

Revised
NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS)
(RASHTRIYA KRISHI BIMA YOJANA-RKBY)

OBJECTIVES:

The objectives of the NAIS are as under:-

1. To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.
2. To encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology in Agriculture.
3. To help stabilise farm incomes, particularly in disaster years.

SALIENT FEATURES OF THE SCHEME:

1. CROPS COVERED:

The Crops in the following broad groups in respect of which i) the past yield data based on Crop Cutting Experiments (CCEs) is available for adequate number of years, and ii) requisite number of CCEs are conducted for estimating the yield during the proposed season:

- a. Food crops (Cereals, Millets & Pulses)
- b. Oilseeds
- c. Sugarcane, Cotton & Potato (Annual Commercial / annual Horticultural crops)

Other annual Commercial / annual Horticultural crops subject to availability of past Yield data will be covered in a period of three years. However, the crops which will be covered next year will have to be spelt before the close of preceding year.

2. STATES AND AREAS TO BE COVERED:

The Scheme extends to all States and Union Territories. The States / UTs opting for the Scheme would be required to take up all the crops identified for coverage in a given year.

Exit clause: The States / Union Territories once opting for the Scheme, will have to continue for a minimum period of three years.

3. FARMERS TO BE COVERED:

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

The Scheme covers following groups of farmers:

On a compulsory basis: All farmers growing notified crops and availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions i.e. Loanee Farmers.

On a voluntary basis: All other farmers growing notified crops (i.e., Non-Loanee farmers) who opt for the Scheme.

4. RISKS COVERED & EXCLUSIONS:

Comprehensive risk insurance will be 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.

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

5. SUM INSURED / LIMIT OF COVERAGE:

The Sum Insured (SI) may extend to the value of the threshold yield of the insured crop at the option of the insured farmers. However, a farmer may also insure his crop beyond value of threshold yield level upto 150% of average yield of notified area on payment of premium at commercial rates.

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

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

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

6. PREMIUM RATES:

S.No	Season	Crops	Premium rate
1	Kharif	Bajra & Oilseeds	3.5% of SI or Actuarial rate, whichever is less
		Other crops (cereals, other millets & pulses)	2.5% of SI or Actuarial rate, whichever is less
2	Rabi	Wheat	1.5% of SI or Actuarial rate, whichever is less
		Other crops (other cereals, millets, pulses & oilseeds)	2.0% of SI or Actuarial rate, whichever is less
3	Kharif & Rabi	Annual Commercial / annual Horticultural crops	Actuarial rates

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

7. PREMIUM SUBSIDY:

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

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

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

MARGINAL FARMER : A Cultivator with a land holding of 1 hectare or less (2.5 acres).

8. SHARING OF RISK:

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

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

However, the Implementing Agency shall be responsible for any additional liability(s) caused due to adoption of higher sum insured and higher indemnity level in respect of food and oilseed crops, for which actuarial premium is charged under the scheme (added vide letter No. 13011/29/1999-Credit II (pt.) dated 12th July, 2011).

- (b) **Annual Commercial / annual Horticultural crops:** Implementing Agency shall bear all normal losses, i.e. claims upto 150% of premium in the first three years and 200% of premium thereafter subject to satisfactory claims experience. The claims beyond 150% of premium in the first three years and 200% of premium thereafter shall be paid out of Corpus Fund. However, the period of three years stipulated for this purpose will be reviewed on the basis of the financial results after the first year of implementation and the period will be extended to five years if considered necessary.

Implementing Agency shall bear all the claims/losses in respect of annual commercial/horticultural crops for which actuarial/horticultural crops for which actuarial premium rates are charged (added vide letter No. 13011/29/1999-Credit II (pt.) dated 12th July, 2011).

With reference to Para 5 & 12 of the NAIS which facilitates the farmers to opt higher sum insured upto 150% of Threshold Yield and higher indemnity level, respectively on payment of commercial/actuarial premium rates.

Applying the provisions laid down in para(s) 8(a & b) of NAIS, the responsibilities of claims due to adoption of the above will be shared as under :

- 1. Food & Oilseed Crops :- Any additional liability(s) caused due to adoption of higher sum insured and higher indemnity level will be responsibility of*

implementing agency of scheme i.e. Agriculture Insurance Company (AIC) of India Ltd., since premium on additional sum insured or higher level of indemnity is on actuarial/ commercial basis.

- 2. Annual Commercial/Horticultural Crops:- Implementing Agency will be responsible for total claims liability because actuarial premium is charged under the scheme (vide letter NO. 13011/29/2000-Credit II dated 7th July, 2011).**

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

9. AREA APPROACH AND UNIT OF INSURANCE:

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

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

10. SEASONALITY DISCIPLINE:

- (a) The broad seasonality discipline followed for Loanee farmers will be as under:

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

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

Kharif season : 31st July

Rabi season : 31st December

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

11. ESTIMATION OF CROP YIELD:

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

Experiments (CCEs) and resultant Yield estimates, both for Crop Production estimates and Crop Insurance.

Crop Cutting Experiments (C.C.E.) shall be undertaken per unit area /per crop, on a sliding scale, as indicated below:

Sl.No.	UNIT AREA	Minimum number of C.C.E.s required to be done
1.	Taluka / Tehsil / Block	16
2.	Mandal / Phirka / any other smaller unit area comprising 8-10 villages	10
3.	Gram Panchayat comprising 4-5 villages	08

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

12. LEVELS OF INDEMNITY & THRESHOLD YIELD:

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

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

13. NATURE OF COVERAGE AND INDEMNITY:

If the Actual YieldØ (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 YieldØ (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.

IndemnityØ 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 YieldØ for the Defined Area }.

13A. INDEMNITY IN CASE OF LOCALISED RISKS:

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

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

14. PROCEDURE FOR APPROVAL & SETTLEMENT OF CLAIMS:

Once the Yield Data is received from the State/UT Govt. as per the prescribed cut-off dates, claims will be worked out and settled by IA. The claim cheques along with claim particulars will be released to the individual Nodal Banks. The Banks at the grass-root level, in turn, shall credit the accounts of the individual farmers and display the particulars of beneficiaries on their notice board.

