

No. 13011/02/2008-Credit II (Pt.)
Government of India
Ministry of Agriculture
Department of Agriculture & Cooperation
.....

Krishi Bhavan, New Delhi
Dated the 28th September, 2010

To

1. The Chief Secretary,
Government of (All states | UTs)
2. Shri M. Prashad, CMD, Agriculture Insurance Company of India Ltd. (AIC),
Ambadeep, 13th Floor, K.G. Marg, New Delhi-110001.
3. Shri Bhargav Das Gupta, MD & CEO, ICICI-Lombard General Insurance
Company Ltd., Zenith House, Keshavrao Khadye Marg, Opposite Race
Course, Mahalakshmi, Mumbai – 400034.
4. Shri S. Narayanan, MD, IFFCO-Tokio General Insurance Company Ltd.,
IFFCO Tower, 5th Floor, Plot No. 3, Sector 29, Gurgaon – 122001.
5. Shri S.S. Gopalarathnam, MD, Cholamadalam MS General Insurance
Company Ltd., Dare House, 2nd Floor, No. 2 NSC Bose Road, Chennai –
600001.

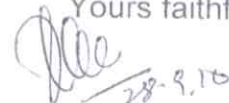
**Subject: Modified National Agricultural Insurance Scheme (MNAIS) on Pilot
basis – issue of Operational Guidelines.**

Sir,

I am directed to refer to this Department's letter of even number dated 17th September, 2010 wherein Administrative instructions for implementation of MNAIS were issued. The detailed Operational Guidelines are enclosed for implementation of the scheme.

2. This has the approval of competent authority.

Yours faithfully,



(Rajendra Kumar Tiwari)

Joint Secretary to the Govt. of India

Copy to :

1. Secretary, Ministry of Finance, Deptt. of Expenditure, North Block, New Delhi.
2. Secretary, Ministry of Finance, Deptt. of Financial Services, Insurance & Banking Divisions.
3. Director General of Meteorology, IMD, Lodhi Road, New Delhi.
4. CGM, RPCD, RBI, Mumbai.
5. Managing Director, NABARD, Mumbai.
6. Deputy Director General, NSSO, R.K. Puram, New Delhi.
7. Director, IASRI, Pusa, New Delhi.



(Rajendra Kumar Tiwari)
Joint Secretary to the Govt. of India

Pilot Modified National Agricultural Insurance Scheme (MNAIS)

Operational Guidelines

1. NATURE OF THE SCHEME

Modified National Agricultural Insurance Scheme (MNAIS) will be implemented in 50 selected districts of India on pilot basis in place of National Agricultural Insurance Scheme (NAIS).

2. PARTICIPATING INSURANCE COMPANY

Agriculture Insurance Company of India Ltd. (AIC) and approved private sector insurance companies mainly engaged in agriculture insurance business have been empanelled by GOI for implementation of pilot MNAIS. Selection of insurance companies among empanelled insurance company, will be done by concerned State Government for implementation of MNAIS, in their States. In case the State wishes to use services of more than one insurance company, State Government will ensure that only one insurance company operates in each district.

3. SCHEME ACCEPTANCE BY THE STATE GOVERNMENT

- (a) **Consent for Scheme** –State / UT Government, intending to participate in MNAIS should intimate consent to GOI in writing and this consent will imply acceptance by State/UT Government, of all provisions of modalities and guidelines of MNAIS as laid out in the Scheme. Conditions relating to MNAIS and binding on States/UTs are as follows:
- i) State has ability to conduct requisite number of crop cutting experiments (CCEs) at notified insurance unit area;
 - ii) CCE-wise yield data will be submitted to insurer while submitting the insurance unit level yield estimates at insurance unit level;
 - iii) State/UT will make necessary budgetary provision in State/UT budget, to release premium subsidy based on fair estimates, at beginning of crop season;
 - iv) State/UT is willing to facilitate strengthening weather station network in pilot districts.
- (b) **Nodal Department of State Government** –Department of State Government already looking after implementation of NAIS may be designated Nodal Department for implementation of MNAIS.
- (c) **Authorization to State Level Coordination Committee on Crop Insurance (SLCCCI)** – In States/UTs already implementing NAIS, SLCCCI presently overseeing implementation of NAIS is authorized to oversee implementation of MNAIS. In States/UTs not implementing NAIS at present, SLCCCI should be constituted for implementation of MNAIS on lines similar to that of NAIS.

- (d) **Composition of SLCCCI** – If necessary for purposes of MNAIS, present composition of SLCCCI, may be augmented by inclusion of representatives from State Horticulture Dept., State Remote Sensing Application Centre and India Meteorological Department (IMD). Chairman of SLCCCI may co-opt representatives from other departments / agencies, if considered necessary.

4. NOTIFICATION:

At commencement of each season, preferably before end February for Kharif and before end August for Rabi season, meeting of SLCCCI is convened for approving and issuance of notification for season, and State/UT Government should ensure issuance and its circulation to all concerned agencies/departments/institutions within seven days, which have been assigned role in administering the scheme. Notification issued by State/UT Government should necessarily contain following details:

(a) Notification of crops and areas:

State/UT Government will notify Crops and Defined Areas covered during the season in accordance with decision taken at meeting of SLCCCI. State/UT Government should notify as insurance unit, Village/Village Panchayat or any other equivalent unit for major crops. For other crops it may be a unit of size in between Village Panchayat and Taluka / Block, to be decided by State/UT Government .

