

No. 13011/01/2008-Credit II  
Government of India  
Ministry of Agriculture  
Department of Agriculture & Cooperation  
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Krishi Bhavan, New Delhi  
Dated the 11<sup>th</sup> September, 2009

To

1. APC/Secretary (Agri.) of Government of Andhra Pradesh, Assam, Bihar, Chhatisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarkhand and West Bengal.
2. Shri Tarun Bajaj, Joint Secretary (Insurance & Banking), Department of Financial Services, Jeevandeep, Parliament Street, New Delhi - 110001
3. Chief General Manager, RPCD, RBI, Mumbai.
4. Managing Director, NABARD, Mumbai.
5. Director, Indian Meteorological Department, Mausam Bhavan, Lodhi Road, New Delhi.
6. Shri M. Prashad, CMD, Agriculture Insurance Company of India Ltd. (AIC), Ambadeep, 13<sup>th</sup> Floor, K.G. Marg, New Delhi-110001.
7. Shri Bhargav Das Gupta, MD & CEO, ICICI-Lombard General Insurance Company Ltd., Zeinth House, Keshavrao Khadye Marg, Opposite Race Course, Mahalakshmi, Mumbai – 400034.
8. Shri S. Narayanan, MD, IFFCO-Tokio General Insurance Company Ltd., IFFCO Tower, 5<sup>th</sup> Floor, Plot No. 3, Sector 29, Gurgaon – 122001.
9. Shri S.S. Gopalarathnam, MD, Cholamadalam MS General Insurance Company Ltd., Dare House, 2<sup>nd</sup> Floor, No. 2 NSC Bose Road, Chennai – 600001.

Subject: Implementation of Pilot Weather Based Crop Insurance Scheme (WBCIS)

during Rabi 2009-10 season – Administrative Instructions – regarding.

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Sir,

I am directed to refer to this Department's letter No. 13011/01/2008-Credit II dated 12<sup>th</sup> March, 2009 regarding implementation of Pilot Weather Based Crop Insurance Scheme (WBCIS) during Kharif 2009 and to state that Government of

India has decided to continue with implementation of Pilot WBCIS during Rabi 2009-10 season also, on existing pattern. The pilot is proposed to be implemented in twenty States namely Andhra Pradesh, Assam, Bihar, Chhatisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarkhand and West Bengal. Any addition/deletion of States may be considered by Government of India, based on willingness and level of preparedness of concerned State Government.

2. Proposed pilot aims to mitigate hardship of insured framers against likelihood of financial loss on account of anticipated crop loss resulting from incidence of adverse conditions of weather parameters like deficit or excess rainfall. Main features of WBCIS to be implemented in Rabi 2009-10 season, are as under:-

- i) In Rabi season, weather parameters like un-seasonal rain, temperature, frost, humidity etc. are some of the important parameters which affect adversely the crops.
- ii) The pilot will be applicable to major cereals, millets, pulses, oilseeds and commercial/horticultural crops grown during rabi season.
- iii) All farmers, both loanee and non-loanee, are eligible for coverage under the pilot. However, insurance will be compulsory for loanee, and optional for non-loanee farmers.
- iv) The pilot will be implemented by Agriculture Insurance Company of India Ltd. (AIC) and Private Insurance Companies i.e. ICICIC-Lombard General Insurance Company, IFFCO-TOKIO General Insurance Company & Cholamandalam MS General Insurance Company.
- v) All Insurance Companies (Public and Private) participating in pilot will be allowed to implement the same for loanee and non-loanee farmers.
- vi) Areas, where WBCIS will be implemented, will be notified.
- vii) NAIS will not be implemented for loanee farmers in areas where WBCIS is implemented. However, non-loanee farmers can choose between NAIS and WBCIS, and also insurance company.
- viii) Concerned States will earmark areas of implementation of the pilot to each implementing agency, for loanee farmers, keeping in view farmers' choice/

preference. M/s Cholamandalam MS General Insurance Company may be considered only in States of Tamil Nadu and Jharkhand, besides other implementing agencies.

- ix) Insurance companies will work out their products/schemes particularly in respect of charging premium rates, risk coverage, sum insured, payment of claims and premium subsidy and such other parameters, that Government of India may specify in accordance with guidelines to be issued from time to time, by Government of India and subject to the approval of IRDA.
- x) Maintaining maximum limit of sum insured broadly equivalent to cost of cultivation, non-loanee farmers will have flexibility to insure smaller amounts within maximum limit, but not less than 50% of maximum limit of sum insured.
- xi) Actuarial rates of premium would be worked out by insurance companies including AIC using Standard Premium Rating Methodology and rates are capped at 8% for food crops & oilseeds. Farmers will actually pay premium for food and oilseeds crops at par with existing rates of NAIS in Rabi season. Difference between actuarial rates and flat rates in respect of food and oilseed crops shall be shared by Central and State Government on 50 : 50 basis.
- xii) In case of annual commercial/horticultural crops, maximum cap of 6% on premium payable by farmers has been provided as given below :

<b>Sr. No.</b>	<b>Premium Slab</b>	<b>Subsidy by Central and State Government on 50 : 50 basis and premium payable by farmer</b>
1.	Upto 2%	No subsidy.
2.	> 2 - 5%	25% subsidy subject to minimum net premium of 2% payable by farmer.
3.	> 5 – 8 %	40% subsidy subject to minimum net premium of 3.75% payable by farmer
4.	> 8%	50% subsidy subject to minimum net premium of 4.8% and maximum net premium of 6% payable by farmers.

- xiii) In case of annual commercial/horticultural crops, cap of 12% on actuarial rates of premium will be applicable.
- xiv) To make risk coverage acceptable as per IRDA Regulations, Private Insurance Companies (ICICI-Lombard, IFFCO-Tokio and Chola MS) may draw funds (i.e. subsidy part of the premium) periodically from AIC and AIC in-turn will get reimbursement from Government of India and concerned State Government, subsequently.
- xv) All payable claims shall be the responsibility of insurance company concerned.

xvi) Private Insurance Companies will be entitled for same level of subsidy as applicable to AIC which would be routed through AIC.

3. Sample copies of the pilot are enclosed.
4. AIC and State Governments are advised to carry out conduct of requisite number of Crop Cutting Experiments (CCEs) in areas where WBCIS is implemented so as to make analytical study for assessing performance of Pilot Scheme visi-a-vis NAIS.
5. Operation of Pilot Scheme is to be monitored closely by concerned State and AIC so as to make an assessment for its effectiveness.
6. State Governments are requested to make necessary budgetary provision for meeting financial liability on account of premium subsidy payable to insurance companies through AIC.
7. State Governments, AIC and Private insurance companies i.e. ICICI-Lombard General Insurance Company, IFFCO-TOKIO General Insurance Company and Cholamandalam MS General Insurance Company) are required to take necessary action for the implementation of pilot WBCIS in Rabi 2009-10.
8. Receipt of this letter may kindly be acknowledged and action taken by State Government and insurance companies may please be intimated to this Department urgently.
9. This issues with approval of Integrated Finance Division vide Dy. No. 1749/AS & BA dated 29.7.2009.

Yours faithfully,

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(RAJENDRA KUMAR TIWARI)  
Joint Secretary to the Govt. of India.