Pradhan Mantri Fasal Bima Yojana Brief Guidelines and FAQ's

What is the objective of implementation of PMFBY scheme?

PMFBY is a risk mitigation tools aims at providing financial support and stabilizing the income of farmers to ensure their continuance in farming. It covers the perils to the crops arising out of unforeseen events at all stages, i.e. from sowing to post harvest,. It also encourages the farmers to adopt the modern and innovative agriculture practices in order to have a stabilize income and sustainable production in agriculture sector.

Who are eligibly covered under this scheme?

All Farmer having insurable interest can be covered under these scheme including sharecroppers and tenant farmers. Further, Covered farmer are divided under 2 components:-

a. **Compulsory Components: -** Those farmers who are availing Seasonal Agricultural Operations Loan from the Financial Institutions would be covered compulsorily i.e. Loanee Farmers.
b. **Voluntarily Components: -** All those farmers who have not availed the SOA loans and having the insurable interest are covered under these optional components i.e. Non Loanee Farmers.

Scheme also aims a covering maximum farmers under SC/ ST/ and Women Farmers under both these components.

Which crop can be covered under this scheme?

a. Food Crops (Cereals, Millets and Pulses)
b. Oilseeds
c. Annual Commercial /Annual Horticulture Crops

What are the stages of crops and risk covered under this scheme?

Prevented Sowing/ Planting Risk: Prevented Sowing is a failure to sowing/ planting the insured crops due to deficit rainfall or adverse weather conditions. Any losses raises out of such conditions under prevented sowing are covered and payouts will be eligible only if more than 75% of area sown for notified crops remained unsown in that notified insurance unit.

Insurance Company liability would be limited to 25% of the sum insured and claim settlement within 30 days (Subject to receipt of Govt. share of premium subsidy) of state notification on having suffered prevented sowing losses with approx % of Area.

a. **Standing Crops (Sowing to Harvesting):** The comprehensive risk from Sowing of the plant to reaping the crops from the field. This scheme covers the yield losses that arises due to disasters alike conditions. Viz. Drought, Flood, Inundation, Pest and diseases, Hailstorm, Natural Fire Etc. All notified insurance units would be eligible for "On-Account" payment only if expected yield is likely to be less than 50% of threshold yield.

Joint committee of State Govt. will issue an order defining eligibility of On-Account payment with details of damaged insurance units based on proxy indicators within 15 days from such occurrences. Maximum On-Account payable would be 25% of likely claims.
Insurance company to settle On-account payment within one month of State notification and subject to receipt of loss report from State Govt. and on receipt of Govt. share of premium subsidy.

b. **Post Harvest Losses:** Post harvest is a stage of crop production immediately following harvest or cutting of the crops from its fields which are then kept in "cut and spread" conditions to dry in the ground field. Under these schemes the risk is covered up to a maximum period of 2 weeks from harvesting against specific perils of cyclone, cyclonic rains and unseasonal rainfall. Intimation within 48 hours by farmer directly to insurance company toll free number or either concerned bank or local agriculture department.
    a. Appointment of surveyors within 48 hours of intimation and the final survey report to be submitted within next 10 days.
    b. Duly filled claim form along with relevant land record document to be submitted to insurance company by farmer/ bank within 7 days of such occurrence.
    c. If the percentage of loss in the affected area under notified crop is more than 25 % of total insured area in a notified insurance unit, then all eligible farmers in the notified insurance units will be deemed for payment.
    d. If claim based on CCE is more than the claim of post harvest loss, difference in claim will be payable to farmers. If post harvest claim is higher, no recovery will be applicable from farmers.
    e. Insurance company to disburse the claim (Subject to receipt of Govt. share of premium subsidy) within 30 days of receipt of loss survey report.

c. **Localized Calamities:** Scheme also covers losses which arise due to localized risk such as hailstorm, landslide, Inundation in the notified area.
    a. Intimation within 48 hours by farmer directly to insurance company toll free number or either concerned bank or local agriculture department.
    b. Appointment of surveyors within 48 hours of intimation and the final survey report to be submitted within next 10 days.
    c. Duly filled claim form along with relevant land record document to be submitted to insurance company by farmer/ bank within 7 days of such occurrence.
    d. If the percentage of loss in the affected area under notified crop is more than 25 % of total insured area in a notified insurance unit, then all eligible farmers in the notified insurance units will be deemed for payment.
    e. If claim based on CCE is more than the claim of post harvest loss, difference in claim will be payable to farmers. If post harvest claim is higher, no recovery will be applicable from farmers.

f. Insurance company to disburse the claim (Subject to receipt of Govt. share of premium subsidy) within 30 days of receipt of loss survey report.

What are the Preconditions for implementation of this scheme?

a. State/ UT to conduct requisite number of Crop Cutting Experiments (CCEs) at notified insurance unit area on a sliding scale basis.
b. State/ UT to submit CCE based yield data to insurance companies within the prescribed time limits i.e. within one month from the date of final harvest.
c. State/ UT should facilitate strengthening of automatic weather station network for the purpose of on account payment settlement.
d. State/ UT to adopt modern technology for conduct of CCEs.