SLCCCI will, for purpose of notification, consider factors such as availability of past yield data based on Crop Cutting Experiments (CCEs) for adequate number of years, cropped acreage and ability to conduct requisite number of Crop Cutting Experiments (CCEs) for estimating yield during proposed season, etc.

State Government/UT should provide ten years historical data to Insurance company for fixing indemnity limits, threshold yield, setting premium rates, etc. However, for purpose of calculation of premium rates at Village Panchayat or other equivalent units, availability of five years data at that level is desirable. In absence of above, data at next higher unit / nearest neighbouring unit / weighted average of contiguous units as decided by the SLCCCI will be used.

In case it is proposed to notify irrigated & unirrigated areas separately under a crop, State Government / UT shall ensure that minimum CCEs are planned & conducted for irrigated & unirrigated crops, separately in such areas. In addition, past yield data for adequate number of years will have to be made available separately.

(b) Notification of indemnity level:

SLCCCI based on proposals submitted by Insurance Company will approve indemnity levels for notified crops and areas at sub-district / district / regional level.

(c) Notification of calamity year(s), if any for excluding the same from calculation of threshold yield:

State Government/UT will declare calamity year(s), if any, in respect of any district/area based on decision/notification made for that year by concerned Government/competent authority. Calamity year(s) will be excluded while calculating threshold yield at insurance unit level, and also 'Notional Threshold Yield' at sub-district / district / regional level for purpose of computation of sum insured (value of threshold yield and 150% value of average yield). Not more than two such years will be excluded from calculation of threshold yield and sum insured, even in instances where calamity years are more than two during the preceding seven years.

(c) Notification of the seasonality discipline, claim settlement methodology:

State Government /UT will also notify seasonality discipline at commencement of season for various activities under the scheme viz. submission of insurance proposals, consolidated declarations by banks, yield data, methodology for claim assessment of losses for (i) area approach, (ii) localised calamities, (iii) prevented sowing, (iv) post harvest loss, (v) payment slabs for total loss during the season, (vi) on-account payment for major calamities, etc as per the provisions of scheme.

(d) Notification of Authorised Data providers:

For on account payment of claims and for prevented sowing, etc. State Government will notify concerned weather data provider and /or expert agency whose report / methodology is used in assessing extent of losses and payment.

5) PREMIUM RATES:

Before start of each crop season, insurance companies will 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 in conformity with provisions of IRDA.

6) PREMIUM SUBSIDY:

While premium rates are worked out on actuarial basis, farmer pay premium net off subsidy. Premium subsidy pattern will be as follows:

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 start of each crop season, insurance company will work out premium on actuarial basis, as well as net premium rates (premium rates actually payable by farmers after premium subsidy) for each notified crop.

Wherever possible actuarial premium will be worked out with provision for discount, in case all farmers in insurance unit, adopt better water conservation and sustainable farming practices, for better risk coverage.

Premium subsidy will be shared equally by GOI and concerned State Government.

7) COLLECTION OF PROPOSALS AND PREMIUM AMOUNT:

(a) Loanee farmers (Compulsory coverage):

Nodal Bank system applicable presently under NAIS, will continue for MNAIS as well, wherein the insurance companies are not required to deal with all loan disbursing points and deals only with designated 'nodal points', at district level which are mostly controlling offices.

Sum Insured is broadly equivalent to the 'cost of cultivation' and is pre-declared by SLCCCI and notified. Sum Insured for individual farmer will be product of farmer's declared 'area under cultivation' (in hectare) for that notified crop and sum Insured per hectare, as mentioned in notification. 'Area under cultivation' will always be expressed in 'hectare'.

For loanee farmers, modalities will be same as in existing NAIS. Whenever banks sanction loan for notified crop in notified area, this area is eligible for compulsory coverage, as per seasonality discipline. Disbursing bank branch / Primary Agriculture Cooperative Society (PACS) will prepare monthly statement of crop-wise and insurance unit-wise details of crop insurance with insurance charges, and remit insurance charges to its Nodal Bank, within 15 days of the month, loan was sanctioned / advanced. Loan disbursing bank branch / PACS will finance the additional loan towards premium amount payable by farmer for insurance.

For crop loans sanctioned / advanced, through Kisan Credit Cards (KCC), which are covered under compulsory coverage, banks will maintain all back up records and registers, relating to compliance with MNAIS and its seasonality discipline, cut-off-date for submitting Declarations as in case of normal crop loans. Bank branch will apportion coverage among insurable crops, based on acreage mentioned in loan application or on the basis of actual area sown as declared by the farmer subsequently.

