



IMPACT STUDY ON LIFE INSURANCE IN AGRICULTURE SECTOR IN INDIA

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ABSTRACT

Indian insurance market was nationalized in 1956 and Life Insurance Corporation of India (LIC) was set up. LIC of India enjoyed monopoly in Indian Insurance market for more than four decades. In 2000 the Insurance sector has liberalized and Insurance Development Regulatory Authority has set up. The private players are allowed to operate in collaboration with the foreign insurance companies. Initially the foreign Direct Investment in insurance sector was restricted to 26% which was lifted to 49% in 2012. After liberalization the private companies has been making waves. They have been penetrating their business more and more form year to year and has been increasing their market share and presence. The paper focuses the impact of insurance in agriculture field. The study will reflect the performance of insurance in agriculture field and what is the scheme,

Key Words: *Life Insurance in agriculture, Policy, Insurance premium,*

I. INTRODUCTION

Insurance is a forms of contract or agreement under which one part agrees in return for a consideration to pay an agreed amount of money to another party to make good for a loss, damage or injury, to something of value in which the insured has a pecuniary interest as a result of some uncertain event. The history and development of insurance in India can broadly divided into four periods like early periods, Pre-Nationalization period, Post-Nationalization period and Post-Liberalization period. The history of general insurance dated back to the industrial revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th Century. It comes to India as a legacy of British occupation. In 1914, the Government of India started publishing return of insurance companies in India. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about life and non-life business transacted in India by Indian and foreign insurers including provident Insurance societies. The first step towards nationalization of insurance was taken on January, 1956 by the promulgation of Life insurance (Emergency Provisions), Ordinance, 1956. In terms of this Ordinance, the management of the controlled business of insurers was vested in the Central Government. Before nationalization, the insurance industry was organized into 243 autonomous units, each with its own separate administrative structure of offices and field staff, its own separate set of agents and of medical examiners. Their offices concentrated in large cities and their field of operation was confined to the major urban areas. Out of 145, Indian insurance companies, as many as 103 had their head offices in four cities of Bombay, Calcutta, Delhi and Madras. When the corporation was constituted on 1 September, 1956, it integrated into one organization, the controlled business of 243 different units, Indian and foreign, which were engaged in the

transaction of life insurance business in India. An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. The LIC had monopoly till the late 1990s when the insurance sector was reopened to the private sector. The Congress Government (1991-1996) that introduced reforms in various sectors of the economy could not bring about a change in the insurance sector and it was left to the BJP-led coalition to instate the present liberal structure, despite criticism from some of its left support groups. The argument behind opening up of the sector was consumer-centric, which claimed that opening up insurance would give better products and services to consumers; the opponents of privatization argued that in poor country like India insurance needs to have social objectives and newcomers will not have that commitment although the insurance sector was opened to completion again in 1999-2000, it still has some way to go before we can gauge its true performance. Following the recommendations of the Malhotra committee report, in 1999, the insurance regulatory and development authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry..

II. OBJECTIVES

The present paper is an attempt to impact study on insurance for agriculture field. It will study the growth of number scheme for agriculture, The paper will also tell about the agriculture insurance what are schemes.

III. SIGNIFICANCE OF THE STUDY

➤ AGRICULTURE INSURANCE:

At present four crop Insurance schemes namely National Agricultural Insurance Scheme (NAIS), Pilot Modified National Agricultural Insurance Scheme (MNAIS), Pilot Weather Based Crop Insurance Scheme (WBCIS) and Pilot Coconut Palm Insurance Scheme (CPIS) is being implemented in the country. National Agricultural Insurance Scheme National Agricultural Insurance Scheme (NAIS) is the Government sponsored crop insurance scheme under implementation in the country since Rabi 1999-2000 season as part of risk management in agriculture with the objective of providing financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases. Agriculture Insurance Company of India (AIC)Ltd. is the Implementing Agency of the Scheme. The scheme is available to all the farmers – loanee and non-loanee both - irrespective of their size of holding. It envisages coverage of all the food crops (cereals, millets and pulses), oilseeds and annual commercial/horticultural crops, in respect of which past yield data is available for adequate number of years. The premium rates are 3.5% per cent (of sum insured) for bajra and oilseeds, 2.5% for other Kharif crops; 1.5% for wheat and 2% for other Rabi crops. In the case of commercial/horticultural crops, actuarial rates are being charged. At present small and marginal farmers are entitle to subsidy of 10% of the premium charged from them which is shared equally by Centre and State Governments. The scheme is operating on the basis of 'Area Approach' i.e. defined areas for each notified crops – block, tehsil, mandal, firka, circle, gram panchayat etc. Presently the scheme is implemented by 24 States and 2 Union Territories. During the last twenty five crop seasons (i.e. from Rabi 1999-2000 to Rabi 2011- 12), 1930 lakh farmers have been covered over an area of about 2919 lakh hectares insuring a sum amounting to about Rs 256065 crore under the scheme.



Claims to the tune of about Rs. 25001 crore have been paid /payable against the premium of about Rs. 7565 crore benefiting about 518 lakh farmers (up to Rabi 2011-12 seasons). Modified National Agricultural Insurance Scheme .To improve further and make the scheme easier & more farmer friendly, a Joint Group was constituted by GOI to study the existing crop insurance schemes. Based on the recommendations of the Joint Group and view/comments of various stakeholders, a proposal on Modified National Agricultural Insurance Scheme (MNAIS) was prepared which has been approved for implementation on pilot basis in 50 districts during the remaining period of 11th Plan from Rabi 2010-11.

THE SALIENT IMPROVEMENTS MADE IN MNAIS ARE AS UNDER:

- Actuarial premium with subsidy in premium ranging up to 75% to all farmers;
- Only upfront premium subsidy is shared by the Central and State Government on 50:50 basis and all claims liability is on the insurance Company.
- Unit area of insurance reduced to village/ village panchayat level for major crops.
- Indemnity for prevented sowing/planting risk and for post harvest losses due to cyclone (coastal areas);
- On account payment up to 25% of likely claims as immediate relief to farmers;
- Uniform seasonality discipline for loaned and non-loaned farmers;
- more proficient basis for calculation of threshold yield; and minimum indemnity level increased to 70% instead of earlier 60%;
- The scheme is compulsory for loaned farmers and voluntary for no loaned farmers;
- Participation of private sector insurers for creation of competitive environment for crop insurance.
- Setting up a catastrophic fund at the national level contributed by the central and the state government on 50:50 basis to provide protection to the insurance companies in the event of premium to claim ratio exceeds 1:5 at national level and failure to procure appropriate reinsurance cover at competitive rates;
- NAIS is withdrawn from those area(s)/crop(s) where MNAIS is implemented. The Scheme has been implemented in all the 50 districts during Rabi 2011-
- season and in 44 districts during Kharif 2012 and is being implemented in 35 districts during Rabi 2012-13. Since inception of the Pilot, 33.26 lakh farmers have been covered over an area of 36.27 lakh hectares insuring a sum amounting to Rs.8063.73 crore. The claims amounting to about Rs. 234.27 crores have become payable against the premium of about 824.38 crore benefiting about 2.29 lakh farmers (up to Kharif 2012 season).

➤ **Pilot Weather Based Crop Insurance Scheme (WBCIS) :**

With the objective to bring more farmers under the fold of Crop Insurance, a Pilot Weather Based Crop Insurance Scheme (WBCIS) was launched in 20 States (as announced in the Union Budget 2007). WBCIS aims to provide insurance protection to the farmers against adverse weather incidence, such as deficit and excess rainfall, high or low temperature, humidity etc. which are deemed to impact adversely the crop production. It has the advantage to settle the claims within shortest possible time. The WBCIS is based on actuarial rates of premium but to make the scheme attractive, premium actually charged from farmers are restricted at par with



NAIS. In addition to Agriculture Insurance Company of India Ltd. (AIC) private General Insurance Companies i.e. ICICI-Lombard, IFFCO-TOKIO, HDFCERGO and Cholamandalam MS Ltd. have also been allowed for implementation of the scheme. From Current Kharif 2013 season five more private insurance companies have also been allowed.

