

Chapter-3: Implementation of schemes

3.1 Introduction

The crop insurance schemes were framed to provide insurance cover to the farming community against yield losses. These schemes were to be implemented in the States through the IAs (AIC and private insurance companies) and Bank/FIs operating in the respective States. Review of the implementation of these schemes in the nine selected states revealed the following.

3.2 Non-maintenance of database of farmers

As per the operational modalities of the schemes, IAs were not required to deal with all the loan disbursing branches (Banks and FIs). Instead, they were required to deal with designated nodal points of the Bank/FIs. The disbursing branches were required to submit consolidated statements to their nodal points who in turn were to submit the same to IAs. Under NAIS guidelines, the IAs were only required to provide returns/statistics to GOI (and not the states). Audit observed that IAs did not provide periodic (monthly or quarterly) returns on NAIS to the Governments. Instead statistical data to support their claims were furnished at the time of requirement of funds. No separate requirements regarding furnishing of periodic returns/statistics were issued under MNAIS and WBCIS till they were integrated under NCIP. Thereafter (i.e., from *Rabi season* 2013-14), IAs were required to furnish monthly progress returns/statistics or any information demanded by the governments. The NCIP guidelines also stipulated that IAs were required to obtain and upload comprehensive detailed of insured farmers on their websites. Audit, however, did not observe any instance of IAs either furnishing monthly progress reports/statistics to the governments even under the NCIP or uploading details of insured farmers on their websites. Audit also did not observe any instance where DAC&FW or AIC verified and analysed the statistical data at the time of release of funds.

It is, therefore, evident that in the absence of requirement even under the guidelines, neither the Governments nor the IAs had any role in maintaining the data of beneficiaries (farmer-wise, crop-wise and area-wise) and were wholly dependent on the information provided by the loan disbursing branches in consolidated format. Consequently, GOI and the state governments were not

in a position to ensure that ₹ 10,617.41 crore released as premium subsidy under NAIS, MNAIS and WBCIS and ₹ 21,989.24 crore released as claim reimbursement under NAIS, during the period covered in audit, reached the intended beneficiaries or achieved the intended purposes.

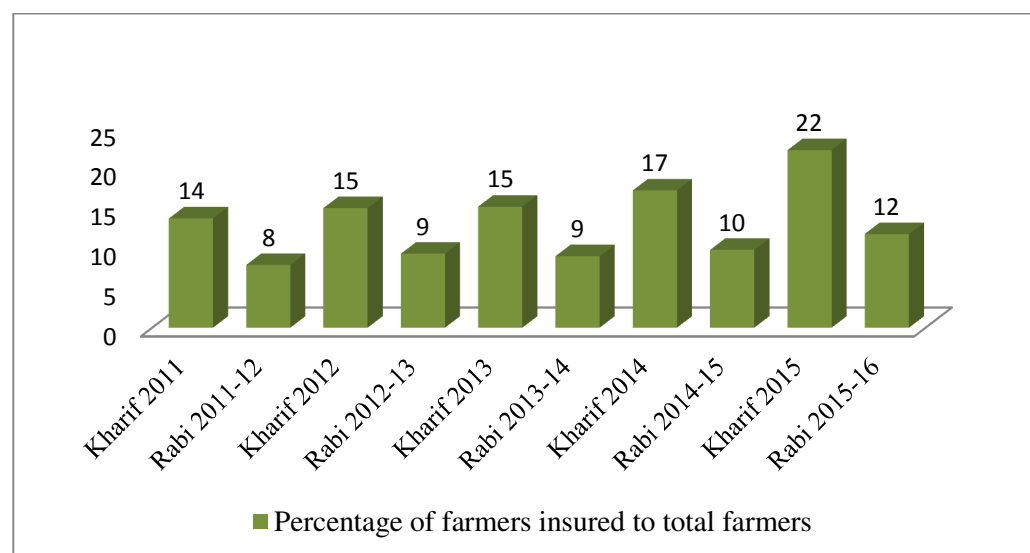
DAC&FW admitted (December 2016) that beneficiary data is not available with them or the IAs and that the same are maintained by the banks. DAC&FW however stated that this shortcoming is being addressed under the newly launched PMFBY and re-structured WBCIS.

3.3 Coverage of farmers

3.3.1 The guidelines¹⁷ provide for insurance coverage for all farmers growing notified crops in notified areas. **Annex-II (a), II (b) and II (c)** provide details of NAIS, MNAIS and WBCIS respectively in respect of all implementing States from the *Kharif season 2011 to Rabi season 2015-16*.

3.3.2 **Chart 2** below shows percentage coverage of farmers under all the crop insurance schemes as compared to total number of farmers (13.83 crore) throughout the country (based on the Census of 2011) during *Kharif season 2011 to Rabi season 2015-16*.

Chart 2: Coverage of farmers under the schemes as compared to Census 2011



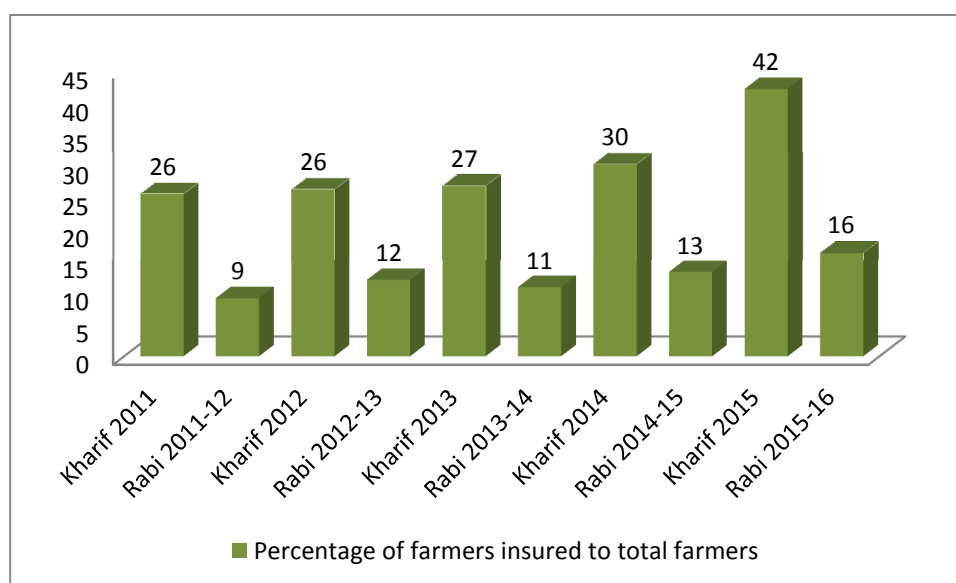
From the chart, it can be seen that total number of farmers covered under insurance schemes was low as compared to the total number of farmers as per Census 2011. Percentage coverage of farmers ranged from 14 *per cent* to 22

¹⁷ Clause 3(b) of the NAIS guidelines and Clause 5(4) of NCIP guidelines

per cent for crops covered under *Kharif season* and ranged from 8 per cent to 12 per cent in case of crops covered under *Rabi season*.

