

# Agriculture Insurance Company of India (AIC)

## Pilot Weather Based Crop Insurance Scheme

The Weather Based Crop Insurance Scheme intended to provide insurance protection to the cultivator against adverse weather incidence, such as deficit & excess rainfall, frost, heat (temperature), relative humidity, etc., which are deemed to adversely impact the Rabi crops during its cultivation period. The Scheme shall run as a Pilot in selected areas, in selected States, for selected crops.

### Season

Insurance coverage under the Scheme would be provided for crops raised between October / November and April (Rabi season). If the cultivation period of a crop does not strictly fall within the above season span or crosses over to the next season, in such cases, the sowing period of the crop shall determine the season in which it has to be categorized.

### Area Approach

The Scheme shall operate on the principle of "Area Approach" in selected notified Reference Unit Areas. Area Approach signifies that a "Reference Unit Area" shall be considered as a Unit-Area of Insurance for the purpose of acceptance of risk and assessment of compensation as well. Therefore, all insured-cultivators of a Notified Crop in the notified Reference Unit Area shall be deemed to be on par so far as their terms of insurance coverage and assessment of compensation are concerned.

### States

To start with, the Scheme shall be implemented during Rabi 2007-08 seasons in the following States: Bihar, Chhattisgarh, Haryana, Madhya Pradesh, Punjab, and Rajasthan & Uttar Pradesh. Any addition/deletion of States may be considered by the Government of India/ Agriculture Insurance Company of India Ltd. (AIC), based on the willingness and the level of preparedness of the concerned State Government.

### Geographical Coverage

1. "Reference Unit Areas" are linked to specific Reference Weather Stations.
2. "Reference Weather Stations" are those which are commissioned for providing "Weather Data" for the purpose of assessment of compensation.
3. "Reference Unit-Area" is a geographical area around a Reference Weather Station, pre-notified by the State Level Coordination Committee on Crop Insurance i.e., SLCCCI, which is deemed to be reflective of the Reference Weather Station's Weather Data. To the extent practicable, such Reference Unit-Area shall be restricted to 25 km. radius around the Reference Weather Station in case of Rainfall, and 100 km. radius in case of other weather parameters like Frost, Heat (Temperature), Relative humidity, etc.

### Crops Covered

Cereals, Millets, Pulses, Oilseeds and annual commercial / horticultural crops grown during Rabi season The main crops could be wheat, barley, gram, lentil, mustard, potato, onion, cumin, coriander, fenugreek, isabgol etc. In respect of each Reference Unit Area, the crops to be covered would be notified by the SLCCCI, whereupon would be referred to as "Notified Crops". The crops listed above are only indicative & not exhaustive; any addition/deletion may be considered by AIC.

### Cultivators Eligible for Coverage

All the cultivators (including sharecroppers and tenant cultivators) growing any Notified Crop in any Reference Unit Area shall be eligible for coverage. The Scheme shall be:

1. Compulsory: For All LOANEE APPLICANT CULTIVATORS i.e., those who have Sanctioned Credit Limit from a Financial Institution [FI] for a Notified Crop in a Reference Unit Area.
2. Voluntary: For NON-LOANEE CULTIVATORS i.e., those who do not have Sanctioned Credit Limit from any FI for a Notified Crop in a Reference Unit Area.

Financial Institution, for the purpose of the Scheme, includes all District Central Cooperative Banks and also the PACS affiliated to them, all Commercial Banks and all Regional Rural Banks, as defined in National Agriculture Insurance Scheme (NAIS).

### **Perils Covered**

Deficit Rains, Un-seasonal / Excess Rains, Frost, Heat (Temperature), Relative humidity, etc are the weather perils, which are deemed to cause "Adverse Weather Incidence", leading to crop loss, would be covered under the Scheme: The specific "Adverse Weather Incidence" with its timing / duration applicable to a particular Notified Crop shall be notified by the SLCCCI. The perils listed above are only indicative & not exhaustive; any addition/ deletion may be considered by AIC, based on the availability of relevant data. For the purpose of this Scheme, "Adverse Weather Incidence" would be as defined hereinafter.

