



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Performance Audit of
Agriculture Crop Insurance Schemes**



**Union Government (Civil)
Ministry of Agriculture and Farmers' Welfare
Report No. 7 of 2017
(Performance Audit)**

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Preface

Government of India (GOI) has introduced several crop insurance schemes over the past three decades to insure the farming community against various risks like natural calamities, pests and disease that lead to partial or full failure of crops. Comprehensive Crop Insurance Scheme (CCIS), launched in 1985, was the first nation-wide scheme. CCIS was replaced by the National Agriculture Insurance Scheme (NAIS) in 1999, and Agriculture Insurance Company of India Ltd. (AIC), was designated as implementing agency (IA), w.e.f. 1st April 2003. GOI also introduced a Pilot Weather Based Crop Insurance Scheme (WBCIS) from *Kharif season* 2007 in 20 states to cover the risks to farmers against extreme climatic conditions such as deficit, excess or untimely rainfall, frost, variations in temperature, etc.

GOI introduced the Modified National Agriculture Insurance Scheme (MNAIS) and implemented it on pilot basis in 50 districts from the *Rabi season* 2010-11. From the *Rabi season* 2013-14, GOI merged MNAIS and WBCIS into a new programme, the National Crop Insurance Programme (NCIP) replacing NAIS. However, at the request of states, NAIS continued till *Rabi season* 2015-16. AIC and other empanelled private insurance companies were designated as Implementing Agencies (IAs) under NCIP. Unlike the NAIS, where GOI and state governments subsidised insurance premium (over and above the farmers' share) and insurance claims (above a threshold to be borne by AIC), from WBCIS onwards, government subsidy was limited to insurance premium alone. From *Kharif season* 2016, GOI replaced NAIS and NCIP, and introduced the Pradhan Mantri Fasal Bima Yojana (PMFBY) and Re-structured WBCIS.

The present performance audit report reviews the utilisation of governments' funds, implementation of the schemes and monitoring during the period 2011-12 to 2015-16.

Despite the three decade long efforts of GOI to provide crop insurance, coverage of farmers under these schemes continues to remain low. Coverage of non-loanee farmers continues to be particularly low, primarily because the schemes have been targeted at loanee farmers, for whom the schemes stipulate mandatory coverage.

GOI and state governments did not maintain databases of insured farmers. AIC also did not maintain comprehensive data under any of the schemes. Most of

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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. 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. Delays and omissions by state governments and by loan/insurance disbursing banks and financial institutions, resulting in denying or delaying insurance coverage to the farming community were noticed. There was no effective mechanism to monitor the implementation of the schemes.

This report has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

Over the past three decades, Government of India (GOI) has introduced successive agricultural crop insurance schemes to help the farming community. To this end, GOI introduced the Comprehensive Crop Insurance Scheme (CCIS) in 1985, which was replaced by the National Agricultural Insurance Scheme (NAIS) from *Rabi season* 1999-2000. The Modified National Agricultural Insurance Scheme (MNAIS) was introduced on pilot basis in 50 districts from the *Rabi season* 2010-11, and the pilot Weather Based Crop Insurance Scheme (WBCIS) from *Kharif season* 2007. These two pilot schemes were merged into an umbrella National Crop Insurance Programme (NCIP) from *Rabi season* 2013-14 replacing NAIS. However, NAIS was allowed to be continued in some states, as per their option, upto *Rabi season* 2015-16. From *Kharif season* 2016, GOI introduced the Pradhan Mantri Fasal Bima Yojana (PMFBY) and Re-structured WBCIS by replacing NAIS and NCIP.

The Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW) under the Ministry of Agriculture and Farmers' Welfare is responsible for budgetary control, release of funds and overall administration of the schemes at the Central level. Funds under the schemes are released by both GOI and state governments to the Agricultural Insurance Company of India Limited (AIC), who had been designated as the sole insurance company (or Implementing Agency) under NAIS and as the channelizing agency through whom insurance premia are remitted to the insurance company (including itself) from GOI and the relevant state government, under the other schemes.

Payment of insurance premium is subsidised to the farmers (over and above the farmers' share) under the schemes, with GOI and the concerned state governments equally sharing the subsidy burden. Claim payments are equally shared by the GOI and the concerned state governments in the case of NAIS (above a threshold to be paid by AIC). In all other schemes, the burden of claim payments is entirely borne by the concerned insurance company.

For the purpose of this report, Audit examined the records of DAC&FW, nine selected state governments, AIC and private insurance companies. The report covers the period from *Kharif season* 2011 to *Rabi season* 2015-16.

Chapter 1 of this report provide background information of the schemes and the audit approach. Chapters 2, 3 and 4 provide audit findings with respect to

financial management, implementation of schemes, monitoring and awareness of these schemes respectively. Important findings are given below:

(A) Financial management

(i) Though DAC&FW invariably released their share on time, instances of delayed release by state governments were observed. Such delays impacted on the release of insurance compensation to affected farmers defeating the objective of providing timely financial assistance to the farming community.

(Para no. 2.2)

(ii) The guidelines were silent on the utilisation of savings, if any, due to difference between premium collected and claims payable by AIC under NAIS and AIC retained the savings.

(Para no. 2.3)

(iii) AIC failed to exercise due diligence in verification of claims by private insurance companies before releasing funds to them.

(Para no. 2.4)

(iv) AIC failed to take reinsurance cover on behalf of GOI and state governments under NAIS despite requirement in the guidelines. At the same time, AIC took reinsurance cover for its own share of claim liability.

(Para no. 2.5)

(v) AIC furnished Utilisation Certificates (UCs) to DAC&FW only at the time of demand for fresh funds and not within a week of release of funds as required in the guidelines.

(Para no. 2.6.1)

(vi) Since implementing agencies did not ensure submission of UCs by Bank/FIs, even the minimum assurance that claims had been distributed to beneficiary farmers is lacking.

(Para no. 2.6.2)

(B) Implementation of schemes

(i) Scheme guidelines did not require the GOI and state governments to maintain databases of insured farmers despite substantial financial contribution by way of premium subsidy (₹ 10,617.41 crore) and claim liability (₹ 21,989.24 crore). Consequently, GOI and the state governments were

dependent on information furnished by loan disbursing branches of Bank/FI and IAs (AIC and private insurance companies).

(Para no. 3.2)

(ii) 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.

(Para nos. 3.3.2 and 3.3.4)

(iii) Coverage of small and marginal farmers under the schemes was very low compared to the population of farmers as per Census 2011.

(Para no. 3.3.6)

(iv) No data of sharecroppers and tenant farmers was maintained despite the fact that the guidelines provided for their coverage under the schemes.

(Para no. 3.3.8)

(v) Though the annual budget allocations included specific provisions for coverage of SC/ST category, no data of such coverage and utilisation of funds for this category was maintained.

(Para no. 3.3.9)

(vi) 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.

(Para no. 3.3.10)

(vii) 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.

(Para no. 3.4)

(viii) There were delays in issue of notifications, receipt of declaration 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.

(Para nos. 3.5, 3.6, 3.11.3 and 3.12)

(ix) Deficiencies were noticed in Crop Cutting Experiments (CCEs) and functioning of Automatic Weather Stations.

(Para nos. 3.7 and 3.8)

(x) 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.

(Para no. 3.10)

(C) Monitoring and awareness of schemes

(i) Monitoring of the schemes by GOI, state governments and Implementing Agencies was very poor as (i) Technical Support Unit (TSU), an independent agency under the guidance of DAC&FW, has not been set up to monitor implementation of the crop insurance schemes, (ii) Periodical Appraisal Reports were not prepared by the DAC&FW despite 14 years of operation of the schemes, (iii) State Level Coordination Committees on Crop Insurance and District Level Monitoring Committees did not carry out the work allocated to them effectively, and (iv) Implementing Agencies also did not carry out the monitoring of the schemes as assigned to them effectively.

(Para nos. 4.2 & 4.3)

(ii) Despite provision of large amount of funds under the schemes to private insurance companies, there was no provision for audit by the Comptroller and Auditor General of India (even though WBCIS provided for oversight agency by independent government agency).

(Para no. 4.4)

(iii) Capping of premium under NCIP, introduced with the aim of restricting the liability of the governments under the schemes, also resulted in loanee farmers being denied their full entitlement.

(Para no. 4.5)

(iv) Two-thirds of the farmers surveyed during audit were not aware of the schemes.

(Para no. 4.6)

(v) Grievance redressal systems and monitoring mechanisms for speedy settlement of farmer's complaints at GOI and state government levels were inadequate.

(Para no. 4.7)

Recommendations:

- i. DAC&FW should introduce a mechanism to ensure that state governments' shares are received in time.
- ii. As the NAIS has been replaced with PMFBY, the issue of adjustment of savings under NAIS is to be taken to its logical conclusion by DAC&FW, Ministry of Finance and AIC.
- iii. DAC&FW should ensure that payments to Implementing Agencies are released only after due verification.
- iv. GOI and state governments should ensure timely submission of UCs to it by Implementing Agencies and by Bank/FIs to implementing agencies so that the insurance benefits to the farming community are better monitored.
- v. GOI and state governments should maintain/have access to comprehensive database 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.
- vi. DAC&FW should take effective measures to ensure that large numbers of farmers are brought under the schemes, and more non-loanee farmers are encouraged to participate in the schemes.
- vii. 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.
- viii. DAC&FW should introduce measures (through use of technology where feasible) for more accurate assessment of crop yields.
- ix. 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.
- x. DAC&FW should take more effective measures to ensure that Bank/FIs adhere to the timelines specified in the scheme guidelines.
- xi. The governments have to take steps to ensure that the implementation of the schemes is monitored effectively at all levels.
- xii. DAC&FW is required to provide for audit by the Comptroller and Auditor General of India to ensure that the funds provided by the governments are used efficiently and effectively by the implementing agencies (including private insurance companies).
- xiii. Efforts should be made to reduce the liabilities of the governments under the schemes without reducing the insurance coverage to the farming community.
- xiv. More concerted efforts are required to create better awareness among the farming community on the coverage and benefits of the schemes.

Chapter-1: Introduction

1.1 Background

1.1.1 To insure the farming community against various risks like natural calamities, pests and disease that lead to partial or full failure of crops, the Government of India (GOI) introduced Comprehensive Crop Insurance scheme (CCIS) in the financial year 1985-86. CCIS was replaced by National Agricultural Insurance Scheme (NAIS) from *Rabi*¹ season 1999-2000.

1.1.2 NAIS was to provide comprehensive risk insurance to cover yield losses arising out of non-preventable natural risks including pests and diseases. The scheme was optional for state governments² and covered all crops including food crops, oilseeds, commercial crops and horticultural crops. The scheme was available to all farmers (including sharecroppers and tenant farmers) growing the notified crops in the notified areas³. In the case of food and oilseeds crops, the scheme provided for different rates of premium for different crops and seasons, or actuarial premium, whichever was less. In the case of commercial and horticultural crops, the scheme provided for actuarial premium. The scheme was compulsory for loanee farmers (i.e., those availing crop loan from scheduled financial institutions for the notified crops and areas), and voluntary for non-loanee farmers. General Insurance Corporation of India (GIC) was the Implementing Agency (IA) till 31st March 2003, and thereafter, Agriculture Insurance Company of India Limited (AIC) was appointed as the IA. The scheme provided for subsidy in premium to small and marginal farmers⁴ to be shared equally by GOI and state governments. Claims were to be borne by the IA up to 100 *per cent* of premium in case of food crops and 150 *per cent* premium in case of annual commercial/horticulture crops, and beyond this limit, claims were to be shared equally by GOI and the States. States however, had the option to extend to additional premium subsidy over and above the subsidy prescribed in the scheme. NAIS was replaced with National Crop Insurance Programme (NCIP) with effect from *Rabi* season 2013-14. However, at the request of states, NAIS continued till *Rabi* season 2015-16.

¹ '*Rabi* season' crops are grown during winter and harvested in April and May and include wheat, barley, mustard, etc.

² 'States' include Union Territories throughout this report.

³ At the beginning of each crop season, the state government is required to notify the crops and defined areas for the specified insurance scheme.

⁴ A 'small farmer' is a cultivator with a land holding of 2 hectare (5 acres or less). A 'marginal farmer' is a cultivator with a land holding of 1 hectare (2.5 acres or less).

During the period from *Kharif*⁵ season 2011 to *Rabi* season 2015-16, 9.41 crore farmers were insured and 2.96 crore farmers received claim benefits. GOI and state governments released premium subsidy of ₹ 1,410.50 crore towards small and marginal farmers during the period from *Kharif* 2011 to *Rabi* 2015- 16.

1.1.3 In addition, GOI launched a Weather Based Crop Insurance Scheme (WBCIS) on pilot basis⁶ from *Kharif* season 2007. WBCIS insured farmers against major weather perils and was implemented along with NAIS in the pilot states. WBCIS was applicable to all farmers but compulsory for loanee farmers on payment of actuarial premium, with premium subsidy ranging from zero to 50 *per cent* to all farmers irrespective of their holdings (depending on the premium slab rate) to be equally shared between GOI and the states. States however, had the option to extend additional premium subsidy over and above the subsidy prescribed in the scheme. Claims were to be paid entirely by the insurance companies. In addition to AIC, GOI empanelled and appointed private insurance companies as IAs. WBCIS became part of National Crop Insurance Programme (NCIP) from *Rabi* season 2013-14. During the period from *Kharif* season 2011 to *Kharif* season 2013 (period of pilot implementation), 3.41 crore farmers were insured and 2.40 crore farmers received claim benefits. As part of NCIP, 2.49 crore farmers were insured under WBCIS and 2.02 crore farmers received claim benefits during the period from *Rabi* season 2013-14 to *Rabi* season 2015-16.

1.1.4 GOI implemented the Modified National Agricultural Insurance Scheme (MNAIS) on pilot basis in 50 districts all over the country from *Rabi* season 2010-11. Between *Kharif* season 2011 to *Kharif* season 2013, MNAIS insured 0.66 crore farmers, of whom 0.19 crore farmers received claim benefits.

1.1.5 Commencing from *Rabi* season 2013-14, GOI launched NCIP throughout the country as an umbrella scheme covering MNAIS and WBCIS, where premium was to be charged on actuarial basis with subsidy ranging from zero to 75 *per cent* (depending on the premium slab) to all farmers irrespective of their holdings to be shared equally by GOI and the states. States however, had the option to extend the additional premium subsidy over and above the

⁵ *Kharif* season crops are grown during the monsoon months and harvested in October and November and include rice, maize, millet, cotton, etc.