3.3.3. Chart 3 below shows percentage coverage of farmers in nine selected states under all the crop insurance schemes as compared to total number of farmers (4.86 crore) based on the Census of 2011 during *Kharif season* 2011 to *Rabi season* 2015-16.

Chart 3: Coverage of farmers under the schemes in selected states as compared to Census 2011



From the chart, it can be seen that total number of farmers covered under insurance schemes as compared to the total number of farmers as per Census 2011 ranged from 26 per cent to 42 per cent for crops covered under *Kharif season* and ranged from 9 per cent to 16 per cent in the case of crops covered under *Rabi season*.

Further analysis in selected states revealed that while the coverage of the farmers was low in **Assam**, ranging from 0.54 per cent to 1.34 per cent of total farmers (27.20 lakh as per Census 2011), the coverage of farmers was high in **Rajasthan** which ranged from 45.17 per cent to 95.39 per cent of total farmers (68.88 lakh as per Census 2011).

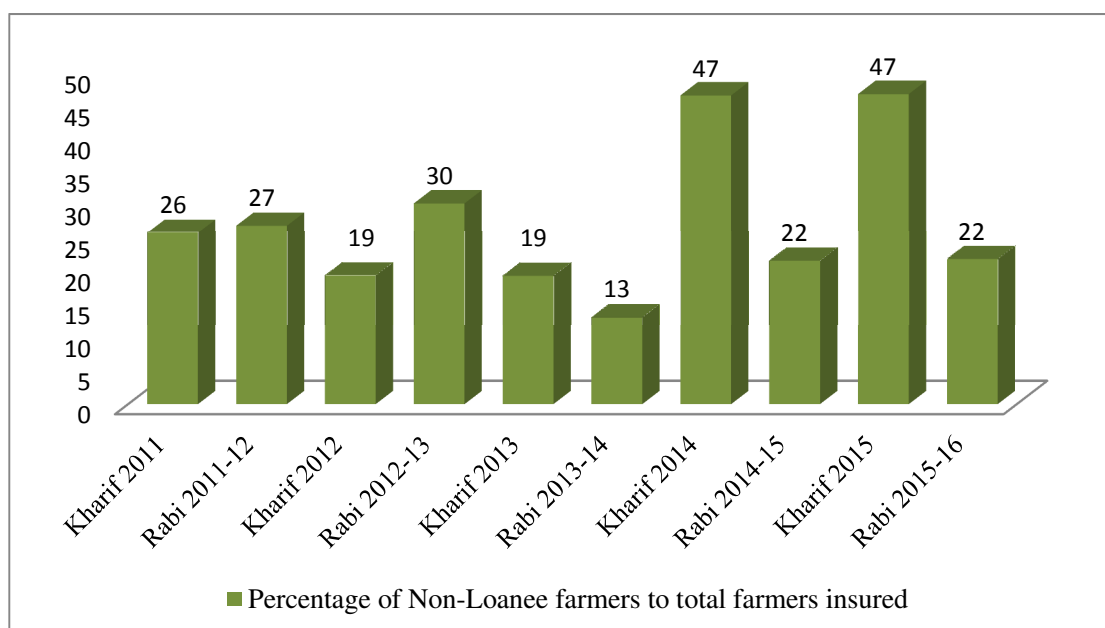
DAC&FW and state governments are required to analyse the reasons for low coverage of farmers in the insurance schemes as well as wide variations in coverage of farmers in implementing states. Audit noticed that even though GOI and the state governments were providing insurance premium subsidy to

farmers (and in the case of NAIS, meeting the entire insurance claim liabilities) there was no appreciable increase in the numbers of farmers opting for insurance schemes¹⁸. Some of the factors attributable to low coverage of farmers as observed in Audit are lack of awareness about the schemes among the farming community, and delays in settlement of claims to farmers as discussed in subsequent paragraphs.

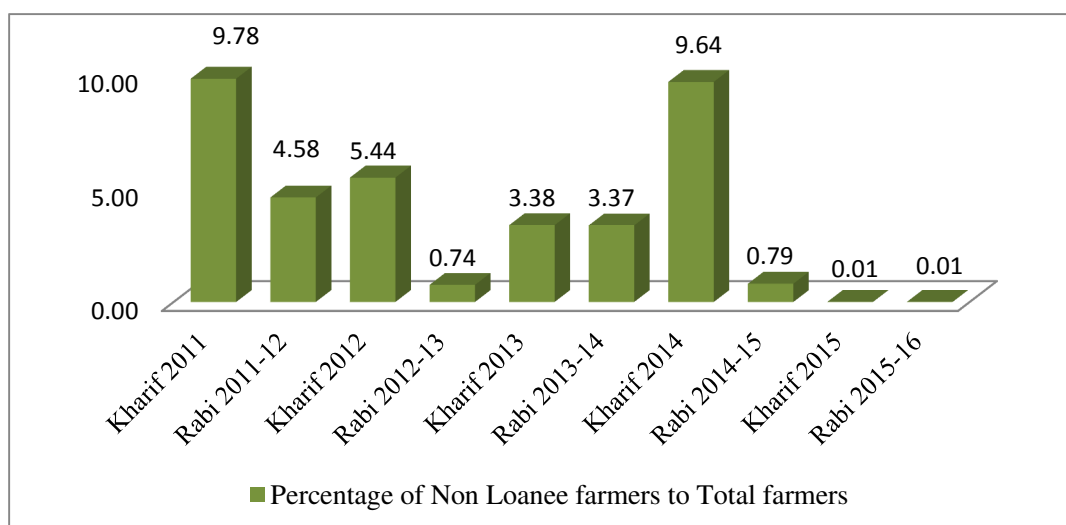
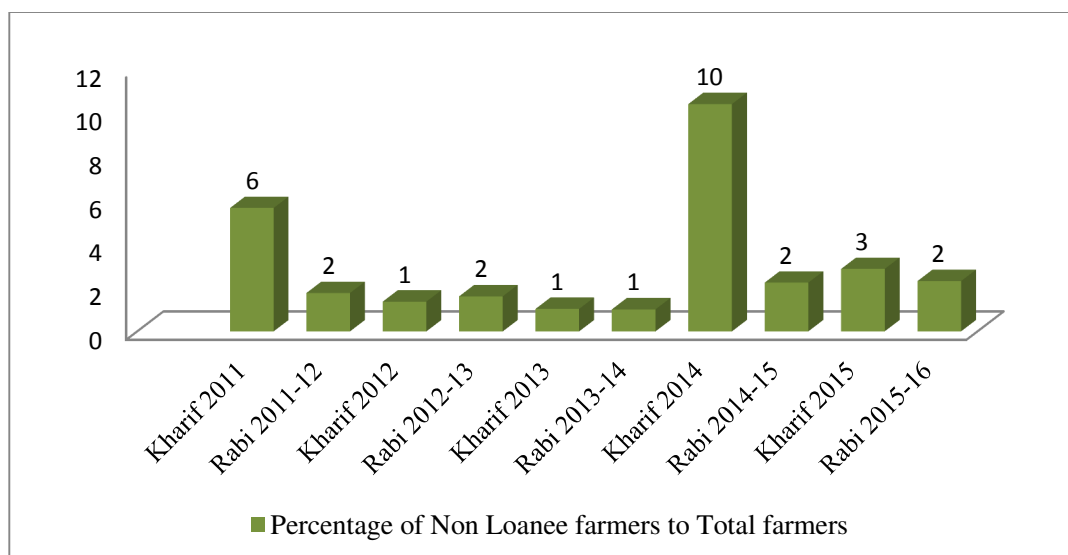
3.3.4 Crop insurance schemes are compulsory for the loanee farmers and optional for non-loanee farmers. **Annex-III** contains scheme-wise/season-wise details of coverage of non-loanee farmers during *Kharif season* 2011 to *Rabi season* 2015-16.