### **Risk Period (I.E. Insurance Period)**

Risk period would be from "Sowing Period" to "Maturity" of the crop. Risk period, depending on the duration of the crop and the weather parameters chosen, could vary with individual crop and Reference Unit Area, and would be notified by the SLCCCI before the commencement of risk period.

### **Seasonality Discipline**

Risk (insurance coverage) would be accepted till commencement of the risk period. No insurance coverage is allowed once the risk period begins.

### **Coverage Procedure**

1. Insurance coverage of Loanee Applicant Cultivators shall be through the existing network of Financial Institutions [FI] at the grass-root level, using Nodal Bank system as in National Agricultural Insurance Scheme [NAIS].
2. Insurance coverage of Non-Loanee Cultivators shall be through the existing network of FIs at the grass-root level; the Insurance Intermediaries and Authorized Representatives of AIC.
3. Nodal Bank Branches shall be paid by AIC, a Service Charge of 5% on the actual Premium amount remitted by them, being in the nature of sharing the incidental management expenses incurred by them for servicing the Scheme.
4. Insurance Intermediaries engaged by AIC for covering non-loanee cultivators would be paid remuneration at an appropriate percentage on the actual amount of premium collected through them from the farmers.

### **Sum Insured**

Sum Insured is broadly equivalent to the 'cost of cultivation' and is predeclared by AIC and notified in the Notification. The Sum Insured for an individual cultivator shall be the product of the cultivator's declared 'area under cultivation' (in hectare) for that Notified Crop and the Sum Insured per hectare as mentioned in the Notification. 'Area under cultivation' would always be expressed in terms of 'hectare'. An individual Cultivator's 'area under cultivation' (in hectare) for a Notified Crop in a notified Reference Unit Area shall be declared by him as follows:

1. Loanee Applicant Cultivators: 'Area under cultivation' for the Notified Crop as already declared by him in the Loan Application Form for the purpose of fixing his "Maximum Borrowing Limit [MBL]" by the Lending FI.
2. Non-Loanee Cultivators The cultivator shall declare the 'area under cultivation' for each Notified Crop in the Insurance Proposal Form.

## Premium Rates

Actuarial Premium Rates for each season for each Notified Crop and each notified Reference Unit Area shall be calculated by AIC using standard Premium Rating methodology and the same shall be declared in the Notification before commencement of the season which shall be binding on all.

## Premium Sharing & Subsidy

Of the total Premium, while a part thereof shall be payable by the insured cultivator, and the balance shall be borne by the Central Government and State Government on 50:50 basis and paid up-front to AIC as Premium Subsidy. It is clarified that, as far as AIC is concerned, risk incepts only upon receiving of FULL PREMIUM by it as detailed hereunder. The detailed structure of Premium Payable by the Insured is tabled below.

Food Crops & Oilseeds	Crops Premium Payable By Insured
Wheat	1.5% or Actuarial Rate, whichever is less
Other crops (other Cereals, Millets, Pulses, & Oilseeds)	2.0% or Actuarial Rate, whichever is less

Annual Commercial/Horticultural Crops		
Sl.	Premium Slab	Subsidy
1	Up to 2%	No Subsidy
2	>2 – 5%	25%, subject to minimum net Premium of 2.00% payable by farmer
3	>5 – 8%	40%, subject to minimum net Premium of 3.75% payable by farmer
4	>8%	50%, subject to minimum net Premium of 4.80% and maximum net premium of 6% payable by farmer

## Compensation (Payout)

1. AIC shall be responsible for all Payouts arising out of “Adverse Weather Incidence” strictly in terms of the Scheme terms & conditions read with the relevant Premium & Payout tables. However, this responsibility of AIC shall attach only when the ‘Risk has incepted’; that is, AIC has duly received the FULL PREMIUM, directly from the Insured his own part, AND ALSO the corresponding Premium Subsidy part from the Governments.
2. Pay-out shall arise ONLY in case of Adverse Weather Incidence. Adverse Weather Incidence is equivalent to the deviation between “Trigger Weather” and “Actual Weather” Data recorded at a “Reference Weather Station” during the specified time-period. Trigger Weather is a pre-defined Weather Parameter applicable to a Notified Crop in a notified Reference Unit Area. In case of Adverse Weather Incidence (AWI), all the insured cultivators growing the Notified Crop in the Reference Unit Area shall be deemed to have suffered the same level of AWI and the same proportion of crop-loss, and become eligible for the same rate of Payouts.
3. Pay-Out Disbursement
  - Pay-outs would normally be made by AIC to the Nodal Banks within 45 days of closing of insurance period subject to receipt of the necessary actual weather data.
  - So far as the Insured is concerned, the Pay-out procedure shall be automatic; that is to say, Payouts would be automatically computed by AIC on the basis of Actual Weather Data received, and the Payout would be automatically credited to the Insured’s Bank Account through the concerned Nodal Bank /FI.
  - Franchise upto 5% would be applied while processing the Payouts – which means, any actual Payout which is less than 5% of the Sum Insured shall not be paid-out. The franchise clause is factored-in while calculating the Actuarial Premium