In the context of localised phenomenon, viz., hailstorm, landslide, cyclone and flood, the IA shall evolve a procedure to estimate such losses at individual farmer level in consultation with DAC/ State / UT. Settlement of such claims will be on individual basis between IA and insured

15. FINANCIAL SUPPORT TOWARDS ADMINISTRATION & OPERATING (A&O) EXPENSES:

The A&O expenses would be shared equally by the Central Government & respective State Government on sunset basis [100% in 1st year, 80% in 2nd year, 60% in 3rd year, 40% in 4th year, 20% in 5th year and zero thereafter].

16. CORPUS FUND:

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

The Corpus Fund shall be managed by Implementing Agency (IA).

17. REINSURANCE COVER:

Efforts will be made by IA to obtain appropriate reinsurance cover for the proposed NAIS in the international Reinsurance market.

18. MANAGEMENT OF THE SCHEME, MONITORING AND REVIEW:

In respect of Loanee farmers, the Banks shall play the same role as under CCIS.

In respect of non-Loanee farmers, Banks shall collect the premium along with the Declarations and send it to IA within the prescribed time limits. However, in areas where IA has requisite infrastructure, a non-loanee farmer will have option to send premium along with Declaration, directly to IA within the time limits.

Selection of the Banks will be on the basis of Service Area Approach (SAA) of RBI or at the option of the Banks (where Co-operative Banks have good network). The Department of Agriculture, Agricultural Statistics, Directorate of Economics and Statistics, Department of Co-operation, Revenue Department of the State Government will be actively involved in smooth implementation of the Scheme.

The Scheme will be implemented in accordance with the operational modalities as worked out by IA, in consultation with Department of Agriculture & Co-operation (GOI).

During each crop season, the agricultural situation will be closely monitored in the implementing States / Union Territories. The State / UT Department of Agriculture and district administration shall set up a District Level Monitoring Committee (DLMC), who will provide fortnightly reports of Agricultural situation with details of area sown, seasonal weather conditions, pest incidence, stage of crop failure (if any) etc.

The operation of the Scheme will be reviewed annually, and modifications as may be required would be introduced. Periodic Appraisal Reports on the Scheme would be prepared by Ministry of Agriculture, the Government of India / Implementing Agency.

19. IMPLEMENTING AGENCY (IA):

An exclusive Organization would be set up in due course, for implementation of NAIS. Until such time as the new set up is created, the GIC of India will continue to function as the Implementing Agency.

20. 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 spill-over and multiplier effects in terms of maintaining production & employment, generation of market fees, taxes etc. and net accretion to economic growth.
- streamline loss assessment procedures and help in building up huge and accurate statistical base for crop production.

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**NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS) OR RASTRIYA
KRISHI BIMA YOJANA
OPERATIONAL MODALITIES**

The State / UT government intending to participate in the Scheme has to communicate their consent thereto. The State / UT government to accept and abide by the provisions of the Scheme in to-to as spelt out in the text of the Scheme and operational modalities.

A STATE LEVEL COORDINATION COMMITTEE ON CROP INSURANCE (SLCCCI) shall be formed in all the implementing States / UTs for the purpose of overseeing implementation of the Scheme. The committee is headed by the Agricultural Production Commissioner (APC) or by an Official of equal rank of the State and will include senior officers of the State, viz. Secretary (Agriculture), Secretary (Co-operation), Secretary (Finance), Director, Bureau of Economics & Statistics, Registrar of Co-operative Societies, representative of Ministry of Agriculture, Financial Institutions including NABARD, RBI, State Apex Coop. Bank, Convenor, State Level Bankers Committee (SLBC) and Implementing Agency.

1) NOTIFICATION:

At the beginning of each crop season, the State Government /UT administration shall notify the Crops and Defined Areas which will be covered during the season in accordance with the decision taken at the SLCCCI meeting. The SLCCCI shall, for the purpose of notification, consider factors such as availability of past Yield Data, Cropped Area and ability to conduct requisite number of Crop Cutting Experiments (CCEs) etc.

In case it is proposed to notify irrigated & unirrigated areas separately under a crop, the State Government / UT shall ensure that minimum CCEs are planned & conducted for irrigated & unirrigated crops, separately in such areas. In addition, past data for productivity at Unit Area level for immediate 10 years would have to be separately furnished to enable IA to work out premium rates.

The State government / UT should notify the smallest possible units as defined areas(i.e., insurance units), which is preferably, the Village or the Gram Panchayat. In any case the States / UTs shall reach the level of Gram panchayat within three years.

2) COLLECTION OF PROPOSALS AND INSURANCE CHARGES:

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

(a) Loanee farmers (Compulsory coverage):

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

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

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

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

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

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

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

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

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

The Nodal Banks will in turn submit to the IA the Crop-wise and Notified Area-wise Crop Insurance Declarations in the prescribed format, along with the Insurance Charges/Premium, within the stipulated time.

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

Receipt of proposals directly from Non-Loanee farmers:

On an experimental basis, depending on the infrastructure of IA, the Non-Loanee farmers will have the option of directly sending the proposals to IA with requisite insurance charges / premium. The IA shall then consolidate these proposals and convert them to Declarations. However, its mandatory that the Non-loanee farmers personally submitting proposals to IA should hold a bank account in the Service Area branch / designated bank branch to receive compensation, if any.

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

OPTION FOR HIGHER SUM INSURED:

- (a) Food crops & Oilseeds: Sum Insured is worked out by multiplying the threshold yield of the crop with Minimum Support Price (MSP) or the market price (where MSP is not available) in respect of previous year. A farmer is eligible to cover upto the value of threshold yield of the crop at a given premium rate. Additionally, a farmer may extend the sum insured upto 150% of the value of the average yield of the crop on payment of premium at commercial (actuarial) rate for the part of the sum insured exceeding value of threshold yield.
- (b) Annual Commercial / annual Horticultural crops: Sum Insured may extend upto 150% of the value of average yield of the crop at commercial (actuarial) rate for the entire sum insured.