It has been observed that KCC holders, at times withdraw maximum amount, out of total crop loan sanctioned (combined yearly sanctioned limit for all Kharif & Rabi crops), at beginning of year itself because there is no particular timeline for withdrawals of loans under KCC, being revolving credit system operable throughout the year. Further no season-wise/ crop-wise details of withdrawals by farmers are maintained by banks, which results in minimal or nil withdrawals during Rabi and therefore, less insurance coverage during Rabi. In view of the absence of timeline for withdrawals, farmers who avail crop-loans through KCC together for Kharif and Rabi even after cut-off date, - such loans may be covered under Compulsory insurance. Besides, due to farmers' tendency for maximum withdrawal at beginning of year, banks/financial institutions may collect premium for Rabi season crops, at time of collection of premium for Rabi crops.

Crop loans advanced against hypothecation of gold / ornaments are also eligible for compulsory coverage, subject to insurability of crop and seasonality discipline.

In case of loanee farmers, under compulsory component, sum insured will be at least equal to amount of crop loan sanctioned/advanced. However, farmers may opt for higher insured sum which may extend upto value of threshold yield. In such case farmers will be treated at par with non-loanee farmer and relevant cut-off-dates / seasonality for submitting proposals / declarations will apply, and sum insured is worked out by multiplying the Notional Threshold Yield (district / region / state level) of crop, with Minimum Support Price (MSP) of current year or previous year (if MSP for current year is not available) and in case of crops where MSP is not declared 'average farm gate price' maintained by Marketing Dept., will be adopted. Wherever value of Notional Threshold Yield is lower than loan amount per unit areas, higher of two will be the sum insured. Farmers can also opt for higher insured sum, equivalent to 150% of value of average yield (based on which Notional Threshold Yield is worked out), in which case farmer will not be entitled for premium subsidy for portion of sum insured, which exceeds either loan sanctioned / advanced or value of threshold yield.

Declaration formats to be submitted by Nodal banks will be different for Loanee farmers availing sum insured upto limit of amount of loan sanctioned/advanced and those loanee farmers availing higher limit of sum insured (value of threshold yield or 150% of value of average yield).

Nodal Branch, in turn, shall consolidate these statements from bank branches / PACS under its jurisdiction, and forward same to insurance company along with a bankers cheque / demand draft towards insurance premium, in accordance with cut off dates, as specified by SLCCI for that particular crop and season.

(b) Non-loanee farmers (Optional coverage) through intermediaries:

Farmers desirous of joining the Scheme will fill up Proposal Form of Scheme and submit same to nearest bank branch or authorised channel partners or insurance intermediaries of insurance company:

In case channel partner is a Bank, farmers will submit duly filled up proposal form with village branch of a Commercial Bank (CB) or Regional Rural Bank (RRB), or PACS (DCCB) with requisite insurance premium amount. Operating a bank account is essential for such cases. Branch/PACS officials will assist the farmers in completing insurance proposal form and provide necessary guidance. While accepting the proposal and premium, Branch / PACS will be responsible for verification of sum insured and its limit, applicable premium rate, etc. Bank Branch / PACS will thereafter consolidate these particulars and send them to respective Nodal and Nodal Banks will, in turn, submit crop-wise and insurance unit-wise Crop Insurance Declarations in the prescribed format, along with the premium, within the stipulated time; to insurance company.

- i) In case of any other authorized channel partner or insurance intermediaries, channel partner/intermediary will act as guide and facilitator, advise of benefits and desirability of Scheme, guide farmers through procedures; collect requisite premium and remit individual / consolidated premium to insurance company, accompanied by individual proposal forms and summary details in Declarations / Listing sheet (MIS).

- ii) For farmers covered under the scheme on voluntary basis, sum insured is upto value of threshold yield (as calculated in case of loanee farmers), but if such farmers desire higher coverage, then coverage upto 100% value of threshold yield with normal premium subsidy; and coverage beyond 100% value of threshold yield and upto 150% value of average yield will be without premium subsidy.

(c) Non-loanee farmers (Optional coverage) – Directly to Insurance companies:

Non-Loanee farmer may submit insurance proposals personally / through post to insurance company with requisite premium. Non-loanee farmer can also avail insurance through 'on-line portal' of insurance company. However, it's mandatory that Non-Loanee farmers, personally submitting proposals to insurance company, should have insurable interest and submit necessary documentary evidence as proof, as decided by SLCCCI. Insurance companies retain the right to accept or reject insurance proposal in case proposal is incomplete, not accompanied by necessary documentary proof or insurance premium. It is also mandatory to hold Bank account in Service Area branch / designated bank branch, to receive crop insurance claims, if any.

d) Option for change of crop name:

Farmers covered, on voluntary basis, can buy insurance before actual sowing / planting, based on advance crop planning. However, for any reason if a farmer changes the crop planned earlier, he should intimate the change to insurance company, within 30 days from cut-off-date for buying insurance, through financial institution / channel partner / insurance intermediary / direct; as the case may be, along with difference in premium payable, if any, accompanied by sowing certificate issued by concerned village / sub-district level official of the State. In case the premium paid was higher, insurance company will refund excess premium.

