

# PRADHAN MANTRI FASAL BIMA YOJNA (PMFBY)

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**PROTECT YOUR DREAMS  
CROP INSURANCE**



# INTRODUCTION

- ❖ Agriculture in India is wholly dependent on nature.
- ❖ Crop insurance scheme has been implemented to protect the farmers from perils of nature.
- ❖ The Central Govt. has announced a new format of Crop Insurance in name of "Pradhan Mantri Fasal Bima Yojana (PMFBY)", to be implemented from 1st April' 2016.
- ❖ PMFBY will provide a comprehensive insurance cover against failure of the crop thus helping in stabilising the income of the farmers and encourage them for adoption of innovative practices.



# OBJECTIVES

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.
- To stabilise the income of farmers to ensure their continuance in farming.
- To encourage farmers to adopt innovative and modern agricultural practices.
- To ensure flow of credit to agriculture sector.

# SALIENT FEATURES OF PMFBY

- The Scheme can cover all Food & Oilseeds crops and Annual Commercial/ Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) will be conducted being a part of the General Crop Estimation Survey (GCES).
- The scheme will be implemented by AIC and other empanelled private general insurance companies. Selection of Implementing Agency (IA) will be done by the concerned State Government through bidding.
- The existing State Level Co-ordination Committee on Crop Insurance (SLCCCI), Sub-Committee to SLCCCI, District Level Monitoring Committee (DLMC) shall be responsible for proper management of the Scheme.



# UNIT OF INSURANCE

- × The Scheme shall be implemented on an 'Area Approach basis'. The unit of insurance shall be Village Panchayat level for major crops.
- × The loss assessment for crop losses due to non-preventable natural risks will be on area approach.
- × In case of majority of insured crops. of a notified area are prevented from sowing/ planting the insured crops due to adverse weather conditions that will be eligible for indemnity claims up to maximum of 25% of the sum-insured.

# **CROPS WHICH CAN BE INSURED**

**The scheme can cover all the crops for which past yield data is available and grown during the Notified Season, in a Notified Area and for which yield estimation at the Notified Area level will be available based on requisite number of Crop Cutting Experiments (CCEs) being a part of the General Crop Estimation Survey (GCES).**



# FARMERS TO BE COVERED

All farmers including sharecroppers, tenant farmers growing the notified crops in the notified areas.

a. **On a compulsory basis:** All farmers growing notified crops and availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions i.e. Loanee Farmers.

Such other farmers whom the government may decide to include from time to time.

b. **On a voluntary basis:** All other farmers growing notified crops (i.e., Non- Loanee Farmers) who opt for the scheme.

Aadhaar has been made mandatory for availing crop Insurance from Kharif 2017 onwards.

# RISKS COVERED

Following stages of the crop and risks leading to crop loss are covered under the scheme.

- a) **Prevented Sowing/ Planting Risk:** Insured area is prevented from sowing/planting due to deficit rainfall or adverse seasonal conditions
- b) **Standing crops:** On notified area basis losses due to non-preventable risks, such as:
  - (i) **Natural Fire and Lightning**
  - (ii) **Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado etc.**
  - (iii) **Flood, Inundation and Landslide**
  - (iv) **Drought, Dry spells**
  - (v) **Pests/ Diseases etc.**



# RISKS COVERED

- c) **Post-Harvest Losses:** coverage is available only up to a maximum period of two weeks from harvesting for those crops which are allowed to dry in cut and spread condition in the field after harvesting against specific perils of cyclone and cyclonic rains and unseasonal rains.
- d) **Localized Calamities:** Loss/ damage resulting from occurrence of identified localized risks of hailstorm, landslide, and Inundation affecting isolated farms in the notified area.

**General Exclusions: Losses arising out of war and nuclear risks, malicious damage and other preventable risks shall be excluded.**

# INSURANCE AMOUNT

- In case of Loanee farmers under compulsory component, the sum insured would be equal to scale of finance for that crop as fixed by DLTC which may extend up to the value of the threshold yield of the insured crop at the option of insured farmer.
- Where value of the threshold yield is lower than the scale of finance, higher amount shall be the Sum Insured.
- Multiplying the Notional Threshold Yield with the Minimum Support Price (MSP) of the current year arrives at the value of sum insured.
- Wherever current year's MSP is not available, MSP of previous year shall be adopted.



# INSURANCE AMOUNT

- The crops for which, MSP is not declared, farm gate price established by the marketing department / board shall be adopted.
- In case of loanee farmers, the insurance charges payable by the farmers shall be financed by loan disbursing office of the bank, and will be treated as additional component to the scale of finance for the purpose of obtaining loan.
- For farmers covered on voluntary basis the sum-insured is up to the value of threshold yield i.e. threshold yield x (MSP or gate price) of the insured crop.

