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Amid climate change, farmers slipping out of insurance cover

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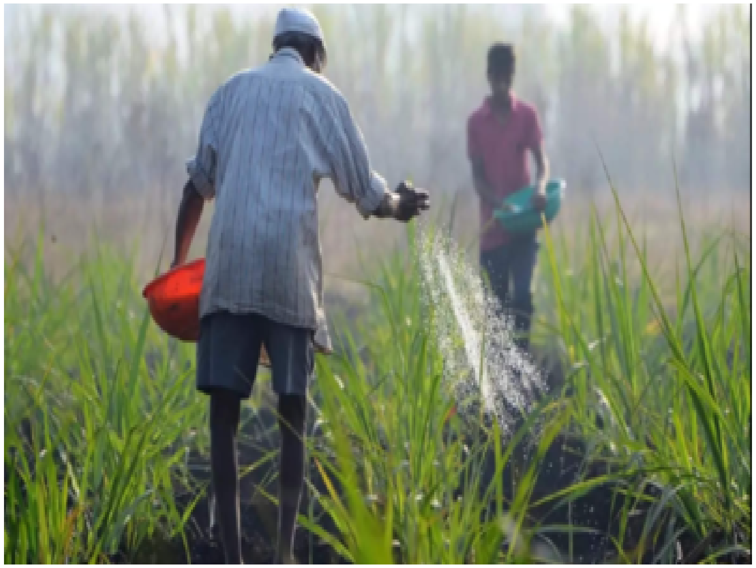

HYDERABAD: At a time when the effects of climate change are becoming more pronounced than ever, a higher number of farmers, who constitute one of the high-risk categories find themselves left without crop insurance cover.

Lack of availability of covers that meet farmers' unique requirements coupled with existing lacunas in the country's flagship crop insurance scheme -- Pradhan Mantri Fasal Bima Yojna (PMFBY) -- are leaving farmers exposed to the vagaries of nature.

As per industry estimates, around 30-40% of farmers take crop insurance every year and around 90% of the industry premium comes under the PMFBY. In PMFBY, which was introduced in 2016, farmers have to pay a premium ranging between 1.5%-2% with the remaining premium shared between state and Centre.

When this scheme was launched, it was a mandatory cover for loanee farmers and optional for non-loanee farmers. In the latest guidelines, PMFBY cover has been made optional for all farmers. Currently, 58% farmers are loanees.

Saurabh Bhalerao, associate director & head, BFSI research, CARE Ratings, pointed out that gross premium underwritten by general insurers in crop insurance has reduced by 12.4% in the four-month period ended July 2021 to Rs 4,221.3 crore as compared to Rs 4,817 crore in the corresponding period of last year. “As anecdotal data suggests, as the crop insurance scheme has been made optional, farmer enrolment has reduced. Another reason that can be attributed to lower crop insurance is reportedly the mismatch between digital records and land ownership claims made by the concerned farmers as this mismatch prevents farmers from availing crop insurance,” he said.

In fact, Punjab never implemented PMFBY whereas Bihar and West Bengal withdrew in 2018 and 2019 respectively. Telangana, Andhra Pradesh, Gujarat and Jharkhand have also not implemented the scheme in 2020.

In the last monsoon session, a parliamentary panel had submitted a report stating that the financial constraints of the state governments and low claim ratio during normal seasons are the major reasons for non-implementation of PMFBY by these states.

“While some states have come up with their own crop insurance schemes or have rolled out assistance programmes, some of the states that paid a premium for two or three crop cycles and did not face any calamity … withdrew from PMFBY. This is short sightedness,” an official of a public insurance company said.

CA Srinivasan, vice-president, speciality business, Alliance Insurance Brokers, pointed out that when PMFBY was launched, the aim was to bring at least 80% of the cultivable area under crop insurance but in the last few years, the coverage has shrunk.

“Often because of the delay in the release of funds, the insurers would not get premium on time…This inordinate delay in remittance of premium and claim settlement has led to farmers having apprehensions about continuing with the scheme,” he said.

Srinivasan added that even private insurers have started dropping out of PMFBY because of delays in release of premium subsidy by the state and central governments.