8) SEASONALITY DISCIPLINE:

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 December
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 covered on compulsory basis from Banks	31 st July	31 st January
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, cut off dates are fixed in such a way that these dates correspond to historical onset / coverage by the South-West Monsoon, and 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, Chhattesgarh, Jharkhand, Bihar	3 rd week of June	30 th June
4.	Gujarat, Madhya Pradesh, Uttar Pradesh, Uttranchal, Himachal Pradesh	4 th week of June	30 th June
5.	Rajasthan, Punjab, Haryana, Jammu & Kashmir	1 st week of July	15 th July

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

Note:

(a) Loane Farmer: 'Area under cultivation' for notified crop as already declared by farmer in 'Loan Application' while applying for loan, which forms basis for fixing "Maximum Borrowing Limit (MBL)" by lending bank.

(b) Non-Loane farmer: Farmer will declare 'acreage under cultivation' for each notified crop in Insurance proposal form.

(c) Seasonality to be fixed by SLCCCI: Keeping in mind specialty and catastrophic nature of crop insurance, SLCCCI shall fix seasonality in such a way that it doesn't encourage adverse selection or moral hazards.

9). LOSS ASSESSMENT AND PAYMENT OF CLAIMS/IDMENSITY:

WIDE SPREAD CALAMITIES:

(i) **Based on season end yield:** The Scheme operates on basis of 'Area Approach' i.e., Defined Areas for each notified crop for widespread calamities and insurance unit is Village/Village Panchayat or any other equivalent unit 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 Government

State Government/UT Department authorised by SLCCCI will plan and conduct requisite number of CCEs for all notified crops in notified insurance units, in order to assess crop yield.

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 insurance company can review sample size of CCEs from time to time. TAC can also review any other technical matters related to conduct of CCEs and timely submission of yield data.

In instances where required number of CCEs could not be conducted due to non-availability of adequate cropped area, yield data for such units can be generated by Insurance company in consultation with State Government using methods, 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 econo-metric and a combination of such techniques, etc. can be explored and adopted after establishing reasonable level of standardization. GOI may authorize Agriculture Insurance Company of India (AIC) to run a dedicated pilot for this purpose using technology available from Indian Space Research Organization (ISRO) / Department of Science & Technology (DST) and Private sector remote sensing agencies.

State Government will permit insurance company(ies) to co-observe / witness CCEs as considered relevant by insurance companies. Moreover State Government Department overseeing conduct of CCEs will submit yield data as per cut-off date decided by SLCCCI, along with results of individual CCEs. Yield data will be furnished to Insurance company by State Government / UT, in accordance with the cut-off dates fixed, and crops and areas notified, based on total number of CCEs (not less than minimum sample size prescribed) being conducted.

State Government/ UT will maintain single series of CCEs and resultant yield estimates, both for Crop Production estimates and Crop Insurance. Planning and supervision for all CCEs by State Government will be of same order as that of General Crop Estimation Surveys (GCES).

State shall strengthen audit process of CCE conduct, with necessary checks and balances. Audio/Video-recording of CCEs can be experimented, besides other process.

Claim Formula:

If 'Actual Yield' (AY) per hectare of insured crop for insurance unit (calculated on basis of requisite number of CCEs) in insured season, falls short of specified 'Threshold Yield' (TY), all insured farmers growing that crop in defined area are

deemed to have suffered shortfall in yield of similar magnitude. MNAIS seeks to provide coverage against such contingency.

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

$$\frac{(\text{Threshold Yield} - \text{Actual Yield}) \times \text{Sum Insured}}{\text{Threshold Yield}}$$

Where,

Threshold yield for a crop in a notified insurance unit, is the average of past seven years (excluding calamity year(s) as notified by State Government/UT) multiplied by applicable indemnity level for that crop.

And

Indemnity level is 90%, 80% & 70% corresponding to Low Risk, Medium Risk & High Risk areas which is notified by State Govt./UT for a particular crop at a particular level (sub-district / district / region). Insurance company shall decide applicable indemnity level based on risk categorization, and methodology shall be made available to GOI.

Illustration:

In table below, assumed yield of wheat for the last 7 years is given for insurance unit area of "X".

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Yield in kg/ha	4500	3750	2000	4250	1800	4300	1750

The years of 2005-06, 2007-08 and 2009-10 were declared natural calamity years. Total of yields of 7 years is 22350 kd/ha and that of 2 bad calamity years is 3550 kg/ha i.e. (1800+1750). Therefore according to provision, average of past seven years excluding maximum 2 calamity years will be $(22350 - 3550) / 5 = 18800 / 5 = 3760$ kg/ha. Hence, threshold yield at 90%, 80% and 70% of indemnity levels will be 3384 kg/ha, 3008 kg/ha and 2632 kg/ha respectively.

(ii) On-Account Payment of Claims due to Mid-Season Adversity:

In case of adverse seasonal conditions during crop season viz. floods, prolonged dry spells, severe drought etc, insurance companies in consultation with concerned State Government/UT based on agro meteorological data/ satellite imagery or any other proxy indicator will decide about crops/ areas for which on account payment will be made, not exceeding 25% of likely claims. Appraisal of mid-season adversity and quantum of on-account payment will be established jointly by Government of India/concerned State Government/UT and insurance company(ies). On account payment will be implemented only in states where such proxy indicators can be established and will be considered for payment, only if the expected yield during the season is less than 50% of normal yield.