⁶ Implemented in 11 States (including Maharashtra and Rajasthan which have been selected for detailed scrutiny in this report).

subsidy prescribed in the scheme. All claim liabilities were to borne by the IAs. At the request of some state governments, NAIS continued along with the WBCIS component of NCIP till *Rabi season* 2015-16. Between *Rabi season* 2013-14 to *Rabi season* 2015-16, under MNAIS, 2.06 crore farmers were insured and 0.64 crore farmers received claim benefits.

1.1.6 GOI launched the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Re-structured Weather Based Crop Insurance Scheme (WBCIS) from *Kharif season* 2016, replacing NAIS and NCIP. This scheme is primarily an amalgamation of NAIS and MNAIS. Re-structured WBCIS is the revised version of WBCIS. The schemes covers both prevented sowing/planting risk and post-harvest losses. The IAs (AIC and other empanelled private insurance companies) are selected by the concerned state governments through bidding.

Detailed comparison of features of all these schemes are at **Appendices A and B**.

1.2 Role of various entities

1.2.1 Government of India

Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW) in the Ministry of Agriculture and Farmers' Welfare is the apex authority responsible for overall implementation of the schemes and release of GOI share of premium subsidy (in all schemes) and financial liability towards insurance claim over and above 100 *per cent* of premium collected by AIC (in respect of NAIS).

1.2.2 Implementing agencies

As per the operational guidelines of schemes, IAs i.e., AIC as well as other empanelled private insurance companies were responsible for providing crop insurance to farmers under the agriculture crop insurance schemes. IAs are not required to deal directly with the loan disbursing points and instead deal only with nodal points (of the concerned Bank/Financial Institutions) mostly at district level. IAs are required to receive details of insured farmers from the nodal points, and calculate the claims, if any. In the case of MNAIS and WBCIS, the private insurance companies forward the claims for premium subsidy to AIC, which in turn, include their own premium subsidy claims and approach GOI and state governments for release of their shares. In respect of NAIS, AIC approaches GOI and state governments for their share of premium

subsidy and claim liabilities. On receipt of funds from GOI and state governments, AIC releases the premium subsidy to the private insurance companies (in respect of MNAIS and WBCIS) and claim amounts (in respect of NAIS) to the nodal points.

1.2.3 State governments

The State Agriculture and Horticultural Departments are the apex authorities responsible for implementation of the schemes in the state. At the beginning of each crop season, the state governments notify the crops and defined areas to be covered during the season (and premium rate in cases of MNAIS and WBCIS) in accordance with the decision of the State Level Coordination Committee on Crop Insurance (SLCCCI), headed by the Agricultural Production Commissioner or equivalent. The state governments also provide yield data after carrying out requisite numbers of Crop Cutting Experiments (CCEs)⁷ to insurance companies within stipulated dates specified in the notifications.

District Level Monitoring Committee (DLMC) headed by the District Magistrate monitors implementation of the schemes and conduct CCEs in the district.

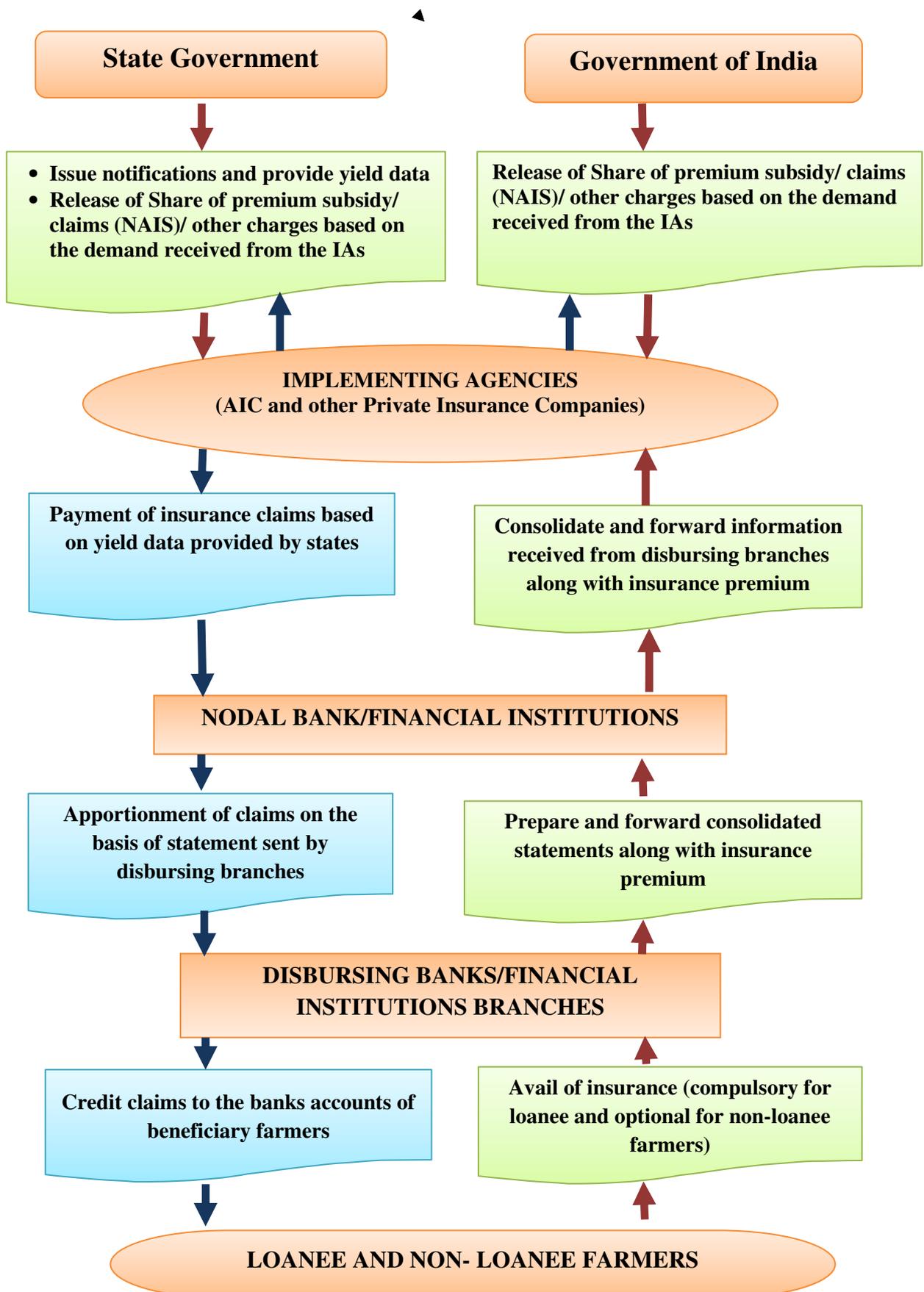
1.2.4 Bank/Financial Institutions (FIs)

Banks and FIs provide loans to farmers, collect farmers' share of insurance premium, prepare consolidated statements on various categories of farmers and forward the same to the nodal point along with the insurance premium. Disbursing branches maintain the records of proposal forms and other relevant documents for verification by DLMC or representatives of IAs. The nodal branches at District Headquarters submit crop-wise/ area-wise monthly crop insurance declarations to IAs in prescribed formats. Banks receive 4 *per cent* of the premium collected from farmers as service charges.

Flow **Chart-1** explains the above.

⁷ Experiments to assess the crop yield in notified/ specified areas

Chart No. 1- Flow chart of documents & information



1.3 Audit objectives

Performance audit was carried out to verify whether:

- Funds were provided adequately and in timely manner to ensure effective and economic utilization;
- The crop insurance schemes were implemented effectively; and
- Effective control systems exist to monitor the schemes.

1.4 Audit scope and sampling

The performance audit of agriculture crop insurance schemes was conducted in the DAC&FW, AIC and nine selected states, (Andhra Pradesh, Assam, Gujarat, Haryana, Himachal Pradesh, Maharashtra, Odisha, Rajasthan and Telangana) for the five year period commencing from *Kharif season* 2011 till *Rabi season* 2015-16. The selection of states, districts, blocks and villages was done by following procedure:

Table 1: Criteria for selection

Particulars	Criteria for selection
States	The nine states were selected on the basis of claims approved.
Districts	15 <i>per cent</i> of the districts within a state, subject to a minimum of two and maximum of ten were selected by PPSWOR ⁸ method. In all, 33 districts were selected as detailed in Annex-I .
Blocks/talukas/sub-districts	Two blocks under the sampled districts were selected by SRSWOR method ⁹ .
Villages	Three villages in each sampled block in the district were selected through systematic sampling.
Farmers	Scrutiny of records of farmers covered under the schemes was carried out along with field surveys on random sampling basis.

⁸ Probability Proportional to Size Without Replacement

⁹ Simple Random Sampling Without Replacement

1.5 Audit methodology

Agriculture crop insurance schemes (NAIS, MNAIS and WBCIS) have been implemented in 26 States and 2 Union Territories. Three states¹⁰ and five Union Territories¹¹ did not participate in any of the schemes.

The performance audit commenced with an “Entry Conference” with DAC&FW on 19 April 2016 wherein the audit methodology, scope, objectives and criteria were discussed. The performance audit process consisted of examination of relevant records at the DAC&FW, AIC and its Regional offices, State Agriculture/Horticulture departments, districts/talukas, and banks at village level.

After conclusion of audit and the consolidation and analysis of audit findings, the draft report was forwarded to DAC&FW on 31 October 2016. DAC&FW has furnished interim replies to the draft report which have been suitably incorporated in the report. Exit Conference with DAC&FW was held on 16th February 2017. Exit Conferences have been held with the concerned state governments, where state specific findings were discussed.

1.6 Audit criteria

The following are the sources for the criteria adopted in the performance audit:

- Scheme guidelines issued by DAC&FW on NAIS, MNAIS and WBCIS.
- Orders, notifications, circulars, instructions issued by GOI and state governments.
- Evaluation Reports/survey reports of the schemes.
- General Financial Rules, 2005 and States’ General Finance and Accounting Rules.

1.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the DAC&FW, State Agricultural/Horticulture Departments, AIC, other implementing agencies and their officials during conduct of this performance audit.

¹⁰ Arunachal Pradesh, Nagaland and Punjab

¹¹ Chandigarh, Daman and Diu, Dadra and Nagar Haveli, NCT Delhi and Lakshadweep

Chapter-2: Financial management

2.1 Introduction

DAC&FW is responsible for budgetary control, release of funds and overall administration of the schemes at the central level. Funds are released by GOI and state governments to AIC on 50:50 basis towards share in premium subsidy under NAIS, MNAIS and WBCIS along with claims over and above 100 *per cent* of premium collected under NAIS (for food and oilseed crops) to the IAs. In turn, AIC releases to private insurance companies their share of premium subsidy (MNAIS and WBCIS). The schemes are demand driven and funds are released by GOI and state governments on demand from AIC.

2.2 Budget allocation and expenditure

Between *Kharif season* 2011 and *Rabi season* 2015-16, the GOI and state governments incurred ₹ 32,606.65 crore towards payment of premium subsidy and claim liabilities as detailed in **Annexes-II (a), II (b) and II (c)**. The allocation and utilization of funds under agriculture crop insurance schemes by the GOI (in respect all implementing states) and selected nine states for the years 2011-12 to 2015-16 are given below:

Table 2: Allocation and expenditure (in ₹ crore)

Ministry/ State	2011-12		2012-13		2013-14		2014-15		2015-16	
	Allocation	Expenditure								
DAC&FW ¹²	1,025.00	1,053.33	1,550.00	1,549.18	2,550.00	2,551.02	2,784.93	2,598.35	3,185.09	2,982.47
Andhra Pradesh	258.59	258.59	291.68	291.68	178.35	145.78	106.00	93.18	172.00	115.32
Assam	0.92	0.37	0.82	0.82	1.00	1.00	2.00	0.00	4.00	0.00
Gujarat	245.11	56.86	456.13	390.65	460.03	629.71	434.00	171.17	487.36	517.36
Haryana	14.62	7.37	7.15	7.05	37.49	37.24	50.50	0.01	35.12	34.31
Himachal Pradesh	3.18	3.78	6.86	8.33	9.46	7.92	12.87	10.34	17.5	2.00
Maharashtra	63.98	63.98	111.47	111.47	287.29*	287.29	125.51	125.51	1,007.24*	1,007.24
Odisha	59.00	56.39	282.57	298.87	30.00	10.27	160.00	159.95	160.00	70.14
Rajasthan	336.97	336.87	359.52	358.99	249.80	249.55	362.17	362.07	316.00	269.96
Telangana ¹³	0.00	0.00	0.00	0.00	0.00	0.00	83.86	56.15	69.88	15.36

(Source: DAC&FW and selected state governments)

* Enhanced provisions were made to meet the major claims reported during 2012-13 and 2014-15 due to adverse climate conditions in Maharashtra.

¹² Details of releases and expenditure as applicable to all implementing states

¹³ Telangana state was created on 02 June 2014.

DAC&FW was requested to provide details of state-wise contribution of all the implementing states, which is awaited (February 2017). Audit also noticed that as per the data provided by DAC&FW, the total liabilities of the GOI (premium subsidy and share of insurance claims in case of NAIS) was ₹ 15,792.23 crore during the period of audit as against the budget provisions and actual expenditure of ₹ 11,095.02 crore and ₹ 10,734.35 crore respectively. DAC&FW was requested to provide clarification of the difference in the data, which is awaited (February 2017).

In Assam, though funds were provided by the Finance Department, the Agriculture Department did not draw any funds in 2014-15 and 2015-16. Government of **Haryana** ceased to implement the schemes from *Kharif season* 2014 onwards. Arrears relating to *Kharif season* 2013 and *Rabi season* 2013-14 were released in 2015-16. Similar delays in release of state governments' share were observed in **Andhra Pradesh, Himachal Pradesh, Maharashtra** and **Telangana**, affecting the reimbursement of claims to farmers. The reduction in allocation and expenditure in **Rajasthan** in 2013-14 over the previous years is attributable to the capping of insurance premium in that year.