Audit observed that more non-loanee farmers opted for NAIS (ranging from 13 per cent to 47 per cent) than for MNAIS (ranging from 0.01 per cent to 9.78 per cent) or for WBCIS (ranging from 1 per cent to 10 per cent) as depicted in the **Charts** below:

Chart 4: Coverage of non-loanee farmers under NAIS



¹⁸ Ranging from 1.89 crore to 3.07 crore farmers for the *Kharif seasons*; and from 1.08 crore to 1.61 crore farmers for the *Rabi seasons* in respect of all implementing states.

Chart 5: Coverage of non-loanee farmers under MNAIS**Chart 6: Coverage of non-loanee farmers under WBCIS**

3.3.5 Details of coverage of non-loanee farmers as compared to the total number of farmers insured in the selected nine states during *Kharif season* 2011 to *Rabi season* 2015-16 in respect of all the three schemes is given in **Annex-IV**.

From the Annex-IV, it can be seen that percentage of non-loanee farmers opting for NAIS ranged from 28 per cent to 95 per cent of the total insured farmers. Percentage of non-loanee farmers opting for MNAIS ranged from 0 per cent to 5 per cent and for WBCIS ranged from 1 per cent to 10 per cent of the total insured farmers. Further analysis of data provided by DAC&FW revealed that in case of NAIS, the maximum percentage of non-loanee farmers

to the total insured farmers was 1.44 *per cent* in case of **Haryana** and whereas in case of **Maharashtra**¹⁹, all the farmers covered under the scheme were non-loanees. It was also noticed that percentage increase in coverage of farmers from *Kharif season* 2013 to *Kharif season* 2015 was 555 *per cent* and percentage increase in coverage of farmers from *Rabi season* 2013-14 to *Rabi season* 2015-16 was 1329 *per cent*.

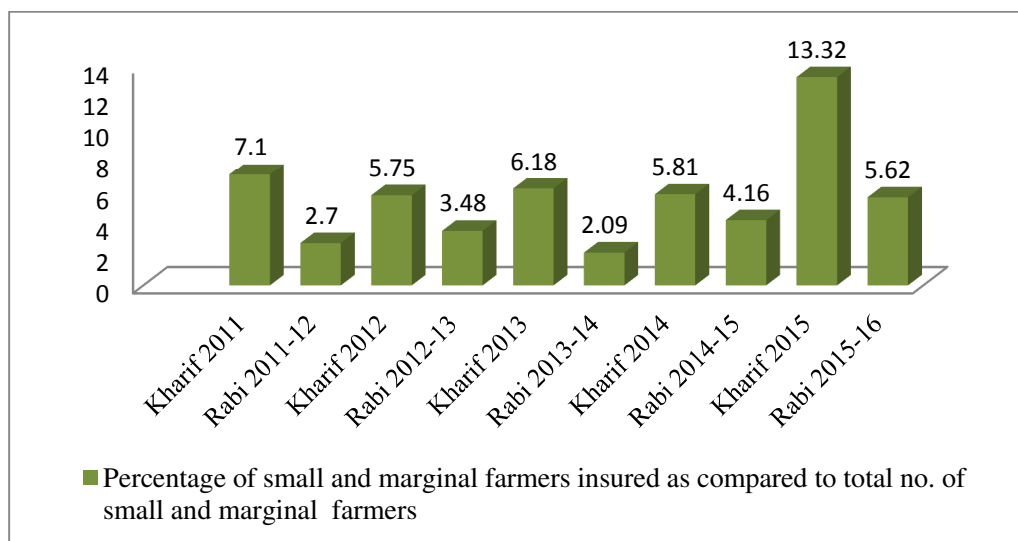
DAC&FW needs to analyse the reasons for low coverage of non-loanee farmers in MNAIS and WBCIS. DAC&FW also needs to analyse the huge increase in coverage of farmers in Maharashtra in case of NAIS.

Audit has noticed that even though the Governments were providing insurance premium subsidy to farmers, the number of non-loanee farmers opting for MNAIS and WBCIS was very low. Some of the important reasons for low coverage of farmers may be due to (i) lack of awareness among the farming community as has been observed during survey carried out by audit in selected Districts and (ii) delay in settlement of claims to farmers as discussed in the subsequent paragraphs.

3.3.6 MNAIS and WBCIS provide premium subsidy for all categories of farmers equally, unlike NAIS which provides subsidy to small and marginal farmers alone. Consequently, data on small and marginal farmers is available only under NAIS. Audit examination revealed that though as per Census 2011, the small and marginal farmers (11.76 crore) constituted 85 *per cent* of the total number of farmers (13.83 crore), the coverage of small and marginal farmers under NAIS was very low and ranged between 2.09 *per cent* to 13.32 *per cent* of the total number of small and marginal farmers as detailed in the **Chart 7**.