In case of Loanee farmers, the minimum sum insured is the amount of loan availed.

3) SEASONALITY DISCIPLINE (SUBMISSION OF DECLARATIONS BY BANKS):

- a) Loanee farmers :

Banks will send to IA every month, consolidated Crop Insurance Declarations in respect of loans disbursed to the Loanee farmers for each crop and each Defined area. The details of SAO loans disbursed for insurable crops during a month will be declared to IA in the form of consolidated Declarations before end of succeeding month. The detailed monthly cut-off dates for Loanee farmers will be:

KHARIF SEASON		RABI SEASON	
MONTH OF LOANING	CUT-OFF DATE FOR RECEIPT OF DECLARATIONS BY IA	MONTH OF LOANING	CUT-OFF DATE FOR RECEIPT OF DECLARATIONS BY IA
APRIL	31 st MAY	OCTOBER	30 th NOVEMBER
MAY	30 th JUNE	NOVEMBER	31 st DECEMBER
JUNE	31 st JULY	DECEMBER	31 st JANUARY

JULY	31 st AUGUST	JANUARY	28 th /29 th FEBRUARY
AUGUST	30 th SEPTEMBER	FEBRUARY	31 st MARCH
SEPTEMBER	31 st OCTOBER	MARCH	30 th APRIL
FINAL	30 th NOVEMBER	FINAL	31 st MAY

Those loanee farmers who would like to avail a sum insured of more than the amount of loan availed shall indicate their choice to the Financial Institutions at the beginning of the season and for these farmers, the cut-off dates shall be those applicable for Non-loanee farmers.

b) Non-Loanee farmers:

The broad Cut-Off dates for receipt of Proposals by the IA, in respect of these farmers will be as under:

Kharif season : 31st July

Rabi season : 31st December

In respect of these farmers, the last date of receipt of the consolidated Proposals at IA, shall be one month after the last date for receipt of Proposals at the Nodal Branch.

However, within these broad parameters suggested above for all categories of farmers the seasonality discipline may be modified in consultation with State Government / UT administration and Govt. of India, depending on local conditions and crop seasons.

4). IMPORTANT CONDITIONS APPLICABLE FOR COVERAGE RISK:

- i. Loans given for unsown areas will not be covered by the Scheme, because, indemnity claims will arise under the Scheme, only after the crop has been sown and in the event of crop failure. Mere disbursement of loans by the financial institutions / submission of Proposal by a Non-loanee farmer will not entitle him for compensation under the Scheme.
- ii. In the areas where crop is sown but, withered away /damaged on account of adverse seasonal conditions / pest and / or diseases and also where there is no possibility of reviving the crop, no further loaning should be made by the financing institutions. Any further loaning in such cases shall not be covered by the Scheme.
- iii. The Scheme covers notified crops until harvesting stage only. Losses caused to crops which are spread in the field for drying after cutting / harvesting are excluded from the scope of the Scheme.

5). ESTIMATION OF CROP YIELD:

The Claim assessment procedure and parameters involved in estimation of claims shall be the same for Loanee and Non-Loanee farmers as also for food crops/oil seeds and annual commercial / annual horticultural crops.

The State Department will plan and conduct requisite number of CCEs for all notified crops in the notified insurance units in order to assess the crop yield. The State

Government will notify the crops where requisite minimum number of CCEs will be conducted in accordance with the sliding scale given below:

Sl. No.	SIZE OF INSURANCE UNIT	MINIMUM NUMBER OF CCEs REQUIRED
1	TALUKA / TEHSIL / BLOCK	16
2	MANDAL / PHIRKA / ANY OTHER SMALLER UNIT AREA COMPRISING 8-10 VILLAGES	10
3	GRAM PANCHAYAT COMPRISING 4-5 VILLAGES	08

The State Government / U.T. administration will maintain a single series of CCEs for both Crop Production and Crop Insurance.

The yield data will be furnished to IA by the State Government / UT in accordance with the cut-off dates fixed for all crops and areas notified, based on the TOTAL NO. of CCEs (being not less than the minimum prescribed) conducted.

The standard procedures for assessing the yield in respect of multiple picking crops will be prepared by IA in consultation with the National Sample Survey Organisation (NSSO) and circulated among implementing States / UTs.

A Committee comprising representatives of State/UT Govt., National Sample Survey Organisation (NSSO) and IA will be set up at the State level to monitor / supervise and advise in matters relating to adequacy and quality of CCEs.

A Technical Advisory Committee (TAC) comprising representatives from NSSO, MOA and IA shall be constituted at National level to decide the sample size of CCEs and also technical matters pertaining to Threshold Yield / Actual Yield etc.

LOSS ASSESSMENT IN CASE OF LOCALISED CALAMITIES:

Loss assessment of localized risks, viz. hailstorm, landslide, cyclone and floods on individual basis shall be experimented in two districts and shall be extended to other areas in the light of operational experience gained. The insured farmers who experience crop losses due to occurrence of these localized perils shall give immediate notice to the financial institution / notified office of IA and in any case within 48 hours along with particulars of crop insured and extent and cause of damage. On receipt of loss intimation, IA shall depute Loss assessors to the area for assessment of crop loss. The district Revenue administration will assist IA in assessing the extent of crop loss.

IA shall also develop Loss adjusters cadre and for this purpose few Officers will be trained in Loss assessment procedures. The services of unemployed Agrl. graduates and retired Agrl. Department Officials may also be utilised for loss assessment after initial training.

6). MANAGEMENT OF THE SCHEME AND MONITORING:

Financial Institutions (FI) shall be required to play the same role as in CCIS in respect of Loanee farmers. In respect of non-loanee farmers, FI shall collect the premium and transmit it to IA along with the Declarations within prescribed time limits. Selection of FIs would be on the basis of Service Area approach of RBI or at the option of the FIs (where

Co-operative Banks have good network). To facilitate smooth implementation, all non-loanee farmers shall be serviced through individual Bank Account.