2.3 Savings under NAIS with Agriculture Insurance Company of India Limited (AIC)

In terms of NAIS guidelines issued in July 1999, the IA (GIC till March 2003 and AIC thereafter) was required to meet the entire liabilities up to 100 *per cent* of premium in the case of food crops and oilseeds, and 150 *per cent* of premium in the case of commercial and horticultural crops. Liabilities in excess of these limits were to be shared equally by GOI and the state governments till complete transition to actuarial regime in a period of five years. Thereafter, all claims up to 150 *per cent* of premium would be met by the IA for a period of three years, the limit of which would increase to 200 *per cent* thereafter. Claims above these limits would be met out of a corpus fund to be created with equal contributions of GOI and the state governments.

Audit observed that during the period of operation of NAIS (from *Rabi season* 1999-2000 to *Rabi season* 2015-16, *i.e.*, 33 seasons), AIC had accumulated savings of ₹ 2,518.62 crore¹⁴ from the collection of premium (amount of premium collected: ₹ 14,056.81 crore less AIC's share of claims paid: ₹ 11,538.19 crore). The guidelines were silent on the utilization of savings, if any, due to difference between premium collected and claims payable by AIC and as such AIC retained the savings.

¹⁴ As per data provided by DAC&FW in August 2016

DAC&FW has been taking up the matter with AIC and Ministry of Finance to return the savings on the ground that AIC was being reimbursed all operational expenses for implementation of the scheme, and there was no justification for AIC to retain the savings. Audit noticed that the Ministry of Finance had directed AIC in December 2009 to release ₹ 200 crore to DAC&FW stating that these funds are being drawn “from the retained profits/ reserves (created out of NAIS activities) of AIC as a prelude to the recasting of the scheme and stopping the excess premium of individual state being appropriated as profits by AIC”. Later on, the Ministry of Finance did not agree (April 2014) to permit AIC to release further funds stating (i) that release of ₹ 200 crore in December 2009 has been objected by Auditors and (ii) such payments will reduce the solvency ratio to be maintained by AIC as per the IRDA’s regulations. However, Audit noticed that there was no comment by C&AG on release of ₹ 200 crore and the Statutory Auditors have only qualified that ₹ 200 crore is being shown as ‘Advances and other Assets’ in the Balance Sheet of AIC and the amount had not been adjusted against the retained profit/reserves. As regards solvency ratio, the decision to maintain this ratio is to be taken by the shareholders of the AIC (viz. all government insurance companies and NABARD) in consultation with Ministry of Finance, and is not to be linked with the issue of remitting of savings by AIC to the Government of India.

DAC&FW stated (January 2017) that they have again taken up the matter with the Ministry of Finance for the remittance of savings to the Consolidated Fund of India.

2.4 Release of funds to private insurance companies without verification

Under MNAIS and WBCIS, DAC&FW had entrusted AIC with the responsibility of channeling funds received from GOI and state governments and releasing premium subsidy to private insurance companies. DAC&FW guidelines (October 2009) stipulated that final payment to the private insurance companies was to be made on submission of final statistics with complete details of coverage during the season along with certificate of the concerned state government and a random verification regarding product benchmarking, and coverage by an agency appointed by GOI, and finding of such verification found to be in order.

Audit noted, however, that during 2011-16, AIC had released ₹ 3,622.79 crore¹⁵ as premium subsidy to ten private insurance companies¹⁶, without compliance to any of the guidelines mentioned above.

In their reply to Audit (October 2016), AIC confirmed the requirement entrusted on private insurance companies under the guidelines, but failed to explain why AIC took no action to ensure compliance to the guidelines before release of funds.

2.5 Non-availing of re-insurance cover for claims share of governments

As per NAIS guidelines, AIC was required to obtain appropriate re-insurance cover in the international re-insurance market. Audit observed, however, that while AIC had arranged for re-insurance support only for their own share of claims under NAIS, they did not arrange re-insurance support for the share of claims to be borne by GOI and the state governments. Had such re-insurance been provided, liabilities of GOI and the state governments amounting to ₹ 21,989.24 crore could have been reduced.

AIC replied (October 2016) that as regards NAIS (for food and oilseed crops), governments acted as reinsurers by sharing the risk whenever the claims exceeded the stipulated margin. In so far as actuarially rated products like WBCIS, MNAIS and NAIS (for commercial and horticultural crops) are concerned, where AIC was fully responsible for all the claims, adequate reinsurance protection was availed of.

AIC's reply is not acceptable as the scheme (NAIS) guidelines provided that IA (AIC) is responsible for arranging re-insurance support for the entire scheme claims under NAIS and not for the AIC portion alone.

¹⁵ GOI share: ₹ 1,873.36 crore and states' share: ₹ 1,749.43 crore.

¹⁶ ICICI Lombard General Insurance Co. Ltd., IFFCO Tokyo General Insurance Co. Ltd., HDFC ERGO General Insurance Co. Ltd., Cholamandalam MS General Insurance Co. Ltd., Tata AIG General Insurance Co. Ltd., Reliance General Insurance Co. Ltd., Future Generali India Insurance Co. Ltd., SBI General Insurance Co. Ltd., Universal Sompo General Insurance Co. Ltd., Bajaj Allianz General Insurance Co. Ltd.

2.6 Utilisation Certificates (UCs)

2.6.1 Non-submission of UCs by IAs to states

GOI released premium subsidy of ₹ 5,265.48 crore to insurance companies (including AIC) under WBCIS (₹ 3,879.10 crore) and MNAIS (₹ 1,386.38 crore) through AIC since inception of these schemes till *Rabi season* 2015-16. DAC&FW issued standing instructions (March 2014) to AIC to mandatorily furnish state-wise and company-wise UCs to DAC&FW within a week of release. Audit, however noticed that AIC did not furnish periodic returns, as mandated, to DAC&FW. Instead, AIC furnished UCs only at the time of requirement of fresh funds from DAC&FW.

Audit also observed that during the period covered in audit, four states, **Assam**, **Haryana**, **Maharashtra** and **Odisha**, released funds to all the IAs (AIC and private insurance companies). Of these, two States, viz., **Assam** and **Haryana** released ₹ 1.66 crore and ₹ 84.21 crore, but did not receive UCs. Out of ₹ 3,409.33 crore released by Maharashtra, UCs for ₹ 3,365.86 crore were outstanding. In **Odisha**, as against actual expenditure of ₹ 595.62 crore, the Cooperation Department furnished UCs to the Finance Department for ₹ 690.57 crore, which needs reconciliation.

2.6.2 Non-submission of UCs by Bank/FIs to AIC

National Crop Insurance Programme (NCIP) guidelines require Bank/FIs to submit UCs to IAs within 15 days of credit of claims amounts to beneficiary farmers. Audit scrutiny of records of AIC revealed that in many cases Bank/FIs failed to submit UCs to AIC. Consequently, AIC did not have even the minimum assurance from the Bank/FIs that they had distributed the claims amounts to beneficiary farmers as detailed in **Table-3**.

Table-3: State-wise position of UCs

(₹ in crore)

State	Claims paid	UCs received	UCs not received	Percentage of UCs received
Andhra Pradesh	3,017.52	805.38	2,212.14	26.69
Assam	8.49	3.85	4.64	45.35
Gujarat	2,848.57	658.36	2,190.21	23.11
Haryana	4.20	0.54	3.66	12.86
Himachal Pradesh	20.41	4.68	15.73	22.93
Maharashtra	653.78	230.47	423.31	35.25
Odisha	1,629.02	755.99	873.03	46.41

Rajasthan	242.28	107.74	134.54	44.47
Telangana	523.14	137.544	385.60	26.29
Total	8,947.41	2,704.55	6,242.86	30.23

Age-wise break up of UCs not received is given below:

Table-4: Age-wise analysis of outstanding UCs

(₹ in crore)

State	Less than one year	1 year to 3 years	above 3 years	Total outstanding UCs
Andhra Pradesh	145.14	496.28	1,570.72	2,212.14
Assam	*	0.59	4.05	4.64
Gujarat	*	96.82	2,093.39	2,190.21
Haryana	*	2.67	0.99	3.66
Himachal Pradesh	1.62	14.11	**	15.73
Maharashtra	68.96	354.35	**	423.31
Odisha	*	648.85	224.18	873.03
Rajasthan	4.58	129.96	0.00	134.54
Telangana	*	148.11	237.49	385.60
Total	220.30	1,891.74	4,130.82	6,242.86

* AIC informed that no claims have been settled as on date (December 2016)

** AIC informed that no UCs were pending from Bank/FIs

AIC accepted the observation and stated (October 2016) that Bank/FIs are being urged and followed up regularly for timely submission of UCs.

Audit noticed similar shortcomings in the scrutiny of records/ information collected from selected private insurance companies in **Maharashtra, Haryana and Rajasthan.**

Conclusions

Though DAC&FW invariably released their share on time, there were instances of delayed release of their share by state governments. Such delays impacted on the release of insurance compensation to affected farmers defeating the fundamental purpose of the schemes to provide timely financial assistance to the farming community. The guidelines were silent on the utilization of savings, if any, due to difference between premium collected and claims payable by AIC under NAIS and AIC retained the savings. AIC failed to exercise due diligence by verification of claims by private insurance companies before releasing funds to them. AIC failed to take re-insurance cover on behalf of GOI and state governments as provided in the guidelines.

AIC furnished UCs to the Department only at the time of demand for fresh funds and not within a week of release of funds as required by the Department. Implementing Agencies did not ensure submission of UCs by Bank/FIs and therefore, did not have even the minimum assurance from the Bank/FIs that they had distributed the claim amounts to beneficiary farmers.

Recommendations:

- i. DAC&FW should introduce a mechanism whereby delay in release of share of the state governments is reduced.
- ii. As the NAIS has been replaced with PMFBY, the issue of adjustment of savings under NAIS is to be taken to its logical conclusion by DAC&FW, Ministry of Finance and AIC.
- iii. DAC&FW should ensure that payments to IAs are released only after due verification.
- iv. GOI and state governments should ensure timely submission of UCs to it by Implementing Agencies and by Banks/FIs to Implementing Agencies so that the insurance benefits to the farming community are better monitored.

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.

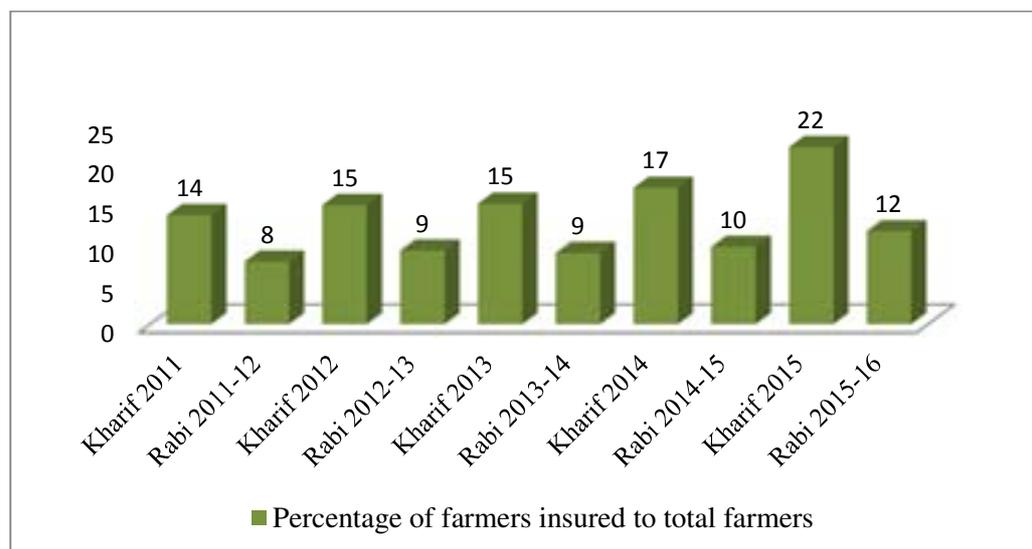
DAC&FW admitted (December 2016) that beneficiary data is not available with them or the IAs and that the same are maintained by the banks. DAC&FW however stated that this shortcoming is being addressed under the newly launched PMFBY and re-structured WBCIS.

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



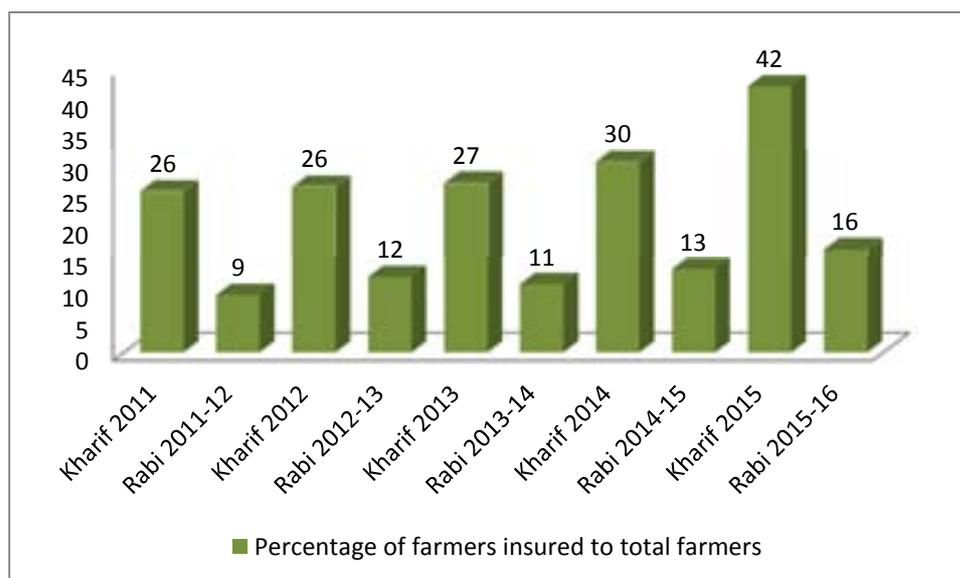
From the chart, it can be seen that total number of farmers covered under insurance schemes was low as compared to the total number of farmers as per Census 2011. Percentage coverage of farmers ranged from 14 *per cent* to 22

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).

