

# A risk mitigation tool for agrarian economy

**PMFBY is a crop insurance scheme by the government**

ASHISH AGARWAL

**T**he weather conditions across the world have become volatile and India is no different with floods and drought conditions becoming a regular phenomenon.

Such conditions have a major impact on agriculture, which is the most important sector for the Indian economy. This year, while the flood has played havoc in more than half of the country, drought-like situation prevails in the other half.

We witnessed heavy rainfall in August and release of water from the reservoirs in Maharashtra, which caused a flood in most of the Northern districts in Karnataka, affecting crops in more than 2000 villages.

Similarly, the unseasonal rainfall in the month of October has destroyed the ready to harvest crops in many states and has created farm distress.

One of the biggest victims of these natural hazards are farmers, whose entire efforts, source of income and hope get wiped off with the floods.

Though State Government provides some relief to the affected farmers through Disaster Relief Fund, it is not enough to cover the losses to the crop. In such a scenario, the Pradhan Mantri Fasal Bima Yojana (PMFBY), which is a Crop insurance scheme by the Central Government and State Government comes into picture.

## Coverage and loss assessment

PMFBY is a comprehensive scheme under which all kind of crops like cereals, pulses, oilseed and commercial crops can be insured. The scheme provides financial assistance to the farmers in case of any crop loss due to sowing failure, losses due to natural calamities from drought, flood, weather fluctuation, insect & pest attack, disease, natural fire etc. to the standing crops and post-harvest losses due to cyclonic and unseasonal rains. If crop yield of the notified village gets reduced from the pre-defined threshold yield due to any reason, all the farmers insured in the village get a claim from the insurance scheme.

In case of widespread effect of the weather fluctuation or natural calamity, the local government notifies the list of affected villages and



the assessment of loss is done based on the joint survey by the district authorities and insurance companies.

If the effect of the event is in limited fields, a farmer can send an intimation to the insurance company and the insurance company arranges for the loss survey and compensates the farmer based on the survey report.

## Claim process

Under PMFBY, there is a provision for interim relief to the farmers, if the crop loss due to flood or drought reported is more than 50% of the insurance units.

In such cases, farmers get an upfront claim of up to 25% of their estimated claims and the remaining gets settled after getting the final crop yield estimate from the State Government.

To make the claim process simpler, the Government has made it mandatory for an insurance company to settle the claims within 21 days after getting the Government subsidy and crop yield report.

Claims are also payable to an individual farmer due to landslide, inundation, hailstorm, cloud burst or natural fire event; but the farmers are required to intimate the insurance company within 48 hours of the event.

After harvesting, if a farmer has kept his crop in the field under the cut-and-spread condition for the sole purpose of drying and unseasonal rainfall has caused any losses to the crop, he may inform the same to the insurance company and get the compensation for the losses from the scheme.

## Enrolment

To get the benefit of the scheme, it is mandatory for a farmer to reach out to their nearest banks or common service centres (CSCs) and enrol in the scheme by depositing a nominal premium (2% of the sum insured in the Kharif season and 1.5% in the Rabi season) along with the details of their land and bank documents.

It is mandatory for the banks to enrol all their loanee farmers under PMFBY, so that in case of crop failure, loan default may be avoided by providing financial relief through the scheme. The bankers also provide additional loan to the farmers to fund the premium for the scheme.

The details of the crops notified, the premium to be paid or coverage, etc. are also available in all the Taluka and District level offices of the Agriculture Department.

Although crop insurance is an important risk mitigation tool, not many farmers are aware of it. Government and insurance companies are conducting various awareness campaigns on crop insurance, adopting multiple distribution channels and leveraging technology which can pave way for deeper penetration of this insurance.

With the increasing climatic risk and the wide range of benefits being offered under the PMFBY, it is advisable for a farmer to opt for crop insurance as one of the several inputs which they apply in their field for crop growth and mitigate the risk.

*(The writer is Head - Agri. Business, Bajaj Allianz General Insurance)*