers - compulsory for borrowing farmers and optional for non-borrowing farmers. Farmers have to fill-up a simple Proposal Form and submit the same with premium amount at the nearest branch of bank or Primary Agricultural Credit Society.

What is Sum Insured and Premium: Sum Insured is at least equal to loan amount which can be increased to 150% of the value of average yield at the option of the farmer. There are limits for non-loanee farmers which are published in state government's notification. Premium rates for Food crops and Oilseeds ranges from 1.5% to 3.5% and actuarial rates are charged for Annual Commercial / Horticultural Crops. Subsidy in premium is available to small and marginal farmers

at 10% of premium. Some State governments offer higher subsidy.

Where to pay premium (Intermediary): Network of financial institutions viz. commercial banks, regional rural banks and cooperative banks, spread across length and breadth of country, play the role of intermediaries. The scheme operates broadly on bancassurance model.

Levels of Indemnity: Levels of indemnity are 60%, 80% and 90% which means farmers are themselves to bear the loss of first 40%, 20% or 10% respectively. This condition is also broadly called 'deductible'.

What is the procedure for claims: The Scheme operates on principles of Area-Yield Index or Guarantee. There is a guaranteed yield termed as Threshold Yield for every crop in every Homogenous Area e.g. taluka, block or gram panchayat etc. Threshold Yield is moving average of past five years actual yield (three years in case of Paddy and Wheat) multiplied by applicable level of indemnity. If current season's actual yield recorded is lower than the Threshold yield, then claims become payable. Yield data used for claims is generated under General Crop Estimation Surveys (GCES) by way of crop cutting experiments. Procedure of assessment and

settlement of claims are automated processes and the claim amount is credited to insured farmers' bank account. No paper work is required to be done by insured farmers or intermediaries.

b) National Crop Insurance Programme (NCIP)

NCIP has three components- viz. MNAIS, WBCIS and CPIS. There are some common features for MNAIS and WBCIS components i.e.

1. Private sector insurance companies are allowed as 'implementing agencies'.
2. Rates of premium are charged on actuarial basis. Actuarial rates of premium help insurance companies to transfer the risk in global reinsurance market and the governments to budget their liabilities.
3. Premium payable by farmers is subsidized substantially to make it affordable.
4. Sum insured is broadly equal to cost of cultivation.
5. All claims will be paid by insurance company as there will be no sharing of claims by state and central governments.

Component - I: Modified National Agricultural Insurance Scheme (MNAIS)

MNAIS is an improved version of NAIS.

Which are the crops covered: The Scheme covers all food, oilseeds and annual commercial /

horticultural crops for which historical yield data is available and crop cutting experiments are planned for current year. State governments issue notifications containing names of crops and areas eligible for insurance, rates of premium etc. at the beginning of each cropping season.

Who can insure: Available to all Farmers - compulsory for borrowing and optional for non-borrowing farmers- who have to fill-up a simple Proposal Form and submit the same with premium amount in a nearest branch of bank or Primary Agricultural Credit Society.

What is Sum Insured and Premium: Sum Insured is based on cost of cultivation and at least equal to loans disbursed. Often the State government decides the sum insured for various crops for a district within the State. Sum insured can extend up to value of Threshold Yield. Premium rates vary from crop to crop and area to area based on risk profile reflected in historical yield data, past insurance and claims experience.

Where to pay premium (Intermediary): Network of financial institutions viz., commercial banks, regional rural banks and cooperative banks, spread across length and breadth of country plays the role of intermediaries. Additionally, insurance intermediaries licensed by IRDAI are also allowed to insure non-loanee farmers.

Levels of Indemnity: Levels of indemnity are 80% and 90% which means farmers have to bear first 20% or 10% of losses respectively.

What is the procedure for claims: Operates on principles of Area-Yield Index or Guarantee. The guaranteed yield termed as Threshold Yield for every crop in every Homogenous Area e.g. taluka, block or gram panchayat, is based on past seven years' moving average yield with a provision for excluding yields of maximum two calamity years. The other process is same as the NAIS.

New provisions on claims: MNAIS provides for additional features in terms of coverage of 'Prevented sowing', post harvest losses, individual farm level assessment in case of localized calamities, and On-Account settlement of claims in case of serious crop losses/major disasters.