# PREMIUM RATES

S. No.	Season	Crops	Premium rate
1	Kharif	Food & Oilseeds crops (all cereals, millets, pulses) & oilseeds.	2.0% of SI or Actuarial rate, which ever is less
2	Rabi	Food & Oilseeds crops (all cereals, millets, pulses) & oilseeds.	1.5% of SI or Actuarial rate, which ever is less
3	Kharif & Rabi	Annual Commercial or Horticultural crops	5.0% of SI or Actuarial rate, which ever is less



# INSURANCE PREMIUM

- The premium rate would be a flat rate or actuarial rate whichever is lower. The flat rates of insurance premium for different crops are as under:
- The difference between premium rate and the rate of insurance charges payable by farmers shall be treated as rate of normal premium subsidy, which shall be shared equally by the centre and state.
- Now, no subsidy in premium is allowed in respect of Small & Marginal farmers.

## **COVERAGE OF NON-LOANEE FARMERS**

- i) A non-loanee farmer seeking coverage has to submit a declaration within the cut-off date to any bank branch along with premium.**
- ii) He should open a SB account with this branch.**
- iii) The non-loanee farmer should submit Xerox copies of his land record for verification.**
- iv) The nodal branch should remit the premium for non-loanee farmers by means of a separate draft.**
- v) The non-loanee farmers can also send the premium directly to Insurance Agency.**



# INDEMNITY LEVEL (IL) AND THRESHOLD YIELD (TY)

- Three levels of Indemnity, viz., 70%, 80% and 90% corresponding to crop Risk in the areas shall be available for all crops.
- The Threshold Yield (TY) shall be the benchmark yield level at which Insurance protection shall be given to all the insured farmers in an Insurance Unit.
- The Threshold Yield for a crop in an Insurance Unit shall be based on average yield of last seven years excluding two years of declared calamity if any, multiplied by the level of indemnity of the area.
- $$\text{Threshold Yield} = \frac{\text{Sum [Last 7 Years of Yield (Minus two notified calamity years if any)]}}{5 \text{ or } 7 \text{ ( as the case may be)}} \times \text{Level of Indemnity}$$

# ASSESSMENT & CLAIM PROCEDURE

- Yield losses at Notified Area level: Once the yield data is received from the State/UT Govt. as per the prescribed cut-off dates, claims will be processed, approved and settled by IA.
- If the 'Actual Yield' (AY) per hectare of the insured crop for the defined area [on the basis of requisite number of Crop Cutting Experiments (CCEs)] in the insured season, falls short of the specified threshold yield (TY) 'Yield' (RY), all the insured farmers growing that crop in the defined area are deemed to have suffered shortfall in their yield.
- The scheme seeks to provide protection against such contingency to all insured farmers of an Insurance Unit



# ASSESSMENT & CLAIM PROCEDURE

Claim Pay-outs based on Yield losses shall be calculated as per the following formula:

$$\text{Claims Payout} = \frac{\text{Shortfall in yield}}{\text{Threshold yield}} \times \text{Sum insured}$$

Where,

$$\text{Shortfall in yield} = (\text{Threshold yield} - \text{Actual yield})$$

# PROCEDURE FOR ASSESSMENT, PROCESSING & APPROVAL OF CLAIMS

**Assessment of prevented Sowing:** In case of majority of insured crops. of a notified area are prevented from sowing/planting the insured crops due to adverse weather conditions that will be eligible for indemnity claims up to maximum of 25% of the sum-insured.

**Localized Calamity Loss Assessment:** Loss assessment and modified indemnity procedures in case of occurrence of localized perils, such as hailstorm, landslide, flood, and inundation shall be for a cluster of affected farms or affected village and the settlement of claims, if any, will be each insured farmer covered under assessment.

**Post-Harvest Loss Assessment:** Loss assessment and indemnity procedures in case of occurrence of Post- Harvest Loss shall be for a cluster of affected farms or affected village and the settlement of claims, if any, will be each insured farmer covered under assessment.

**N.B.:** The District Administration will assist IA in assessing the extent of loss.



# SHARING OF RISK

- The difference between premium rate and the rate of Insurance charges payable by farmers shall be treated as Rate of Normal Premium Subsidy, which shall be shared equally by the Centre and State.
- The liability of the Insurance companies in case of catastrophic losses computed at the national level for an agricultural crop season, shall be up to 350% of total premium collected (farmer share plus Govt. subsidy) or 35% of total Sum Insured (SI), of all the insurance companies combined, whichever is higher. The losses at the national level in a crop season beyond this ceiling shall be met by equal contribution (i.e. on 50:50 basis) from the Central Government and the concerned State Governments.

# **WEATHER BASED CROP INSURANCE SCHEME (WBCIS)**

- **The structure of farmer's premium under WBCIS will be at par with the proposed PMFBY.**
- **The criteria of selection of implementing agency and area allocation will be same as PMFBY.**
- **The other broad features will remain same.**





# THANK YOU