What are the Premium Rates charged under this scheme?

Actuarial premium rates to be charged under PMFBY scheme are as follow:-

a. For Kharif Crops, the maximum premium rates payable by the farmers is 2 % of Sum Insured or Actuarial premium rate whichever is less.
b. For Rabi Crops, the maximum premium rates payable by the farmers is 1.5 % of Sum Insured or Actuarial premium rate whichever is less.
c. For Kharif and Rabi Crops, the maximum premium rates payable by the farmers is 5 % of Sum Insured or Actuarial premium rate whichever is less.

What would be the Normal Premium subsidy ratio?

a. Difference between actuarial premium rate and farmer payable premium rate shall be treated as Normal premium subsidy rate, which shall be shared equally by Central and State Govt.\
b. However, the State/ UT Governments are free to extend additional subsidy over and above the stipulated subsidy from its budget

What is Sum Insured Limit for individual farmer?

Sum Insured for individual farmer is equal to scale of finance per hectare multiplied by area of notified crop by the farmers for insurance.

What are the indemnity levels under this scheme?

The level of indemnity under PMFBY scheme is defined at 3 levels: - 70% corresponding to High Risk, 80% to Moderate Risk and 90% to Low Risk. SLCCCI in consultation with Insurance Company approves the above indemnity level for notified crop and area.

What is the Seasonality Cut-off dates disciplines?

a. Post issuance of administrative instruction from Govt. Of India for implementation of PMFBY scheme. SLCCCI would conduct the meeting to finalize various terms and conditions on Notification of crops, Notified area, Scale of finance, Indemnity level etc., along with issuance of bid notice.
b. SLCCCI to issue notification and its circulation to all concern implementing agencies of their respective states at least one month in advance of the commencement of crop seasons i.e. For Kharif is March and Rabi is September.
c. Uploading of all requisite information of notification on the Crop Insurance portal (www.agri-insurance.gov.in) in co-ordination with State Govt. and selected implementing agency should be made available within one week from issuance of notification.
d. For Bankers, Loaning Period for covering of loanee farmers under compulsory components would be, for Kharif – April to July and Rabi – October to December.
e. For Bankers, Cut-off dates for receipt of proposal form/ debit of premium from farmers account for both Loanee and Non loanee farmers would be, for Kharif – 31st July and Rabi – 31st December.
f. For Insurance Companies, Cut-off dates for receipt of consolidated declaration/ proposal from Nodal bank/ Bank branches would be within 15 days for Loanee farmers and 7 days for Non loanee farmers from cut-off date of debit of premium from farmers account for Kharif and Rabi season respectively.
g. For Insurance companies, Cut-off dates for receipt of Proposal from designated Insurance Agent's would be within 7 days of receipt of declaration/ premium respectively.
h. For Banker and intermediaries, Cut-off dates for uploading of soft copy of individual insured farmers in crop insurance portal would be, within 15 days after cut-off date of collection of premium.
i. For State Govt. / UT, Cut-off dates for receipt of Yield data by Insurance Companies from State Govt./ UT would be, within one month from the date of final harvest.
j. For Insurance Companies, Cut-off dates for payment of final claims based on yield data would be, within three weeks from the receipt of yield data from the State Govt.
k. It may be noted that neither DAC & FW nor any State/ UT Government will be authorized to extend the cut-off dates of seasonality under any circumstance once it is fixed and notified.

What are the basic requirements of Insurers for pricing or to derive the premium rate?

a. The scheme shall operate on the principle of Area Approach in the selected define area called Insurance Unit (IU). State Govt. should notify the Insurance Unit to Village Panchayat or other equivalent units for Major Crops and unit size above the level of Village/ Village Panchayat for Minor Crops.

b. SLCCCI to provide at least past 10 years historical yield data based on insurance unit for Major and Minor Crops in a standard format within stipulated time.
c. Also furnish Insurance Unit wise Area sown of insured crops within two month from sowing period to insurance company.
d. Calamity years if any, declared in respect of any district/ area for that year to be provide to insurance company for calculation of premium rates.
e. Sum Insured per hectare for both loanee and non-loanee farmers will be same and equal to the Scale of Finance as decided by the District Level Technical Committee, and SLCCCI to pre declare and notify the same to Insurance companies.

What is the collection process of proposal and premium from farmers?

a. Loanee Farmer under Compulsory component – Financial institutions

Based on seasonality of Crops, banks should separately calculate the eligibility of loan amount for both Kharif and Rabi seasons based on the scale of Finance and declared acreage of individual loanee farmer under notified crops and shall be taken into consideration for compulsory coverage.

Crop loan under Kisan Credit Cards (KCC) are also covered under compulsory coverage through banks and shall maintain all records relating to compliance with these scheme.

Nodal Bank system currently operating for NAIS/ NCIP will continue for PMFBY for collection of proposal and premium from loanee farmer.

Individual bank branches for Commercial Banks/ RRBs shall act as Nodal branch. Necessary guidelines to concerned bank branches will be governed by concerned Lead bank and Regional offices/ Administrative offices of commercial banks/ RRBs.