Component - II: Weather Based Crop Insurance Scheme (WBCIS):

Which are the crops covered:

The Scheme covers all food, oilseeds and annual commercial / horticultural crops. All crops for which historical yield data is not available can also be covered.

Who can insure: Available to all Farmers - compulsory for borrowing farmers and optional

for non-borrowing farmers -who have to fill-up a simple Proposal Form and submit the same with premium amount in a nearest branch of bank or Primary Agricultural Credit Society.

Risks covered: Major perils covered are deficit, excess and deviation of rainfall, relative humidity, temperature (high and low), wind speed and combination of above. Risks of hail-storm and cloud burst can also be covered as add-on covers.

What is Sum Insured and Premium: Sum Insured is pre-defined and is based on cost of cultivation, and is decided by the state for each crop and district. Premium rates can be a maximum of 10% for Kharif and 8% for Rabi season with 12% for commercial / horticultural crops. The premium subsidy available ranges from 25% to 50%.

Where to pay premium (Intermediary): Network of financial institutions viz., commercial banks, regional rural banks and cooperative banks, spread across length and breadth of country plays the role of intermediaries. Insurance intermediaries licensed by IRDAI are also allowed to insure non-loanee farmers.

What is the procedure for claims: If observed weather index value falls below or above (as the case may be) the notified trigger value, then claims

shall be calculated per unit area. Claims are assessed and settled solely based on weather data of automated stations installed in Reference Unit Area for the purpose. Calculation is done based on term sheets published in notifications. Procedure of assessment and settlement of claims are automated processes. No paper work is required to be done by insured farmers or intermediaries. Losses for Add-on covers are assessed on individual basis for which farmers have to intimate the insurance company within 48 hours of the occurrence of the insured peril.

Component - III: Coconut Palm Insurance Scheme (CPIS)

This scheme operates largely like a non-life insurance policy. It is an annual contract, administered only by Agriculture Insurance Company of India.

Who can insure: Any palm grower having at least five healthy nut bearing palms in a contiguous area is eligible to insure. Palms are insured in two categories viz., palms in age group of 4 to 60 years in case of dwarf and hybrid palms and 7 to 60 years in case of tall variety.

What is covered: Storm, Hailstorm, cyclone, typhoon, tornado, heavy rains, flood, inundation, pests, diseases, accidental fire, forest fire, bush fire,

lightening, tsunami, severe drought and consequential total loss causing death of palm or making it totally un-productive.

What is not covered: Loss due to theft, war, nuclear risks, rebellion, revolution, insurrection, mutiny, natural mortality, uprooting etc.

Sum Insured and premium: Sum Insured for palms within the age group of 4th to 15th year is Rs. 900/- and premium is Rs. 9.00 per tree while for palms within the age group of 16th to 60th year is Rs. 1750/- and premium is Rs. 14.00 per tree. Subsidy of 75% is available. Farmer pays only 25% of premium amount.

Assessment of claims: Claims have to intimated to the insurance company within 15 days from occurrence of peril. Claims will be assessed on individual basis and claims amount will be released to insured farmer.

Flow Chart

LOANEE FARMER

Whenever farmer availing crop loan or loan is sanctioned to him from Bank for a Notified crop, Insurance is automatic on compulsory basis

Bank shall automatically insure such crop loans, deduct premium and furnish all these details & premium to Insurance Company

Insurance Company processes the details submitted by the Banks

Claims, if any, will be automatically processed

Claim amount, if payable, will be sent to Banks along with details

Banks will remit the claim amounts into Farmer's bank account

The State Govt. issues Notification of crops/areas and intimates to Insurance Companies. The State Govt. also provides premium subsidy

The State Govt. / Weather data providers submit Yield Data / weather data periodically, as per cut-off dates

State Govt. / Central Govt. provides claims share, if any, as per Scheme provisions