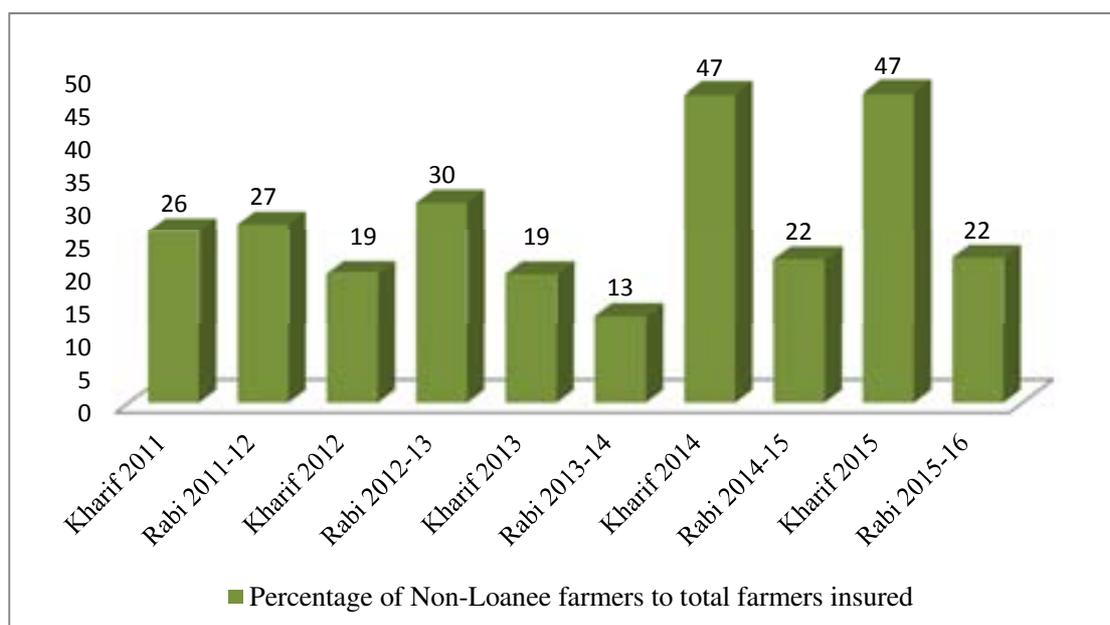
DAC&FW and state governments are required to analyse the reasons for low coverage of farmers in the insurance schemes as well as wide variations in coverage of farmers in implementing states. Audit noticed that even though GOI and the state governments were providing insurance premium subsidy to

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.

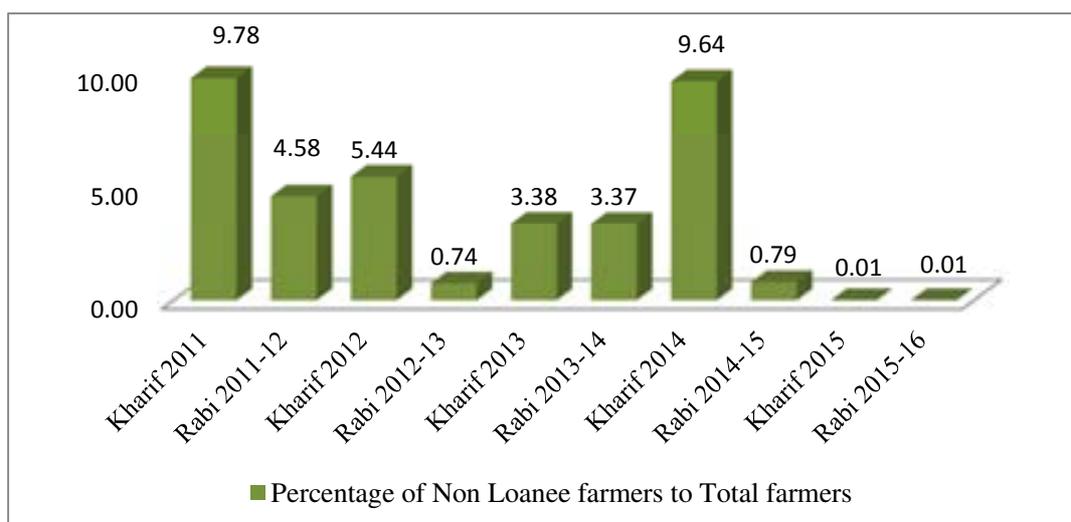
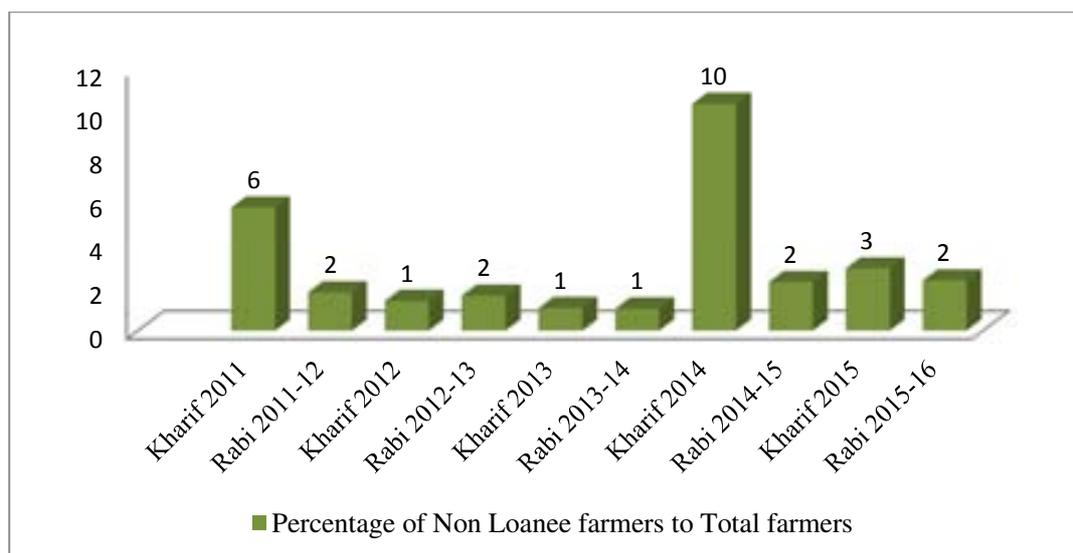
3.3.4 Crop insurance schemes are compulsory for the loanee farmers and optional for non-loanee farmers. **Annex-III** contains scheme-wise/season-wise details of coverage of non-loanee farmers during *Kharif season* 2011 to *Rabi season* 2015-16.

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*.

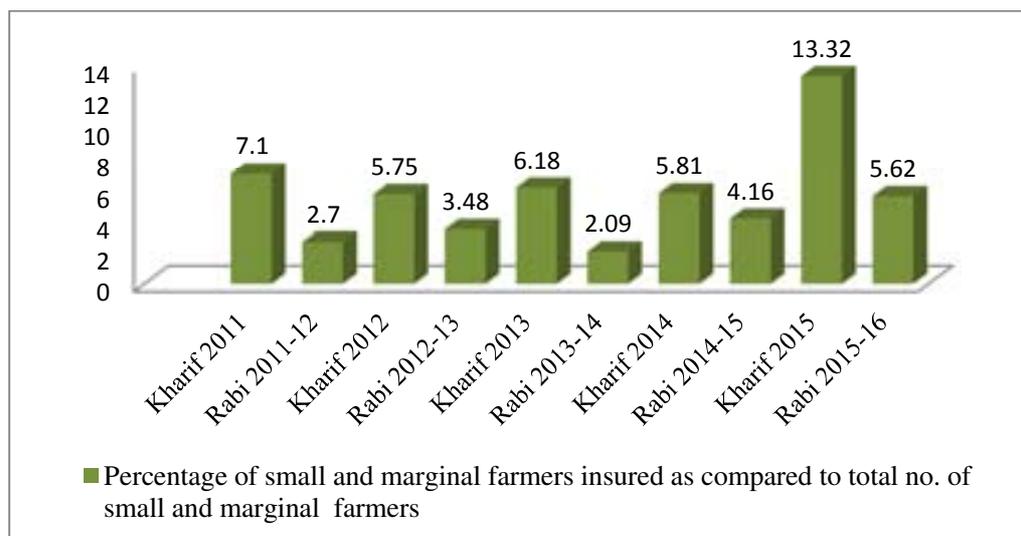
DAC&FW needs to analyse the reasons for low coverage of non-loanee farmers in MNAIS and WBCIS. DAC&FW also needs to analyse the huge increase in coverage of farmers in Maharashtra in case of NAIS.

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**.

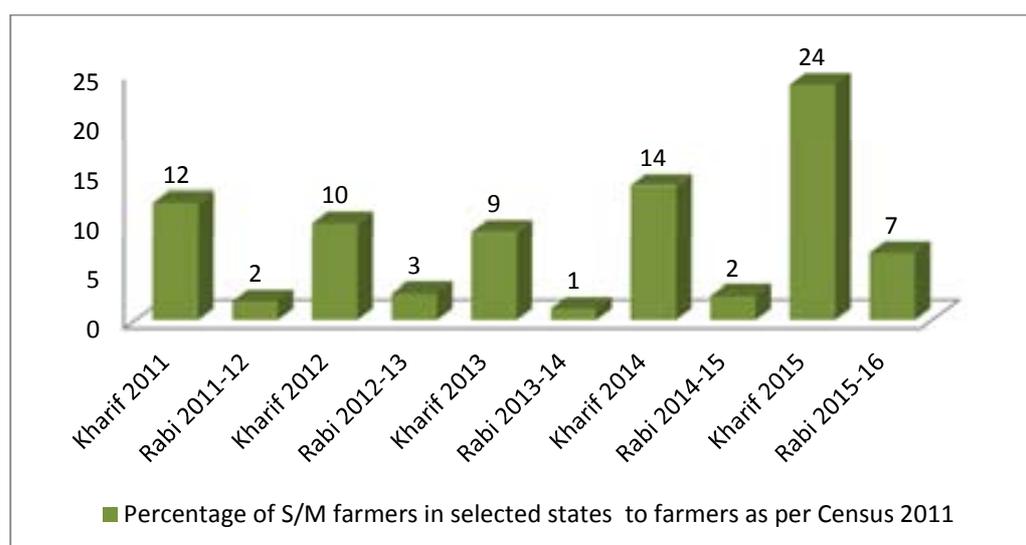
¹⁹ All the farmers insured under NAIS were categorised as 'Non-loanee' farmers, as the Bombay High Court had decided (June 2006) that the coverage of loanee farmers will not be compulsory as envisaged in the scheme guidelines.

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.

Chapter-4: Monitoring and awareness of schemes

4.1 Introduction

Agriculture crop insurance schemes are to be implemented as per the operational modalities of the schemes. The Schemes provided for monitoring by GOI, state governments and IAs through National Level Monitoring Committee, Technical Support Unit, State Level Coordination Committee on Crop Insurance, District Level Monitoring Committee and periodical inspections by IAs. A review of the monitoring mechanism of the schemes revealed the following:

4.2 Poor monitoring by GOI and state governments

4.2.1 Clause 18 of NAIS guidelines provided that the scheme was to be implemented in accordance with the operational modalities as worked out by IA in consultation with DAC&FW. The operation of the scheme was to be reviewed annually. DAC&FW and the IA were also required to prepare periodical appraisal reports on the scheme. Audit observed that no such report was prepared by the DAC&FW/IA even after 14 years of operation of the schemes. DAC&FW informed (January 2017) that the crop insurance schemes are being monitored regularly through various measures. The reply is not tenable as no records of such monitoring including periodical appraisal reports were furnished to Audit.

4.2.2 As per the scheme guidelines of NCIP, an independent and well-equipped Technical Support Unit (TSU) under the guidance of the DAC&FW to monitor the implementation of the crop insurance schemes, product structuring, standardization and benchmarking of products, rationalization of premium rate/subsidy, issuing guidelines for installation and accreditation of weather stations, creation of national grid for statistical data for the purpose and issuance of directives to insurance companies. No such TSU has been established. The PMFBY scheme states that till TSU is formed, AIC will act as TSU. Audit notes, however, that AIC acting as TSU may constitute a conflict of interest since it is also a competitor to the private insurance companies.

4.2.3 NCIP guidelines provided for setting up of a National Level Monitoring Committee (NLMC). However, no NLMC has been constituted.

4.2.4 The scheme guidelines provide for constitution of State Level Coordination Committees on Crop Insurance (SLCCCI) to monitor the schemes. About five *per cent* of the beneficiaries were to be verified by the regional offices/local level offices of the insurance company and the feedback sent to the SLCCCI. Audit observed that in **Assam, Gujarat, Himachal Pradesh, Maharashtra and Odisha**, either meetings of SLCCCI were not held regularly or were delayed, which further delayed the issue of notifications for implementation of insurance in the state.

4.2.5 The scheme guidelines provide for formation of a District Level Monitoring Committee (DLMC) which will provide fortnightly reports of agriculture situation with the details of the area sown, seasonal weather condition, pest incidence, stage of crop failure, if any, to the concerned IAs for assessment of loss and processing of claim payable to farmers. Audit observed, however, that no DLMC was formed in **Himachal Pradesh** and **Assam**; in **Gujarat** and **Odisha**, meetings of DLMC were either not held or were not held regularly.

4.3 Poor monitoring by Implementing Agencies

NAIS guidelines stipulate that AIC has access to all relevant records/ledgers at the nodal points/ branches of Banks and FIs. MNAIS and WBCIS guidelines specify the percentage of checks to be exercised by the IAs and cross verification by DLMC for sending feedback to state governments. IAs are required to send feedback to DAC&FW. However, Audit did not notice any instance where AIC had requisitioned or received such records from the nodal points/ branches. Consequently, it is not clear how AIC (in the case of NAIS), and all IAs in the case of other schemes have ensured the correctness of data on which basis funds were being claimed from GOI and state government, particularly when such data was not being maintained by GOI and the state governments.

4.4 Non-provision of government audit of funds released to private insurance companies

GOI and state governments incur substantial financial liabilities on account of premium subsidy and claim reimbursement (in the case of NAIS) and premium subsidy (in the case of other schemes). Such subsidies and claim reimbursement amounted to ₹ 23,400 crore under NAIS, ₹ 2,805 crore under MNAIS and ₹ 6,402 crore under WBCIS during the period covered under audit. The accounts of AIC are subject to audit by the Comptroller and Auditor

General of India (C&AG). It was noticed that in the case of WBCIS alone, the scheme guidelines require IAs (including private insurance companies) to open a separate account for maintaining all transactions under the scheme in the account for audit by the Government Agency. However, DAC&FW has not, till date, taken up the matter of audit of such accounts with the C&AG. There is no provision for audit by C&AG under MNAIS and PMFBY though substantial amount of funds are released under these schemes.

