

# ICICI Lombard Weather Insurance Scheme

## Weather Insurance for Oranges

The Government of Rajasthan has decided to launch a scheme in collaboration with ICICI Lombard for Weather Insurance for Oranges on a pilot basis in Jhalawar, Baran & Kota districts. The scheme has been launched on 11<sup>th</sup> June, 2004. For small and marginal farmers, 50% of the premium amount will be born by Government of Rajasthan.

The details of the scheme are :

### Brief description of Weather Insurance

Weather Insurance attempts to provide insurance protection for uncontrollable weather risks like rainfall. Following are some key characteristics of weather insurance.

### Transparency

Weather Insurance covers are designed and implemented with high degree of transparency. Payout charts detailing the threshold limits and the quantum of payouts are given prior to the inception of the cover period. The claim settlement process is transparent and based on rainfall data from an independence source the Indian Meteorological Department.

### Quick Claims settlement

The claims assessment is based on rainfall date. Claims are settled within 30 days post expiry of the cover period.

### Beneficiaries & Eligibility

The scheme is available for the benefit of all Orange growers in Jhalawar district and adjacent areas. Government has decided to provide 50% subsidy to all small & marginal farmers. Any farmer undertaking Orange cultivation can purchase the insurance policy.

### Details of the Insurance Policy

Orange cultivation is subject to two principal weather perils. These are as follows:

Peril I : Availability of an Effective Shower for initiation of flowering.

Peril II : Dry spell during flowering.

Peril I - Effective Shower for initiation of flowering

Orange trees require an 'effective shower' to initiate flowering. An effective shower is defined as at least 60 mm of rainfall on any 3 consecutive days during the flowering initiation period, Jun 15 to July 30. In case the trees do not receive an effective shower the crop suffers from sub optimal flowering leading to yield loss.

This peril is being covered through a Weather Insurance Deficit Rainfall Cover. The salient features of the cover are:

An Event is defined as occurrence of rainfall on three consecutive days during the cover period. Even if only the last day of the three consecutive days is in the cover period then the Event would be considered to have been occurred in the cover period.

## Cover Period

The cover would start from 15 Jun 2004 and last till 30 Jul (both days inclusive).

## Rainfall Trigger

Rainfall trigger is the event rainfall level below which the insured becomes eligible for compensation. This level, which has been arrived jointly by the joint task force, as described earlier would be 60 mm.

## Full Payout Level

Full payout level is the Event rainfall level at which the insured becomes eligible for 100 percent payout of the policy limit. For this peril it has been decided as 20 mm.

## Payout Structure

Payout structure is proposed keeping in view the empirical evidence of yield loss in the past based on deficit in event rainfall levels. Thus if the maximum observed rainfall on any Event during the policy period is below the rainfall trigger the insured would become eligible for compensation at the rate of Rs 125 per mm of deficit. Thus compensation would be calculated as

**(60 - Maximum Observed rainfall on any event during policy period in mm) x Payment per mm of deviation**

## Sum Insured

A cover for this peril is available to farmers in per unit Sum Insured of Rs 5,000.

## Historical Payouts

If a policy for this cover was implemented in the past, payouts would have been made in the years 1968, 1972, 1983, 1984, 1985, 1987, 1989, 2002. For example in the years 1987 and 2002 the insured would have received Rupees 4,400 and 2,000 respectively.

Dry spell during flowering

Orange trees are vulnerable to dry spells during the flowering period. It is observed that a dry spell of 10 to 15 days can lead to flower drop and consequent yield loss. The most critical period is July to September. This period can be further broken down into sub periods and each of the sub period requires a certain minimum amount of rainfall. The peril period, sub periods and rainfall requirement during each of the periods has been presented in the table below:

Phase	1	2	3	4	5	6
Date From	1-July	11-July	21-July	31-July	15-Aug	30-Aug
Date Upto	10- July	20-July	30-July	14-Aug	29-Aug	28-Sep
Minimum Rainfall Requirement (mm)	30	30	30	30	30	30

This peril would be covered through a WIn Multiphase Deficit Rainfall Cover to provide protection for Peril II described in the previous section. The salient features of the cover would be:

## Cover Period

The cover would start from 1 July and last till 28 September (both days inclusive). The whole cover period would be divided into 6 phases as described earlier.

## Rainfall Triggers

Rainfall triggers are the rainfall levels below which the insured becomes eligible for compensation. These levels, which have been arrived jointly by the joint task force, as described earlier would be 30 mm.

## Payout Structure

Payout structure is proposed keeping in view the 'Water Deficiency – Yield Loss' function and empirical evidence of yield loss in the past. The cover would therefore provide payouts for each phase in relation to the importance of the phase in impacting the final yield. This would be as follows:

Phase	1	2	3	4	5	6
Date from	1-Jul	11-Jul	21-Jul	31-Jul	15-Aug	30-Aug
Date upto	10-Jul	20-Jul	30-Jul	14-Aug	29-Aug	28-Sep
Lower Limit (mm)	30	30	30	30	30	30
Payment per mm of deviation on Lower side (Rs)	15.15	15.15	15.15	15.15	15.15	15.15
Payment per mm of deviation on Lower side (Rs) if no (zero) rainfall is observed in previous period	15.15	30.30	15.15	15.15	45.46	45.46
Payment Limit (Rs)	455	909	455	455	1,364	1,364

Thus if during any period observed rainfall is lower than 30 mm then the insured would become eligible for compensation which would be calculated as

### **(30 - Observed rainfall during period in mm) x Payment per mm of deviation on Lower side**

In case of phases 2, 5 and 6 if rainfall received during the preceding phases (i.e phases 1,4 and 6 respectively) is 0 (Zero) then the rate for phase 2 would be double of 15.15 and for phases 5 and 6 it would be triple.