NON LOANEE FARMER

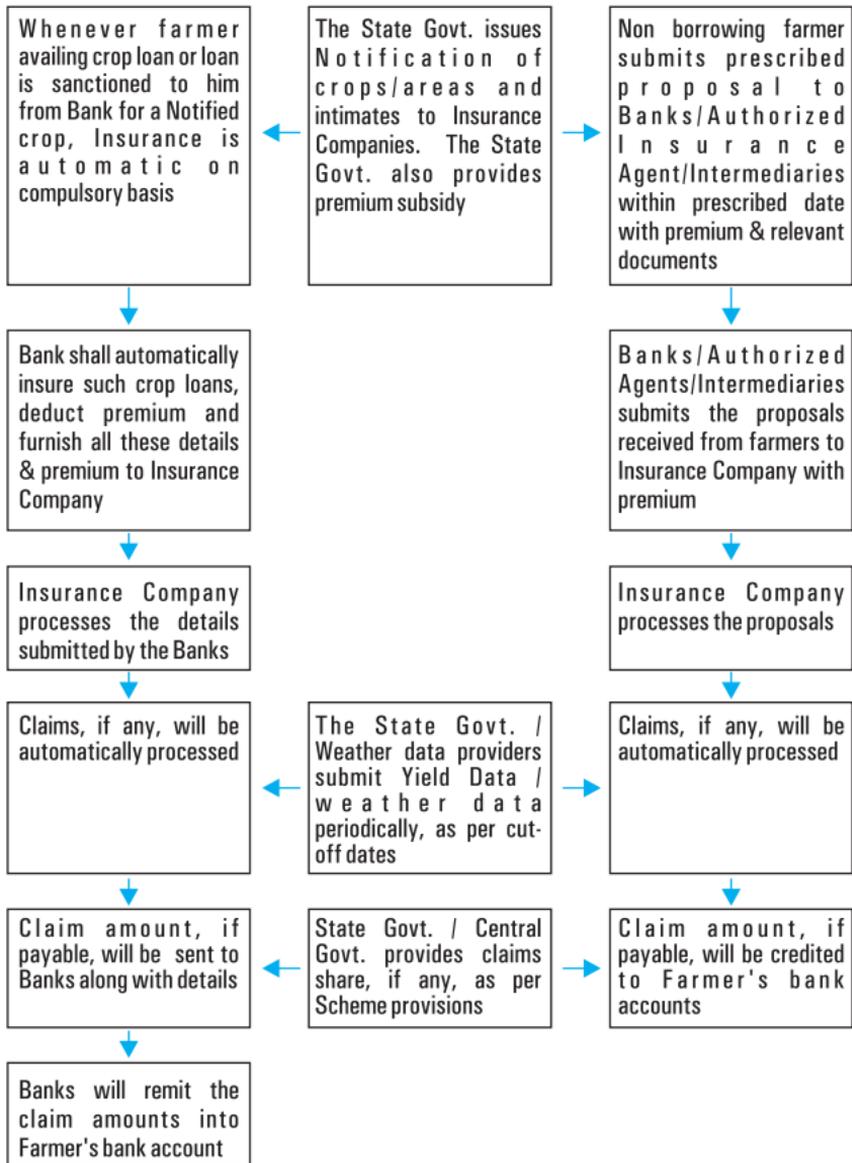
Non borrowing farmer submits prescribed proposal to Banks/Authorized Insurance Agent/Intermediaries within prescribed date with premium & relevant documents

Banks/Authorized Agents/Intermediaries submits the proposals received from farmers to Insurance Company with premium

Insurance Company processes the proposals

Claims, if any, will be automatically processed

Claim amount, if payable, will be credited to Farmer's bank accounts



3. FREQUENTLY ASKED QUESTIONS

Q 1: What is crop insurance?

Ans: Crop insurance is an arrangement aimed at mitigating the financial losses suffered by the farmers due to damage and destruction of their crops resulting from various production risks.

Q 2: What are the objectives of Agricultural Insurance Scheme?

Ans: The objectives are:-

- To provide financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests and diseases.
- To restore the credit worthiness of farmers arising out of crop losses leading to non-repayment of crop loans.
- To encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology in Agriculture.
- To help stabilize farm incomes, particularly in disaster years.

Q 3: What are the various risks covered under crop insurance scheme?

