

# National Agricultural Insurance Scheme (NAIS) (Rashtriya Krishi Bima Yojana - RKBY)

## Objectives

The objectives of the NAIS are as under:-

1. 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.
2. To encourage the farmers to adopt progressive farming practices, high value inputs and higher technology in Agriculture.
3. To help stabilise farm incomes, particularly in disaster years.

TRIPURA

Aman Paddy, Aus Paddy, Boro Paddy, Potato

## 4. Farmers to be covered:

All farmers including sharecroppers, tenant farmers growing the notified crops in the notified areas are eligible for coverage The Scheme covers following groups of farmers:

- a. **On a compulsory basis** : All farmers growing notified crops and availing Seasonal Agricultural Operations(SAO) loans from Financial Institutions i.e. Loanee Farmers.
- b. **On a voluntary basis**: All other farmers growing notified crops (i.e., Non-Loanee farmers) who opt for the Scheme.

## 5. Risks covered & exclusions:

Comprehensive risk insurance will be provided to cover yield losses due to non preventable risks, viz.:

- a. Natural Fire and Lightning
- b. Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado etc.
- c. Flood, Inundation and Landslide
- d. Drought, Dry spells
- e. Pests/ Diseases etc.

Losses arising out of war & nuclear risks, malicious damage & other preventable risks shall be excluded.

## 6. Sum Insured / Limit Of Coverage:

The Sum Insured (SI) may extend to the value of the Threshold Yield (TY) of the insured crop at the option of the insured farmers. However, a farmer may also insure his crop beyond value of Threshold Yield level upto 150% of Average Yield (AY) of notified area on

payment of premium at commercial rates.

In case of Loanee farmers the Sum Insured would be at least equal to the amount of crop loan advanced.

Further, in case of Loanee farmers, the Insurance Charges shall be an additionality to the Scale of Finance for the purpose of obtaining loan.

In matters of Crop Loan disbursement procedures, guidelines of RBI / NABARD shall be binding.

## **7. Premium Rates:**

Transition to the actuarial regime in case of cereals, millets, pulses & oilseeds would be made in a period of five years. The actuarial rates shall be applied at District / Region / State level at the option of the State Govt./UT.

## **8. Premium Subsidy:**

50% subsidy in premium is allowed in respect of Small & Marginal farmers, to be shared equally by the Government of India and State/UT Govt. The premium subsidy will be phased out on a sunset basis in a period of three to five years, subject to review of the financial results and the response of the farmers at the end of the first year of the implementation of the Scheme.

The definition of Small and Marginal farmer would be as follows:

- **SMALL FARMER** : A Cultivator with a land holding of 2 hectares (5 acres) or less, as defined in the land ceiling legislation of the concerned State/ UT.
- **MARGINAL FARMER** : A Cultivator with a land holding of 1 hectare or less (2.5 acres).

## **9. Sharing Of Risk**

Risk will be shared by Implementing Agency (IA) and the Government in the following proportion:

**Food crops & Oilseeds:** Till complete transition to actuarial regime in a period of five years takes place, claims beyond 100% of premium will be borne by the Government. Thereafter, all normal claims, i.e., claims upto 150% of premium will be met by IA and claims beyond 150% shall be paid out of Corpus Fund for a period of three years. After this period of three years, claims upto 200% will be met by IA and above this ceiling, out of the Corpus Fund.

**Annual Commercial / Annual Horticultural crops:** Implementing Agency shall bear all normal losses, i.e. claims up to 150% of premium in the first three years and 200% of premium thereafter subject to satisfactory claims experience. The claims beyond 150% of premium in the first three years and 200% of premium thereafter shall be paid out of Corpus Fund. However, the period of three years stipulated for this purpose will be reviewed

on the basis of the financial results after the first year of implementation and the period will be extended to five years if considered necessary.

To meet catastrophic losses, a Corpus Fund shall be created with contributions from the Government of India and State Govt / UT on 50:50 basis. A portion of Calamity Relief Fund (CRF) will be used for contribution to the Corpus Fund.