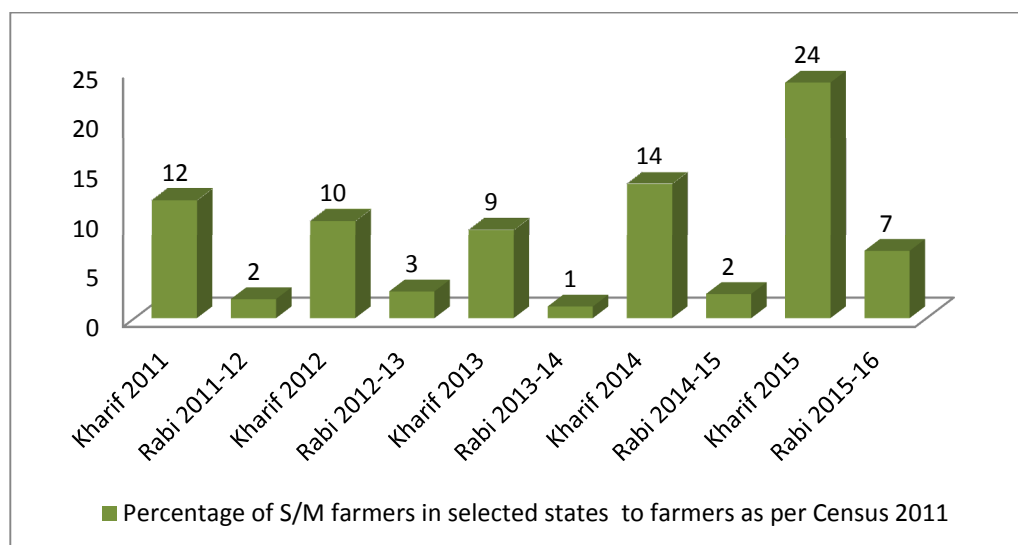
¹⁹ All the farmers insured under NAIS were categorised as 'Non-loanee' farmers, as the Bombay High Court had decided (June 2006) that the coverage of loanee farmers will not be compulsory as envisaged in the scheme guidelines.

Chart 7: Coverage of small and marginal farmers under NAIS as compared to Census 2011



3.3.7 Audit examination revealed that though as per Census 2011, the small and marginal farmers (4.04 crore) constituted 83 *per cent* of the total number of farmers (4.86 crore) of the selected states, the coverage of small and marginal farmers under NAIS was low and ranged between one *per cent* to 24 *per cent* of the total number of small and marginal farmers as detailed in the **Chart** below:

Chart 8: Coverage of small and marginal farmers in selected states under NAIS as compared to Census 2011



DAC&FW is required to analyse the reasons for low coverage of small and medium farmers in the insurance schemes.

3.3.8 The guidelines²⁰ provide for insurance to sharecroppers and tenant farmers. However, Audit observed that since no such details were maintained by the state governments, it was not possible to verify whether the benefits of the scheme were extended to this category. DAC&FW is required to introduce a mechanism to identify and include this category also under the schemes.

3.3.9 Between 2011-12 and 2015-16, DAC&FW allocated and released ₹ 2,381.33 crore specifically for coverage of SC and ST farmers under these schemes. However, AIC did not maintain separate data on financial support to these categories. Similarly, AIC did not maintain data on women farmers under the schemes even though the NCIP guidelines of 2013-14 required special efforts to ensure maximum coverage of SC/ST and women category of farmers, and DAC&FW had asked AIC (December 2011) to maintain such information.

DAC&FW stated (December 2016) that under the recently launched PMFBY, real-time category-wise data would be available on the Crop Insurance Portal²¹.

3.3.10 AIC was the only implementing agency for NAIS. As per the guidelines, the sum insured may extend to the value of the threshold yield of the insured crop at the option of the insured farmer. A farmer may also insure his crop beyond value of threshold yield upto the value of 150 *per cent* of the average yield of notified area on payment of premium at commercial rate. In case of loanee farmers, the sum insured would be at least equal to the crop loan advanced.

As per the data made available by AIC, covering the period from *Kharif season* 2012 to *Rabi season* 2015-16 (as on 14 January 2017) it was noticed that 94.58 to 98.67 *per cent* of the total farmers insured had opted for sum insured

²⁰ Clause 3 of NAIS and clause 5 of NCIP guidelines

²¹ Crop Insurance Portal developed by DAC&FW to integrate all concerned stakeholders (especially states, banks & insurance companies) on single IT platform

equivalent to loan amount as detailed below:

Table 5: Statement showing sum insured wise details of farmers

Season	Where sum insured is equal to loan amount	Where sum insured is equal to 150 % of TY	Where sum insured is more than 150 % of TY	No. of farmers	Percentage of col. 2 to col 5
	(numbers in thousands)				
1	2	3	4	5	6
Kharif 2012	10,577	192	4	10,773	98.18
Rabi 2012-13	6,144	412	33	6,590	93.24
Kharif 2013	9,745	75	6	9,827	99.17
Rabi 2013-14	3,974	84	19	4,076	97.48
Kharif 2014	9,683	166	613	10,462	92.56
Rabi 2014-15	7,010	176	1	7,187	97.53
Kharif 2015	20,676	88	390	21,154	97.74
Rabi 2015-16	6,611	167	2	6,780	97.51
Total	74,419	1,360	1,069	76,848	96.84

This indicates that either the loanee farmers were intent on covering the loan amount only (in which case, the scheme acted more as loan insurance than as crop insurance) or were not aware or were not informed appropriately by loan disbursing Bank/FIs about the full provisions of the scheme.

3.4 Adoption of defined area/unit area of insurance

Agriculture in India is varied, diversified and prone to a variety of risks. Problems of asymmetry of information are more pronounced in crop insurance than in other forms of insurance. Schemes based on the area approach were introduced in the 1980s in response to such problems²². Consequently, the crops insurance schemes covered during the period of audit required the state governments to notify the smallest possible units as defined areas preferably village or village panchayat. Based on the area approach, all the farmers in the defined area get indemnified if the actual yield of the defined area shows a shortfall when compared to the threshold yield which is calculated based on

²² Report of the Committee to Review the Implementation of Crop Insurance Schemes in India (May 2014)

previous years' crop yields. Audit however observed that, excepting **Odisha** where gram panchayat were defined as the unit area for paddy crop w.e.f. Rabi 2010-11, in all other selected states, districts or cluster of districts or blocks continued as units of insurance. DAC&FW replied to Audit (December 2016) that state governments, who were responsible for notifying the insurance unit area, had been unable to do so, but that, under the new scheme of PMFBY, it is compulsory for states to notify village/village panchayat as insurance unit for major crops in the State.

3.5 Delay in issue of notifications by state governments

The scheme guidelines require the state governments, to notify, at least one month in advance of the commencement of each season, the crops and area covered and also nominate the concerned insurance company. Audit however, observed delays of up to 132 days, 136 days and 171 days in case of NAIS, MNAIS and WBCIS respectively in issue of such notifications by the nine selected states, as per details given in **Annex-V**.