Ans: The Scheme provides comprehensive risk insurance for yield losses due to: (i) Natural Fire and Lightning, Storm, Hailstorm, Cyclone,

Typhoon, Tempest, Hurricane, Tornado, Flood, Inundation and Landslide (ii) Drought, Dry spells (iii) Pests / Diseases etc. in Area-Yield Index insurance Schemes and Weather indices under WBCIS or Weather Index based crop insurance Scheme.

Q 4: What are the various crops covered under the schemes?

Ans: NAIS and MNAIS cover cereals, millets, pulses, oilseeds, Annual Commercial/Annual Horticultural crops. The crops are selected for insurance if the past yield data for 10 years are available, and the State government agrees to conduct requisite number of yield estimation surveys to estimate the yields during the proposed season. However, almost any crop can be covered under WBCIS for which a broad correlation can be established between weather parameters and anticipated loss in crop yield.

Q 5: Who is eligible to be covered under the schemes?

Ans: All farmers growing notified crops in notified areas as notified by the State government are eligible for availing insurance. Crops of loanee farmers are compulsorily insured, while non-loanee farmers can insure their crops at their option.



Q6: How is this crop insurance scheme administered?

Ans: Selecting of Insurance Company to do crop insurance in the State is decided by the concerned State Government only and it may vary from season to season. The following general insurance companies are empanelled by Govt of India to transact Crop Insurance:

S.No	Name of the Company
1.	Agriculture Insurance Company of India Limited,
2.	ICICI Lombard General Insurance Co. Ltd.
3.	IFFCO TOKIO General Insurance Co. Ltd.
4.	HDFC ERGO General Insurance Co. Ltd.
5.	Cholamandalam MS General Insurance Co. Ltd.
6.	Tata-AIG General Insurance Co. Ltd.
7.	Future Generali India Insurance Company Ltd.
8.	Reliance General Insurance Company Ltd.
9.	Bajaj Allianz General Insurance Co. Ltd.
10.	Universal Sompo General Insurance Co. Ltd.
11.	SBI General Insurance Co. Ltd.

This list is indicative only and subject to change by Govt of India from time to time.

Q7: What is the Unit of Insurance?

Ans: The size of unit area varies from State to State and crop to crop. Presently, the unit of insurance is Block/ Mandal/ Taluka / Patwarihalika / Nyaya Panchayat/ Gram Panchayat/ Village, etc., as per the convenience of the concerned state government.

Q8: What is the amount of sum insured under NAIS and MNAIS?

Ans: a. For loanee farmers (compulsory coverage): The amount of crop loan availed for the notified crop is the minimum amount of sum insured covered on compulsory basis. However, a loanee farmer so wishes he may insure his crop for a higher Sum Insured i.e. upto the value of Threshold Yield (i.e. guaranteed yield) or upto 150% value of average yield by paying premium on actuarial basis for the difference in the sum insured.

b. For Non-loanee farmers: Coverage at normal rates of premium is available upto the value of Threshold Yield. Additional coverage upto 150% value of Actual Yield can be availed by payment of premium at actuarial rates for the difference in sum insured.

Note: In case of annual commercial and horticultural crops, only actuarial rates of premium are charged at all the slabs of sum insured.

Q 9: How much premium a farmer has to pay to get the insurance cover?

Ans: NAIS: Flat rates of premium ranging from 1.5% to 3.5% are applicable for food and oilseeds crops. For Annual Commercial and Horticultural crops, actuarial premium rates are charged. Subsidy in premium to the extent of 40% to 75% is available to all farmers to make it affordable.

MNAIS and WBCIS: Actuarial rates of premium are charged which vary from crop to crop and area to area. Subsidy in premium is available to all farmers to make it affordable.

Q10: Does a non-loanee farmer need to produce some documents for obtaining insurance cover?

Ans: The non-loanee farmer has to produce a proof (copy of land pass book / 7/12 extract / land revenue receipt etc.) to prove that he / she is the owner of the land. In case of sharecroppers and tenant farmers (who are not availing crop loan), a proof showing crop sharing / tenancy arrangement need to be produced.

Q 11: Are crop loans disbursed through Kisan Credit Cards (KCCs) eligible for insurance coverage under the NAIS?

