

GOVERNMENT OF INDIA
MINISTRY OF AGRICULTURE AND FARMERS WELFARE
DEPARTMENT OF AGRICULTURE AND FARMERS WELFARE

RAJYA SABHA
UNSTARRED QUESTION NO-1797
TO BE ANSWERED ON 04/08/2023

INSURANCE COMPANIES UNDER PMFBY

1797 DR. SASMIT PATRA:

Will the Minister of AGRICULTURE AND FARMERS WELFARE be pleased to state:

- (a) in what manner the insurance companies under Pradhan Mantri Fasal Bima Yojana (PMFBY) are empanelled;
- (b) the details of irregularities filed against insurance companies under PMFBY, the status of such irregularities and whether the same have been resolved, the details thereof yearwise and insurance company-wise; and
- (c) the total premium retained by insurance companies after payout to farmers under PMFBY, during the last five years, year-wise and insurance company-wise?

ANSWER

MINISTER OF AGRICULTURE AND FARMERS WELFARE

(SHRI NARENDRA SINGH TOMAR)

(a): The Operational Guidelines of the Pradhan Mantri Fasal Bima Yojana (PMFBY) provides criteria for empanelment of insurance companies. The Insurance Companies mainly engaged in agriculture/rural insurance business and having adequate experience, infrastructure, financial strength and operational capabilities are empanelled by the Department of Agriculture and Farmers Welfare (DA & FW) for implementation of PMFBY and Restructured Weather Based Crop Insurance Scheme (RWBCIS). Once Insurance Company has been empanelled by DA & FW, it is considered as pre-qualified company to bid for the selection of Implementing Agency (IA) to undertake implementation of the crop insurance Scheme/Programme of DA & FW. However, selection of the company as implementing agency in the State is made by the concerned State Government through bidding process. At present, total 20 insurance companies, which includes all the 5 Public Sector General Insurance Companies and 17 Private Sector General Insurance Companies, have been empanelled for implementation of PMFBY in the country.

(b): All the major work relating to the assessment of crop yield/crop loss for calculation of admissible claims selection of insurance company etc. are being performed by the concerned State Government or Joint Committee of State Government officials and concerned insurance company. However, during implementation of the PMFBY, some complaints against insurance companies about non-payment and delayed payment of claims; under payment of claims on account of incorrect/delayed submission of insurance proposals by banks; discrepancy in yield data & consequent disputes between State Government and insurance companies, delay in

providing State Government share of funds, non-deployment of sufficient personnel by insurance companies etc., have been received in the past in the country. Most of the complaints have been suitably addressed.

(c): As regards total premium retained by the insurance companies, most of the general insurance companies except Agriculture Insurance Company of India Ltd. (AIC) are doing different types of businesses/policies. Thus overall profit/loss or premium retained of these companies is due to profit/loss in overall underwriting business of the company. However, crop insurance is a major risk mitigation tool for the benefit of farmers. Insurance is all about spreading the risk spatially & temporally. As per provisions of the PMFBY/RWBCIS, premium from farmers alongwith Central and State Government share in premium subsidy is paid to the concerned insurance company for acceptance of risk and payment of claims. Insurers save premium in good seasons/years and pay high claims, if any, in bad years from the savings made in the good years.

Further, difference between premium collected and claims paid may not be the margin/profit for the insurance companies as there is a cost of reinsurance and administrative cost which generally range upto 10% to 12% of gross premium. This cost also has to be borne by the Insurance Companies. Out of the total crop insurance business under the scheme about 50% is shared by the 5 Public Sector insurance companies, including Agriculture Insurance Company of India Ltd.