DAC&FW admitted (January 2017) the delays, but stated that these were due to administrative reasons and the participation of the farmers was not affected. The reply is not acceptable. Scheme benefits can only be given on loans taken for notified crops in notified areas. In the absence of notification, Bank/FIs would be unaware of which crops and areas would be covered and which insurance company is nominated for a specific area. In the absence of this information, it is likely that the Bank/FIs would insure both notified and non-notified crops/areas with insurance companies of their choice (and not necessarily the nominated insurance company). On the other hand, such undue delays could result in adverse selection in the case of non-loanee farmers, where the farmers approaches the nominated insurance companies at an advanced stage, after knowing the actual status of his standing crop, leading to the insurance companies not accepting the proposal. DAC&FW is required to examine how, in these circumstances, state governments ensure that the benefits of the schemes are extended to the intended beneficiaries.

3.6 Deprivation of benefits to farmers due to delayed submissions of declarations by the Bank/FIs

The guidelines of the crop insurance schemes require Bank/FIs to adhere to the cut-off dates notified by the state governments for submission of insurance

proposals; liability for declarations received after the cut-off dates rests with the Bank/FIs and not IAs.

Audit observed instances in six out of the nine selected states relating to AIC, where Bank/FIs submitted the declarations after the cut-off dates or provided deficient information to AIC, resulting in the rejection of proposals. Such negligence by Bank/FIs resulted in denial of insurance cover to farmers, during the period of audit, as detailed in **Table** below.

Table 6: Details of farmers deprived of insurance schemes

S. No.	State	Number of farmers deprived of insurance schemes	Premium collected (₹ in crore)
1.	Assam	2,578	0.24
2.	Gujarat	10,882	1.49
3.	Haryana	974	0.59
4.	Maharashtra	NA	0.48
5.	Odisha	8,469	2.46
6.	Rajasthan	12,748	2.10
	Total	35,651	7.36

3.7 Crop Cutting Experiments

As per the crop insurance schemes guidelines, the state governments are to plan and conduct the requisite number of Crop Cutting Experiments (CCEs)²³ for all notified crops in the notified areas in order to assess crop yield. Further, the yield data is also to be provided to Implementing Agencies (IAs) by the concerned state governments to assess the insurance claims payable to the farmers of the notified area. If the Actual Yield (AY) of the insured crop (on the basis of requisite number of CCEs) falls short of specified Threshold Yield (TY), all the farmers growing that crop in the notified areas are deemed to have suffered shortfall in their yield and are compensated accordingly. CCEs are therefore, of critical importance to assess the basis on which the insured farmers are being compensated. Scheme guidelines require state governments to maintain a single series of CCEs for both crop production and crop insurance.

Audit scrutiny of records relating to CCEs revealed instances of conducting lesser CCEs than required under the guidelines, non-monitoring of CCEs by the Agriculture departments of the states, casual manner of filling up details of

²³ Simplest and commonly used methods of estimation of crop production where certain predefined areas are randomly selected and harvested to arrive at yield.

CCEs in the prescribed formats, delay in submission of yield data by the state governments, etc. Since the calculation of losses suffered by the farmers due to crop failures, as envisaged in the schemes, are dependent upon CCEs, there are possibilities of wrong estimation of crop losses, which in turn will affect the quantum of insurance claims payable to farmers and may also lead to rejection of claims by the Implementing Agencies when the requisite numbers of CCEs have not been conducted in the notified areas.

Some of the State specific shortcomings are discussed in **Annex-VI**.

A few interesting case studies bringing out the lacunae in CCEs and their impact on farmers are highlighted below:

Case Study-Assam

A total of 740 farmers were insured for ₹ 231.35 lakh for summer paddy 2014-15 in the Dhemaji, Karbi Anglong and Hailakandi districts of **Assam**. As per the CCEs report published by the Directorate of Economics and Statistics (a department responsible for conducting and monitoring the CCEs in the State) the Actual Yield (AY) of summer paddy was 1,024, 1,544 and 1,766 Kgs/Hectare as against Threshold Yield (TY) was 1,535, 1,742 and 1,786 Kgs/Hectare for these districts. As a result the farmers of these districts were entitled for insurance compensation. However, it was noticed that AIC had considered the TY of summer paddy as 902, 1,153 and 1,536 Kgs/Hectare based on the details provided by the Directorate of Agriculture and consequently, did not consider the farmers to be entitled for insurance compensation. The Directorate of Economics and Statistics stated (January 2017) that the initial data supplied to the Directorate of Agriculture was provisional and the CCE report contained final data. Failure of the Directorate of Agriculture to provide updated data to AIC resulted in denial of insurance compensation to the farmers of these districts.

Case Study-Odisha

The Government of **Odisha** furnished yield data for the *Kharif season* 2015 only in August 2016 (against the due date of March 2016). Consequently, the settlement of claims in respect of 21.53 lakh farmers in 30 districts for the above season was finalized and paid in November 2016 only, by which time two seasons (*Rabi season* 2015-16 and *Kharif season* 2016) had passed and sowing under *Rabi season* 2016-17 had started.

3.8 Functioning of Automatic Weather Stations

WBCIS insures farmers against losses to crops resulting from adverse weather conditions. For loss estimations, a Reference Unit Area (RUA)²⁴ is linked to a Reference Weather Station (RWS)²⁵ for the specified area. RWS are identified by the SLCCCI out of available Automatic Weather Stations (AWS). The guidelines stipulate that all the equipment, weather sensors, etc., of the RWS should be of standard specifications, installed properly and calibrated regularly as per the guidelines of World Meteorological Organization (WMO)/India Meteorological Department (IMD). The guidelines also provide for certification of weather station equipments, exposure conditions, maintenance, and data quality by an accreditation agency, who may randomly visit some of the weather stations from time to time.

Test check of records relating to **Andhra Pradesh, Assam, Maharashtra, Rajasthan** and **Telengana** revealed the following deficiencies in the working of RWSs:

- a) Department of Agriculture stated that all RWSs (257) are functional but admitted that due to non-receipt of funds, monitoring of RWSs could not be done. It is not clear as to how the accuracy of weather data provided by these RWSs have been ensured. (**Assam**)
- b) Audit observed that contrary to the directions of GOI, none of the RWSs in test checked blocks in Udaipur and Jhalawar districts were installed at ground level. In Alwar district, only four out of 133 RWS were installed at ground level. Thus, the reliability and accuracy of data collected by these RWSs could not be ensured. (**Rajasthan**)
- c) Joint physical verification by Audit and departmental authorities in Daryapur taluka revealed that RWSs were not installed at the addresses indicated in two revenue circles. (**Maharashtra**)
- d) The effectiveness of WBCIS can be ensured only by enhancing the density of RWSs network. GOI guidelines (November 2013) stipulate that, where rain fall and wind conditions are to be checked, the RUA shall be restricted to 10 KM radius around the RWS. Audit, however, noticed that in Alwar and Jhalawar districts, only two RWSs were

²⁴ Reference Unit Area is a specified area notified by the State Government for the coverage under WBCIS.