Ans: Crop loans disbursed/withdrawn through KCCs are also eligible for coverage as per the terms and conditions applicable to the regular crop loans.

Q 12: When and how, the claims are settled under NAIS and MNAIS?

Ans: In case of widespread calamities, the losses are assessed on area approach basis. Any insured crop in a notified area recording lower actual yield than the guaranteed yield as per the crop yield estimation surveys of the State government 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 percentage is multiplied with the sum insured to arrive at the claim amount. Claim amount is released to the banks soon after approval and receipt of funds /subsidy from the government, who in turn credit the account of eligible farmers.

Q 13: Whether annewari or any similar declaration/certification by the revenue or agriculture departments of the State government at village/block /district level has any bearing on claim settlement?

Ans: No. Claims under the scheme are settled strictly as per the provisions and guidelines described. So declaration of flood/drought/annewari by any other agency/authority has no bearing on the claim.

Q14: Whether insured farmers whose crops are damaged need to intimate crop losses to bank/AIC to be eligible for claim?

Ans: In case of "Area approach", the farmers need not intimate crop losses to bank/AIC. The crop losses, if any, or reduction in yield as compared to Guaranteed yield are determined from the Crop Estimation surveys and the shortfall in yield, if any, shall be paid as claim through the bank. In case of areas notified under localized calamities for individual loss assessment, the farmer needs to intimate the crop loss within 48 hours.

4. POLICYHOLDER SERVICING AND TURNAROUND TIME

Loanee and non-loanee farmers insure their crops through financial institutions and licensed intermediaries. Insurance companies receive

‘Declaration Forms’ for underwriting which contain consolidated information. Collection receipts are issued to financial institutions and intermediaries after receipt of premium amount. ‘Acknowledgements’ are issued to these channel partners after process of underwriting is over.

NAIS and MNAIS claims are processed upon receipt of actual yield data. Cut-off dates for receipt of actual yield data is published in notifications issued by State governments before beginning of each season. Insurance company settles the claims soon after receipt of share of funds from State and Central governments in case of NAIS and as early as possible in case of MNAIS. WBCIS claims are settled within 45 days from last day of period of insurance, subject to receipt of premium subsidy.

5. IF YOU HAVE A GRIEVANCE:

The Consumer Affairs Department of the Insurance Regulatory and Development Authority of India (IRDAI) has introduced the Integrated Grievance Management System (IGMS) which is an online system for registration and tracking of grievances. You must register your grievance first with insurance company and in case you are not satisfied with its disposal by the Company, you may escalate it to IRDAI



through IGMS by accessing www.igms.irda.gov.in. In case you are not able to access insurer's grievance system directly, IGMS also provides you a gateway to register your grievance with the insurer.

Apart from registering your grievance through IGMS (i.e., web), you have other channels for grievance registration – through email (complaints@irda.gov.in), through letter (address your letter to Consumer Affairs Department, Insurance Regulatory and Development Authority of India, 3rd Floor, Parishram Bhavan, Basheerbagh, Hyderabad-500 004) or a simple call to IRDA Grievance Call Centre at Toll Free number 155255/1800 425 4732 through which IRDAI shall, free of cost, registry our complaints against insurance companies as well as help track its status. The Call Centre assists by filling up the complaint form on the basis of the call. Wherever required, it facilitates in filing of complaints directly with insurance companies as the first port of call by giving information relating to the address, telephone number, website details, contact number, email id etc. of the insurance company. IRDAI Call Centre offers true alternative channel for prospects and policyholders, with

comprehensive tele-functionalities, serving 12 hours X 6 days from 8 AM to 8 PM, Monday to Saturday in Hindi, English and various Indian languages.

When a complaint is registered with IRDAI, it facilitates resolution by taking up with the insurance company. The company is given 15 days time to resolve the complaint. In case the complainant is not satisfied with the resolution of the complaint by the insurer, he may approach the Insurance Ombudsman for amicable resolution or adjudication by the Insurance Ombudsman in terms of Redressal of Public Grievances Rules, 1998 (For details visit www.gbic.co.in).

Disclaimer:

This handbook is intended to provide you general information only and is not exhaustive. It is an education initiative and does not seek to give you any legal advice.



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educating policyholders and
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