4.5 Impact of capping of premium in MNAIS and WBCIS

NAIS guidelines provided for payment of subsidised premium by farmers (except for commercial and horticultural crops in the case of medium and large farmers), with GOI and the state governments reimbursing claims for the full amount of sum insured (up to threshold yield). The subsidised premium payable by farmers under NAIS varied, depending on crop. Under MNAIS and WBCIS, the percentage of actuarial premium on sum insured (as estimated by insurance companies), was categorised into different slabs, and the subsidised premium payable by farmers was determined on slab basis. In order to limit the liability of GOI and states governments for payment of the balance premium, DAC&FW capped the maximum rates of total premium payable, which resulted in proportionate reduction of the sum insured to match the capped premium levels. Consequently, the share of premium paid by the farmer as proportion of sum insured, increased, due to reduction of sum insured. In other words, despite paying the higher premium, the farmer was reimbursed lower amounts of claims due to capping of sum assured. However, Audit noticed that this capping has since been removed in the newly introduced PMFBY.

4.6 Lack of awareness of crop insurance schemes in farmers

Scheme guidelines require adequate publicity to be given in all the villages of the notified districts/ areas. All possible means of electronic and print media, farmers' fairs, and exhibitions including SMS messages, short films, and documentaries shall be utilized to create and disseminate awareness, benefits and limitations of the Scheme among the cultivators and the agencies involved in implementing the Scheme. Agriculture/Cooperation Departments of the States in consultation with Insurance Companies shall work out appropriate Plan for adequate awareness and publicity three months prior to the start of coverage period.

In order to assess the awareness, participation and adoption of crop insurance schemes, the extent to which these schemes benefitted the farmers and the problems faced by them, Audit conducted a survey of 5,993 farmers in the

selected villages of selected talukas/districts of the selected states and it noticed that:

- i. Out of 5,993 farmers surveyed, 4,819 (80 *per cent*) were loanee farmers and 883 (15 *per cent*) were non-loanee farmers. Remaining 291 (5 *per cent*) did not opt for any crop insurance scheme mainly due to
 - a) receipt of insufficient compensation in previous years,
 - b) unaffordable premium rates.
- ii. Out of 5,993 farmers surveyed, only 2,232 (37 *per cent*) were aware of the schemes and knew the rates of premium, risk covered, claims, loss suffered, etc., and the remaining 63 *per cent* farmers had no knowledge of insurance schemes highlighting the fact that publicity of the schemes was not adequate or effective.

State-wise details of survey/feedback from the farmers have been indicated in **Annex-X**.

4.7 Absence of grievance redressal system

Test check of records in **Andhra Pradesh, Assam, Haryana, Gujarat, Maharashtra Odisha and Telangana** revealed that no institutional mechanism existed to redress the complaints of aggrieved farmers on the implementation of the schemes.

Conclusions

Monitoring of the schemes by GOI, state governments and Implementing Agencies was very poor as (i) Technical Support Unit (TSU), an independent agency under the guidance of DAC&FW, has not been set up to monitor implementation of the crop insurance schemes, (ii) Periodical Appraisal Reports were not prepared by the DAC&FW despite of 14 years of operation of the schemes, (iii) SLCCCI and DLMC did not carry out the work allocated to them effectively and (iv) Implementing Agencies also did not carry out the monitoring of the schemes as assigned to them effectively.

Even though huge funds under the schemes were provided to private insurance companies, there was no provision for audit by the Comptroller and Auditor General of India to ensure proper utilisation of funds by these insurance companies. Though capping of premium under NCIP restricted the liability of the governments under the schemes, the loanee farmers were deprived of full benefits of the insurance coverage. There was lack of awareness among the

farmers as 67 per cent of the farmers surveyed during audit were not aware of the schemes. There is no proper grievance redressal system and monitoring mechanism for speedy settlement of farmer's complaints at GOI or state government levels.

Recommendations

- i. GOI and state governments need to take steps to ensure that the implementation of the schemes is monitored effectively at all levels.
- ii. Provision for audit by the Comptroller and Auditor General of India needs to be incorporated in the schemes to ensure that the funds provided by GOI and state governments are used efficiently and effectively.
- iii. Efforts should be made to reduce the liabilities of the governments under the schemes without reducing the insurance coverage of the farming community.
- iv. More concerted efforts are required by all the stakeholders in the schemes to create better awareness among the farming community on the coverage and benefits of these schemes.

New Delhi
Dated: 16 March 2017


(MUKESH PRASAD SINGH)
Director General of Audit
Central Expenditure

Countersigned

New Delhi
Dated: 20 March 2017


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix-A

(Refer to paragraph 1.1.6)

COMPARISON BETWEEN NATIONAL AGRICULTURAL INSURANCE SCHEME (NAIS), MODIFIED NATIONAL AGRICULTURAL INSURANCE SCHEME (MNAIS) AND PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY)

S. No.	PARAMETERS	NAIS	MNAIS	PMFBY
1.	States covered	All states and UTs opting for the scheme	Same as NAIS	Same as NAIS
2.	Farmers covered	All farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas were eligible for coverage. Scheme was compulsory for farmers availing crop loans and voluntary for others.	Same as NAIS	Same as NAIS
3.	Risks covered	'All risk' insurance	'All risk' with added advantage of sowing failure cover.	Same as MNAIS
4.	Crops covered	(a) Food crops (cereals, millets, pulses) and oilseeds (b) Annual Commercial (sugarcane, cotton, potato, onion, ginger, banana, etc.)/Horticultural crops	Same as NAIS	Same as NAIS
5.	Insurance unit	Unit area of insurance may be a gram panchayat, mandal, hobli, circle, phirka, block, taluka, etc.	Unit area to be reduced to village / village panchayat or other equivalent unit for all crops.	Ordinarily insurance unit to be village / village panchayat for major crops and higher than village/village panchayat like block, taluka for other crops.

6.	Threshold Yield	Average of last three years for wheat and rice and five years for other crops multiply by indemnity level	Average of last seven years excluding maximum two calamities years for all crops multiply by indemnity level	Same as MNAIS.
7.	Sum insured	Loanee farmers – Equivalent to the amount of loan availed. Non-loanee farmers –Upto value of 150 <i>per cent</i> of average yield.	In case of loanee farmers-Equivalent to the ‘cost of cultivation’ and is pre-declared by SLCCCI and notified. Sum insured will be at least equal to amount of crop loan sanctioned/advanced. Non-loanee farmers -Equivalent to sum insured upto value of 150 <i>per cent</i> value of average yield.	Same as MNAIS
8.	Premium rate	<u><i>Kharif season</i></u> 3.5 <i>per cent</i> - Oilseeds and bajra 2.5 <i>per cent</i> - Cereals, millets & pulses <u><i>Rabi season</i></u> 1.5 <i>per cent</i> - Wheat 2 <i>per cent</i> - Other food and oilseeds crops Actuarial premium for Annual commercial/ horticultural crops	Actuarial premium as well as net premium rates (premium rates actually payable by farmers after premium subsidy) for each notified crop through standard actuarial methodology in conformity with provisions of IRDA.	a. Maximum premium of 2 <i>per cent</i> of sum insured for <i>Kharif</i> (food & oilseed) crops. b. 1.5 <i>per cent</i> of sum insured for <i>Rabi</i> (food and oilseed) crops; and c. 5 <i>per cent</i> of sum insured for Annual commercial/ horticultural crops.
9.	Premium Subsidy	10 <i>per cent</i> to small and marginal farmers only, to be shared equally between Centre and states.	Actual premium with subsidy upto 75 <i>per cent</i> to all farmers, to be shared equally between Centre and states.	The difference between the Actuarial Premium Rate (APR) and insurance charges payable by farmers shall be provided by Governments as subsidy, and shall be shared equally by the Centre and states.
10.	Indemnity level	Three level of indemnity – 90 <i>per cent</i> , 80 <i>per cent</i> and 60 <i>per cent</i> (low/medium/high risk areas) were available for all crops. The	The minimum Indemnity level increased to 70 <i>per cent</i> from 60 <i>per cent</i> from NAIS.	(a) 70 <i>per cent</i> , 80 <i>per cent</i> and 90 <i>per cent</i> based on the risks experiences and coefficient of

		insured farmers may opt for higher level of Indemnity on payment of additional premium		variation in the past 10 years. (b) Assigned at group of districts
11.	Implementing Agency (IA)	GIC till March 2003 and AIC thereafter.	Both AIC and empanelled private insurance companies were eligible for appointment as IAs at district level based on lowest premium quoted by them for specific season.	Both AIC and empanelled private insurance companies were eligible for appointment as IAs. In smaller states, one IA was to be appointed. In larger states, two or three IAs could be appointed. Selection of IA may be made for at least 3 years
12.	Claim Liability	In case of food crops and oilseeds, claim liability of upto 100 <i>per cent</i> of premium collected was to be borne by the AIC. Thereafter, the Centre and state governments shared the liability equally. In the case of Annual commercial/horticultural crops, claim liability beyond 150 <i>per cent</i> of premium in the first three or five years and beyond 200 <i>per cent</i> thereafter, equally shared by Centre and state governments.	All claims were to be borne by the IAs. To protect IAs, against overall loss exceeding 500 <i>per cent</i> of gross premium, a Catastrophe Fund at national level was to be set up with contribution of Centre and state governments.	All claim liabilities on insurer and claim liability beyond 350 <i>per cent</i> of premium collected or 35 <i>per cent</i> of sum insured at national level to be shared equally by the Centre and state governments.
13.	Seasonality Discipline	Broad seasonality discipline for Loanee/Non-Loanee farmers were as under: Loanee farmers: <i>Kharif season</i> - November and for <i>Rabi season</i> - May Non-loanee farmers: <i>Kharif season</i> -31 st July and for <i>Rabi season</i> - 31 st December.	The broad seasonality discipline for Loanee/Non-Loanee farmers were as under: <i>Kharif season</i> -31 st July <i>Rabi season</i> - 31 st December	Same as MNAIS

14.	Use of better technologies for yield estimation	Yield estimation through traditional CCEs.	Pilot studies for yield estimation through use of Remote Sensing Technology (RST).	Provision for adoption of RST, drone and other technologies in yield estimation and categorization of number of CCEs after validation by pilot studies. Use of Smartphone apps for accurate and fast transmission of CCE data to facilitate early settlement of claims.
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Appendix-B

(Refer to paragraph 1.1.6)

COMPARISON BETWEEN WEATHER BASED CROP INSURANCE SCHEME (WBCIS) AND RESTRUCTURED WEATHER BASED CROP INSURANCE SCHEME

S. No.	PARAMETER	WBCIS	RESTRURED WBCIS
1.	States covered	All states and UTs opting for the scheme.	All states and UTs opting for the scheme
2.	Farmers covered	All farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas were eligible for coverage. The scheme was compulsory for farmers availing crop loans and voluntary for others.	Same as WBCIS
3.	Risks covered	Adverse weather conditions like deficit/excess, rainfall, high/low temperature, dry/humidity, hailstorm, etc.	Same as WBCIS
4.	Crops covered	(a) Major Food crops (cereals, millets pulses) and Oilseeds, (b) Annual Commercial/horticultural crops	Same as WBCIS
5.	Insurance unit/Reference Area (RUAs) Unit	Village panchayat/revenue circle/mandal/hobli/block/tehsil, etc.	Same as WBCIS
6.	Data requirement	Data recorded by the Reference Weather Stations (RWS) for RUAs.	Same as WBCIS
7.	Sum insured	Loanee farmers – Equivalent to the amount of loan availed. Non-loanee farmers –Have flexibility to insure smaller amount but not less than 50 <i>per cent</i> of sum insured.	The sum insured will be same for loanee and non-loanee farmers, based on the scale of finance as decided by the District Level Technical Committee. Sum insured for individual farmer is equal to the sum insured multiple by acreage of the notified crop.

8.	Premium rate	Actuarial premium with premium subsidy up to 50 <i>per cent</i> shared equally by the Centre and state governments.	Premium rate at par with PMFBY as under: <ul style="list-style-type: none"> ➤ Maximum premium of 2 <i>per cent</i> of sum insured for <i>Kharif</i> food and oilseed crops. ➤ 1.5 <i>per cent</i> of sum insured for <i>Rabi</i> food and oilseed crops; and ➤ 5 <i>per cent</i> of sum insured for Annual commercial/ horticultural crops.
9.	Premium subsidy	Subsidy upto 50 <i>per cent</i> to all farmers shared equally by the Centre and state governments.	The difference between the Actuarial Premium Rate (APR) and insurance charges payable by farmers is subsidised equally by the Centre and state governments.
10.	Implementing Agency (IA)	Both AIC and empanelled private insurance companies were appointed as IAs at district level based on lowest premium quoted by them.	Same as WBCIS
11.	Claim liability	All claims were to be borne by the IAs.	Same as WBCIS
12.	In-season settlement of claims	The claims were settled on the basis of weather data recorded by RWSs. Claim process started on receipt of weather data.	Same as WBCIS
13.	Seasonality discipline	Loanee and non-loanee farmers for <i>Kharif season-31st</i> July and for <i>Rabi season- 31st</i> December	Same as WBCIS
14.	Use of better technologies for yield estimation	No specific parameters for establishment of AWSs.	New AWSs planned to be established under PPP model with support from GOI by following the guidelines for setting up AWSs by private agencies.