In such an instance, insurance company based on declarations received from banks or insurance proposals, received from other authorized agencies or directly from farmers for such crops and areas affected by adverse season; shall work out likely claims which will occur based on end of season yield assessment, and will release claim upto 25% of likely claims, in advance to farmers through nodal banks subject to adjustment against claims assessed on yield basis i.e. in case end of season yield

based claims works out to be higher, then difference of claim would be payable and in case end of the season claim based on yield happens to be lower, then the insurance company reserves the right to recover excess claims so paid to farmers.

Illustration:

District 'A' has been affected by floods having 100 insurance units under Crop 'X'. Out of which 50 insurance units were severely affected and as per the weather indicators / agro-met data, it has been assessed that 30 insurance units could have yield loss of more than 50% (compared to the normal yield). Out of these 30 insurance units, estimated yield loss for 5 units is 80% (Category-I), for another 10 units, it is 70% (Category-II) and remaining 15 units, it is 60% (Category-III) of normal yield, due to which likely yield may be in range of 20%, 30% and 40%. As per declarations received, if sum insured for notified areas in Category-I, Category-II and Category-III is Rs. 1 crore, Rs. 2 crore, and Rs 3 crore, respectively, then likely final claims will be Rs. 80 lakh, 140 lakh and 180 lakh respectively. Hence on-account claims upto 25% will be Rs. 20 lakh, 35 lakh and 45 lakh, which will be released during the season.

(ii) Prevented Sowing / Planting Claims:

Due to non receipt of sufficient rainfall or excess rainfall or other weather adversities, farmers in one insurance unit may not be in a position to either sow or transplant crop or grow crop (failed at an early stage). When this incidence is widespread i.e. majority of area in one insurance unit remains unsown / failed sowing, (say, more than 75% of normal area) or as decided for various crops by SLCCCI at time of notification, then insurance company based on weather / rainfall position in insurance unit, as issued by concerned office of IMD during the season, and acreage-sown particulars received from State Government; will decide extent of claims to be paid . In case of non availability of IMD stations at a location or else non availability of IMD data on certain days, other authentic weather stations / rain gauge stations by State Government/ autonomous bodies / agriculture universities / private agencies as approved by SLCCCI can also be considered for purpose of measuring weather / rainfall.

GOI and State Government will arrange for weather / rainfall data from IMD / Other autonomous / government bodies, to insurance company, while data from private data providers will be arranged by insurance company. Area sown particulars will also be provided by State Government/UT, within one month after end of normal sowing season.

Rainfall requirement for sowing a crop differs from crop to crop. Similarly, the quantum of inputs used before sowing (land preparation, seed fertilizer etc) varies from crop to crop. Insurance company in consultation with SLCCCI will assess extent of claims payable based on the weather / rainfall position, crop, acreage planted etc. and in any case maximum claims payable will be restricted to 25% of sum-insured. Having become eligible for prevented / failed sowing, insurance cover is automatically terminated. Process of determining prevented / failed sowing being automated, farmers need not lodge any claim for prevented / failed sowing.

Illustration:

District 'B' with 100 insurance units has been affected by dry-spell, consequently about 80% of the area could not be sown in about 50 insurance units for groundnut crop, where per hectare sum insured is Rs. 20,000. As per SLCCCI slab of payment for prevented sowing, is say, 75% and benefit payable is: sum insured X 75% X 25%,

which on a sum insured of Rs. 20,000 works out to Rs. 3,750. In case of failed sowing, if SLCCCI slab is 100%, benefit payable is: sum insured X 100% X 25%, which on sum insured of Rs. 20,000 works out to Rs. 5,000.

(iii) Post-Harvest Losses:

In case of occurrence of specified peril of cyclone in coastal areas (as notified by State Government) resulting in damage to harvested crop lying in field in 'cut & spread' condition, insured farmer has to lodge a written claim intimation in standard format to the insurance company through Nodal Bank/Intermediary or direct within 48 hours of occurrence of event. This coverage is available only upto maximum period of two weeks (14 days) from harvesting. Harvested crop bundled and heaped at a place before threshing is beyond coverage under post harvest losses.

Assessment of damage will be on individual plot basis. Insurance company will nominate an authorised loss assessor who will visit the field and assess damage and submit report to insurance company. Services of local officials of Bank and Agriculture / Revenue authorities, may be utilised for this purpose by insurance company.

Based on report submitted by loss assessor, insurance company will arrive at claim payable and loss as a percentage of sum insured. Claim payable will be higher of area approach based claim and claim assessed for post harvest losses.

Illustration:

As against a sum insured of Rs. 50,000, post harvest losses are assessed at 50%, i.e. Rs. 25,000, and subsequent claims estimated based on 'area approach', are Rs. 30,000. In such case the farmer will be paid Rs. 30,000 as claim. In case post harvest loss claim is paid immediately, balance claim estimated based on 'area approach' of Rs. 5,000 (being the difference between the two estimates) will be paid at time of payment of 'area approach' claims. In any case total claim will not exceed sum insured.