## Pilot Weather Based Crop Insurance Scheme (WBCIS) OPERATIONAL MODALITIES

The operational modalities are the guidelines for administering the scheme, and shall hold joint validity with the scheme and subject to amendment if & when deemed fit 1. Scheme acceptance by the state government.

1. CONSENT for Scheme – The “Consent” must be conveyed to GOI and AIC in writing, which shall imply the acceptance of all the provisions in totality as laid out in the Scheme & its Operational Modalities, as well as other guidelines issued from time to time.
2. Nodal Department of State Government – The State Govt. shall designate a Department, may be the same Department looking after implementation of NAIS, for the purpose of implementation of the Scheme.
3. Authorization to SLCCCI – In the States/UTs already implementing the NAIS, the same SLCCCI may be authorized to oversee the implementation of the Scheme on their behalf, in addition to NAIS.
4. Composition of SLCCCI – If deemed necessary for the purposes of the Scheme, the present composition of SLCCCI, may be augmented by the inclusion of representatives from the State Agriculture University and the “India Meteorological Department [IMD]”.
5. Constitution of SLCCCI – In the States/UTs not implementing NAIS at present, the SLCCCI should be constituted on the pattern suggested above.

### **Selection of Crops & Reference Unit Areas**

- a) At least 2 months in advance of the season, the State Government shall submit to AIC, a proposed list of Crops, and corresponding to each, the list of Reference Unit Areas to be notified for the season. This submission must be supported by:
  - Historical Weather Data (in the daily format) in respect of each Reference Weather Station (RWS) at least for the past 25 years, which may be facilitated by them from the Data sources.
  - For first-time Notifications, 10 years’ Yield Data for the similar administrative unit Area.
- b) AIC shall recommend the List to SLCCCI after verifying the sufficiency of the Data submitted.
- c) Thereafter, the SLCCCI shall notify the Reference Unit Areas and the Crops corresponding to each Reference Unit Areas.

### **Notification for a Season**

1. The Notification shall be issued by SLCCCI on behalf of the State Government and shall act as the Specific Guidelines for implementation of the Scheme in the State during a particular season.
2. The State Govt shall circulate the Notification to all concerned Departments, as well as the State Head Offices of all the concerned Institutions/Organisations that have been assigned a role in the administration of the Scheme in the State.
3. The Notification shall be binding on all the Agencies concerned with the administering of the Scheme. It shall be the duty of the recipient Offices to circulate the Notification down the line, well in time for proper implementation of the Scheme in that season.
4. The Notification shall include, inter-alia, the following:
  - The Declaration of implementation of the Pilot Scheme in the State during a particular season.
  - The List of Notified Crops [NC] and their corresponding Reference Unit Areas [RUA].
  - Source of Current Season Weather Data, i.e. Reference Weather Station (RWS) for the purpose of Compensation-computation.
  - Back-Up Weather Station [BWS] corresponding to each RWS.
  - Seasonality Discipline (i.e. Cut-off Dates) applicable to the State and/or Reference Unit Areas [RUA].
  - Premium Rates and the applicable Premium Subsidy for each Notified Crop in every Reference Unit Area.
  - Payout structure (i.e. Benefit Table) for each Notified Crop in every Reference Unit Area.
  - Any other directive or guideline specific to the State.
5. However, in case of any conflict between the “Scheme/Operational Modalities” and the “Notification”, the former shall prevail.