Annexes

Annex-I
(Refer to paragraph 1.4)

STATEMENT SHOWING DETAILS OF DISTRICT SELECTED FOR AUDIT

S. No.	State	Name of District
1.	Andhra Pradesh	Kadapa
2.		Anathapuram
3.	Assam	Kamrup-Rural
4.		Nagaon
5.		Tinsukia
6.		Golpara
7.	Gujarat	Rajkot
8.		Amreli
9.		Jamnagar
10.		Junagadh
11.		Sabarkantha
12.	Haryana	Karnal
13.		Rewari
14.		Yamuna Nagar
15.	Himachal Pradesh	Shimla
16.		Kangra
17.	Maharashtra	Amravati
18.		Ahmednagar
19.		Beed
20.		Thane
21.		Yavatmal
22.	Odisha	Bhadrak
23.		Kendrapara
24.		Sonepur
25.		Jajpur
26.		Mayurbhanj
27.	Rajasthan	Alwar
28.		Bikaner
29.		Jhalwar
30.		Pali
31.		Udaipur
32.	Telangana	Nizamabad
33.		Mahbubnagar

Annex-II (a)
(Refer to paragraph 3.3.1)

DETAILS OF COVERAGE OF NAIS FROM KHARIF SEASON 2011 to RABI SEASON 2015-16

SEASON	NO. OF FARMERS INSURED (in lakh)	AREA INSURED (in lakh ha)	(₹ in crore)											NO. OF FARMERS BENEFITTED (in lakh)
			SUM INSURED	PREMIUM	GROSS SUBSIDY	STATE SHARE IN SUBSIDY	GOI SHARE IN SUBSIDY	CLAIMS REPORTED	AIC SHARE IN CLAIMS	STATE SHARE IN CLAIMS	GOI SHARE IN CLAIMS	CLAIMS SETTLED	CLAIMS PAYABLE	
<i>Kharif</i> 2011	115.55	157.76	23487.11	714.35	52.31	33.47	18.84	1665.42	618.81	523.31	523.31	1665.42	0.00	18.45
<i>Rabi</i> 2011-12	52.39	76.09	11283.94	257.68	63.20	56.70	6.50	543.37	223.14	160.11	160.11	542.37	1.00	12.87
Total	167.94	233.85	34771.05	972.03	115.51	90.17	25.34	2208.79	841.95	683.42	683.42	2207.79	1.00	31.32
<i>Kharif</i> 2012	106.49	156.94	27199.06	878.74	108.91	88.24	20.67	2787.00	846.15	970.43	970.43	2785.78	1.22	19.13
<i>Rabi</i> 2012-13	61.42	86.91	15710.09	447.61	175.79	166.22	9.57	2108.34	569.46	769.44	769.44	2041.35	66.99	25.55
Total	167.91	243.85	42909.15	1326.35	284.70	254.46	30.24	4895.34	1415.61	1739.87	1739.87	4827.13	68.21	44.68
<i>Kharif</i> 2013	97.46	142.32	29004.69	977.72	156.39	133.90	22.49	3261.67	630.54	1315.56	1315.56	3099.61	162.06	27.95
<i>Rabi</i> 2013-14	39.74	64.76	12549.45	297.48	93.59	86.47	7.12	1047.50	332.47	357.51	357.51	1047.48	0.02	9.96
Total	137.20	207.08	41554.14	1275.20	249.98	220.37	29.61	4309.17	963.01	1673.07	1673.07	4147.09	162.08	37.91
<i>Kharif</i> 2014	96.84	115.48	24389.12	844.71	60.07	40.29	19.78	2946.19	1164.29	890.95	890.95	2920.31	25.88	43.46
<i>Rabi</i> 2014-15	70.10	92.77	21512.54	553.87	183.53	164.47	19.06	1277.00	328.81	474.09	474.09	395.60	881.40	19.89
Total	166.94	208.25	45901.66	1398.58	243.60	204.76	38.84	4223.19	1493.10	1365.04	1365.04	3315.91	907.28	63.35
<i>Kharif</i> 2015	206.52	216.89	51951.13	1809.50	294.51	198.12	96.38	12772.91	1707.73	5532.59	5532.59	6936.62	5836.29	118.98
<i>Rabi</i> 2015-16	94.95	103.89	24936.48	667.15	222.20	198.36	23.84	35.16	33.90	0.63	0.63	0.00	35.16	0.06
Total	301.47	320.78	76887.61	2476.65	516.71	396.48	120.22	12808.07	1741.63	5533.22	5533.22	6936.62	5871.45	119.04
Grand Total	941.46	1213.81	242023.61	7448.81	1410.50	1166.24	244.25	28444.56	6455.30	10994.62	10994.62	21434.54	7010.02	296.30

(Source: Department of Agriculture, Cooperation and Farmers' Welfare)

Annex-II (b)

(Refer to paragraph 3.3.1)

DETAILS OF COVERAGE OF MNAIS FROM *KHARIF SEASON 2011* to *RABI SEASON 2015-16*

Season	Farmers Insured (in lakh)	Area Insured (in lakh ha)	₹ in crore)							Farmers benefitted (in lakh)
			Sum Insured	Farmers' premium	GOI subsidy in premium	State Govt's premium subsidy	Gross Premium	Claims Payable	Claims Paid	
<i>Kharif 2011</i>	4.58	6.66	1345.89	50.11	35.52	36.14	121.77	96.10	96.10	1.00
<i>Rabi 2011-12</i>	7.55	7.07	2010.08	67.82	45.05	52.34	165.2	84.44	83.41	1.23
Total	12.13	13.73	3355.97	117.93	80.57	88.48	286.97	180.54	179.51	2.23
<i>Kharif 2012</i>	20.62	22.39	4896.94	220.34	172.01	172.01	564.36	623.25	622.89	6.05
<i>Rabi 2012-13</i>	9.49	7.42	2077.15	75.02	52.17	62.11	189.3	53.47	53.23	1.13
Total	30.11	29.81	6974.09	295.36	224.18	234.12	753.66	676.72	676.12	7.18
<i>Kharif 2013</i>	23.61	22.74	5825.83	255.07	197.66	197.66	650.38	856.91	816.1	9.63
<i>Rabi 2013-14</i>	29.97	32.53	6406.54	208.24	107.91	118.65	434.81	540.11	528.12	8.11
Total	53.58	55.27	12232.37	463.31	305.57	316.31	1085.19	1397.02	1344.22	17.74
<i>Kharif 2014</i>	58.96	70	9481.77	342.14	279.64	306.24	928.02	629.84	600.2	15.48
<i>Rabi 2014-15</i>	32.05	35.53	9105.28	273.93	113.49	113.87	501.3	887.38	814.97	14.20
Total	91.01	105.53	18587.05	616.07	393.13	420.11	1429.32	1517.22	1415.17	29.68
<i>Kharif 2015</i>	48.11	55.31	8265.3	336.46	237.81	238.09	812.35	1090.47	1028.51	23.87
<i>Rabi 2015-16</i>	36.78	34.62	11577.99	301.25	133.35	133.35	567.94	123.93	9.92	1.98
Total	84.89	89.93	19843.29	637.71	371.16	371.44	1380.29	1214.40	1038.43	25.85
Grand Total	271.72	294.27	60992.77	2130.38	1374.61	1430.46	4935.43	4985.90	4653.45	82.68

(Source: Department of Agriculture, Cooperation and Farmers' Welfare)

Annex-II (c)

(Refer to paragraph 3.3.1)

DETAILS OF COVERAGE UNDER WBCIS FROM *KHARIF SEASON 2011 to RABI SEASON 2015-16*

Season	Farmers Insured (in lakh)	Area Insured (in lakh ha)	₹ in crore)							Farmers benefitted (in lakh)
			Sum Insured	Farmers' Premium	GOI Premium (share)	State Govt. Premium (share)	Gross Premium	Claims Payable	Claims Paid	
<i>Kharif 2011</i>	69.05	97.86	10351.62	331.67	349.03	349.03	1029.73	425.88	425.08	35.98
<i>Rabi 2011-12</i>	47.66	59.45	9858.46	208.42	296.75	309.55	814.72	751.14	666.36	27.32
Total	116.71	157.31	20210.08	540.09	645.78	658.58	1844.45	1177.02	1091.44	63.30
<i>Kharif 2012</i>	80.08	111.25	12870.53	407.98	443.38	443.38	1294.74	876.81	869.28	67.52
<i>Rabi 2012-13</i>	55.91	65.65	10655.46	254.12	334.46	334.46	923.03	1043.82	706.27	40.53
Total	135.99	176.90	23525.99	662.10	777.84	777.84	2217.77	1920.63	1575.55	108.05
<i>Kharif 2013</i>	88.54	111.72	14623.96	459.14	505.59	505.59	1470.33	1199.59	1157.39	68.71
<i>Rabi 2013-14</i>	53.02	53.36	10901.92	512.52	190.91	220.02	923.45	817.09	727.40	37.86
Total	141.56	165.08	25525.88	971.66	696.50	725.61	2393.78	2016.68	1884.79	106.57
<i>Kharif 2014</i>	81.71	96.36	13252.87	695.58	434.51	435.47	1565.55	1237.76	1212.34	67.23
<i>Rabi 2014-15</i>	30.80	47.56	4400.37	243.05	156.37	157.02	556.44	804.98	800.76	28.99
Total	112.51	143.92	17653.24	938.63	590.88	592.49	2121.99	2042.74	2013.10	96.22
<i>Kharif 2015</i>	54.02	63.13	8536.74	448.87	268.61	269.43	986.91	1242.04	1236.58	47.29
<i>Rabi 2015-16</i>	29.13	59.32	6434.66	339.77	199.14	199.14	737.06	630.76	229.14	20.56
Total	83.15	122.45	14971.40	788.64	467.75	468.57	1723.97	1872.80	1465.72	67.85
Grand Total	589.92	765.66	101886.59	3901.12	3178.75	3223.09	10301.96	9029.87	8030.60	441.99

(Source: Department of Agriculture, Cooperation and Farmers' Welfare)

Annex-III
(Refer to paragraph 3.3.4)

LOW COVERAGE OF NON LOANEE FARMERS

Season	NAIS				MNAIS				WBCIS			
	Farmers Insured (Loanee)	Farmers Insured (Non-Loanee)	Farmers Insured (Total)	Percentage of loanee farmers to total farmers insured	Farmers Insured (Loanee)	Farmers Insured (Non-Loanee)	Farmers Insured (Total)	Percentage of loanee farmers to total farmers insured	Farmers Insured (Loanee)	Farmers Insured (Non-Loanee)	Farmers Insured (Total)	Percentage of loanee farmers to total farmers insured
	(Figures in lakh)				(Figures in lakh)				(Figures in lakh)			
<i>Kharif 2011</i>	85.52	30.03	115.55	25.99	4.30	0.28	4.58	9.78	65.16	3.89	69.05	5.64
<i>Rabi 2011-12</i>	38.22	14.17	52.39	27.05	7.20	0.35	7.55	4.58	46.83	0.83	47.66	1.74
<i>Kharif 2012</i>	85.75	20.74	106.49	19.48	19.50	1.12	20.62	5.44	79.00	1.08	80.08	1.35
<i>Rabi 2012-13</i>	42.73	18.69	61.42	30.43	9.42	0.07	9.49	0.74	55.02	0.89	55.91	1.59
<i>Kharif 2013</i>	78.53	18.94	97.47	19.43	22.81	0.80	23.61	3.38	87.64	0.90	88.54	1.02
<i>Rabi 2013-14</i>	34.49	5.24	39.73	13.19	28.96	1.01	29.97	3.37	52.50	0.53	53.03	1.00
<i>Kharif 2014</i>	51.58	45.26	96.84	46.74	53.28	5.68	58.96	9.64	73.21	8.50	81.71	10.40
<i>Rabi 2014-15</i>	54.89	15.21	70.10	21.69	31.80	0.25	32.05	0.79	30.11	0.68	30.79	2.21
<i>Kharif 2015</i>	109.57	96.95	206.52	46.95	48.11	0.01	48.12	0.01	52.49	1.53	54.02	2.83
<i>Rabi 2015-16</i>	74.10	20.85	94.95	21.96	36.77	0.00	36.77	0.01	28.47	0.66	29.13	2.28
Grand Total	655.38	286.08	941.46	30.39	262.15	9.57	271.72	3.59	570.43	19.49	589.92	3.31

(Source: Department of Agriculture, Cooperation and Farmers' Welfare)

Annex-IV

(Refer to paragraph 3.3.5)

COVERAGE OF NON- LOANEE FARMERS IN THE SELECTED NINE STATES

Season	NAIS				MNAIS				WBCIS			
	Farmers Insured (Loanee)	Farmers Insured (Non-Loanee)	Farmers Insured (Total)	Percentage of non-loanee farmers to total farmers insured	Farmers Insured (Loanee)	Farmers Insured (Non-Loanee)	Farmers Insured (Total)	Percentage of non-loanee farmers to total farmers insured	Farmers Insured (Loanee)	Farmers Insured (Non-Loanee)	Farmers Insured (Total)	Percentage of non-loanee farmers to total farmers insured
	(Figures in thousand)				(Figures in thousand)				(Figures in thousand)			
<i>Kharif</i> 2011	3,745	2,605	6,349	41.02	124	2	126	5.22	5,703	274	5,977	4.58
<i>Rabi</i> 2011-12	632	420	1,052	39.95	297	7	304	2.46	3,015	30	3,045	0.99
<i>Kharif</i> 2012	3,732	1,444	5,175	27.90	1,214	4	1,218	0.35	6,381	20	6,401	0.32
<i>Rabi</i> 2012-13	430	1,073	1,503	71.41	562	2	564	0.39	3,684	33	3,717	0.88
<i>Kharif</i> 2013	3,248	1,524	4,773	31.94	1,568	2	1,570	0.13	6,721	10	6,730	0.14
<i>Rabi</i> 2013-14	346	258	604	42.76	1,799	0	1,799	0.00	2,811	19	2,829	0.66
<i>Kharif</i> 2014	2,700	4,525	7,224	62.63	2,718	15	2,733	0.56	3,996	781	4,777	16.34
<i>Rabi</i> 2014-15	202	1,116	1,318	84.66	2,274	2	2,276	0.09	2,727	62	2,790	2.24
<i>Kharif</i> 2015	3,722	8,462	12,185	69.45	3,399	0	3,399	0.00	4,771	148	4,919	3.01
<i>Rabi</i> 2015-16	174	3,431	3,606	95.16	2,008	0	2,008	0.00	2,279	52	2,331	2.24
Grand Total	18,931	24,858	43,789	56.77	15,962	34	15,997	0.21	42,088	1,429	43,516	3.28

(Source: Department of Agriculture, Cooperation and Farmers' Welfare)

Annex-V
(Refer to paragraph 3.5)