Since inception of the Pilot in Kharif 2007, 323.74 lakh farmers have been covered over an area of 450.31 lakh hectares insuring a sum amounting to Rs. 55813.40 crore. The claims amounting to about Rs. 2764.35 crores have become payable against the premium of about 5113.25 crore benefiting about 181.26 lakh farmers (up to Kharif 2012 season).

➤ **Pilot Coconut Palm Insurance Scheme (CPIS) :**

The Coconut Palm Insurance Scheme (CPIS) has also been approved for implementation on pilot basis from year 2009-10 in the selected areas of Andhra Pradesh, Goa, Karnataka, Kerala, Maharashtra, Orissa and Tamil Nadu. The Sum Insured (SI) is based on the average input cost of the plantation and the age of the specific plant which varies from Rs. 600 per palm (in the age group of 4-15 years) to Rs. 1150 per palm (in the age group of 16-60 years). The premium rate per palm ranges from Rs. 4.25 (in the age group of 4 to 15 years) to Rs. 5.75 (in the age group of 16 to 60 years). Fifty per cent of premium is contributed by GOI; 25% by the concerned State Govt. and the remaining 25% by the farmer. The Insurance Company i.e. Agriculture Insurance Company (AIC) of India Ltd. is the implementing agency of the scheme and responsible for making payment of all claims within a specified period. The CPIS is being administered by the Coconut Development Board (CDB). Since inception of the Pilot in 2009-10, 27.66 lakh farmers have been covered over an area of 0.25 lakh hectares insuring a sum amounting to Rs.269.53 crore. The claims amounting to about Rs. 1.53 crores have become payable against the premium of about 1.46 crore benefiting about 3385 growers.

The financial progress of the aforesaid schemes (from 11th Plan) is given as under:

National Agricultural Insurance Scheme (NAIS)

(Rs. in crore)

Year	B E.	R E.	Actual expenditure
2007-08	500.00	718.88	718.88
2008-09	644.00	694.00	694.00
2009-10	644.00	1419.00	1419.00
2010-11	950.00	2662.00	2660.00
2011-12	550.00	330.82	360.00
TOTAL XI Plan	3288.00	6324.70	5851.88
2012-13	400.00	700.00	700.00
2013-2014	1200.00		

Pilot Modified National Agricultural Insurance Scheme (MNAIS)



year	B E.	R E.	Actual expenditure
2010-11	-	50.00	25.00
2011-12	150.00	63.00	62.15
2012-13	80.00	195.00	194.18
2013-14	250.00		

Pilot Weather Based Crop Insurance Scheme (WBCIS)

Year	B E.	R E.	Actual expenditure
2007-08	-	69.19	69.19
2008-09	50.00	100.00	100.00
2009-10	50.00	120.00	120.00
2010-11	100.00	450.00	450.00
2011-12	450.00	631.18	631.18
TOTAL XI Plan	650.00	1300.37	1370.37
2012-13	655.00	655.00	655.00
2013-14	700.00		

Pilot Coconut Palm Insurance Scheme (CPIS)

Year	B E.	R E.	Actual expenditure
2009-10	-	1.00	0.10
2010-11	1.00	1.00	0.85
2011-12	1.00	1.00	1.00
TOTAL XI Plan	2.00	2.10	1.95
2012-13	1.00	0.50	0.50
2013-14	1.00		



IV. CONCLUSION

The insurance in agricultural field is very usefully to the farmer and how the schemes is suitable for the farmer and what are the schemes for agricultural, national agricultural schemes how it is Benefit . The Coconut Palm Insurance Scheme (CPIS) has also been approved for implementation on pilot basis from year 2009-10 in the selected areas of Andhra Pradesh, Goa, Karnataka, Kerala, Maharashtra, Orissa and Tamil Nadu. At present four crop Insurance schemes namely National Agricultural Insurance Scheme (NAIS), Pilot Modified National Agricultural Insurance Scheme (MNAIS) of risk management in agriculture with the objective of providing financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases. Agriculture Insurance Company of India (AIC).

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