The Department of Agriculture, Agricultural Statistics, Bureau of Economics and Statistics, Department of Co-operation of the State Government would be actively involved in smooth implementation of the scheme.

During the Crop season, agricultural situation will be closely monitored in the implementing States / Union Territories. The State /UT Department of Agriculture / Statistics would set up a District Level Monitoring Committee, who will provide fortnightly reports of Agricultural situation with details of area sown, weather situation, pest incidence, stage of crop failure (if any) etc. to IA .

7). PROCEDURE OF SETTLEMENT OF CLAIMS:

Once the yield data is received from the State Government as per the cut-off-dates decided, the claims will be worked out as per Declarations received from FIs for each notified area and approval is obtained.

The funds needed for payment of claims beyond the risk sharing limits of IA shall be provided by the Government to effect payment. The claim cheques along with claim particulars will be released to individual Nodal points. The FI at the grass root level in turn shall credit the A/cs of the individual farmers and display the particulars of beneficiaries in the notice board.

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

CLAIMS APPROVAL:

Claims of all crops shall be approved by IA. However, the government may at their option scrutinize / examine a claim falling within their risk liability.

Disputed claims/sub-standard claims, if any will be referred to a Committee consisting of representatives of Ministry of Agriculture (GoI), concerned State Government and IA.

Settlement / release of claims in the States / UTs which exceed set risk sharing limits of IA shall be subject to receipt of funds from the Government.

8). PUBLICITY / AWARENESS AND REVIEW:

This Scheme requires adequate publicity in all the villages of the notified district. Besides audio-visual media, the services of Agricultural Extension Officers of the State / UT should be utilized. It is equally important to train people going to be involved in collection of premium, processing of Declarations, Proposal forms etc. in banks to avoid any confusion and misunderstanding. Training programmes and Workshops, visit of IA Officers to the banks will help in clarifying the doubts, redressal of grievances and clearing bottlenecks in smooth implementation of the Scheme. Pamphlets shall be distributed to all villages in participating States / UTs. A short film covering the salient features of the Scheme will be made by the IA for this purpose.

A separate action-plan shall be prepared to bring about awareness and to educate farmers.

9). ROLE PLAY OF VARIOUS AGENCIES:

(A). ROLE & RESPONSIBILITIES OF FINANCIAL INSTITUTIONS (FIs) :

For the purpose of the Scheme, the Scheduled Institutions engaged in disbursing SAO loans as per the relevant guidelines of NABARD / RBI will be reckoned as Financial Institutions.

Each scheduled Commercial bank shall with concurrence of IA fix Nodal points which would deal with IA on behalf of branches in the division / district / state. The Nodal points for Commercial banks will be minimum one level above the Branch office. The Nodal points for Cooperative banks will be DCC Banks and those for RRBs, their Head Office.

Nodal points would be designated for implementation and these banks would attend to the following functions:

1. On receipt of the communication on notification of crops and areas from the State govt./ UT, the Nodal banks will communicate the same to the branch offices under their control.
2. The FIs would advance additional loan to Loanee farmers to meet requirement of Insurance charges / premium as applicable upto extent of Crop loan.
3. Each such Nodal point would submit crop-wise, defined area-wise, monthly Crop insurance Declarations to the Office of IA, in the prescribed format, along with Insurance charges payable on all crop loans coming under the purview of the Scheme in case of Loanee farmers and based on Proposals received in case of other farmers.
4. The Apex FIs shall issue appropriate instructions to Nodal banks as well as crop loan disbursing branches to ensure smooth functioning of the Scheme.
5. For insurable crop loans disbursed under Kissan Credit Card (KCC), the FIs shall maintain all controls and records as required under the Scheme.

Other Responsibilities of FIs will be:

- To educate the farmers on the Scheme features.
- To guide the farmers in filing the proposal forms and collecting the required documents.
- Following the guidelines while disbursing crop loans and ensuring proper end-use of loan disbursed.
- To prepare the consolidated statements for Loanee and Non-Loanee members, forwarding the same to the branch along with the premium amount.
- Maintaining the records of proposal forms, other relevant documents, statements for the purpose of verification by the district committee or representative of the insurer.

Special conditions for FIs / Nodal Banks / Loan Disbursing Points:

1. FIs will submit Crop Insurance Declarations to IA on monthly basis, where sum insured is on the basis of amount of loan disbursed and within one month time from cut-off date for receipt of proposals, where sum insured is on scale of finance or any other basis.
2. Claims received by the Nodal points, will be remitted to individual branches/PACS with all particulars within seven days and these branches/PACS will in turn credit the A/cs of beneficiary farmers within seven days. The list of beneficiary farmers with claim amount will be displayed by the branch / PACS.
3. The IA will have access to all relevant records/ledgers at the Nodal point/Branch/PACS at all times.
4. The IA will be provided with all the norms / guidelines relating to SAO crop loan disbursements as formulated by RBI / NABARD. Any amendments / simplification of procedures / norms from time to time will be duly made available to IA by the concerned institutions. In the absence of such communication, IA shall be free to not take cognisance of such modifications.
5. In case a farmer is deprived of any benefit under the Scheme due to errors / omissions / commissions of the Nodal Bank/Branch/PACS, the concerned institutions only shall make good all such losses.
6. If the farmer is adopting mixed cropping, the sum insured of a crop should be on the basis of its proportionate area in the mixed cropping.

(B). Role & Responsibilities of State government / UT administration:

1. The State Government / U.T. will notify crop wise notified areas and premium rates as applicable (in case of commercial/horticultural crops) well in advance of each crop season.
2. The State government / UT administration would, in advance provide to the IA, Unit Area-wise yield data of immediate past 10 years for all crops notified under the Scheme.
3. To the extent possible, the State Government / UT administration would notify smaller defined areas for various crops, keeping in mind that smaller areas will be more homogeneous and would be more reflective of all crop losses, including localized perils like hailstorm, landslide etc.
4. The State Government shall issue the requisite Notification and communicate to all participating FIs during every crop season. The Notification of the State Government may essentially contain the following information:
 - a. Crops and Defined areas notified in various districts.
 - b. Premium rates and subsidy, if and as applicable for various groups of farmers and crops.
 - c. The cut-off dates for collection of proposals and remittance of premium with Crop Insurance Declarations to IA.
5. The State / UT administration will release its contribution to Corpus Fund as per the scale and dates fixed by MOA, the Government of India.

