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## Insurers see turnaround in PMFBY from 2021

Expect more States, insurers, to rejoin the revamped version of scheme

**SURABHI**

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Insurance companies are hopeful of a turnaround in the government's flagship crop insurance scheme – the Pradhan Mantri Fasal Bima Yojana (PMFBY) – with new guidelines and use of innovative measures. They also expect more States as well as insurers to participate from next year.

For instance, the Agriculture Insurance Corporation of India (AIC) has been working with States like Maharashtra and Madhya Pradesh and is using the capping and capping mechanism.

Starting with Beed district

in Maharashtra last year, AIC has also used it in Madhya Pradesh and convinced the State to remain in the scheme. "The objective is to provide comfort to States and encourage them to continue with the scheme," said a person familiar with the development.

"With every year taking kharif and rabi together, the premium will be set at an actuarial rate with some discount. But the loss ratio is set at 110 per cent. Beyond that it would be for the State to pay.

Losses are often exaggerated. AIC is not looking at a profit. If the loss ratio is less than 80 per cent, it will refund the money to the State," he added.

### High premiums

Insurers also point out that high premium is just one of the issues due to which States have exited the PMFBY and



New guidelines of revamped scheme allow for better rates and are built on actuarial basis

said many had left due to internal issues such as political compulsions or financial issues.

"For Gujarat, high premium was the reason for exiting the scheme but others like Bihar and Jharkhand had left due to inability to pay or internal issues," said two insurers who did not wish to be named. Telangana and Andhra Pradesh have left for other reasons, they added. With high volatility in the

segment, a large number of private insurance companies too have exited the scheme, including ICICI Lombard General Insurance and Tata AIG, but players say that the new guidelines allow for better rates and are based on an actuarial basis.

### 'Improved rates'

Satyajit Tripathy, General Manager, General Insurance Corporation of India, said: "The scheme is doing quite

well. It is running on actuarial basis and rating and everything is much improved now. Rates are improved and field deployment of resources is good, adoption of technology is being done quickly by States, the Centre and the companies. The structure of the scheme has improved a lot and is mostly run on commercial lines."

It is expected that more States and insurers will rejoin the scheme on seeing the improved results from the end of kharif and rabi season this year.

Ashish Agarwal, Head, Agriculture Business and CSC, Bajaj Allianz General Insurance, said: "As of now, our experience has been good. We have been able to do sustainable business within the premium. Last year, due to heavy rainfall in Maharashtra and MP, we incurred losses but on a portfolio basis, it has been doing reasonably well."

However, it can be a volatile business and one has to be very careful while participating to make sure it is sustainable in the long run."

### Farmers' requirement

Another insurer said the new guidelines are good and are based on feedback from the ground and requirements of farmers. "The premium has to be charged to keep the scheme sustainable in the long run. There is also a focus on timely payment of claims, deployment of resources on the ground level and adoption of technology," he said.

Under the new guidelines introduced by the Centre in February this year, it is optional for loanee farmers to join the scheme and business is allocated to insurers for a period of three years.

For kharif 2020, a total of 11 insurance companies have participated in PMFBY with as many as 1.37 crore farmers insured.