## Insurance Coverage

### Loanee Applicant Cultivator [Lac]

S.No	Action Point	Action By	Elaborations
(a)	Loan application for a Notified crop in a notified Reference Unit Area	Cultivator	In accordance with the Banking rules and procedures.
(b)	Sanction of the Credit Limit	Bank – Loan disbursing Branch	As per Bank's policies and rules
(c)	Computation of Sum Insured		As intimated by AIC/ as per Notification
(d)	Debit of the Premium against the sanctioned Credit Limit		Compulsory and automatic within cut-off date of Risk Acceptance period as mentioned in the Notification.
(e)	Remittance of collective Premium to the Nodal Bank Branch		The Premium amount must accompany insured "Cultivators' List" for identification purpose and must reach the Nodal Bank within 7 days.
(f)	Remittance of consolidated Premium to AIC		Nodal Branch of Bank

### Non-Loanee Cultivator [NLC] – Through Banking Network

S.No.	Action Point	Action By	Elaborations
(a)	Proposal in the prescribed Form for a Notified crop in a notified Reference Unit Area	Cultivator	In accordance with the Scheme rules and procedures to be submitted within the Risk Acceptance Period as mentioned in the Notification.
(b)	Computation of Sum Insured	Bank Branch	As per notification / intimation from AIC
(c)	Deposit of the Premium with the Bank Branch	Cultivator	The Cultivator must have an account in that Bank Branch.
(d)	Remittance of collective Premium to the Nodal Branch	Bank Branch	The Premium amount must accompany insured "Cultivators' List" for identification purpose and must reach the Nodal Bank within 7 days.
(e)	Remittance of consolidated premium to AIC	Nodal Branch of Bank	Premium draft must accompany NLC Declaration Form duly filled in and signed, alongwith "Cultivators' List" and must reach AIC within 15 days of cutoff date of Risk Acceptance period.

### Non-Loanee Cultivator [NLC] – Through Insurance Intermediaries

In this case, the Insurance Intermediary shall act as a guide and facilitator for the NLC:

1. He shall advise the NLC as to the benefits and necessity of the Scheme.
2. He shall guide the NLC through the procedures; filling up the necessary forms, and collect the requisite Premium.
3. He shall remit the consolidated Premium to AIC accompanied by the individual Proposal Forms and summary details in NLC Declarations.

## Weather Data Submission

Sl.	Action Point	Action By	Elaborations
(a)	Historic Weather Data in respect of each proposed RUA	IMD, Third-Party (facilitated by State Govt.)	Well before the start of a season, to be considered for Notification
(b)	Current Season Weather Data [CSWD]	IMD, State Govt., Third-Party	As far as possible, Reference Weather Station should be an area can be serviceable by a Weather Station, i.e. Tehsil / Block

## Compensation (Payout)

Sl.	Action Point	Action By	Elaborations
(a)	Calculation of Adverse Deviation in Weather Parameters	AIC	
(b)	Computation of Payout Rate	AIC	NC-wise, in each Reference Unit Area
(c)	Computation of Payout Amount	AIC	Nodal Branch-wise, for each Bank
(d)	Remittance of Payout Cheque / Demand Draft to the Nodal Bank Branch	AIC	To be accompanied by payout details
(e)	Onward Remittance of Payout to the root Branches	Nodal Branch of Bank	To be accompanied by individual cultivator's payout details
(f)	Credit of individual Compensation amount to the beneficiaries' account	Grass Root / Lending Branches of the Banks / Intermediary	Mandatory display of Payout details of the cultivators on the Notice Board

**The liability of AIC shall cease upon remitting the Payout amount to the Nodal Bank with the corresponding details**

### Review of the Scheme.

The Pilot Scheme would be reviewed by AIC/GOI from time to time, and suitable modifications / improvements would be considered.

### Roles of Various Agencies/ Institutions/ Govt. Departments/ Committees

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

#### A. Government of India

- Liaison with the State Governments for giving their "CONSENT" for the Scheme and issue necessary directives from time to time for overall implementation of the Scheme.
- Issue Directives to all Financial Institutions [FIs] through "Reserve Bank of India [RBI]" and "National Bank for Agriculture and Rural Development [NABARD]", for smooth and effective implementation of the terms and conditions of the Scheme and its Operational Modalities.
- Liaison with India Meteorological Department [IMD] and other alternative Weather Data Sources to facilitate providing of Weather Data on near realtime basis to AIC.

