

Modified National Agricultural Insurance Scheme (MNAIS)

1. OBJECTIVES

The objectives of the Scheme are as under: -

- i) To provide insurance coverage and financial support to the farmers in the event of prevented sowing & failure of any of the notified crop as a result of natural calamities, pests & diseases.
- ii) To encourage the farmers to adopt progressive farming practices, high value in-puts and better technology in Agriculture.
- iii) To help stabilize farm incomes, particularly in disaster years.

2. SALIENT FEATURES OF THE SCHEME

In addition to Agriculture Insurance Company of India Ltd., Private sector insurance companies with adequate infrastructure and experience will be allowed on selective basis to implement the scheme by the implementing States from out of the companies short listed by the Department of Agriculture & Cooperation..

3. CROPS COVERED

- i. Food crops (Cereals, Millets & Pulses)
 - ii. Oilseeds
 - iii. Annual Commercial / Horticultural crops
 - (a) Loanee farmers would be covered under compulsory component.
 - (b) Non-loanee farmers would be covered under voluntary component.
- (c) The Crops are covered subject to availability of i) the past yield data based on Crop Cutting Experiments (CCEs) for adequate number of years, and ii) requisite number of CCEs are conducted for estimating the yield during the proposed season.

Ten years historical data is adequate for setting premium rates, fixing indemnity limit and threshold yield etc. Wherever such historical yield data at insurance unit is not available for some years, the data of nearest neighboring unit / weighted average of contiguous units / next higher unit can be adopted, subject to appropriate loading in the premium rate, if necessary.

4. STATES AND AREAS TO BE COVERED

Modified NAIS based on major improvements suggested by the Joint Group is to be implemented in 50 districts. These districts may be identified in consultation with the States/UTs.

5. FARMERS TO BE COVERED

All farmers* including sharecroppers, tenant farmers growing the notified crops in the notified areas are eligible for coverage.

* includes

- I. Individual owner-cultivator/ tenant farmers/ share croppers.
- II. Farmers enrolled under contract farming, directly or through promoters / organizers
- III. Groups of farmers / societies serviced by Fertiliser Companies, Pesticide firms, Crop Growers associations, Self Help Groups (SHGs), Non-Governmental Organisations (NGOs), and Others

The Scheme will extend coverage Component-wise:-

Compulsory Component

All farmers availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions (i.e. loanee farmers) would be covered compulsorily.

Voluntary Component

The Scheme would be optional for all non-loanee farmers.

6. RISKS COVERED & EXCLUSIONS

(A). STANDING CROP (Sowing to Harvesting)

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

- (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.

(B) PREVENTED SOWING / PLANTING RISK

In case farmer of an area is prevented from sowing / planting due to deficit rainfall or adverse seasonal conditions, such insured farmer who failed to sow / plant (but otherwise has every intention to sow / plant and incurred expenditure for the purpose), shall be eligible for indemnity. The indemnity payable would be a maximum of 25% of the sum-insured. The scale of payment for different crops will be worked out by implementing agency in consultation with experts.

(C) POST HARVEST LOSSES

Coverage is available only for those crops, which are allowed to dry in the field after harvesting against specified perils of cyclone in coastal areas, resulting in damage to harvested crop. Further, the coverage is available only upto a maximum period of two weeks from harvesting. Assessment of damage will be on individual basis.

GENERAL EXCLUSIONS

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

7. SUM INSURED / LIMIT OF COVERAGE

In case of Loanee farmers under Compulsory Component, the Sum Insured would be at least equal to the amount of crop loan sanctioned/advanced, 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 loan amount per unit area, the higher of the two is the Sum Insured. Multiplying the Notional Threshold Yield (district/region/state level) with the Minimum Support Price (MSP) of the current year arrives at the value of Threshold Yield. Wherever Current year's MSP is not available, MSP of previous year shall be adopted. The crops for which, MSP is not declared, farm gate price established by the marketing department / board shall be adopted.