DELAY IN ISSUE OF NOTIFICATIONS BY STATE GOVERNMENTS

S. No.	State	Scheme	Seasons where Notifications were delayed	Total seasons for which notification was delayed	Range of delay (in days)
1.	Andhra Pradesh	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Rabi 2014-15, Rabi 2015-16 and Kharif 2015</i>	9	12 to 101
		MNAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Kharif 2014 and Kharif 2015</i>	8	30 to 125
		WBCIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16.</i>	10	39 to 101
2.	Assam	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Kharif 2014, Rabi 2014-15 and Kharif 2015.</i>	9	47 to 118
		MNAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013 and Rabi 2013-14.</i>	6	63 to 115
		WBCIS	<i>Rabi 2013-14, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16.</i>	5	14 to 82
3.	Haryana	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16.</i>	9	22 to 99
		WBCIS	<i>Rabi 2011-12, Rabi 2012-13, Rabi 2013-14, Rabi 2014-15 and Rabi 2015-16.</i>	5	39 to 171
4.	Himachal Pradesh	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012 and Rabi 2012-13</i>	4	68 to 115
		MNAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Kharif 2013 and Rabi 2013-14.</i>	5	80 to 136
		WBCIS	<i>Kharif 2011, Rabi 2011-12; Kharif 2012, Rabi 2012-13, Kharif 2013 and Rabi 2013-14</i>	6	84 to 136
5.	Gujarat	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16</i>	10	17 to 101
		MNAIS	<i>Kharif 2011, Rabi 2011-12 and Kharif 2012.</i>	3	17 to 59
6.	Maharashtra	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16</i>	9	5 to 77

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		MNAIS	<i>Kharif 2011 and Rabi 2011-12</i>	2	48 to 70
		WBCIS	<i>Rabi 2011-12, Kharif 2012, Kharif 2013, Rabi 2013-14, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16</i>	8	13 to 70
7.	Odisha	NAIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16</i>	9	54 to 92
		MNAIS	<i>Rabi 2011-12, Rabi 2012-13, Kharif 2013, Rabi 2013-14</i>	4	59 to 84
		WBCIS	<i>Kharif 2011 and Kharif 2012</i>	2	92 to 106
8.	Rajasthan	MNAIS	<i>Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Kharif 2014 and Rabi 2014-15</i>	7	70 to 98
		WBCIS	<i>Kharif 2011, Rabi 2011-12, Kharif 2012, Rabi 2012-13, Kharif 2013, Rabi 2013-14, Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16.</i>	10	34 to 111
9.	Telangana	NAIS	<i>Kharif 2014, Kharif 2015 and Rabi 2015-16</i>	3	40 to 132
		MNAIS	<i>Rabi 2014-15 and Rabi 2015-16</i>	2	40 to 78
		WBCIS	<i>Kharif 2014, Rabi 2014-15, Kharif 2015 and Rabi 2015-16</i>	4	40 to 76

Annex-VI
(Refer to paragraph 3.7)

DESCREPARCIES IN CONDUCTING CROP CUTTING EXPERIMENTS

State	Audit findings
Andhra Pradesh	The State Government did not collect the data of areas in which sowing was prevented (where sowing could not be done) from 2011-12 to 2015-16 as there were no specific orders to the Chief Project Officer (CPO) from the Director of Economic and Statistics. In the absence of such data, it was not possible for IAs to decide the extent of claims in such cases.
Assam	During the period from 2011-12 to 2015-16, the State Government conducted 32,739 CCEs (against 39,514 CCEs planned), resulting in shortfall of 6,775 CCEs (17 per cent) due to shortage of staff. But this shortfall in conducting CCEs is bound to affect the calculation AY and consequently could affect the quantum of claims payable to farmers.
Gujarat	For the 2011-12 to 2015-16 seasons, AIC did not consider 201 talukas for compensation, since the minimum numbers of CCEs as stipulated under NAIS were not conducted in these talukas.
Haryana	The work of CCEs in respect of Karnal, Kaithal, Jind and Rohtak districts for MNAIS (<i>Kharif season 2013</i>) was outsourced to two agencies, who did not furnish information to the Directorate of Agriculture, which is responsible for implementation of the CCEs. Consequently, it is not clear how the Directorate of Agriculture ensured that the CCEs were conducted properly.
Maharashtra	<p>i. The State Government prescribed Form-1 (for marking the plots for CCE) and Form-2 (for recording the actual production i.e., crop yield for demarcated plots). Audit observed that Form-2 recorded on site in Pusad taluka (district Yavatmal) did not contain details (survey no. etc.) to identify the demarcated plots in which CCEs were conducted, date of conducting CCEs, production details etc. However, the records with the taluk office contained these details. Taluk officials admitted that the details were not recorded from Form 2, but collected telephonically. Thus, the details of CCEs pertaining to this taluka are suspect.</p> <p>ii. District Agricultural officers admitted that supervision in three districts (Ahmednagar, Beed and Thane) was low (ranging from 49 per cent to 67 per cent for <i>Kharif</i> and <i>Rabi seasons</i> of 2015). Consequently, it is not clear how it was ensured that the CCEs were conducted properly.</p>
Odisha	During <i>Kharif season 2011</i> , against claim liability of ₹ 289.59 crore, GOI paid only ₹ 286.83 crore since required number of CCEs were not conducted in 106 gram panchayats. As a result, the State Government paid the GOI's share of ₹ 2.76 crore.

Telangana	<p>i. In 2011-12, based on the representation from farmers, special CCEs were conducted in Lingala Mandal in addition to CCEs already conducted as per norms. Results of the special CCES conducted were, however, not accepted by implementing agency and no claims were paid to farmers. This instance brings out the facts that CCEs were not conducted as per the norms prescribed for selection.</p> <p>ii. The State Government did not collect the data of areas in which sowing was prevented (where sowing could not be done) from 2011-12 to 2015-16 as there were no specific orders to the CPO from the Director of Economic and Statistics. In the absence of such data, it was not possible for IAs to decide the extent of claims in such cases.</p>
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Annex-VII

(Refer to paragraph 3.10.1)

State-wise details of Area sown and area insured under various Crop Seasons

S. No.	State	Crop Year	Season/crop	District	Area sown	Area insured	Excess area insured	
						(In ha.)		
1.	Odisha	2011-12	<i>Kharif</i> (Paddy)	Khurda	95,933	1,02,571	6,638	
			<i>Rabi</i> (Paddy)	Ganjam	10	219	209	
				Kendrapara	2,796	3,064	268	
					Khurda	868	2396	1,528
		2012-13	<i>Rabi</i> (Paddy)	Khurda	921	2,165	1,244	
		2014-15	<i>Rabi</i> (Paddy)	Bhadrak	5,798	9,232	3,434	
				Khurda	1,372	2,668	1,296	
		2015-16	<i>Kharif</i> (Paddy)	Bolangir	1,90,829	2,14,267	23,438	
Rayagada	50,303			51,619	1,316			
2.	Andhra Pradesh	2012	<i>Rabi</i> (Groundnut)	Ananthapuram	7,29,695	9,91,293	2,61,598	
		2013			7,28,448	9,25,805	1,97,357	
		2014			5,65,751	1,34,663	--	
		2015			4,27,625	8,95,808	4,27,625	
		2012		Kadapa	64,574	2,37,648	1,73,074	
		2013			59,514	2,21,652	1,62,138	
		2014			27,342	37,787	10,445	
		2015			50,659	1,93,815	1,43,156	
3.	Telangana	2014-15	<i>Rabi</i> (Paddy)	Nizamabad	56,845	79,326	22,481	
		2011-12	<i>Rabi</i> (Paddy)	Mahbubnagar	51,242	1,31,162	79,920	
		2012-13	<i>Kharif</i> (Paddy)		96,928	1,11,697	14,769	
		2012-13	<i>Rabi</i> (Paddy)		45,099	64,829	19,730	
		2014-15	<i>Rabi</i> (Paddy)		49,468	1,70,230	1,20,762	
4.	Maharashtra	2015-16	<i>Kharif</i>	Beed	51,397	1,11,614	60,217	
		2015-16	<i>Kharif</i> (Mung)	Amravati	16,008	16,116	108	
							17,32,751	

(Source: Agriculture Departments of respective States)

Annex-VIII
(Refer paragraph 3.11.2)
Statement showing pending claims under all insurance schemes

(₹ in lakh)

Season	NAIS			MNAIS			WBCIS		
	Claims reported	Claims paid	Pending claims	Claims reported	Claims paid	Pending claims	Claims reported	Claims paid	Pending claims
<i>Kharif</i> 2011	1,66,541.78	1,66,541.78	0.00	9,609.97	9,609.97	0.00	42,587.75	42,507.77	79.98
<i>Rabi</i> 2011-12	54,337.07	54,237.44	99.63	8,443.56	8,341.01	102.55	75,113.67	66,635.56	8,478.11
Total	2,20,878.85	2,20,779.22	99.63	18,053.53	17,950.98	102.55	1,17,701.42	1,09,143.33	8,558.09
<i>Kharif</i> 2012	2,78,699.98	2,78,578.43	121.55	62,324.96	62,289.04	35.92	87,680.53	86,927.72	752.81
<i>Rabi</i> 2012-13	2,10,833.53	2,04,134.70	6,698.83	5,346.75	5,322.47	24.28	1,04,382.42	70,626.77	33,755.65
Total	4,89,533.51	4,82,713.13	6,820.38	67,671.71	67,611.51	60.20	1,92,062.95	1,57,554.49	34,508.46
<i>Kharif</i> 2013	3,26,167.19	3,09,960.61	16,206.58	85,690.91	81,609.97	4,080.94	1,19,958.66	1,15,739.17	4,219.49
<i>Rabi</i> 2013-14	1,04,750.00	1,04,748.00	2.00	54,010.93	52,812.03	1,198.90	81,709.34	72,739.76	8,969.58
Total	4,30,917.19	4,14,708.61	16,208.58	1,39,701.84	1,34,422.00	5,279.84	2,01,668.00	1,88,478.93	13,189.07
<i>Kharif</i> 2014	2,94,619.00	2,92,031.00	2,588.00	62,983.79	60,019.94	2,963.85	1,23,775.97	1,21,234.10	2,541.87
<i>Rabi</i> 2014-15	1,27,700.00	39,560.00	88,140.00	88,737.95	81,497.54	7,240.41	80,498.31	80,076.15	422.16
Total	4,22,319.00	3,31,591.00	90,728.00	1,51,721.74	1,41,517.48	10,204.26	2,04,274.28	2,01,310.25	2,964.03
<i>Kharif</i> 2015	12,77,291.00	6,93,662.00	5,83,629.00	1,09,046.81	1,02,851.15	6,195.66	1,24,204.26	1,23,657.57	546.69
<i>Rabi</i> 2015-16	3,516.00	0.00	3,516.00	12,393.16	991.64	11,401.52	63,075.80	22,913.93	40,161.87
Total	12,80,807.00	6,93,662.00	5,87,145.00	1,21,439.97	1,03,842.79	17,597.18	1,87,280.06	1,46,571.50	40,708.56
Grand Total	28,44,455.55	21,43,453.96	7,01,001.59	4,98,588.79	4,65,344.76	33,244.03	9,02,986.71	8,03,058.50	99,928.21

(Source: Department of Agriculture, Cooperation and Farmers' Welfare)

Annex-IX
(Refer to paragraph 3.12)

DEFICIENCIES IN PERFORMANCE OF BANKS/FIs

S. No.	State	Audit Findings
1.	Gujarat	<p>(i) During <i>Kharif season</i> 2011 to <i>Kharif season</i> 2015, 14 Bank branches/FIs located in 10 Talukas of five districts credited the claim amount of ₹ 57.07 crore in the beneficiary farmers' account with a delay ranging from 1 to 163 days thereby defeating the purpose of timely compensation under NAIS.</p> <p>(ii) Test check in Audit revealed that during <i>Kharif season</i> 2011 to <i>Kharif season</i> 2015, Sabarkantha District Credit Co-operative Bank (claim amount: ₹ 8.66 crore) and State Bank of India (claim amount: ₹ 70.25 crore) located in Sabarkantha and Jamnagar district remitted the claim amounts to their branches/PACS, with delays ranging from 2 to 72 days for its subsequent credit to the beneficiary farmers account.</p> <p>(iii) A test of bank branches/PACS in the selected districts <i>viz.</i> Amreli, Junagadh, Jamnagar, Rajkot, and Sabarkantha revealed that the claims amount paid to the farmers were first adjusted against their outstanding crop loan even though there is no specific mention in the scheme that such adjustment could be made.</p> <p>(iv) State Bank of India, Ranjit Road, in Jamnagar district and Circle Chowk in Junagadh (Nodal Bank branches), remitted ₹ 173.15 crore against ₹ 173.22 crore received from AIC as claims for <i>Rabi season</i> 2012-13 and <i>Kharif season</i> 2015 to its disbursing branches resulted in less credit of ₹ 6.42 lakh to the beneficiary farmer's account.</p> <p>(v) During 2011-12 to 2015-16, four cases of errors on the part of banks in entering the notified area/ crop were put up before a Committee under the chairmanship of the Joint Secretary, DAC&FW. Audit observed that even though NAIS prescribed for making good of all such claims by banks, the Committee recommended (April 2011 to March 2014) settlement of claims amounting to ₹ 36.96 crore with the condition that AIC/State Government may issue a suitable caution letter to banks for avoiding such mistakes in future. The financial burden of such claims was finally borne by GOI/ State Government. The reasons for taking upon the financial burden of additional claim were not available on record.</p>
2.	Haryana	<p>(i) In three districts (Karnal, Yamunanagar and Rewari), four insurance companies (HDFC Ergo General Insurance Company Limited, Future Generali India Insurance Company Limited, AIC and ICICI Lombard General Insurance Company Limited) informed audit that they have released claims of ₹ 17.97 lakh pertaining to 2006 farmers to five banks but on enquiry by Audit, the banks had stated that they had not received any amount from insurance companies. As a result, the beneficiaries remained</p>

