

REDUCTION OF PREMIUM OF PMFBY

Relevant for: Indian Economy | Topic: Agricultural Finance & Insurance

Ministry of Agriculture & Farmers Welfare

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Under Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS), the premium payable by farmers has been substantially reduced and simplified and there is one premium rate on pan-India basis for farmers which is maximum 1.5%, 2% and 5% of sum insured for Rabi, Kharif and annual horticultural / commercial crops, respectively.

Crop insurance is a major risk mitigation tool for the benefit of farmers. Insurance is all about spreading the risk over the period and over the area. Insurers save premium in good seasons/years and pay high claims, if any, in bad years from the savings made in the good years. As against the premium collected from farmers amounting to Rs.4216.04 crore in 2016-17, claims of Rs. 16279.25 crore have been paid to farmers. Similarly, claims of Rs.16967.92 crore have been paid during 2017-18 (Kharif 2017) against premium collected from farmers amounting to 3038.70 crore. Details of the premium received by insurance companies and claimed paid to the farmers during last three seasons is as under.

(Rs. in Crore)

Season	Gross Premium received	Farmers contribution in Gross Premium	T o t a l Claims
2016-17	22345.51	4216.04	16279.25
2017-18 (Kharif'17 only)	19767.46	3038.70	16967.92

In spite of overall good monsoon during first two years of implementation of PMFBY, the claim ratio during 2016-17 is about 73% and during Kharif 2017, it is about 86%. Moreover, administrative and other cost for insurance company for implementation of the scheme ranges from 10-12%. Moreover, administrative and other cost for insurance company for implementation of the scheme ranges from 10% to 12% of gross premium. Further, the farmers in most affected areas/States received higher claims and the claim ratio was high in these States viz. Kerala 210% and Karnataka-132%, during Kharif 2016, Tamil Nadu – 287% and Andhra Pradesh 159% during Rabi 2016-17. Similarly during Kharif 2017, the higher claim ratio is in the States of Chhattisgarh – 425%, Haryana – 201%, Madhya Pradesh – 135% and Odisha – 204%.

This information was given by Minister of State for Ministry of Agriculture & Farmers Welfare Shri Parshottam Rupala.

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