Further, 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 upto the value of Threshold yield of the insured crop. If the farmer so desire he may be provided with higher level of risk coverage. Sum insured up to 100% of threshold/average yield of notified area with normal premium subsidy but sum insured above 100% and up to 150% of the value of average yield without premium subsidy.

8. PREMIUM RATES & SUBSIDY

Premium rates are to be worked out on actuarial basis. However, the premium paid by the farmer is subsidized on the following lines:

S. No	Premium slab	Subsidy to Farmers
1	Upto 2%	Nil
2	>2 - 5%	40% subject to minimum net premium of 2%
3	>5 – 10%	50% subject to minimum net premium of 3%
4	>10 – 15%	60% subject to minimum net premium of 5%
5	>15%	75% subject to minimum net premium of 6%.

Before the start of each crop season, insurance companies shall work out actuarial premium as well as net premium rates (premium rates actually payable by farmers after premium subsidy) for each notified crop through standard actuarial methodology approved by the Govt. of India. Premium structure would be worked out with a discount provision on the premium in respect of an unit area where all farmers have adopted better water conservation and sustainable farming practices for better risk mitigation.

9. SHARING OF RISK

All claims will be borne by the Insurance Companies.

10. SCHEME APPROACH AND UNIT OF INSURANCE

(A) WIDESPREAD CALAMITIES

The Scheme would operate on the basis of 'Area Approach' i.e., Defined Areas for each notified crop for widespread calamities. The Defined Area (i.e., unit area of insurance) is village/Village Panchayat level by whatsoever name these areas may be called for major crops and for other crops it may be a unit of size in between Village Panchayat to Taluka to be decided by the State/UT Govt. The scheme on pilot basis at reduced insurance unit area would be implemented in those villages/village panchayats where appropriate yield data are available at least for last five years at village panchayat or higher level or in neighboring village in different States.

(B) LOCALIZED RISKS

In case of localized risks, viz. hailstorm and landslide, the claims will be assessed on individual basis. For other calamities the assessment will be on the basis of 'area approach'.

11. SEASONALITY DISCIPLINE

(a) The broad seasonality discipline for Loanee and Non-Loanee farmers can be as under:

Activity	Kharif	Rabi
Loaning period (loan sanctioned) for Loanee farmers covered on Compulsory basis.	April to June/ July	October to Decembe
Cut-off date for receipt of Proposals of farmers covered on Voluntary basis.	15 th June / 15 th July	31 st December
Cut-off date for receipt of Declarations of Loanee farmers	31 st July	31 st January

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covered on compulsory basis from Banks		
Cut-off date for receipt of Declarations of farmers covered on Voluntary basis from Banks	31 st July	31 st January
Cut-off date for receipt of yield data	Within a month from final harvest	Within a month from final harvest

In case of Kharif crops, the cut off dates are fixed in such a way that these dates correspond to historical onset / coverage by the South-West Monsoon. The tentative schedule is as follows :-

Historical onset and coverage by South-West (SW) Monsoon and proposed cut-off dates for Kharif :

S. No.	States	SW Monsoon coverage by	Proposed cut-off dates
1.	Kerala & Tamil Nadu	1 st Week of June	15 th June
2.	Andhra Pradesh, Karnataka, Orissa, West Bengal, North-Eastern States	15 th June	30 th June
3.	Maharashtra, Chhattisgarh, Jharkhand, Bihar	3 rd week of June	30 th June
4.	Gujarat, Madhya Pradesh, Uttar Pradesh, Uttarakhand, Himachal Pradesh	4 th week of June	30 th June
5.	Rajasthan, Punjab, Haryana, Jammu & Kashmir	1 st week of July	15 th July

Further, in case of three crop / season pattern, a modified discipline keeping in mind the overall seasonality discipline prescribed above, will be adopted by the State Level Co-ordination Committee on Crop Insurance (SLCCCI).

Farmers covered on voluntary basis can buy insurance before actual sowing / planting based on advance crop planning for the season. For any reason, if farmer changes the crop planned earlier at the time of buying insurance, such changes should be intimated to financial institution at which insurance proposal was submitted, within 30 days from the cut-off date for buying insurance, accompanied by sowing certificate issued by concerned official of the State at village level. Where required, the farmer will pay the difference in premium or implementing agency will refund difference in premium, as per the premium structure.

