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NEW CROP INSURANCE POLICY FOR INDIAN AGRICULTURE DEVELOPMENT

KEY WORDS: Comprehensive, Cyclone,Hailstorm, Harvesting Insurance, Irrespective, and etc.

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ABSTRACT

India's crop insurance program is the world's largest with 25 million farmers insured.However, issues in design, particularly related to delays in claims settlement have lead to 95 million farmer households not being covered, despite significant government subsidy. To address this and other problems, the government of India is piloting a modified national agriculture insurance scheme, a market based scheme with involvement from the private sector. Compared with the existing scheme, the new program has a design that can offer more timely calm settlement, less distortion in the allocation of government subsidies and cross subsidies between farmers groups and reduced basis risk. Implementation and technical challenges lie ahead which can addressed but will require a comprehensive strategy, innovative solutions, and timely roll out. The government of India stared offering a widespread crop insurance program in 1985 with the Comprehensive Crop Insurance Scheme. The CCIS has been replaced by the National Agriculture insurance Scheme. The NAIS is to considered to be an improvement over the CCIS, but it has simply replaced one flawed scheme with another slightly less flawed one. Government crop insurance has proved to be a failure worldwide, but in India farmers face floods, drought, peats, disease and other natural disaster. The weather is the greatest adversary, something that can never be controlled by man yet; farming has been in existing since. Farming has a long way since then nevertheless Farmer is still at the mercy of heavens. Crop insurance is a risk management tool that farmers can use today's agriculture world. Farmers in India have been subjected to publicly administered insurance schemes since 1972. Every scheme has been flawed, yet the government of India is still attempting to strengthen agriculture protecting itsfarmers from the weather conditions.in both the developing and develop countries governments crops insurance schemes have run at a huge losses while not delivering an effective product. The inadequacy of such schemes is a well-established fact. On the other hand private insurance does exist in situations where it isfeasible and not subsidized insurance is offered. The farmers stand to benefit even morefrom private insurance when there are several competitors.

Need for Crops Insurance: - Agriculture production and farm income in India are frequently affected by natural disasters such as drought floods, storm, landslide, earthquake etc. Susceptibility of agriculture these disasters is compounded by the outbreak of epidemics and men made disasters such as fire, sale of spurious seeds, fertilizers and pesticide , price crashes . Indian agriculture is reeling at the menace of twin drought following EL-Nino phenomenon and untimely Rabi season rains and hailstorms. It is against this backdrop, that a crop insurance scheme to deal with risks associated with weather fluctuation is imperative for alleviating the distress caused to the farmers. All these events severely affect farmers through loss in production and farm income, and beyond the control of farmers. With growing commercialization of agriculture, the magnitude of loss due to unfavourable eventualities is increasing. In recent times mechanisms like contract farming and futures trading have been established which are expected to provide some insurance against price fluctuations directly or indirectly. But, agriculture insurance is considered an important mechanism to effectively address the risks to output and income resulting from various and manmade events. At present only 23% of cropped area in India have access to insurance. According to the PradhanMantriFasalBimaYojana will increase the insurance coverage to 50% of the total crop area of 194.40 million hectare from the existing level of about 25-27% crop area. The expenditure is expected to be around Rs. 9500 crore.