(B) LOCALIZED RISKS:

Insured farmers who experience crop losses due to occurrence of localised perils / calamities, as notified by SLCCCI in the insurance unit(s) for the purpose, will give immediate notice (in standard format) to insurance company through concerned financial institution /channel partner or directly, within 48 hours along with particulars of crop insured and extent and cause of damage. On receipt of loss intimation, insurance company shall depute Loss assessors (authorised loss assessors or technical personnel of the company) to area for assessment of crop loss. District Revenue administration and Agriculture Department shall assist insurance company in assessing extent of crop loss. Localized calamities for this purpose, are **hailstorm and landslide**.

Cost of inputs incurred until time of occurrence of peril, and expected loss in final yield due to peril, will form basis for loss assessment. In case claims settled under localised claims are less than 'area approach' claims, only balance claims shall be paid to insured. However, if claims settled under localized calamities are higher than widespread calamity based claims, farmer is not required to refund balance claim.

Illustration:

As against a sum insured of Rs. 30,000, loss due to operation of hailstorm is assessed at 40%, i.e. Rs. 12,000, and subsequent claim estimated based on 'area approach', is Rs. 18,000. In such case the farmer will receive a total claim of Rs. 18,000. In case loss, due to operation of localized calamities, Rs.12000/- is paid immediately and the balance claim of Rs. 6,000 (being the difference between two estimates) will be paid at the time of payment of 'area approach' claims. In any case the total claim shall not exceed sum insured.

(C). PROCEDURE OF SETTLEMENT OF CLAIMS:

- a) Upfront premium subsidy from Government of India and concerned State Government/UT, should have been received in full for the season, by insurance company to enable to settle the claim.
- b) In case of widespread calamity (end of season claims), once yield data is received from State Government as per the cut-off-dates decided, claims will be worked out as per Declarations received from banks / channel partners / insurance intermediaries for each notified area and claims will be approved by Competent Authority of Insurance company.
- c) In case of farmers covered on compulsory basis, claim cheques along with claim particulars will be released to individual nodal banks and banks, at grass root level, will credit accounts of individual farmers and display particulars of beneficiaries on notice board.
- d) In case of farmers covered on voluntary basis, claim cheques in name of the insured farmers will be dispatched, either to individual farmers or routed through concerned channel partner for onward transmission on submission of advance discharge voucher by farmer.
- e) In case of claims of claims under prevented / failed sowing, localized calamity, post harvest losses; insurance company will get claims approved by their competent authority after assessment and shall release the claims as given in (c) and (d) above.
- f) Insurance company shall take all necessary steps to take appropriate reinsurance cover for their portfolio in order to safeguard insuree's interests. In case premium to claims ratio exceeds 1:5 and insurance company fails to get appropriate cover, GOI will provide protection to insurance company. For this purpose, Catastrophic Fund at national level will be set up which would be contributed by Centre and State Governments on 50:50 basis and overall loss exceeding 500% of gross premium will be met out of this fund.
- g) Disputed claims / sub-standard claims, if any will be referred through SLCCCI to GOI for consideration by insurance company; and decision of GOI in case of any interpretation of provisions of scheme or disputes will be binding on State Govt. / Insurance Company / Banks and the farmers.

10. IMPORTANT CONDITIONS/CLAUSES APPLICABLE FOR COVERAGE OF RISK:

- (a) Insurance companies should have received the premium for coverage either from bank, channel partner, insurance intermediary or directly. Any loss in transit due to negligence by these agencies or non remittance of premium by these agencies, insurance company is not liable for payment of claims.
- (b) In case of any substantial misreporting by nodal bank /branch in case of compulsory farmers coverage, concerned bank only shall be liable for such mis-reporting.
- (c) Banks shall display list of beneficiary farmers with claim amount (who are eligible

- for claims) at village panchayat office.
- (d) Insurance company will have discretion to accept or reject any risk of an insurance unit(s) for any crop(s) considering prevailing agricultural situation. Mere sanctioning / disbursement of crop loans and submission of proposals/ declarations and remittance of premium by farmer / bank, without explicit intent to raise the crop, does not constitute acceptance of risk by insurance company.
 - (e) In event of near total crop failure during early or mid season affecting entire insurance unit, insurance company shall adopt a graded scale indemnity settlement restricting indemnity to proportion of input cost upto that stage. Graded scale shall be worked out by insurance company in consultation with State Government. Wherever necessary, services of expert agencies may be availed, by insurance companies for arriving at graded scale of payment.
 - (f) Insurance company, if deemed necessary, will investigate coverage on its own or by an agency appointed for the purpose and may utilize technologies, including satellite imagery for identification of anomalies in crop insurance coverage vis-à-vis actual field conditions. Upon identification of adverse phenomenon based on such investigation, insurance company has the right to scale down sum insured. In such cases no refund of premium paid by farmers shall be made by insurance company.

11. COMMISSION & BANK SERVICE CHARGES:

Rural agents and others who are engaged in procuring and servicing business of farmers may be paid appropriate commission as decided by implementing agency, subject to cap prescribed by IRDA regulations. Servicing banks are allowed, 2.5% of gross premium as service charges.

12. SERVICE TAX:

MNAIS is a replacement scheme of NAIS, and hence exempted from Service Tax at par with NAIS.

13. ROLES OF VARIOUS AGENCIES:

For successful implementation and administration of Scheme, roles of various Agencies/Institutions/Government Departments/ Committees are spelt out herein.