12. ESTIMATION OF CROP YIELD

The State govt./UT 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 govt./ UT will maintain single series of Crop Cutting Experiments (CCEs) and resultant yield estimates, both for Crop Production estimates and Crop Insurance. Planning and supervision for all CCEs will be of the same order as that of General Crop Estimation Surveys (GCES). CCEs shall be undertaken per unit area /per crop, on a sliding scale, as indicated below:

S. No	Insurance Unit	Minimum sample size of CCEs
1.	District	24
2.	Taluka / Tehsil / Block	16
3.	Mandal / Phirka / Revenue Circle / Hobli or any other equivalent unit	10
4.	Village Panchayat	08

However, a Technical Advisory Committee (TAC) comprising representatives from Indian Agricultural Statistical Research Institute (IASRI), National Sample Survey Organisation (NSSO), Ministry of Agriculture (GoI) and implementing agency shall be constituted to decide the sample size of CCEs and all other technical matters. Inputs from satellite imagery could also be utilized in deciding sample size.

In instances where required number of CCEs could not be conducted due to non-availability of adequate cropped area, the yield data for such units can be generated by Insurer by proxy indicators, such as clubbing with neighbouring / contiguous units, adopting yield of next higher unit, yield data generated by correction / correlation factor with next higher unit, etc.

Alternative yield assessment techniques, such as satellite imagery, agro-meteorological and bio-metric and a combination of such techniques, etc. can be explored and adopted after establishing reasonable level of standardization.

13. LEVELS OF INDEMNITY & THRESHOLD YIELD

Three levels of Indemnity, viz., 90%, 80% & 70% corresponding to Low, Medium & High Risks areas respectively shall be available for all crops. The criteria for deciding low and high risk will be determined by implementing agency.

The Threshold yield (TY) or Guaranteed yield for a crop in a Insurance Unit shall be the average yield of the preceding 7 years excluding the year(s) in which a natural calamity such as drought, floods etc. may have been declared by the

concerned Government/authority, multiplied by level of indemnity. However, it may be ensured that at least 5 years' yield data is available for calculating the threshold yield.

14. NATURE OF COVERAGE AND INDEMNITY

(A) WIDE SPREAD CALAMITIES

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 = 'Threshold Yield - Actual Yield' for the Defined Area]

(i) ON ACCOUNT PAYMENT OF CLAIMS

In case of adverse seasonal conditions during crop season, claim amount upto 25 percent of likely claims would be released in advance subject to adjustment against the claims assessed on yield basis. The on account payment will be considered only if the expected yield during the season is less than 50 percent of normal yield. The criteria for deciding on-account payment of claims shall be based on proxy indicators such as weather, agro-meteorological data / satellite imagery/acreage damaged or such other indicators to be decided by the Government, and will be implemented in States and for crops for which such proxy indicators can be established.

(ii) PREVENTED SOWING / PLANTING CLAIMS

The extent of claims payable will be decided in respect of the insurance unit area on the basis of rainfall position issued by the concerned Indian Meteorological Department (IMD) for the area during the sowing season and acreage-sown particulars issued by the State Government. Other authentic rain gauge stations which the government shall install for the purpose/ insurer/ insurer nominated agencies can also be considered for the purpose of measuring rainfall. The maximum claims payable will be 25 percent of the sum-insured. Having received indemnity based on prevented sowing / planting, the insurance cover is automatically terminated.

(iii) POST HARVEST LOSSES

Coverage is available only for those crops, which are allowed to dry in the field after harvesting against specified perils of cyclone in coastal areas, resulting in damage to harvested crop lying in the field in 'cut & spread' condition. In other words, the crop, which after harvest is left in the field for drying, is only covered against the peril specified above. The state/ UT concerned will bring out the list of such crops in consultation with Implementing Agency. The harvested crop bundled and heaped at a place before threshing is beyond coverage under post harvest losses. Further, the coverage is available only upto a maximum period of two weeks (14 days) from harvesting. Assessment of damage will be on individual basis.