6. The State / Union Territory administration would ensure that Crop Estimation Surveys (CES) in general, and estimation procedures in case of multiple picking crops in particular be strengthened in order to furnish accurate estimates of yield. Further, the State / UT administration will assist IA in assessing the extent of crop loss of individual insured farmers due to operation of localised perils.
7. To set up various monitoring Committees as required.
8. The final Yield data in the standard format for all Unit Areas for notified crops for the crop season will be furnished to IA within the stipulated date.
9. In case, the State /UT administration fail to furnish yield data based on requisite number of CCEs or fail to furnish yield data within the stipulated date, responsibility of such claims, if any arising out of such data will totally rest with State / UT administration.
10. The IA will be allowed unrestricted access to records of CCEs at grass root / District / State level.
11. State Government / UT admn. shall set up District Level Monitoring Committee (DLMC), headed by the District Magistrate. The members will be District Agriculture Officer, DCCB, Lead Bank representative and IA. The committee will monitor implementation of Scheme by providing fortnightly crop condition reports and periodical reports on seasonal weather conditions, loans disbursed, extent of area cultivated, etc. The DLMC shall also monitor conduct of CCEs in the district.
12. As the Scheme is optional to Non-loanee farmers, adequate publicity will be provided to ensure maximum coverage of farmers through all means available at the disposal of State / UT administration.

(C). Role and Responsibilities of the Implementing Agency (IA):

1. Implementing Agency of the Scheme.
2. The IA shall open separate Accounts to deal with Corpus Fund and also premiums received under the Scheme.
3. Building up crop yield database and preparation of Actuarial premium rates through a Professional agency.
4. Underwriting and Claims finalization.
5. Responsibility for claims to the extent mentioned in the Scheme.
6. Negotiating Re-insurance arrangement in the international market.
7. Co-ordination in organizing training, awareness, publicity programmes.
8. Providing returns / statistics to the Government of India.

(D). Duties of Farmers:

1. As the Scheme is compulsory for all Loanee farmers availing SAO loans for notified crops, it is mandatory for all Loanee farmers to insist on coverage of all eligible loans (as per the Scheme provisions) under the Scheme.
2. If the farmer is adopting mixed cropping, the proportion of different crops in a mixed cropping will have to be compulsorily declared.

3. In respect of Non-loanee farmers, the Proposals will be accepted only upto stipulated cut-off date, which will be decided in consultation with State Government / UT admn. The important duties in case of Non-loanee farmers are as follows:
 - a. The farmer desiring coverage should have an Account in the branch of the designated bank.
 - b. The farmer must approach the designated branch / PACS and submit the proposal form in the prescribed format.
 - c. The farmer must provide documentary evidence in regard to the possession of cultivable land (copy of the pass book, 7/12 / land extract or land revenue receipt should be enclosed).
 - d. The farmer must furnish area sown confirmation certificate, if required.

CLARIFICATIONS RECEIVED FROM GOVT. OF INDIA

1. Regarding sharing of claims:

¶ ..in case of horticulture/commercial crops where IA is required to meet 150% of claims liability, crop-wise settlement of claims seems relevant and justified. But in case of food and oilseeds crops, GIC is required to utilize 100% premium amount for the settlement of claims of the implementing State first and only if the claims are in excess of premium income, it should approach Central and State Governments for the funds ¶ + (Letter ref. no. 13011/07/2000 Cr. II dated 22nd Jan. 2002 of Ministry of Agriculture, Govt. of India.)

2. Regarding Bank Service Charges:

¶ ..that the Bank Service Charges @ 2.5% are paid on the premium collected by the participating banks and other financial institutions (FIs) under National Agricultural Insurance Scheme (NAIS) ¶ + (Letter ref. no. 13011/22/2000 Cr. II dated 30th Nov. 2006 of Ministry of Agriculture, Govt. of India.)

“... all the financial liabilities are required to be shared by the Central and State Govt. in the ratio of 1:1, therefore, IA¶ request for 50% contribution in respect of administrative/operational expenses and bank service charges is justified and in order.+(Letter ref. no. 13011/22/2000 Cr. II dated 4th Feb. 2002 of Ministry of Agriculture, Govt. of India.)

3. Regarding Coverage of Crop Loan:

¶ ¶ 100% loan disbursed for the notified crops has to be compulsorily covered/insured by charging normal/flat rate of premium ¶ + (Letter ref. no. 16013/01/2008 Cr. II dated 8th Aug. 2008 of Ministry of Agriculture, Govt. of India.)

4. Regarding Sum Insured for extended period of coverage:

¶ ¶ it is clarified that when the cut off date for submission of declarations is extended, the coverage of sum insured during the extended period would be restricted to the value of threshold yield only (i.e. upto the 100% of threshold yield). This will also apply to the loanee farmers i.e. when loanee farmers want to go for additional coverage i.e. beyond 100 percent of sum insured, they can do so only if they opt for insurance and submit proposals/declarations within the normal period ¶ + (Letter ref. no. 13011/01/2002 Cr. II dated 23rd May. 2003 of Ministry of Agriculture, Govt. of India.)

5. Regarding extension of Cut Off date for non loanee farmers:

¶ ..the seasonality discipline may be modified in consultation with States/UTs and Govt. of India, depending on local climatic conditions, provided the decision for modification has been taken at the beginning of the season. The decision once taken should be strictly followed throughout the season. Extension in the cut-off date during middle of crop seson is not advisable as it provides scope for moral hazard ¶ + (Letter ref. no. 13011/07/2000 Cr. II (Pt) dated 21st Aug. 2006 of Ministry of Agriculture, Govt. of India.)

**NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS)
- A NOVEL CROP INSURANCE SCHEME**

Q 1 : What is insurance ?

Ans: Insurance is a financial arrangement whereby losses suffered by a few are met from the funds accumulated through small contributions made by many who are exposed to similar risks.

Q 2 : What is crop insurance ?

Ans: Crop insurance is an insurance arrangement aiming at mitigating the financial losses suffered by the farmers due to damage and destruction of their crops as a result of various production risks.

Q 3 : Was there any crop insurance scheme in India prior to NAIS ?

Ans: Yes. From 1972-73 to 1978-79, crop insurance schemes for crops such as cotton, groundnut, potato etc, was implemented in selected places on "individual approach" basis. During the period from 1979 to 1984-85, a pilot crop insurance scheme was implemented for Food crops & Oilseeds on "Area approach" basis. Based on the experience of the pilot scheme, a Comprehensive Crop Insurance Scheme (CCIS) was implemented from Kharif 1985 till Kharif 1999. The present crop insurance scheme, i.e., National Agricultural Insurance Scheme (NAIS), launched by the Hon'ble Prime Minister on 22nd June 1999 replaced the CCIS from Rabi 1999-2000 season.

Q 4 : What are the objectives of National Agricultural Insurance Scheme ?

Ans: The objectives of the NAIS are as under:-

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases so as to restore their credit worthiness for ensuing season.
- To encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology in Agriculture.
- To help stabilize farm incomes, particularly in disaster years.

Q 5 : What are the various risks covered under the scheme?

Ans: The Scheme provides comprehensive risk insurance for yield losses due to :

- (i) Natural Fire and Lightening, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado Flood, Inundation and Landslide.
- (ii) Drought, Dry spells.
- (iii) Pests / Diseases etc.

Q 6 : How many states are participating in the scheme?

Ans.: At present this scheme is being implemented in 23 States and UTs (except Punjab, Manipur, Nagaland, Mizoram and Arunachal Pradesh among the States and Chandigarh, Daman & Diu, Delhi, Dadra & Nagar Haveli and Lakshadweep among the UTs).

Q 7: What are the various crops covered under the scheme?

Ans.: The Scheme covers following crops

- **Food crops (Cereals, Millets & Pulses):** Some of the crops covered in various States are Paddy, Wheat, Jowar, Bajra, Maize, Ragi, Korra, Kodo-kutki, Green gram, Black gram, Red gram, Horse gram, Gram, Moth etc.
- **Oilseeds:** Some of the crops covered in various States are Groundnut, Sunflower, Soya bean, Safflower, Castor, Sesamum, Niger etc.
- **Annual Commercial/Annual Horticultural crops :** Sugarcane, Cotton , Potato, Onion, Ginger, Turmeric, Banana, Pineapple, Jute, Tapioca, Chilli, Cumin, Coriander, Isabgol, Methi etc.

The crops are selected for insurance if the past yield data for 10 years are available, and the State Govt agrees to conduct requisite number of Crop Cutting Experiments (CCEs) during the proposed season.

At present there are 35 different crops during Kharif and 30 different Rabi season are being insured under National Agricultural Insurance Scheme in the country.

Q 8 : Who is eligible to be covered under the scheme? .

Ans: All farmers growing insurable crops and availing Seasonal Agricultural Operations (SAO) loans from Banks / PACS are compulsorily covered under the Scheme by the Banks/ PACS, whereas the non-borrowing farmers growing insurable crops can also avail the benefit of the Scheme by submitting prescribed proposal forms at the nearest Banks/ PACS.

Q 9 : How is this scheme administered'?

Ans.: The Scheme is being implemented by Agriculture Insurance Company of India Limited (AICL) on behalf of the Ministry of Agriculture, through its Regional Offices located at 17 State capitals.

Q 10 : What is the Unit of Insurance?

Ans : The scheme operates on the basis of Area Approach i.e. defined areas for each notified crop for widespread calamities and individual assessment is done on experimental basis for localised calamities, such as, hailstorm, landslide, cyclone and flood in certain pre-notified areas. The size of unit area varies from State to State and crop to crop. Presently, the defined area is Block/ Mandal/ Taluka / Patwari halka / Nyayapanchayat/ Gram Panchayat/ Village, etc.

Q 11 : What' s amount of sum insured under NAIS?

Ans : **For loanee farmers:**

Compulsory coverage : The amount of crop loan availed for the notified crop is the minimum amount of sum insured covered on compulsory basis.

Optional Coverage : If the loanee-farmer so wishes he may insured his crop for a higher Sum Insured i.e, upto the value of Threshold Yield (i.e., guaranteed yield) which is called normal coverage even go for additional coverage upto 150% value of average yield in the notified area. However, for additional coverage, the farmer has to pay premium at actuarial rate as notified by the State Government.

The value of Sum Insured in such cases is arrived at by multiplying the threshold yield/ average yield with the latest available Minimum Support Price (MSP) announced by the Govt. or the market price provided by the State Govt. in case the MSP is not announced.

b. For Non-loanee farmers:

Coverage at normal rates of premium is available upto the value of Threshold Yield . Additional coverage upto 150% of the value of Actual Yield can be obtained by payment of premium at actuarial rates.

Note : It may however be noted that in case of annual commercial and horticultural crops, only actuarial rates of premium are charged at all the slabs of sum insured.

Q 12 : How much premium a farmer has to pay to get the insurance cover ?

Ans :

- ◆ For Kharif crops Premium is 3.5 % of Sum insured for all Oilseed crops and Bajra and 2.5% for all others foodcrops including pulses
- ◆ For Rabi crops Premium rates are 1.5% for wheat and 2% for all other foodcrops including pulses and oilseeds.
- ◆ However, of the above flat rates and the actuarial rate whichever is lower shall apply.
- ◆ For Annual Commercial and Horticultural crops actuarial premium rates are charged.
- ◆ The premium for Small & Marginal farmers is subsidised to the extent of 10% which is shared by the State Govt. and Govt. of India.

Q13 : Does a non-loanee farmer need to produce some documents for obtaining insurance cover ?