Historical Back-Ground of Crop Insurance in India

1. First individual crop insurance scheme is in 1972-78 in different forms of experiments on agriculture insurance on a limited, Ad-hoc and scattered scale when the General Insurance Corporation(GCI) ofIndia introduced a crop insurance scheme on H-4 cotton and latter included groundnut , wheat and potato . This scheme was firstimplemented in Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu and West Bengal. It continued up to 1978-79 and covered only 3110 farmers for the premium of 4.54 Lakh against claims of37.88 Lakh,
2. The Pilot Crop Insurance Scheme was launched by the (GCI) in 1979 which was based on the' Area Approach' for providing insurance cover against a deficit in crop yield below the threshold level .The scheme covered cereals, millers, oilseeds, cotton and potato. It was confined to loan farmers of institutional sources on a voluntary basis. The (PCIS) was implemented in 12 states till 1984-85 and covered 6.25 Lakh farmers for the premium of 195.01 lakh against claims of 155.68 lakh during the entire period.
3. The Comprehensive Crop Insurance Scheme (CCIS) was launched in 1985 .It was the first national wide insurance scheme .This scheme was linked to short term credit and based on the homogenous area approach. CCIS introduced in 1985-86 till Kharif 1999, the scheme was adopted by 15 state and 2 Union territories. Both (PCIS), (CCIS) were confined only to farmers who had borrowed seasonal agriculture loans from financial institution. The (CCIS) covered 763 lakh farmers for a premium ofRs 404 crore against claims of 2303 crore.
4. A more comprehensive scheme, 'National Agriculture Insurance Scheme(NAIS) was launched in 1999 with the aim to cover all farmers irrespective loan or non-loan. The (NAIS) was introduced with the aim to increase coverage of farmers, crop and risk commitment in 1999-2000 replacing the (CCIS). The main objective of this scheme was to protect the farmers against the crop losses suffered on account of natural calamities, such as drought, flood, hailstorm, cyclone, pests and diseases. The scheme was implemented by the Agriculture Insurance Company of India Ltd (AIC). This scheme was available for all farmers and it envisages coverage of all the food crops (cereals, millets and pulses).this scheme was continued till Kharif 2013, some states are allowed to implemented NAIS duringRabi 2013-14 as well.

The New National Crop Insurance Programe (NCIP)

The NDA Government Launched New Crop Insurance Scheme as Minimum Premium, Maximum Insurance for Farmers. The NDA government has unveiled a pro-farmer crop insurance scheme. The union cabinet chaired by Prime Minister Sh. NarenderModi approved the new crop insurance scheme "The PradhanMantriFasalBimaYojana" (PMFBY) will replace the existing National Agriculture Insurance Scheme (NAIS) modified in (MNIAS)in 2015. The new (PMFBY) will effective from 1 April 2016.

In December (2015) Centre for science and Environment (CSE)realized a major report titled "Lived Anomaly -How to enable farmers in India to cope with extreme weather event". The report highlighted the increasing vulnerability of farmers due to increased frequency of extreme weather events. The report recommended major reforms in agriculture insurance to strengthen the coping capacity of farmers.

Frequency of extremes weather events and slow onset event such as drought are likely to increase in the future due to climate change. India needs an effective, inclusive and universal insurance scheme to act as a safety net for farmers (PMFBY) is a step in the right direction. But it requires some key changes to improve its effectiveness.

Launching Speech of Honorable Prime Minister Narender ModiJi address to the country farmers:-

"My dear farmer brother and sisters",

The news of the 'PradhanmantriFasalBimaYojana' must have already reached you. Farmers in our country have often felt at risk-at time by falling market prices. Over the last 18th month, we have taken several steps to help those of you who face such difficulties.

There have been insurance schemes for farmers in the past as well. However, they were unsuccessful because of various reasons- ranging from high premium rate to low claim value and non coverage of localized crop loss. As a result not more than 20% of farmers opted for crop insurance; and those who did faced many difficulties to get their due. Eventually, farmer's faith in insurance scheme eroded over time.

It was against this backdrop that we engaged in detailed consultation with states, farmers and insurance companies following which I now place before my farmer brother and sisters the farmer friendly(PFBY)".

The enrollment under the PradhanMantriFasalBimaYojana scheme,subject to possession of insurable interest on the cultivation of the notified crop in the notified area,shall be compulsory for following categories offarmers:

1. Farmers in the notified area who possess a crop loan account/KCC account to whom credit limits are renewed for the notified crop during the crop season.
2. Other farmers whom the government may decide to include from time to time.

Following risks leading to crop loss are to covered under this schemes:-

Comprehensive risk insurance is provided to cover yield losses to non -preventable risks, such as:-

- Natural fire and lightning.
- Storm, Hailstorm, cyclone and Tempest etc.
- Flood, inundation and landslide, drought, dry spells and diseases etc.

(B).Prevented sowing(Notified area basic) :- In cases where majority of the insurance farmers ofa notified area, having intent to plant and incurred expenditure for the purpose ,are prevented from planting the insured crop due to adverse weather condition, shall be eligible for indemnity claims up to a maximum of25%ofthe sum insured.