### 10. Area Approach and Unit of Insurance:

The Scheme would operate on the basis of 'Area Approach' i.e., Defined Areas for each notified crop for widespread calamities and on an individual basis for localised calamities such as hailstorm, landslide, cyclone and flood. The Defined Area (i.e., unit area of insurance) may be a Gram Panchayat, Mandal, Hobli, Circle, Phirka, Block, Taluka etc. to be decided by the State/UT Govt. However, each participating State /UT Govt. will be required to reach the level of Gram Panchayat as the unit in a maximum period of three years.

Individual based assessment in case of localised calamities, to begin with, would be implemented in limited areas on experimental basis initially and shall be extended in the light of operational experience gained. The District Revenue administration will assist Implementing Agency in assessing the extent of loss.

### 11. Seasonality Discipline:

a. The broad seasonality discipline followed for Loanee farmers will be as under:

Activity	Kharif	Rabi
Loaning period	April to September	October to next March
Cut-off date for receipt of Declarations	November	May
Cut-off date for receipt of yield data	January / March	July / September

b. The broad cut-off dates for receipt of proposals in respect of Non-loanee farmers will be as under:

- **Kharif season: 31st July.**
- **Rabi season : 31st December**

However, seasonality discipline may be modified, if and where necessary in consultation with State / UT and the Govt. of India.

## 12. Estimation Of Crop Yield:

The State/UT Govt. will plan and conduct the requisite number of Crop Cutting Experiments CCEs for all notified crops in the notified insurance units in order to assess the crop yield. The State / UT Govt. will maintain single series of Crop Cutting Experiments (CCEs) and resultant Yield estimates, both for Crop Production estimates and Crop Insurance.

A Technical Advisory Committee (T.A.C.) comprising representatives from N.S.S.O., Ministry of Agriculture (G.O.I.) and IA shall be constituted to decide the sample size of CCEs and all other technical matters.

## 13. Levels Of Indemnity & Threshold Yield:

Three levels of Indemnity, viz., 90%, 80% & 60% corresponding to Low Risk, Medium Risk & High Risk areas shall be available for all crops (cereals, millets, pulses & oilseeds and annual commercial / annual horticultural crops) based on Coefficient of Variation (C.V.) in yield of past 10 years' data. However, the insured farmers of unit area may opt for higher level of indemnity on payment of additional premium based on actuarial rates.

The Threshold yield (TY) or Guaranteed yield for a crop in an Insurance Unit shall be the moving average based on past **three years Average Yield in** case of Rice & Wheat and five years Average Yield in case of other crops, multiplied by the level of indemnity.

## 14. Nature of Coverage And Indemnity:

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), 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 coverage against such contingency.

'Indemnity' shall be calculated as per the following formula:

$$\frac{\text{Shortfall in Yield}}{\text{Threshold yield}} \times \text{Sum Insured for the farmer}$$

{Shortfall in Yield = 'Threshold Yield - Actual Yield' for the Defined Area}.

## 14. Indemnity In Case Of Localized Risks:

Loss assessment and modified indemnity procedures in case of occurrence of localized perils, such as hailstorm, landslide, cyclone and flood where settlement of claims will be on individual basis, shall be formulated by IA in coordination with State / UT Govt.

The loss assessment of localized risks on individual basis will be experimented in limited areas initially and shall be extended in the light of operational experience gained. The District Revenue administration will assist IA in assessing the extent of loss.

### **15. Procedure For Approval & Settlement Of Claims:**

Once the Yield Data is received from the State/UT Govt. as per the prescribed cut-off dates, claims will be worked out and settled by IA.

The claim cheques along with claim particulars will be released to the individual Nodal Banks. The Banks at the grass-root level, in turn, shall credit the accounts of the individual farmers and display the particulars of beneficiaries on their notice board.

In the context of localised Phenomenon viz. Hailstorm, landslide, cyclone and flood, the IA shall evolve a procedure to estimate such losses at individual farmer level in consultation with DAC/State/UT.