²⁵ Reference Weather Station is weather data provider for a specific Reference Unit Area.

installed at each tehsil level from 2011 to 2013. Thereafter, the State Government installed, one RWS for every *Girdawar* circle²⁶. However, no records for selection of place for these RWSs were maintained. This indicates the density of RWSs was very poor from 2011 to 2013. Though the density improved to some extent after 2013, no records of installation of RWS were available with the state government. **(Rajasthan)**

e) Two of the selected states could not furnish any document regarding certification of AWSs equipment provided by third party data provider, which was required to be accredited under the NCIP guidelines. **(Maharashtra and Rajasthan)**

f) The guidelines stipulate that AWS be away from transmission lines. Audit observed that 72 AWSs out of total 96 in YSR Kadapa district were located in electrical substation premises and hence were not away from transmission lines. **(Andhra Pradesh)**

g) Four AWS in Mahbubnagar and Nizamabad districts were located in electrical substation premises and hence were not away from transmission lines. **(Telangana)**

Photographs of some of the deficiencies relating to RWSs noticed in Audit are given below:



AWS (11724), Dumpalgattu, Kajipet Mandal, Kadapa district (Andhra Pradesh) located near Dumpalgattu electric substation



AWS (11717), Ramapur, Duvvur Mandal, Kadapa district (Andhra Pradesh) located near Chintakunta electric substation

3.9 Delay in providing weather data to Agriculture Department

Para 8.5.1 of the NCIP guidelines for WBCIS provides that the State Government may notify the Reference Unit Area (RUA), Reference Weather

²⁶ Girdawar circle (a unit of land revenue circle) comprising of a number of patwari circles

Station (RWS) and back up Weather Stations. All claims shall be settled based on data recorded by the RWS. Further, State Agriculture Department, being a nodal agency may include such conditions, as it may deem appropriate to ensure proper implementation of the scheme.

Government of **Maharashtra** through a Government Resolution (September 2014) stipulated that the weather data received by the insurance companies from the third party data provider should be sent every week to the Department of Horticulture (DoH) for uploading on its website.

Audit noticed that insurance companies neither collected weather data every week from data provider nor submitted them weekly to DoH under WBCIS (Horticulture) during 2014-15. Test check of records of TATA AIG General Insurance Company Ltd., revealed that weather data of district Ahmednagar for the period from November 2014 to February 2015 (4 months) was collected from the data provider (NCML, Hyderabad) on 24 July 2015 and the same was forwarded to DoH with a delay ranging between 19 to 34 weeks, in violation of the Government Resolution. State Government stated (January 2017) that all the insurance companies will be instructed to publish the data on its website within stipulated time.

3.10 Area insured in excess of area sown

3.10.1 The guidelines stipulate that the loans given for unsown areas will not be covered by the scheme. The farmer will not be entitled to receive compensation merely because the Bank/FIs have disbursed the loans or (in the case of non-loanee farmers) proposals have been submitted. The state government is required to closely monitor the status during the crop season, through District Level Monitoring Committees (DLMC).

Test check in Audit in **Andhra Pradesh, Maharashtra, Odisha and Telangana** revealed that the insured area exceeded the sown area by 17.33 lakh hectares in 12 districts during 2011-12 and 2015-16 as detailed in **Annex-VII**. On verification of records available with AIC, Audit noticed that Area Correction Factor (ACF)²⁷ was applied in case of Nizamabad and Mehbubnagar districts of **Telangana** and claims of the farmers were reduced by ₹ 10.13 crore. In the case of **Maharashtra** and **Odisha**, AIC stated

²⁷ Area Correction Factor is arrived at by dividing the area sown by the area insured for a given unit area, and applied on the claim amount in order to scale it down. As a result, the claims of all the farmers in a unit area are scaled down uniformly.

(February 2017) that ACF was not applied due to the fact that (i) actual area sown figures were based on eye estimation and non-availability of details of actual sown area for the notified crops in the notified area in case of Maharashtra, and (ii) the State Government of Odisha did not agree with the quality of area sown data provided by the State's Directorate of Economics and Statistics. Thus, the integrity of the data provided by the state governments and used by AIC was not ensured.

3.10.2 Audit also noticed that the Government of **Rajasthan**, during *Rabi season 2013-14, Kharif season 2014, Kharif season 2015 and Rabi season 2015-16*, issued notifications of crop insurance in selected districts in favour of different insurance companies with the condition that the claims would be settled based on the crop area reported in *Girdawari* (a report of crop production which is conducted three to four months after sowing time) despite knowing that the same does not include the sowing failed down area (area in which seeds do not grow for various reasons). Due to failure of crops in the four districts, the insurance companies applied ACF without concurrence of the state and reduced the sown area by 2.27 lakh hectares for 3.89 lakh benefited farmers. This resulted in a loss of ₹ 31.27 crore to the loanee farmers on account of insurance claims. In addition, these farmers also suffered a loss of ₹ 8.68 crore on account of additional premium paid for 'sowing failed down area' without any insurance coverage as the premium amount paid by the farmers was not refunded. Although, the action of insurance companies was in accordance to the government's own instructions regarding use of *Girdawari*, the same was in violation of the operational guidelines of NCIP which says that the risk period (*i.e.*, insurance period) would be from sowing period to maturity of the crop.

3.10.3 The discrepancy in insured area in excess of sown area indicates that while collecting premium from the farmers by the Bank/FIs it was not ensured that the farmers had actually sown the declared crops for which they availed the crop loan implying thereby that atleast some insurance was for the loan and not for the crop. This could also result in payment of claims twice or thrice for same crop during same season. Illustrative case studies are given below:

Case Study-Maharashtra

In **Maharashtra**, test check of records of Taluka Agriculture Officer (TAO), Parli in district Beed, revealed that for the *Kharif season 2015*, out of cultivable area of 66,042 ha, area sown was 51,397 ha whereas area insured was 1,11,615 ha. Thus, area insured exceeded cultivable area by 45,573 ha (69 per cent of area under cultivation) and area sown by 60,218 ha (117 per cent of area sown). This indicates the possibility of double insurance being taken. On cross verification of claim payments made by three banks (State Bank of India, Beed District Central Co-operative Bank and Bank of Maharashtra) in Parli taluka, it was observed that claims were paid to farmers (₹ 26.72 lakh to 125 farmers in Saradgaon and ₹ 2.15 lakh to four farmers in Dharmapuri) twice or thrice for same crop for the *Kharif season 2015*. Audit noted that State Bank of Hyderabad, Parli branch intimated (June 2016) 88 cases of double insurance claim amounting to ₹ 27.58 lakh to District Collector, Beed.