(C) Post- harvest losses (individual farmer basic):- coverage is available up to a maximum period of 14 days from harvesting for those crops which are kept in "cut and spread" condition to dry in the field after harvesting, against specific perils of cyclonic rain and unseasonal rains throughout the country.

(D) Localized calamities:- Damage resulting from occurrence of identified localized risks for example hailstorm, landslide and inundation affecting isolated farms in the notified area.

Sailent Features of Pradhan Mantari Crop Insurance Scheme

1. This is the biggest ever government contribution to crop insurance.
2. Farmers will have to pay the lower ever premium rate as compared to existing insurance schemes. 3. There will only one premium rate for each season for all food grains ,oilseeds and pulses-removing all variation in rates across crops and districts within a season - Kharif :2%, Rabi : 1.5% only.
4. Government will bear all remaining financial burden - even the government's share exceed 90%
5. Farmer's will get full insurance cover -there will be no capping of the sum insured, and consequently, claim amounts will not be cut or reduced.
6. For the first time, inundation has been included under localized risk cover.
7. For the first time Post harvesting losses arising out of cyclones and unseasonal rain have been covered nationally.
8. For the first time, emphasis has been given to mobile and satellite technology to facilitate accurate assessment and quick settlement of claims.

Premium Rates:-

S no	SEASON	CROPS	MAXIMUM INSURANCE CHARGES PAYABLE BY FARMER (% OF THE SUM INSURED)
1	KHARIF	FOOD AND OIL SEEDS KHARIF (ALL CAREALS MILLETS AND OIL SEEDS , PULSES)	2.0% OF SI OR ACTUARIAL RATE WHICH EVER IS LESS
2	RABI	FOOD AND OILSEEDS AND(ALLCARELS, MILLETS , AND OILSEEDS, PULSES)	1.5% OF SI OR ACTUARIAL RATE, WHICH EVER IS LESS
3	KHARIF AND RABI	ANNUAL COMMERCIAL/ ANNUAL HORTICULTURE CROPS	5%OF SI OR ACTURAL RATE, WHICHEVER IS LESS

The actuarial premium rate would be charged under (PMFBY) by insurance agencies. Govt. of India/States will monitor the premium rate considering. The basis of loss cost claims as % of some insurance in case of the notified crops in notified unit area of insurance during the preceding 10 similar crop seasons. Expenses towards management including capital cost and insurer's margin. Taking into account non parametric and reduction in insurance unit size etc. the difference between the premium paid by the farmers and the premium fixed by the insurance companies will be subsidized and there will be no cap on the maximum subsidy paid by the government .the subsidies will be borne equally by central and the respective state government currently farmers pay around as high as 15 % ofthe sum insured as premium under the existing national agriculture insurance scheme and the modified national agriculture insurance scheme. The new scheme will replace all these existing crop insurance schemes.

Recommendations for improvement crop insurance scheme

After examining the various existing crops insurance schemesvarious committees has recommended following measure for improvement in the field of crop insurance:

1. A web portal should be developed for all States to make land record date be available to financial institutions.
2. Premium rates to be revisited for MNAIS.
3. Insurance companies and banks should play a pro-active role in insuring effective implementation of crop cutting experiments.

4. State governments should insure the use or GPRS enabled and camera fitted mobile phones etc. which conducing crop cutting experiments.
5. An agriculture insurance Act should he formulated to take care of specific needs of the crop insurance and agriculture insurance in general.
6. An Atlas of critical weather elements for different agro climatic regions.

CONCLUSION:

the shifting from a social insurance program with ad-hoc funding from the government of India to market based crop insurance program with actuarially sound premium rate and product design in a major step forward. The improved product and active involvement of private sector insurance markets are expected to lead to significant benefit for farmers, including faster claims settlement, a more equitable allocation of subsidies and lower basis risk. For the product voluntarily and insurers and government must experiment with cost effective of increasing outreach. Use of latest technology such as GPRS enabled and camera fitted mobile phone may be used to implement crop insurance scheme more effectively. A comprehensive programmed of capacity building in line with the needs of stake holders such as State and central government agencies associated with crop insurance schemes should be organized. Programs of creating awareness and insurance literacy among the farmers should be prepared by insurance companies and banks, in collaboration with the concerned state government.

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