A. GOVERNMENT OF INDIA

- (a) Coordination with the State Government for giving their “**CONSENT**” for implementation of pilot MNAIS and issue necessary directives from time to time for overall and effective implementation including selection of districts in which pilot MNAIS is to be implemented, in consultation with States.
- (b) Issue directives to Banks through “Reserve Bank of India (RBI)” and “National Bank for Agriculture and Rural Development (NABARD)”, for smooth and effective implementation of terms and conditions of pilot MNAIS and its operational modalities.
- (c) Directions to IMD to facilitate providing of weather data on near real-time basis to insurance company.
- (d) Release premium subsidy to insurance company at beginning of crop season on basis of progress of previous year, taking into account fair estimates submitted by

insurance company, and settle balance of actual premium subsidy for the season, based on submission of season-end premium & subsidy figures by insurance company, to enable the company to release claims to beneficiary farmers.

- (e) Call for review reports from insurance company, as and when required, and also consider modifications/improvements recommended.
- (f) Create extensive awareness and publicity of pilot MNAIS amongst farming community.
- (g) Conduct review of pilot MNAIS at end of Kharif 2012, to take decision on extension of Pilot MNAIS.
- (h) Constitute a National Level Technical Body/Committee to monitor implementation of MNAIS including methodology for calculation of premium, Benchmarking of product and other matter/directives to insurance companies.
- (i) Interpretation of any provisions of scheme and decision on any dispute in settlement of claims.

(B). STATE GOVERNMENT / UNION TERRITORY ADMINISTRATION:

- (a) Give its "CONSENT" for implementation pilot MNAIS in writing to GOI and AIC.
- (b) Authorize SLCCCI to oversee implementation of pilot MNAIS on its behalf, in addition to NAIS. Existing composition of SLCCCI may be augmented suitably. In States/UTs not implementing NAIS at present, SLCCCI should be constituted.
- (c) Issue necessary directives to all agencies / institutions / government departments/ committees involved in implementation of pilot MNAIS, conveying its acceptance; authorization/constitution of SLCCCI to act on its behalf; and acceptance of provisions of pilot MNAIS and operational modalities.
- (d) Furnish in advance insurance unit-wise (or of higher unit, if unit level data not available) yield data of immediate past 10 years for all crops to be notified under pilot MNAIS to insurance companies.
- (e) Notify Village Panchayat or other equivalent units for major crops. It may be a unit of size in between Village Panchayat to taluka / block, for other crops to be decided by State/UT.
- (f) Issue Notification at least one month in advance of season and circulate it to all concerned before every crop season. Notification of the State Government may essentially contain following information:
 - (i) Crops and insurance units notified in various districts.
 - (ii) Premium rates, and subsidy, as applicable for various crops.
 - (iii) Seasonality discipline for various activities.
 - (iv) Calamity year, if any to be excluded for calculation of threshold yield, etc.(up to maximum 2 years out of last 7 years)

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- (g) Issuance of necessary directives to Regional Meteorological Centres of IMD and other government / quasi government agencies for supplying weather data on real-time basis to insurance company.
 - (h) Facilitate providing of necessary agronomic inputs from Directorate of Agriculture and State Agricultural University to Implementing Agencies, as necessary for working out scales of payment under various exigencies covered under pilot MNAIS.
 - (i) Pay its contribution of projected Premium Subsidy to insurance companies, in beginning of every crop season, based on fair estimates submitted by them, and settle balance of actual premium subsidy for season as soon as final figures are submitted by insurance company.
 - (j) Create extensive awareness and publicity of pilot MNAIS amongst farming community through agriculture and extension Departments to maximize coverage of non-loanee farmers.
 - (k) Release contribution to Corpus Fund as per scale and dates fixed by GOI.
 - (l) Submission of yield data, and acreage sown particulars for all notified crops and insurance units to insurance company in standard format within stipulated date.
 - (m) Assist insurance company, through District administration, for assessment of crop loss of individual insured farmers, due to operation of localised perils and also assist in post harvest losses.
 - (n) Allow insurance company to co-observe and witness CCEs, and permit them to access various records at grass root / district / state level. State shall strengthen audit process of conducting CCE with necessary checks and balances. Audio/Video-recording of CCEs can be experimented besides other process to ensure accuracy of CCE.
 - (o) Monitoring of implementation of pilot MNAIS by existing District Level Monitoring Committee (DLMC), headed by District Magistrate (under NAIS). By providing fortnightly crop condition reports and periodical reports on seasonal weather conditions, loans disbursed extent of area cultivated, etc. to insurance company. DLMC shall also monitor conduct of CCEs in districts.

(C) BANKS

For purpose of pilot MNAIS, scheduled banking institutions engaged in disbursing Seasonal Agricultural Operations (SAO) loans as per relevant guidelines of NABARD / RBI will be reckoned as Banks.

- (a) All banks will continue with existing system of Nodal Bank-Branches under "National Agricultural Insurance Scheme (NAIS)" to service pilot MNAIS. In States not implementing NAIS, Nodal Bank-Branches system shall be created by banks in consultation with insurance companies.
 - (i) The Nodal Bank-Branches of each bank would act as the dealing point for its subordinate branches / PACS within its jurisdictional area. These Nodal Bank-Branches and their jurisdictional area shall be designated by the Head / Controlling Office of the bank, and informed to the Insurance Company.