Ans : The non-loanee farmer has to produce a proof (copy of land pass book / 7/12 extract / land revenue receipt etc.) to prove that he / she is the owner of the land. In case of sharecroppers and tenant farmers (who are not availing crop loan), a proof showing crop sharing / tenancy arrangement need to be produced.

Q 14 : How can a farmer get insurance coverage ?

Ans : All loanee farmers automatically and get compulsorily covered under this Insurance Scheme through the PACS/Bank branches, as and when crop loans for insured crops are disbursed to them. All non-loanee farmers desirous of availing insurance coverage should contact nearest Bank Branches before the stipulated time frame with a proposal for insurance. Non-loanee farmer should have a Bank A/c with the bank and pay the requisite premium to get insurance coverage.

Q 15 : Are crop loans disbursed through Kisan Credit Cards (KCCs) eligible for insurance coverage under the NAIS ?

Ans : Crop loans disbursed/withdrawn through KCCs are also eligible for coverage as per the terms and conditions applicable to the regular crop loans.

Q 16 : When and how, the claims are settled under NAIS ?

Ans : In case of widespread calamities leading to damage and loss of crops, claims are settled on area approach basis. Any insured crop in a notified area recording lower actual yield than the guaranteed yield as per the crop estimation surveys conducted by the state govt., shall automatically become eligible for compensation/ claim. The shortfall in yield is determined for each crop and is the difference between the guaranteed yield and the current season's actual yield. Shortfall % is determined by expressing the shortfall as a proportion of guaranteed Yield. Claim is then computed by multiplying the sum insured with the shortfall %. Therefore no claims would be admissible/payable in case the current season's actual yield is more than the threshold yield. Applicable amounts of claims so arrived at are routed to the farmers through the banks in case of those farmers who are covered through the banks.

Even in case of non-loanee farmers who approach AIC directly for insurance coverage, the claim amounts are paid by way of cheques or through designated bank branches such that claim amounts get credited to their accounts. The claim assessment and payment would be done after receipt of the requisite yield data from the concerned agencies.

The methodology of claim assessment based on individual approach shall be intimated to all concerned upon finalising the areas and modalities.

Q 17 : Whether annawari or any similar declaration/ certification by the revenue or agriculture departments of the state govt. at village/block /district level has any bearing on claim settlement ?

Ans : No, claims under the scheme are settled strictly as per the provisions and guidelines described in the foregoing paragraphs and not according to declaration of flood/drought/annavari by any other agency/authority.

Q 18 : Whether insured farmers whose crops are damaged need to intimate crop losses to bank/AIC to be eligible for claim ?

Ans : In case of "Area approach", the farmers need not intimate crop losses to bank/AIC. The crop losses if any or reduction in yield as compared to Guaranteed yield shall be reflected in Crop Estimation surveys and the shortfall in yield, if any shall be paid as claim through the Bank. In case of areas notified for experimentation of individual loss assessment, the farmer need to intimate the crop loss within 48 hours with the local revenue/ agriculture dept.

Q 19 : What are the essential requirements before a farmer becomes eligible for claim under the Scheme ?

Ans : The essential requirements are :

- ◆ The farmer should have availed a crop loan for the insured crop. In case of non-loanee farmer, he should have submitted a proposal for insurance with requisite premium.
- ◆ The proposal/crop insurance Declaration with accurate and complete particulars should have been sent to AIC by the Bank along with requisite premium.
- ◆ The State Govt. conducts requisite number of Crop Cutting Experiments for the insured crop in the insurance unit and submits the yield data to AIC within the prescribed date.
- ◆ The yield data so submitted by the State Govt. shows short fall as compared to the Guaranteed yield.

Q 20 :What are the benefits expected from the Scheme:

Ans : This 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.
- Provides 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.
- Streamline loss assessment procedures and help in building up huge and accurate statistical base for crop production.

**NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS)
(RASHTRIYA KRISHI BIMA YOJANA-RKBY)**

OBJECTIVES:

The objectives of the NAIS are as under:-

1. To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.
2. To encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology in Agriculture.
3. To help stabilise farm incomes, particularly in disaster years.

SALIENT FEATURES OF THE SCHEME:

1. CROPS COVERED:

The Crops in the following broad groups in respect of which i) the past yield data based on Crop Cutting Experiments (CCEs) is available for adequate number of years, and ii) requisite number of CCEs are conducted for estimating the yield during the proposed season:

- a. Food crops (Cereals, Millets & Pulses)
- b. Oilseeds
- c. Sugarcane, Cotton & Potato (Annual Commercial / annual Horticultural crops)

Other annual Commercial / annual Horticultural crops subject to availability of past Yield data will be covered in a period of three years. However, the crops which will be covered next year will have to be spelt before the close of preceding year.

2. STATES AND AREAS TO BE COVERED:

The Scheme extends to all States and Union Territories. The States / UTs opting for the Scheme would be required to take up all the crops identified for coverage in a given year.

Exit clause: The States / Union Territories once opting for the Scheme, will have to continue for a minimum period of three years.

3. FARMERS TO BE COVERED:

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

The Scheme covers following groups of farmers:

On a compulsory basis: All farmers growing notified crops and availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions i.e. Loanee Farmers.

On a voluntary basis: All other farmers growing notified crops (i.e., Non-Loanee farmers) who opt for the Scheme.

4. RISKS COVERED & EXCLUSIONS:

Comprehensive risk insurance will be 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.

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

5. SUM INSURED / LIMIT OF COVERAGE:

The Sum Insured (SI) may extend to the value of the threshold yield of the insured crop at the option of the insured farmers. However, a farmer may also insure his crop beyond value of threshold yield level upto 150% of average yield of notified area on payment of premium at commercial rates.