Declaration submitted by Nodal banks/ Branches shall contain details about Insurance Unit, sum insured per unit, premium per unit, total area insured, and category of farmers covered (small and marginal or other) and number of farmers under other categories (SC/ ST/ others) / Women along with their bank account details etc. (bank / their branches) as per the format envisaged / provided in the crop insurance portal.

The bank branches of commercial banks/ RRBs will directly submit the consolidated proposals along with details of insured farmers in the format envisaged in the crop insurance portal within the stipulated time.

Nodal Banks/ Intermediaries to collect the list of individual farmers with requisite details like Farmer name, Bank A/c No, Village, Category of farmers, Acreages, Crop, Sum Insured, Premium Collected, Govt. Subsidy etc., from concerned branches in soft copy and send the same to insurance company along with declaration within 15 days of final cut-off dates.

b. Non Loanee Farmer under Optional component - Channel partner/ Intermediaries

All those farmers who have not availed the SOA loans and having the insurable interest can be covered simply by visiting to nearest commercial bank or Regional Rural Bank (RRB) or PACS (DCCB) branch. Bank official will assist and guide the farmers related to filling of the proposal form, relevant documents, Sum insured and applicable premium Etc. Operating a bank account is essential for such cases. Bank branch will submit the details to their Nodal bank which in turn submit the prescribed declaration format along with premium remittance details to insurance company.

All those farmers who have not availed the SOA loans and having the insurable interest can also be covered simply by filling the proposal form and relevant documents with requisite premium amount and can submit the same to approved and designated by IRDA, Intermediaries.

Designated intermediaries to verify the insurable interest and relevant document pertaining to Land Record, 7/ 12 Extract or Record of Land Rights, Sowing Certificate, ID Proof, Bank Passbook, Cancelled Cheque – Only if required Photo id not available in bank passbook and applicable contract/ agreement in case of sharecroppers or tenants. Intermediaries to collect and submit the requisite premium and remit individual/ consolidated premium to insurance company, accompanied by individual proposal forms and summary details in Declarations/ Listing sheet (MIS), provide soft copy to IA and details of each insured farmer and will also upload the data directly to the crop insurance portal.

c. **Non Loanee Farmer under Optional component – Directly to Insurance Companies**

   Non loanee farmers having insurable interest can send the proposal form through Post to insurance companies Or can also avail insurance through insurance companies Online portal or through Crop Insurance portal with requisite premium and relevant document i.e. Land record or applicable Agreement/ Contract in case of sharecroppers or tenants.

   Insurance companies retain the right to accept or reject the insurance proposal. Premium will be refunded by insurance companies within 1 month of receipt of proposal, if any proposals are rejected.

d. **Option for Changes in Crop**

   For any reason if a farmer changes the crop planned earlier, the farmer need to intimate to insurance company at least 30 days before the final cut-off date for buying the insurance, either through financial institution/ Channel partner/ intermediary/ directly, along with sowing certificate and difference in premium payable, if any.

How the assessment of claim is done?

a. If the Actual yield per hectare of insured crops for the insurance unit (calculated on the basis of requisite no. of CCEs) in insured season falls short of specified Threshold yield, all insured farmer in that defined area and crop are deemed to have suffered shortfall in yield.

'Claim' shall be calculated as per the following formula:

(Threshold Yield - Actual Yield)

——————————————— X Sum Insured

Threshold Yield

Where,

b. Threshold yield is the average yield of past seven years (excluding a maximum of two calamity year(s) as notified by State Government/ UT) multiplied by applicable indemnity level for that crop.
c. Settlement of claim to the farmers would commence once premium subsidy from Central and State/ UT Govt. have been received for the season by insurance company.
d. After receiving the claim amount from concerned insurance companies, the financial institution/ banks should remit the claim amount to beneficiaries farmer account within 1 week and should display the complete details of beneficiaries at branch offices within 7 days and send the report to insurance companies along with utilization certificate for verification and audit.
e. In case of farmers covered through voluntary basis i.e. Intermediaries, payable claim will be directly credited into individual farmer accounts with an intimation of claim details by insurance company.
f. At least 5% of beneficiaries to be audited by Regional/ Local Offices of insurance companies and feedback will be shared to concerned DLMC offices and SLCCCI offices.
g. At least 10% of beneficiaries audited by insurance companies may be cross verified by concerned DLMC authorities and send the report to State Govt.
h. At least 1 to 2% of beneficiaries may be verified by Head offices of insurance company/ Independent agencies appointed by Central Govt. / NLMC and send the report to Central Government

What are the Commission and Bank charges?

Bank and other financial institutions etc. shall be paid service charges @ 4% of the premium collected from farmers. Rural agents engaged in providing insurance related services to farmers may be paid appropriate commission as decided by the insurance company, subject to cap prescribed under IRDA regulations.

Is service tax applicable under this scheme?

PMFBY is a replacement scheme of NAIS/MNAIS, and hence exempted from Service Tax.