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- (ii) Commercial Banks will consider designating Nodal Bank-Branches at District level. Preferably, controlling branch in that area may be designated as Nodal Bank.
 - (iii) Cooperative Banks may designate District Central Cooperative Banks (DCCB) as Nodal Bank.
 - (iv) Regional Rural Banks (RRB) may designate their Head Office as Nodal Bank.
 - (v) Nodal Bank shall be responsible for discharging their assigned roles under the Scheme on behalf of its branches, in its designated jurisdictional area.
- (b) Notification, as well as other directives, guidelines, etc., shall flow as follow insurance company ► Nodal Bank ► Service (subordinate) Bank Branch / PACS. Premium and compensations remittance to and from insurance company shall also follow same route.
- (c) Functions of the Nodal Bank would, inter-alia, include:
- (i) Communicate Notification, as well as other directives, guidelines, etc. to all service (subordinate) bank branches / PACS within their jurisdictional area.
 - (ii) Ensure that lending branches / PACS within their jurisdictional area sanction additional loan component to loanee farmer towards premium payable by farmers.
 - (iii) Ensure that all service (subordinate) bank branches within their jurisdictional area serve all non-loanee farmers desiring and eligible to take insurance cover under pilot MNAIS. Such service will include opening bank account of non-loanee farmer, guiding them to fill up proposal forms, accepting premium from them and maintaining records etc.
 - (iv) Ensure that, for both loanee farmers and non-loanee farmers separately, premium and related data is remitted to nodal bank within time, and payouts received are credited into beneficiary accounts within 7 days.
 - (v) Ensure that list of all beneficiary farmers with claim amount are displayed at village panchayat office by branches.
 - (vi) Nodal Bank should ensure submission to insurance company within stipulated time, notified crop-wise, insurance unit-wise Declarations in prescribed format, along with consolidated Premium payable separately for both loanee farmers and non-loanee farmers.
 - (vii) Nodal bank will also arrange for onward transmission to service (subordinate) bank branches / PACS, compensation amounts as received from insurance company with details, to be credited to beneficiary accounts.
 - (viii) Allow insurance company access to all relevant records and registers at offices of Nodal Bank and service (subordinate) bank branches within their jurisdictional area.
 - (ix) Under administrative mechanism, banks are designated as terminal service points for farmers. Hence, it is their duty to ensure compulsory coverage of all eligible loanee farmers and all desirous non-loanee farmers. In case of any lapse on part of any bank to provide services to farmers, any deprivation of benefit arising therefrom to farmers shall be made good by concerned bank.
- (d) In case of any misreporting by Nodal Bank / branch / PACS in case of farmers coverage, concerned bank only will be liable for such mis-reporting and its consequences.
- (e) Ensure maintaining records of proposal forms, other relevant documents,
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statements for purpose of verification by district committee or representative of insurer.

E. INSURANCE COMPANY:

- (i) Insurance company to liaise with State Governments and agencies / institutions / committees involved in implementation of pilot MNAIS.
- (ii) Calculating indemnity levels and actuarial premium rates before commencement of season, and furnish other necessary details to SLCCCI as may be required.
- (iii) Underwriting – responsibilities of processing and acceptance of risk.
- (iv) Claims – responsibility for processing, approval and payment.
- (v) Re-insurance – negotiating arrangements in international market.
- (vi) Awareness and publicity – extensive efforts to create awareness and generate publicity for pilot MNAIS at grass-roots level including bank branches.
- (vii) Database – developing crop-yield and weather databases, as also related agri-insurance databases.
- (viii) Information sharing – providing inputs/returns / statistics to Government regularly.
- (ix) Review – of Pilot MNAIS and recommendation of improvements to GOI.
- (x) Ensuring payment of commission / service charges to banks for implementing the scheme.

F. FARMERS:

- (i) All Loanee farmers having sanctioned credit limit / availing SAO loans for notified crops in selected districts - compulsory coverage- should insist on coverage of all eligible loans as per pilot MNAIS provisions to their lending institutions.
- (ii) Non-Loanee Farmers – voluntary coverage- desirous of taking insurance coverage under pilot MNAIS for any notified crop in any insurance unit may approach nearest bank branch / PACS / authorised channel partner / insurance intermediary of insurance company within cut-off date, fill-up proposal form completely in prescribed format, submit form and deposit requisite premium to bank branch / Insurance Intermediary along with necessary documentary evidence regarding his insurable interest in cultivating land / crop (e.g. ownership / tenancy / cultivation rights) proposed for insurance. Non-loanee farmers should operate an account in Bank Branch/PACS. If actual crop sown is different from one proposed for insurance, farmers have to produce crop sown certificate issued by local administration to be eligible for premium adjustment / refund etc.
- (iii) Give information of any post harvest loss due to specified perils of cyclone in coastal areas resulting in damage to harvested crop lying in field in “cut & spread” condition to concerned bank branch / financial institution / channel partner / insurer within 48 hours.