- Facilitate providing of necessary Agronomic inputs from the Ministry of Agriculture and “Indian Agricultural Research Institute [IARI]” to AIC, as necessary for finalizing the Insurance structure, fixing the Payout Triggers, etc.
- Pay to AIC its contribution of the projected Premium Subsidy at the beginning of every crop season, based on fair estimates submitted by AIC and settle the balance of actual Premium Subsidy for the season, based on submission of seasonal Premium & Subsidy figures by AIC to enable them release the Payouts, if any, to the Nodal Banks.
- Consider the Review Report of AIC, as and when submitted, and also consider the modifications/improvements recommended therein by AIC.
- Create extensive Awareness and Publicity of the Scheme amongst the rural population through its own channels.

## **B. State Government**

- Give its “CONSENT” for the Scheme in writing to GOI and AIC.
- Designate a Department which is connected to Crop Insurance activity in the State, to act as the Nodal Department for the purpose of the Scheme.
- Authorize the SLCCCI to oversee the implementation of the Scheme on its behalf, in addition to NAIS. The existing composition of SLCCCI may be augmented suitably. In the States/UTs not implementing NAIS at present, the SLCCCI should be constituted.
- Issue necessary Directives to all Agencies/Institutions/Govt. Departments/ Committees involved in the implementation of the Scheme, conveying its acceptance of the Scheme; the authorization/constitution of SLCCCI to act on its behalf; and acceptance of provisions of the Scheme and the Operational Modalities.
- Submit to AIC at least 2 months in advance of a season, a proposed list of Crops, and the list of RUAs to be notified for the season. The requisite supporting data must also be submitted.
- Liaison with State Offices of India Meteorological Department [IMD] and other alternative Weather Data Sources to facilitate providing of Weather Data on near real-time basis to AIC.
- Facilitate providing of necessary Agronomic inputs from the Directorate of Agriculture and the State Agricultural University to AIC, as necessary for finalizing the Insurance Contract structure, fixing the Payout Triggers, etc.
- Pay to AIC its contribution of the projected Premium Subsidy at the beginning of every crop season, based on fair estimates submitted by AIC and settle the balance of actual Premium Subsidy for the season, based on submission of seasonal Premium & Subsidy figures by AIC to enable them release the Payouts, if any, to the Nodal Banks.
- Set up Monitoring and Review Committees as may be required from time to time to monitor and review the performance of the Scheme.
- Create extensive Awareness and Publicity of the Scheme amongst the rural population through its Agriculture and Extension Departments.

## **C. State Level Co-Ordination Committee on Crop Insurance [SLCCCI]**

- Act on behalf of the State Government for the implementation of the Scheme in the State.
- Issue necessary Directives to all Financial Institutions [FIs] through the State Offices of “Reserve Bank of India [RBI]” and “National Bank for Agriculture and Rural Development [NABARD]”, for smooth and effective implementation of provisions of the Scheme and its Operational Modalities.
- Before the commencement of each season, issue the SCHEME NOTIFICATION as per the time-schedule prescribed. The Notification must be sent to ALL Agencies/Institutions/Govt. Departments/Committees involved in the implementation of the Scheme.
- Act as the Referee Forum to resolve issues arising in connection with implementation of the Scheme within the purview of the Scheme and its Operational Modalities.
- Review progress of the Scheme and issue necessary corrective or improvement directives through its Notification.

## **D. Financial Institutions [FI]**

- a) All FIs shall continue with the existing system of Nodal Bank-Branches under “National Agricultural Insurance Scheme [NAIS]” to service the Scheme. In the States not implementing NAIS, the Nodal Bank-Branches system shall be created by the FIs with due consultation with AIC.