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

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

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

6. PREMIUM RATES:

S.No	Season	Crops	Premium rate
1	Kharif	Bajra & Oilseeds	3.5% of SI or Actuarial rate, whichever is less
		Other crops (cereals, other millets & pulses)	2.5% of SI or Actuarial rate, whichever is less
2	Rabi	Wheat	1.5% of SI or Actuarial rate, whichever is less
		Other crops (other cereals, millets, pulses & oilseeds)	2.0% of SI or Actuarial rate, whichever is less
3	Kharif & Rabi	Annual Commercial / annual Horticultural crops	Actuarial rates

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

7. PREMIUM SUBSIDY:

50% subsidy in premium is allowed in respect of Small & Marginal farmers, to be shared equally by the Government of India and State/UT Govt. The premium subsidy will be

phased out in a period of three to five years, subject to review of the financial results and the response of the farmers at the end of the first year of the implementation of the Scheme.

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

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

MARGINAL FARMER : A Cultivator with a land holding of 1 hectare or less (2.5 acres).

8. SHARING OF RISK:

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

- (c) **Food crops & Oilseeds:** Till complete transition to actuarial regime in a period of five years takes place, claims beyond 100% of premium will be borne by the Government. Thereafter, all normal claims, i.e., claims upto 150% of premium will be met by IA and claims beyond 150% shall be paid out of Corpus Fund for a period of three years. After this period of three years, claims upto 200% will be met by IA and above this ceiling, out of the Corpus Fund.
- (d) **Annual Commercial / annual Horticultural crops:** Implementing Agency shall bear all normal losses, i.e. claims upto 150% of premium in the first three years and 200% of premium thereafter subject to satisfactory claims experience. The claims beyond 150% of premium in the first three years and 200% of premium thereafter shall be paid out of Corpus Fund. However, the period of three years stipulated for this purpose will be reviewed on the basis of the financial results after the first year of implementation and the period will be extended to five years if considered necessary.

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

9. AREA APPROACH AND UNIT OF INSURANCE:

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

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

10. SEASONALITY DISCIPLINE:

(b) The broad seasonality discipline followed for Loanee farmers will be as under:

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

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

Kharif season : 31st July

Rabi season : 31st December

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

11. ESTIMATION OF CROP YIELD:

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

Crop Cutting Experiments (C.C.E.) shall be undertaken per unit area /per crop, on a sliding scale, as indicated below:

Sl.No.	UNIT AREA	Minimum number of C.C.E.s required to be done
1.	Taluka / Tehsil / Block	16
2.	Mandal / Phirka / any other smaller unit area comprising 8-10 villages	10
3.	Gram Panchayat comprising 4-5 villages	08

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

12. LEVELS OF INDEMNITY & THRESHOLD YIELD:

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

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

13. NATURE OF COVERAGE AND INDEMNITY:

If the Actual Yield (AY) per hectare of the insured crop for the defined area [on the basis of requisite number of Crop Cutting Experiments (CCEs)] in the insured season, falls short of the specified Threshold Yield (TY), all the insured farmers growing that crop in the defined area are deemed to have suffered shortfall in their yield. The Scheme seeks to provide coverage against such contingency.

Indemnity shall be calculated as per the following formula :

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

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

13A. INDEMNITY IN CASE OF LOCALISED RISKS:

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

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

14. PROCEDURE FOR APPROVAL & SETTLEMENT OF CLAIMS:

Once the Yield Data is received from the State/UT Govt. as per the prescribed cut-off dates, claims will be worked out and settled by IA. The claim cheques along with claim particulars will be released to the individual Nodal Banks. The Banks at the grass-root level, in turn, shall credit the accounts of the individual farmers and display the particulars of beneficiaries on their notice board.

In the context of localised phenomenon, viz., hailstorm, landslide, cyclone and flood, the IA shall evolve a procedure to estimate such losses at individual farmer level in consultation with DAC/ State / UT. Settlement of such claims will be on individual basis between IA and insured

15. FINANCIAL SUPPORT TOWARDS ADMINISTRATION & OPERATING (A&O) EXPENSES:

The A&O expenses would be shared equally by the Central Government & respective State Government on sunset basis [100% in 1st year, 80% in 2nd year, 60% in 3rd year, 40% in 4th year, 20% in 5th year and zero thereafter].

16. CORPUS FUND:

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

The Corpus Fund shall be managed by Implementing Agency (IA).

17. REINSURANCE COVER:

Efforts will be made by IA to obtain appropriate reinsurance cover for the proposed NAIS in the international Reinsurance market.

18. MANAGEMENT OF THE SCHEME, MONITORING AND REVIEW:

In respect of Loanee farmers, the Banks shall play the same role as under CCIS.

In respect of non-Loanee farmers, Banks shall collect the premium along with the Declarations and send it to IA within the prescribed time limits. However, in areas where IA has requisite infrastructure, a non-loanee farmer will have option to send premium along with Declaration, directly to IA within the time limits.

Selection of the Banks will be on the basis of Service Area Approach (SAA) of RBI or at the option of the Banks (where Co-operative Banks have good network). The Department of Agriculture, Agricultural Statistics, Directorate of Economics and Statistics, Department of Co-operation, Revenue Department of the State Government will be actively involved in smooth implementation of the Scheme.

The Scheme will be implemented in accordance with the operational modalities as worked out by IA, in consultation with Department of Agriculture & Co-operation (GOI).

During each crop season, the agricultural situation will be closely monitored in the implementing States / Union Territories. The State / UT Department of Agriculture and district administration shall set up a District Level Monitoring Committee (DLMC), who will provide fortnightly reports of Agricultural situation with details of area sown, seasonal weather conditions, pest incidence, stage of crop failure (if any) etc.

The operation of the Scheme will be reviewed annually, and modifications as may be required would be introduced. Periodic Appraisal Reports on the Scheme would be prepared by Ministry of Agriculture, the Government of India / Implementing Agency.

19. IMPLEMENTING AGENCY (IA):

An exclusive Organization would be set up in due course, for implementation of NAIS. Until such time as the new set up is created, the AIC of India will continue to function as the Implementing Agency.

20. 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 spill-over and multiplier effects in terms of maintaining production & employment, generation of market fees, taxes etc. and net accretion to economic growth.
- streamline loss assessment procedures and help in building up huge and accurate statistical base for crop production.

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