		<p>deprived of the benefit of claims compensation for no fault of theirs.</p> <p>(ii) Haryana State Co-operative Bank, Karnal did not deduct insurance premium from loanee farmers during 2011-15 resulting in denial of coverage to the loanee farmers in the district.</p> <p>(iii) An amount of ₹ 13.44 lakh was lying undisbursed with four banks in Radaur and Bilaspur blocks of Yamunanagar district and Nilokheri block of Karnal district for want of details of 815 beneficiary farmers pertaining to <i>Rabi season 2012-13 to Kharif season 2013</i>.</p> <p>(iv) In two blocks of Yamunanagar district, the IA (ICICI Lombard General Insurance Company Limited) released the claims amounting ₹ 106.63 lakh in respect of 9,187 beneficiary farmers under WBCIS. However, the banks (PNB, Central Cooperative Bank-Bilaspur, Central Cooperative Bank-Pabni Kaplan) credited only ₹ 26.62 lakh to 6,229 farmers leaving ₹ 80.01 lakh undisbursed to farmers.</p> <p>(v) As per information made available by four insurance companies, claims amounting to ₹ 119.84 lakh involving 7,026 farmers during <i>Kharif season 2011 to Rabi season 2013-14</i> were released to 22 bank branches in selected blocks, but details regarding their disbursement to beneficiaries were not furnished to audit (September 2016) by these banks. As a result, it could not be ascertained in audit that these claims have been actually paid to beneficiary farmers or not. Audit could not trace the Corporation Bank, Indri and Vijaya Bank, Indri, to whom insurance claims of ₹ 31,393 and ₹ 11,528 respectively were released by these insurance companies.</p>
3.	Himachal Pradesh	<p>During 2011-16, three Banks (SBI Theog, H.P. State Cooperative Bank, Theog and UCO Bank, Kotkhai) credited the amount in the accounts of concerned beneficiaries after fifteen days as against within seven days provided in the scheme. No reason for this delay was furnished by the banks.</p>
4.	Maharashtra	<p>(i) Three farmers were denied insurance claims for WBCIS 2014-15 <i>Mrig bahar season</i> by the IA (HDFC Ergo General Insurance Company Limited), as the Bank (Bank of Maharashtra in Morshi Taluka of Amravati district) indicated wrong revenue circle while submitting insurance proposals. IA did not return the insurance premium of ₹ 21,060 taken from three farmers. The Branch Manager of the Bank accepted the facts and stated that the matter has been taken up with insurance company but they have not responded to it. The details of subsidy if any received from GOI and the state government in above three cases was not available. Similarly, State Bank of India in Lehgaon Taluka of district Amravati submitted wrong declarations mentioning wrong revenue circles in respect of four farmers (for WBCIS 2012-13 <i>Ambiya bahar season</i>) due to which insurance company did not consider these declarations for payment of insurance claims. The Bank Manager stated that the revised declaration form was submitted to its nodal point but was not considered for providing insurance benefits.</p> <p>(ii) Yavatmal District Central Co-operative (YDCC) Bank while submitting the insurance proposals to IA for WBCIS <i>Kharif season 2014</i> indicated area</p>

		<p>lesser than the area insured in respect of two revenue circles (Malkhed and Mojhar) in Ner taluka. As a result of this wrong information by the Bank, the farmers received amount of ₹ 1.90 lakh and ₹ 3.52 lakh lesser than the actual insurance claims.</p> <p>(iii) Amount of insurance claims to the farmers' accounts were credited with delays up to 49 months.</p> <p>(iv) Beed District Central Co-operative (BDCC) Bank, the nodal point, received (June 2015) an amount of ₹ 251 crore for making payment of claims under NAIS (<i>Kharif season 2014</i>). Even though the Bank submitted (October 2015) UC certifying the credit of claims amount to the farmers' accounts, an amount of ₹ 9.07 lakh was lying un-disbursed in two of its branches (Dharmapuri and Parli). Similarly, another branch (Market Yard) of BDCC, Majalgaon submitted (June 2016) UC certifying credit of ₹ 3.79 crore to the farmers' account claims under NAIS (<i>Kharif season 2015</i>) even though claim amount of ₹ 2.44 lakh in respect of 40 farmers, was lying un-disbursed.</p>
5.	Odisha	<p>There were delays ranging upto 225 days in remitting of insurance claims of ₹ 307.07 crore received during 2011-12 to 2015-16 by the DCCB in 18 selected villages of six blocks of three districts to branches for crediting to the farmers' accounts. These branches credited the amount of insurance claims to farmers' accounts with delays ranging upto 249 days.</p>
6.	Rajasthan	<p>(i) During <i>Rabi season 2013-14</i>, State Bank of India, Ajabpura in Alwar district did not credit insurance claims of ₹ 4.80 lakh in 918 farmers' account till September 2016 even though IAs (HDFC Ergo General Insurance Company Limited and ICICI Lombard General Insurance Company Limited) had remitted these claims by May 2015.</p> <p>(ii) The Udaipur Central Cooperative Bank has not credited insurance claims for <i>Kharif season 2015</i> in the accounts of 16 beneficiary farmers of village Vati (Badgaon block of Udaipur district) whereas it had distributed the claim in other villages of its service area.</p> <p>(iii) Two farmers of Udaipur district and five farmers of Alwar district received insurance claims of ₹ 20,192 from more than one bank indicating that these banks failed to ensure that these farmers have not taken loan for same crops from other banks/FIs.</p> <p>(iv) The Udaipur Central Cooperative Bank, Udaipur disbursed crop loan of ₹ 64,000 to two farmers who did not hold any land for cultivation. Compensation amount of ₹ 41,200 each was also disbursed to these farmers by the Bank. When this discrepancy came into notice, an amount of ₹ 2.22 lakh along with interest from both these farmers was recovered and remitted to AIC.</p>

Annex-X

(Refer to paragraph 4.6)

Details of survey/feed back from farmers

State	Audit findings
Andhra Pradesh	Survey of 1,286 farmers (609 in Ananthapuram and 677 in Kadapa) revealed that there were 1,181 loanee farmers, 12 non-loanee farmers and 93 uninsured farmers. Majority of farmers (748 farmers i.e. 58 <i>per cent</i>) had no knowledge of the insurance schemes even though the State Government had conducted awareness campaigns indicating that these campaigns were ineffective.
Assam	Survey of 630 farmers in four selected districts <i>viz.</i> Kamrup (Rural), Nagaon, Golpara and Tinsukia revealed that all the loanee farmers were compulsorily insured against their Kisan Credit Card (KCC) loans but they were unaware of their crops being insured. None of the banks and private insurance companies carried out any awareness campaigns due to shortage of manpower as well as no earmarked funds for such activities.
Gujarat	<p>Survey of 540 farmers of 18 villages of six talukas in three districts revealed that:</p> <p>(i) All the farmers interviewed were land owners.</p> <p>(ii) While 265 loanee farmers had opted for crop insurance in all the five years during 2011-16, 231 loanee farmers did not opt to insure their crops every year though it was mandatory for loanee farmers to insure their crops. 44 farmers including 17 loanee farmers did not opt for crop insurance in any of the five years.</p> <p>(iii) Of the 44 farmers, who did not opt for crop insurance in all five years, 16 farmers were neither aware of NAIS nor cut-off dates for submission of insurance proposals; 7 farmers did not get sufficient compensation in previous years; 9 farmers could not afford premium and 12 farmers were either not interested or did not take bank loan or did not state any reason.</p> <p>(iv) Of the 231 loanee farmers who did not take crop insurance every year, 44 farmers claimed of not receiving sufficient compensation in previous years; 19 farmers faced difficulty in applying online; 153 farmers claimed of receiving insufficient compensation and difficulty in applying on online portal; 7 farmers could not afford premium, and 8 farmers were not interested owing to personal reasons.</p> <p>(v) Of the 540 farmers interviewed, 523 farmers were aware of the new scheme PMFBY. Out of these 523 farmers, 22 farmers were not willing to participate even in the new scheme.</p>
Haryana	Survey of 540 farmers (loanee-303 and non-loanee-237) of six blocks revealed that 529 farmers were not aware of schemes and crops covered under these schemes. Only 88 farmers were interested in new scheme (PMFBY).

Himachal Pradesh	Survey of 272 numbers of farmers in four blocks revealed that all the farmers were not aware of risk covered, premium rate, premium subsidy given by GOI and the State Government, document required for submission of proposals, and cut off dates for submission of proposals. This indicated that the efforts were not made by State Government and IAs to create awareness of crop insurance schemes among the farmers.
Maharashtra	<p>Survey of 907 farmers of 30 villages 10 talukas of five selected districts revealed that:</p> <p>(a) Out of 907 farmers, 110 farmers (12.13 <i>per cent</i>) did not opt for the insurance schemes due to various reasons viz. premium not affordable (37 farmers), banks refused to help (4 farmers), did not receive full compensation on earlier occasions (22 farmers), relevant documents not available (7 farmers), and others (40 farmers).</p> <p>(b) Out of 797 farmers who opted for the insurance schemes,</p> <p>(i) 497 (62 <i>per cent</i>) were not aware about the subsidy offered by the Government;</p> <p>(ii) 189 farmers (24 <i>per cent</i>) were not aware about the risk coverage for crops under the schemes;</p> <p>(iii) 35 farmers (4 <i>per cent</i>) were not satisfied with the claim amount they had received;</p> <p>(iv) 24 farmers (3 <i>per cent</i>) stated that losses to crops due to wildlife should also be covered under insurance schemes;</p> <p>(v) 16 farmers (2 <i>per cent</i>) stated that the claims were not received in time.</p> <p>(vi) 6 farmers (one <i>per cent</i>) desired that the coverage should be on individual basis;</p> <p>(vii) 5 farmers (one <i>per cent</i>) stated that joint name on land records should also be considered for crop insurance.</p>
Rajasthan	<p>Survey of 791 farmers (565 loanee and 226 non- loanee) in 30 villages of five selected districts revealed that:</p> <p>a) Out of total 791 farmers:</p> <p>i. 31.48 <i>per cent</i> stated that they were aware about the crop insurance schemes.</p> <p>ii. 68.52 <i>per cent</i> stated that they were not aware about the crop insurance schemes.</p> <p>b) Out of total 226 non-loanee farmers:</p> <p>i. 17.26 <i>per cent</i> stated that premium not affordable.</p> <p>ii. 1.77 <i>per cent</i> stated that bank refused to insure.</p> <p>iii. 2.65 <i>per cent</i> stated that actual claim not received.</p> <p>iv. 4.87 <i>per cent</i> stated that they have not relevant documents.</p> <p>v. 73.45 <i>per cent</i> stated other reasons such as lack of knowledge, not required etc.</p>

Telangana	Survey of 1,027 farmers (528 in Mahbubnagar and 499 in Nizamabad) revealed that there were 825 loanee farmers, 158 non-loanee farmers and 44 farmers who were uninsured farmers. Majority of farmers (835 farmers i.e. 81 <i>per cent</i>) had no knowledge of the insurance schemes even though the State Government had conducted awareness campaigns indicating that these campaigns were ineffective.
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Glossary of Terms and Abbreviations	
Term	Details
ACF	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.
Adverse selection	Adverse selection means choosing to participate in the scheme selectively after being certain of crop loss. The term is particularly applicable to non-loanee farmers.
AIC	Agriculture Insurance Company of India Limited
A&O Expenses	Administration and Operating Expenses
APSDPS	Andhra Pradesh State Development Planning Society
AWS	Automatic Weather Station
AY	Actual Yield
CCE	Crop Cutting Experiment- Experiments to assess the crop yield in notified/specified areas.
CCIS	Comprehensive Crop Insurance scheme
Crop Insurance	Crop insurance is an insurance arrangement aiming at mitigating the financial losses suffered by farmers due to damage and destruction of their crops as a result of various production risks.
Crop Insurance Portal	Developed by DAC&FW to integrate all data of concerned stakeholders (especially states, banks and insurance companies) on single IT platform
DAC&FW	Department of Agriculture, Cooperation and Farmers' Welfare
DCCB	District Central Cooperative Bank
DESAP	Department of Economic, Statistics and Planning
Disbursing branch	A branch of Bank/FIs which disburse crop loan to farmers.
DLMC	District Level Monitoring Committee
DOH	Department of Horticulture
FIs	Financial Institutions
GIC	General Insurance Corporation of India
Girdawar circle	A unit of land revenue circle comprising of a number of patwari circles
GOI	Government of India
Government Resolution	A notification issued by the state government at the beginning of each season notifying crops and unit areas to be covered under the Insurance scheme.
GP	Gram Panchayat
Ha	Hectare
IA	Implementing Agency is an organisation implementing the crop insurance scheme (AIC for NAIS and AIC and other empanelled private insurance companies for MNAIS and WBCIS)
IU	Insurance Unit

IMD	India Meteorological Department
Kharif season	Crops grown during the monsoon months and harvested in October and November and include rice, maize, millet, cotton, etc.
Marginal farmer	A cultivator with a land holding of 1 hectare (2.5 acres or less).
MNAIS	Modified National Agricultural Insurance Scheme
NAIS	National Agricultural Insurance Scheme
NCML	National Collateral Management Services Limited
NCIP	National Crop Insurance Programme – A re-structured scheme launched by the DAC&FW from <i>Rabi season</i> 2013-14 by merging the pilot schemes of MNAIS and WBCIS.
Nodal Point	A branch of Bank/FIs, which will deal IA on behalf of branches in the division / district / state.
Notified Areas	Defined areas notified by State Governments for specified insurance schemes.
Notified Crops	At the beginning of each crop season, the state government notifies the crops to be covered under specified insurance scheme.
PACS	Primary Agricultural Cooperative Society
PMFBY	Pradhan Mantri Fasal BimaYojana
PPSWOR	Probability Proportional to Size Without Replacement – A sample procedure under which the probability of a unit being selected is proportional to the size of the ultimate unit, giving larger clusters a greater probability of selection and smaller clusters a lower probability. In this method, once a unit is selected, it is removed from the population and selection of another unit is done from the remaining population.
Premium subsidy	Subsidy in Premium allowed to farmers and is shared equally by GOI and state governments. State governments have the option to pay more than their share of premium subsidy.
Prevented sowing	Due to non-receipt of sufficient rainfall or excess rainfall or other weather adversities, farmers in one insurance unit may not be in a position to either sow or transplant crop or grow crop (failed at an early stage).
Rabi crops	Rabi crops are grown during winter and harvested in April and May and include wheat, barley, mustard, etc.
RUA	Reference Unit Area -A specified area notified by the State Government for the coverage under WBCIS
RWS	Reference Weather Station - Weather data provider for a specific Reference Unit Area
SAO	Seasonal Agricultural Operations
SCSP	Scheduled Castes Sub Plan
SC/ST	Scheduled Castes/Schedule Tribes
SLCCCI	State Level Coordination Committee on Crop Insurance
Small farmer	A cultivator with a land holding of 2 hectares (5 acres or less).

SRSWOR	Simple Random Sampling Without Replacement– Data collection in which each package in the population has normally an equal chance of being selected.
TAO	Taluka Agriculture Officer
TSP	Tribal Sub Plan
TSU	Technical Support Unit
TY	Threshold Yield is the moving average based on past three years average yield in case of rice and wheat and five years average yield in case of other crops, multiplied by level of indemnity for a crop in an insurance unit.
UC	Utilisation Certificate
WBCIS	Weather Based Crop Insurance Scheme
WMO	World Meteorological Organisation



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