- The Nodal Bank-Branches of each FI would act as the dealing point for its subordinate Branches within its jurisdictional area. These Nodal Bank-Branches and their jurisdictional area shall be designated by their Head / Controlling Office), and informed to AIC.
  - Commercial Banks would consider designating Nodal Bank-Branches at the level of one or a cluster of Districts. Preferably, the controlling Branch in that area may be designated as the Nodal Bank-Branch.
  - Cooperative Banks may designate District Central Cooperative Banks [DCCB] as Nodal Bank-Branch.
  - Regional Rural Banks [RRB] may designate their Head Office as Nodal Bank-Branch.
  - The Nodal Bank-Branch shall be responsible for discharging their assigned roles under the Scheme on behalf of its FI in its designated jurisdictional area.
- b) Notifications, as well as other directives, guidelines, etc., shall flow in the channel of SLCCCI/AIC - Nodal Bank-Branch - Service (subordinate) Bank Branches/ PACs. Premium and Compensations remittance to and from AIC shall also follow the same channel.
- c) The functions of the Nodal Bank-Branch would, inter-alia, include:
- Communicate Notifications, as well as other directives, guidelines, etc. to all Service (subordinate) Bank Branches within their jurisdictional area.
  - Ensure that the Lending Branches within their jurisdictional area sanction additional loan component to the loanee cultivator (whose loan has already been sanctioned) towards Premium payable by him.
  - Ensure that, for both Loanee Applicant Cultivators and Non Loanee Cultivators separately, Premium and related data is remitted to the Nodal Bank-Branch within time, and payouts received are credited into the Beneficiary Accounts within 7 days of receiving. Further to ensure that the payout details are displayed on the Notice boards of the Service Branches.
  - Submit to AIC (within time), separately for both Loanee Applicant Cultivators and Non Loanee Cultivators, Notified Crop-wise, Reference Unit Area-wise Declarations in the prescribed format, along with the consolidated Premium payable as per the same. Further to remit to Service (subordinate) Bank Branches Compensation amounts and details, to be credited to the Beneficiary Accounts there.
  - Allow AIC access to all relevant Records and Registers at the offices of the Nodal Bank Branch and Service (subordinate) Bank Branches within their jurisdictional area.

Under the administrative mechanism, the FIs are designated as the terminal service points for the Cultivators. Hence, it is their duty to ensure compulsory coverage of all eligible Loanee Applicant Cultivators and all desirous Non Loanee Cultivators. In case of any lapse on the part of any FI to provide this service to the Cultivators, any deprivation arising therefrom to the Cultivator shall be made good by that FI.

#### **E. Agriculture Insurance Company of India Limited [AIC]**

1. Administrative Agency & insurer of the Scheme entrusted with the role of running the Scheme in coordination with the Governments and Agencies/ Institutions/Committees involved in the implementation of the Scheme.
2. Actuarial Premium Rates – Preparation, Underwriting – responsibilities of processing and acceptance of risk.
3. Compensation – responsibility for processing, approval of Payout.
4. Co-insurance – creating a Pool with other Insurance companies, if required for sharing the risk.
5. Re-insurance – negotiating arrangements in the international market.
6. Awareness and Publicity – extensive efforts to create awareness and generate publicity for the Scheme at the grass-roots level. Efforts especially to enhance confidence levels in the Scheme through interactive clarification of its features and Operational Modalities.
7. Database – developing Crop-yield and Weather databases, as also related agri-insurance databases.
8. Information sharing – providing Returns/Statistics to the Governments.
9. Review – of the Pilot Scheme and recommendation of improvements to the Govt. of India.

#### **F. Cultivators**

1. Loanee Applicant Cultivators [LAC] – COMPULSORY Coverage. All LACs who have been sanctioned Credit Limit for any NC in any RUA should insist on insurance coverage as per the provisions of the Scheme.

2. Non-Loanee Cultivators [NLC] – VOLUNTARY Coverage. All NLCs desirous of taking insurance coverage under the Scheme for any Notified Crop in any Reference Unit Area may approach the nearest Bank Branch/Primary Agricultural Cooperative Society [PACS] / Insurance Intermediary within the cut-off date. The Non-Loanee Cultivator should have an Account in that Bank Branch/PACS.
- The Non-Loanee Cultivator must insist on getting the form and service from the Bank Branch/Intermediary. He must fill-up the Proposal form completely in the prescribed format. If asked for, he must provide documentary evidence regarding his insurable interest in cultivating the land/crop (e.g. ownership/tenancy/cultivation rights) proposed for insurance.
  - The Non-Loanee Cultivator must submit the form and deposit requisite Premium to the Bank Branch / Insurance Intermediary.
  - The NLC, in his own interest may keep abreast of the developments from the Notice Board of the Bank Branch regarding compensation.