The TAO, Parli replied (August 2016) to Audit that though the sowing area report is maintained by TAO, data regarding number of farmers and area insured are maintained by the bank and insurance company. The Lead District Manager (LDM), Beed stated that the bank acts as a convener only and complaints received by bank are redirected to the District Collector for suitable action. The reply was silent on the issue of payment paid to farmers based on dual claims.

The State Government accepted the facts and stated that sown area is based on eye estimates and therefore, not reliable. In order to avoid issue of duplicate/multiple claim payment, it intends to make use of Aadhaar card compulsory at the proposal stage. It also added that claims of ₹ 57.67 crore payable through Beed District Central Cooperative Bank, have been returned to AIC.

Case Study-Gujarat

As there were discrepancies in area sown and area insured during *Kharif season 2011*, the SLCCCI in **Gujarat** inserted a provision of submitting Sowing Declaration Certificate by the farmers in the notification for *Kharif season 2012*. The provision, however, was withdrawn by the State Government for the *Kharif season 2012* without the consent of SLCCCI. AIC had noticed huge discrepancies in area sown and area insured in 16 notified talukas involving two crops in *Kharif season 2011* and 48 notified talukas in *Kharif season 2012* in the area insured and the area actually sown under NAIS at the time of settling of claims.

3.11 Status of claims

3.11.1 NAIS guidelines provided for working out of claims for each notified area once the data is received from the state governments as per cut off dates. Funds needed for payment of claims were to be provided by GOI and state governments, and the claim amount was to be released to nodal points of Bank/FIs for onward credit to the accounts of individual farmers. On the other hand, NCIP guidelines provided for settlement of claims by the Implementing Agencies (IAs) within 45 days of receipt of Government subsidy for insurance premium and receipt of yield/weather data from state governments.

3.11.2 Audit noticed that claims amounting to ₹ 7,010 crore (NAIS), ₹ 332.45 crore (MNAIS), and ₹ 999.28 crore (WBCIS) were pending as on August 2016 as per the details mentioned in **Annex-VIII**. DAC&FW stated (January 2017) that generally the claims were pending due to non-receipt of premium share of state governments, litigations, verification of claims by state governments, reconciliation and booking errors, etc.

3.11.3 Scrutiny of records of AIC revealed that during 2011-16, five out of the nine selected states took more than the prescribed time of 45 days with delays of up to 1,069 days in processing claims as per details given below:

Table 7: Age wise delay in processing of claims

State	Scheme	Number of seasons	Delays (in days)
Andhra Pradesh	NAIS	9	99 to 1069
	MNAIS	7	99 to 689
Assam	NAIS	5	109 to 352
	MNAIS	4	111 to 235
Odisha	NAIS	6	115 to 810
	MNAIS	3	26 to 81
Rajasthan	MNAIS	4	3 to 122
	WBCIS	3	24 to 144
Telengana	NAIS	1	144
	MNAIS	1	192

AIC stated (October 2016) that the claims are settled subject to receipt of premium subsidy and share in claims (in case of NAIS) from both GOI and state governments. There were gaps in the weather data which were to be filled up by getting the data from backup weather stations especially from

government agencies. There was also delay in providing notified sown data by state governments and the banks also delayed in providing the clarifications to the queries. Further, consent of state governments was sought for applying the area reduction factor in case of NAIS. But the fact remains that the farmers were denied timely benefit of insurance claims in these cases. DAC&FW is required to incorporate measures to ensure that all stakeholders responsible for implementation of the schemes adhere to the prescribed timelines so that the benefits of the schemes reach the farming community in time.

3.12 Deficiencies in the performance of Bank/FIs

The schemes guidelines prescribe that Bank/FIs shall receive individual proposal from farmers seeking coverage, scrutinize the proposals, accept premium, consolidate the proposals and route them through their designated nodal point within the prescribed cut-off dates. The concerned branch of Bank/FIs are required to verify the land records, particulars of acreage/number of trees, sum insured etc., and also ensure that the cultivator is not deprived of any benefit under the schemes due to errors/omissions/commission on their part and in case of such errors, the concerned institutions shall make good all such losses.

Audit scrutiny of records of selected states revealed instances where Implementing Agencies rejected the claims of farmers due to deficiencies in submission of proposals by the Bank/FIs (₹ 37.01 crore); delays of up to 249 days by Bank/FIs in remittance of compensation claims to the bank accounts of farmers (₹ 443.05 crore); non-remittance of compensation claims by Bank/FIs to the accounts of beneficiaries even though the IAs have transferred the funds (₹ 2.54 crore), etc. Details of such deficiencies are given in **Annex-IX**. Illustrative case studies detected in Audit are discussed below:

Case Study-Odisha

In **Odisha**, due to errors and omissions committed by the nodal points of Banks, the insurance claims for ₹ 2.12 crore in respect of 1,186 farmers were not settled by the AIC between *Kharif season 2010 to Kharif season 2014* even after two to six years, despite entitlement. However, even the State Government has not ordered the defaulting Banks to settle the claims from their own sources as per scheme guidelines.

Case Study-Odisha

In Mundapadar GP of Balangir district of **Odisha**, Utkal Gramya Bank (UGB) forwarded the insurance proposals of 414 non-loanee farmers under NAIS for *Kharif season* 2011 to AIC only in October 2011 against the cut-off date of 31 August 2011. Consequently, AIC did not accept the declarations, and the farmers who subsequently faced crop loss of ₹ 66.93 lakh were denied compensation. Though State Government directed (February 2013) UGB to compensate the farmers from its own resources, UGB has failed to do so till date.

Case Study -Odisha

In **Odisha**, during *Kharif season* 2011, non-loanee farmers were eligible for coverage under NAIS and WBCIS. It was noticed in audit that 1,366 non-loanee farmers of Titilagarh in Balangir district submitted proposals for insurance under NAIS to Indian Overseas Bank, Punjab National Bank and Utkal Gramya Bank (UGB). These Banks erroneously categorised the proposals under WBCIS (which was not covered under the scheme notified by the state government) and sent them to AIC, which rejected subsequent claims for reimbursement of crop losses. Based on the findings of a fact finding committee, the state government ordered (February 2013) Banks to make good the losses to the farmers from their own resources. However, till date, the Banks have not compensated the farmers.

Case Study Maharashtra

In four districts (Amravati, Ahmednagar, Beed and Yavatmal) of **Maharashtra**, crop insurance claims worth ₹ 72.49 crore under NAIS/WBCIS (*Kharif-2014/2015*) were retained by nine banks and not credited to farmers' account due to various reasons such as accounts not traceable, errors in account numbers, heavy work-load with the banks etc. Audit scrutiny further noticed that though Yavatmal District Central Co-operative (YDCC) Bank had submitted UC in May 2016 certifying that the entire claim amount of ₹ 101.31 crore received under NAIS (*Kharif season* 2015) had been credited into the farmers' accounts, ₹ 98.88 lakh was lying un-disbursed in its Pusad branch.