### **COLLECTION OF PROPOSALS AND INSURANCE CHARGES**

The present Nodal Banks system under CCIS, will continue for NAIS as well wherein IA is not required to deal with all the loan disbursing points and instead, deals only with designated Nodal points, mostly at district level.

#### **(a) Loaneer farmers (Compulsory coverage)**

For loaneer farmers, the modalities will be the same as in the existing CCIS. Whenever a bank disburses loan for an insurable crop, additional loan towards insurance charges shall also be granted. The disbursing branch shall prepare a Statement of monthly crop wise and defined area-wise details of crop insurance with insurance charges, and remit the same to its Nodal Branch within 15th day of the next month.

The Nodal Branch, in turn, shall consolidate these Statements from the branches under it, and forward the same to the IA along with a Draft for the insurance charges in accordance with monthly cut-off dates fixed.

For the loans disbursed through Kisan Credit Cards (KCC) which are also eligible for coverage, Banks will have to maintain all back up records, registers relating to compliance with NAIS and its seasonality discipline, cut-off date for submitting the Declarations and end use etc. as in the case of normal crop loans. The crop loans disbursed through KCC, but outside the purview of the provisions of the NAIS, shall not be eligible for coverage.

A farmer opting for Sum Insured higher than the amount of loan availed by him shall be treated at par with loaneer farmer and relevant cut-off dates for submitting declarations will apply. For coverage of higher SI/higher Indemnity Limit (IL), the farmer has to bear the difference of premium.

Declaration formats to be submitted by Nodal Banks will be different for Loanee farmers availing sum insured upto the limit of amount of loan availed and those Loanee farmers availing higher limit of sum insured. The sum insured may extend to the value of the threshold yield of the insured crop at the option of the insured farmers. Further, a farmer may also insure his crop beyond value of threshold yield upto 150% of average yield of notified area on payment of premium for balance sum insured at commercial rates.

For the purpose of sum insured, average yield is reckoned as average of past three years yield for Rice & Wheat and five years for 'Other crops' in the notified area.

In respect of Loanee farmers availing sum insured beyond amount of loan availed, the details of those farmers availing sum insured beyond value of threshold yield shall be furnished separately in a schedule in the Declaration.

### **(b) Non-loanee farmers (Optional Coverage)**

Those farmers desirous of joining the Scheme will fill up Proposal Form of the Scheme and submit the same to the village branch of a Commercial Bank (CB) or Regional Rural Bank (RRB), or PACS (DCCB) with the requisite insurance charge/premium amount after opening an Account in their name or in an existing Account in their name. The functionaries in Branch/PACS shall assist farmers in completing the Proposals form and provide necessary guidance. While accepting the Proposal and the insurance charges, it shall be the responsibility of such Branch/PACS to verify the particulars of sum insured and its limit, the applicable insurance charges etc. The Branch/PACS shall thereafter consolidate these particulars and sent them to the respective Nodal points.

The Nodal Banks will in turn submit to the IA the Crop-wise and Notified Area-wise Crop Insurance Declarations in the prescribed format, (separately for non-loanee farmers) along with the insurance charges/Premium, within the stipulated time.

In respect of optional coverage (non-loanee farmers), the entire amount of insurance charges/premium on the basis of the proposal of the farmer shall be deposited with the Branch/PACS within the stipulated dates and in turn, Banks would consolidate, prepare a Declaration and forward the same to IA with premium.

### **(c) Receipt of proposals directly from Non-Loanee farmers**

On an experimental basis, (subject to infrastructure of IA), the Non-Loanee farmers may submit the proposals personally to IA with requisite insurance charges/premium. The IA shall then consolidate these proposals and convert them into Declarations. However, it's mandatory that the Non-Loanee farmers personally submitting proposals to IA should hold a Bank account in the Service Area branch / designated bank branch to receive compensation, If any.

Initially, personal submission of proposals to IA shall be limited to districts designated for experimentation of individual loss assessment on occurrence of localized perils. The IA shall open an office in these designated districts HQs.