7. Restructuring Crop Insurance Schemes

Prelims Syllabus: Agriculture, Ignorance, Subsidy, Marketing

Mains Syllabus: GS-III Issues related to direct and indirect farm subsidies and minimum support prices; Public Distribution System - objectives, functioning, limitations, revamping; issues of buffer stocks and food security; Technology Missions; Economics of Animal Rearing.

Why in News?

- Recently, the Union Cabinet has approved the revamp of the **Pradhan Mantri Fasal Bima Yojana (PMFBY)** and the **Restructured Weather Based Crop Insurance Scheme (RWBCIS)** which will be effective from 2020 Kharif season.

About Pradhan Mantri Fasal Bima Yojana (PMFBY):

- The Pradhan Mantri Fasal Bima Yojana was launched in 2016 and is being administered by the Ministry of Agriculture and Farmers Welfare.
- It provides a comprehensive insurance cover against the failure of the crop thus helping in stabilizing the income of the farmers.
- All food & oilseed crops and annual commercial/horticultural crops for which past yield data is available.
- The prescribed premium is 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In the case of annual commercial and horticultural crops, the premium is 5%.
- The scheme is implemented by empanelled general insurance companies. The selection of the Implementing Agency (IA) is done by the concerned State Government through bidding.

About Restructured Weather Based Crop Insurance Scheme:

- **Restructured Weather Based Crop Insurance Scheme** (RWBCIS) was launched in 2016 and is being administered by the **Ministry of Agriculture and Farmers Welfare.**
- It aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of **anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc.**
- WBCIS uses weather parameters as “proxy” for crop yields in compensating the cultivators for deemed crop losses.

What are the Key Changes Made?

- **Reduced Share of the Centre:**

- ✓ The Centre has slashed its share of the premium subsidy from the current 50% to just 25% in irrigated areas and 30% for unirrigated areas.
- ✓ Farmers pay a fixed share of the premium: 2% of the sum insured for Kharif crops, 1.5% for Rabi crops and 5% for cash crops.
- ✓ Currently, the Centre and State split the balance of the premium equally. However, the revamp now reduces the burden on the Centre and increases the share of States.
- ✓ Central Share in Premium Subsidy to be increased to 90% for North Eastern States from the existing sharing pattern of 50:50.

- **Voluntary Enrollment:**
  - ✓ The enrolment in these schemes has been made voluntary for all farmers, including those with existing crop loans.
  - ✓ When the PMFBY was launched in 2016, it was made mandatory for all farmers with crop loans to enroll for insurance cover under the scheme.
- **Flexibility to Select Risk Cover:**
  - ✓ It has also allowed states the flexibility to select varied additional risk covers, with or without opting for the base PMFBY cover.
  - ✓ Andhra Pradesh, West Bengal and Bihar had decided to exit the scheme citing high costs and the need to customise it based on geographical diversities.
- **Cut-off Dates for State to Release its Share:**
  - ✓ It has also introduced cut-off dates for states to release its share of premium subsidy.
  - ✓ If states don't release their share before March 31 for the Kharif season and September 30 for Rabi, they won't be allowed to implement the scheme.
  - ✓ Data shows a large number of states that participate in the scheme don't release their share on time, which leads to a delayed compensation paid to farmers.
- **Compulsory Serving Time Period for Insurance Firms:**
  - ✓ The government has made it compulsory for the States to allow crop insurance firms to operate for three years.
  - ✓ Currently, the tenders floated by the States are for one-year, two-year or three-year periods.

What are the Benefits?

- With these changes it is expected that farmers would be able to manage risk in agriculture production in a better way and will succeed in stabilizing the farm income.

- Further, it will increase coverage in north eastern region enabling farmers of NER to manage their agricultural risk in a better way.
- These changes will also enable quick and accurate yield estimation leading to faster claims settlement.