(B) LOCALIZED RISKS

The losses would be assessed on individual basis in case of loss / damage resulting from occurrence of identified localized risks viz., hailstorm and landslide. The cost of inputs incurred until the time of occurrence of peril, and the expected loss in final yield due to the peril, would form the basis for loss assessment.

In case of localized risks, implementing agency may utilise the services of concerned departments of the State government, such as Agriculture, Revenue etc.

15. COMMISSION & BANK SERVICE CHARGES

Rural agents and others who are engaged for procuring and servicing business of farmers may be paid appropriate commission as decided by implementing agency. The servicing banks are allowed at present, 2.5% of gross premium under NAIS as service charges.

16. REINSURANCE COVER

Efforts will be made by the implementing agency to obtain appropriate reinsurance cover for the Scheme in the national / international reinsurance market. In the event of failure to procure such cover at competitive rates, and in case premium to claims ratio exceeds 1 : 5, at national level, the Government would provide protection to insurance company. A Catastrophic Fund at the national level would be set up for this purpose, which would be contributed by the Centre and the State Governments on 50 : 50 basis. The overall loss exceeding 500% would be met out of this fund.

17. REVIEW OF THE SCHEME

The Scheme will be reviewed after two years and necessary modifications will be incorporated based on the review.

18. IMPORTANT CONDITIONS/CLAUSES APPLICABLE FOR COVERAGE OF RISK

- (a) The banks will display the list of all insured farmers at the village panchayat office. Further, the banks will also display the list of benefited farmers together with claim amount soon after the claims are received from implementing agency.
- (b) Implementing agency possesses the discretion to accept or reject any risk of defined area(s) for any crop(s) considering the prevailing agricultural situation. Mere sanctioning / disbursement of crop loans and submission of proposals/ declarations and remittance of premium by the farmer / bank without explicit intent to raise the crop, does not constitute acceptance of risk by implementing agency.
- (c) In the event of near total crop failure during early or mid season affecting the entire defined area, implementing agency shall adopt a graded scale indemnity settlement restricting the indemnity to the proportion of input cost upto that stage. The graded scale shall be worked out by implementing agency.
- (d) Implementing agency, if deemed necessary, shall investigate the coverage on its own or by an agency appointed for the purpose and shall for this purpose utilize satellite imagery data for identification of anomalies in crop insurance coverage vis-à-vis actual field conditions. Upon identification of adverse phenomenon based on such investigations, implementing agency may resort to scaling down of sum insured.

19. BENEFITS EXPECTED FROM SCHEME

The Scheme is expected to:

- Be a critical instrument of development in the field of crop production, providing financial support to the farmers in the event of crop failure.
- Encourage farmers to adopt progressive farming practices and higher technology in Agriculture.
- Help in maintaining flow of agricultural credit.
- Provide significant benefits not merely to the insured farmers, but to the entire community directly and indirectly through spillover and multiplier effects in terms of maintaining production & employment, generation of market fees, taxes etc. and net accretion to economic growth.
- Streamline loss assessment and enable expeditious settlement of claims.

20. MONITORING AND EVALUATION

The proposed scheme shall be monitored closely at the levels of District, State & Nation by the State Govt., the Implementing Agencies & GOI. As the proposed Modified NAIS is to be implemented on the pilot basis in 50 districts, independent evaluation of the scheme shall be carried out after two years of implementation. Evaluation has been considered as an essential aspect of the formulation and execution of this scheme which is essential for the assessment of the progress & impact of programmes and for analysis of the reasons for success or failure and indication of the direction of improvement in programmes' operation. Keeping this in view, an independent evaluation of Pilot Modified NAIS may be carried out through study for assessing the impact and success of the scheme with respect to the set objectives and based on the findings of the evaluation study, possibility to extend the scheme to implement in all the districts in place of NAIS during 12th Five Year Plan would be examined.

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