A cover for this peril is available to farmers in per unit Sum Insured of Rs 5,000. This would be the overall limit but the policy indemnity limit would also be set separately for each phase and is equal to the Payment Limits as indicated above.

## Historical Payouts

If a policy for this cover was implemented in the past, payouts would have been made in the years 1960 – 61, 1963 – 68, 1972, 1974 – 77, 1979 – 85, 1987 – 89, 1991 – 92, 1995 – 2003. For example in the years 1979 and 2002 the insured would have received Rupees 1,818.

## Land requirement & Maximum number of units

The policy can be issued only to those farmers who grow oranges. Minimum land requirement for buying policy is half an acre. A farmer with 1 acre of land can take upto 6 Units of either of the perils subject to maximum Sum Insured of Rs 30,000. A farmer with 1 Hectare of land accordingly may take insurance for upto 15 Units of either of the perils subject to a maximum Sum Insured of Rs 75,000.

## Premium

Premium (inclusive of service tax) for Peril 1 & Peril 2 for units of Sum Insured of Rs 5000 is provided below.

Peril	Premium	Premium for Small & Marginal Farmers
Peril I - Effective Shower	830	415
Peril II – Dry spell during flowering	630	315

## Discounts

These discounts are applicable to only those farmers who are availing insurance without subsidy.

## Combination Discount

Farmers opting for Peril 1 & Peril 2 in pairs would be eligible for a discount of Rs 60 on the total price. However if a farmer buys 1 Unit of Peril 1 and 2 Units of Peril 2 the total premium would be calculated as follows:

Peril	Price (Rs)	Discount (Rs 60 for Pairs of Peril 1 & 2)	Premium Rs)
1 unit of Peril 1	830	60	1400
1 unit of Peril 2	630		
	Total Price = 1460		
Peril 2	630	Nil	630
<b>TOTAL PREMIUM</b>			<b>2030</b>

## Where to buy the policy?

1. The Policy will be made available at the following locations:
2. Branches of Land Development Bank
3. Branches of Jhalawar Cooperative Bank
4. Rural Branches of Commercial Banks in Jhalawar
5. *Jan Mitra* kiosks
6. Direct sales agents of ICICI Lombard

A complete list of all the points-of-sale would be available soon.

## Process for buying the policy

Farmers having an account with the banks can simply issue an authorization slip to the bank against which the banks can deduct the premium from farmers' accounts and issue a cover note for the same.

In case of Jan Mitra Kiosks and Direct Sales agents farmers would have the option of either paying by cash or by draft payable to ICICI LOMBARD General Insurance Company at Jaipur. Each farmer buying the policy would receive a cover note from ICICI Lombard.

All the channel members would prepare cover notes on the stationary provided by ICICI LOMBARD for the purpose.

## Claim Settlement

The reference weather station for procuring weather data during the policy period would be the IMD station at Jhalawar. The weather data would be regularly collected by the insurer during the policy period and submitted to a professional weather data-cleaning & enhancing agency for verification. Claims would be normally settled within 30 days after the cover period is over on the basis of cleaned & enhanced data. Claim settlement mechanisms would vary according to the distribution channels. In case of Banks, ICICI Lombard would pass on the claim amounts to them who in turn can distribute to the farmers.

In case of other channels, the process would be:

ICICI Lombard will specify a date and a place where claim servicing can be done. This date will be within 30 days after the closure of the cover period

On the said date ICICI Lombard representative will be present at the specified place and distribute the claim amount to the farmers who produce the acknowledgement slip of insurance.

Acknowledgement slip of insurance presented by farmers will be verified with the slips earlier submitted by the channel partners to ICICI Lombard.

In addition farmer would also be asked to present a copy of his land records for verification.

Benefits to the participating channel members

Increase in customer base: More farmers would be induced to open their accounts in the banks.

Opportunity for increase of business: Banks can extend greater credit to Orange growers if the farmer agrees to make bank the beneficiary.

### **Who is offering the insurance policy**

The Weather Insurance policy is a result of collaboration between Government of Rajasthan and ICICI LOMBARD General Insurance Company. ICICI LOMBARD is a joint venture between ICICI Bank, India's second largest bank and Lombard General Insurance Company of Canada. ICICI Lombard, within a small span of time has emerged as the market leader among the private sector insurance companies.

### **Contacts**

For more information and clarifications you are requested to contact:

#### **ICICI Lombard Agent in Jhalawar**

Mr. Manoj Kumar Jain, Investment Point  
Opposite Meratwal Hospital, Jawahar Colony, Jhalawar  
Phone Number: 07432 231800, 94141 93802

#### **ICICI Lombard General Insurance Company**

401, Adarsh Plaza, Khasa Kothi Circle, Bani Park, Jaipur  
Phone Number: 0141-511 2829 to 31

The above mentioned scheme is being launched in collaboration with ICICI – Lombard. If any other insurance company is interested in offering a similar scheme on similar or better terms, they may send their proposal to the Commissioner Agriculture, Agriculture Department, Pant Krishi Bhavan, Rajasthan, Jaipur or Secretary Agriculture, Government Secretriare, Rajasthan, Jaipur. Interested companies can send their offer for Oranges, Cumin, Corriender or any other Crops. Offer be sent at the following addresses.

#### **Commissioner Agriculture**

Pant Krishi Bhavan,  
Rajasthan, Jaipur. Phone No. 2227709

#### **Director Horticulture**

Pant Krishi Bhavan,  
Rajasthan, Jaipur. Phone No. 2227606