3.13 Deficiencies in the performance of insurance companies

3.13.1 As per NCIP guidelines, the empanelled insurance companies are required to educate the cultivators about the scheme features. In the event of any crop loss, the insurance companies are required to settle the claims within a specified number of days. They are also to ensure that insured farmers are not deprived of any benefit under the schemes due to errors of omissions/ commission and if any, the concerned agents/ insurance company shall make good all such losses. Deficiencies noticed during test check in audit relating to performance of IAs are discussed below:

➤ Scrutiny of records revealed that ICICI Lombard General Insurance Company Limited obtained proposals from 21,875 non-loanee farmers in **Rajasthan** during *Rabi season* 2012-13 and collected premium of ₹ 2.35 crore from the farmers. Subsequently, the Insurance Company rejected the insurance proposal of 14,753 farmers due to inadequacy of relevant documents, but did not refund the premium of ₹ 1.46 crore to these farmers (September 2016). No action has been initiated by the State Government to get the amount of premium of ₹ 1.46 crore refunded to the non-loanee farmers.

➤ As per para 25.4 (ii) of WBCIS, implementing agencies are required to open a separate account for maintaining all transactions under the scheme. Audit noticed that the private insurance companies in **Haryana and Maharashtra** did not maintain any such accounts. The insurance companies stated (September 2016) that no such requirement was raised by State/ Central Government. The reply is not acceptable in view of the scheme guidelines.

3.13.2 NCIP guidelines stipulate that empanelled insurance companies are liable to be de-empanelled, if their performance is found to be below par. In the cases mentioned below, Audit found instances of inaction by DAC&FW despite sub-par performances by empanelled insurance companies.

➤ In **Rajasthan**, the performance of HDFC Ergo General Insurance Company Limited was declared by the State Government to be below par for the last seven crop seasons by the end of *Kharif season* 2014. However, DAC&FW has not acted on the recommendation of the State Government to de-empanel the insurance company.

➤ In **Haryana**, the following insurance companies failed to perform any work despite selection: (i) ICICI Lombard General Insurance Company Limited for WBCIS in Rewari district during *Rabi season* 2012-13

(ii) Reliance General Insurance Company Limited for WBCIS in Karnal district for *Rabi* and *Kharif season* 2014-15 and (iii) Bajaj Allianz General Insurance Company Limited for WBCIS in Rewari district for *Rabi* and *Kharif season* 2014-15. However, the State Government did not initiate any action to de-empanel these companies, since it was under the impression that it had no powers to do so.

3.14 Incorrect selection of insurance companies

WBCIS guidelines require SLCCIs to weigh and select the lowest bids received from empanelled insurance companies for insurance of notified crops within the district. The weighted premium for all notified crops in the district for the season was to be calculated by multiplying the percentage premium rate quoted, the area sown, and the sum insured.

Audit examination of such selection revealed, however, that for the *Kharif* and *Rabi seasons* of 2014-15 and 2015-16 (four seasons), the Agriculture Department of **Rajasthan** had wrongly evaluated the bids by taking the percentage of premium as an absolute figure (without taking it as percentage of sum insured) and multiplied it with area sown to estimate the lowest bidder (L1) of specific crops. This skewed the determination of L1 leading to higher insurance premium in respect of three districts (based on actual area insured) as illustrated in **Table-8**.

Table 8: Financial impact of wrong selection of insurance companies

Year	District	L1 as determined by Agriculture department	L1 as per scheme	Financial impact of wrong selection (₹ in crore)
2014-15	Karakul	IFFCO	ICICI-Lombard	0.17
	Sirohi	ICICI-Lombard	HDFC Ergo	1.28
2015-16	Dausa	Bajaj Allianz	AIC	1.13
Total impact				2.58

The State Government stated (December 2016) that the guidelines of NCIP and the letters issued by the State Agriculture department for inviting premium rates mentioned that the weighted premium would be calculated based on premium and area sown.

The reply is not acceptable as the instructions of the State Government were at variance with scheme guidelines.

Conclusions:

In the absence of requirement under the guidelines, neither the governments (GOI and state governments) nor IAs have any role in maintaining databases of beneficiaries (farmer-wise, crop-wise and area-wise) under any of the schemes despite substantial financial contribution by way of premium subsidy and claim liability. Consequently, they were wholly dependent on the information furnished in consolidated format by loan disbursing branches of Banks/FI. Coverage of farmers under the schemes was very low compared to the population of farmers as per Census 2011. Further, coverage of non-loanee farmers was negligible. No data of sharecroppers and tenant farmers was maintained despite the fact that the guideline provided for their coverage under the schemes. Though the budget allocation included specific provisions for coverage of SC/ST category, no data of such coverage and utilisation of funds for this category was maintained. It was noticed that 97 *per cent* of the farmers had opted for sum insured equivalent to loan amount under NAIS indicating that either the loanee farmers were intent on covering the loan amount only (in which case, the scheme acted more as loan insurance than as crop insurance) or were not aware or were not informed appropriately by loan disbursing Bank/FIs about the full provisions of the scheme. Even though the schemes provided for notifying the lowest possible unit of defined area, only **Odisha** has achieved this by defining the village as the unit for paddy crop w.e.f. Rabi 2010-11. Deficiencies were noticed in CCEs and weather data. There were discrepancies in the data relating to area sown and area insured. Further, the integrity of the data provided by the state governments in this respect and used by AIC was not ensured. There were delays in issue of notifications, receipt of declarations from Bank/FIs within cut-off dates, delays in receipt of yield data from state governments, delay in processing of claims by IAs, and irregularities in disbursement of claims by Bank/FIs to farmers' accounts.

Recommendations

- i. GOI and state governments should maintain/have access to comprehensive databases of beneficiary farmers for the purpose of monitoring and more effective implementation of insurance schemes to ensure that the benefits of the schemes have reached intended beneficiaries.
- ii. DAC&FW should take effective measures to ensure that large number of farmers are brought under the schemes, and more non-loanee farmers are encouraged to participate in the schemes.
- iii. State governments should be encouraged to adopt the village as the defined area for insurance, so that the schemes are appropriately targeted at the farming community.
- iv. DAC&FW and the state governments need to provide a reliable mechanism to ensure that the details of actual area sown are accurate as the amount of insurance claims payable to the affected farmers is dependent on this.
- v. DAC&FW should introduce measures (through use of technology where feasible) for more accurate assessment of crop yields.
- vi. DAC&FW should take more effective measures to ensure that Banks/FIs adhere to the timelines specified in the scheme guidelines.