

## PMFBY

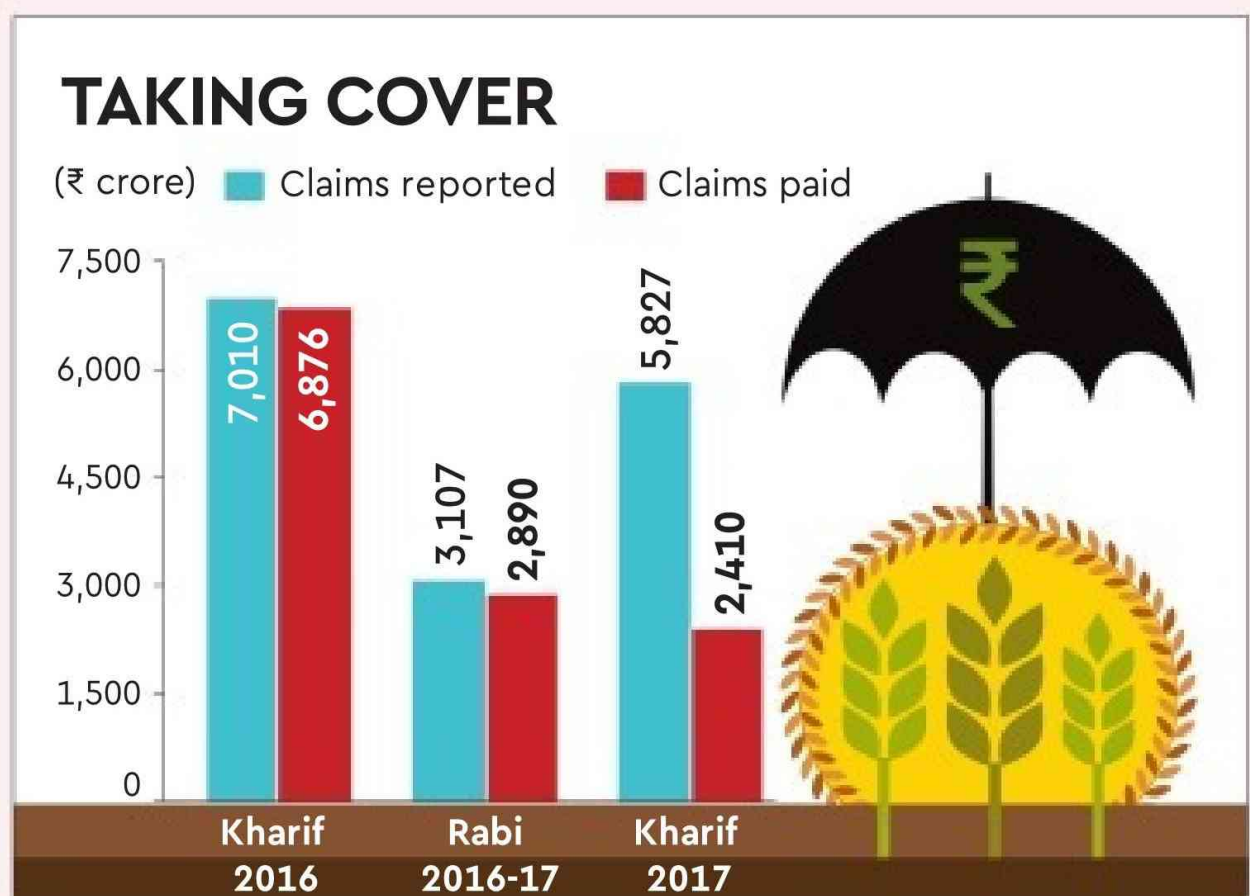
# Premiums move up after Centre's nudge

Several states that had developed cold feet in paying their shares of premiums in time are now contributing

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**THE PRADHAN MANTRI** Fasal Bima Yojana (PMFBY) may have faltered after a promising start, but insurance companies seem to renew their interest in the NDA government's flagship crop insurance scheme. Thanks to constant prodding by the Centre, several state governments that had developed cold feet in paying their shares of premiums in time are now contributing. If the trend is sustained, claims-to-payout ratio under PMFBY could improve, leading to its wider coverage and remunerative margins for the insurers.

In Kharif 2017, 23 states — for which date is available — paid a premium of ₹4,148 crore, more than three-fourths of their share. The gross premium collected for



the season was a little over ₹19,000 crore — farmers pay only a fifth of the premium, while the Centre and states foot the balance bill. As for the latest rabi season (17-18), while the states' premium share is estimated at ₹1,607 crore, states have already contributed ₹579 crore.

Maharashtra (₹1,070 crore), Karnataka (₹614 crore), Odisha (₹278 crore), Uttar Pradesh (₹240 crore), Haryana (₹109 crore) and Chhattisgarh (₹93 crore) have paid close to 100% of their share of premium in Kharif 2017. Madhya Pradesh (₹694 crore) and Rajasthan (₹364 crore) too

have paid a substantial part of their premiums. Among the laggards were Andhra Pradesh, Telangana and Bihar, which have contributed zilch.

The ratio of claims made to the payout was close to 100% in Kharif 2016 and above 93% in Rabi 2016-17 as well. The ratio has subsequently slipped to very low levels primarily due to the states' reluctance/inability to pay, but an uptick has been seen lately. About 42% of the claimed made by the farmers were paid by the insurers in Kharif 2017, according to data reviewed by FE.

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## PMFBY: Premiums move up after Centre's nudge

EVEN THOUGH PMFBY is looking up, its targets are still daunting. The Modi government had said 50% of the country's gross cropped area would be insured by the end of the current financial year from 30% now; only Madhya Pradesh is around the target now, while in case of many states, the coverage is still far below the target.

Analysts say that the claims ratio — claims made to the premium charged — needs to improve a lot for the scheme to be viable.

Insurers such as ICICI Lombard, Tata AIG, Cholamandalam MS, HDFC ERGO, Bajaj Allianz and Universal Sompo are yet to settle claims worth over Rs 3,800 crore to farmers since 2016-17.

The unpaid premium by the states stands at Rs 2,490 crore now.

Since the start of the scheme, Rs 12,259 crore have been paid to farmers by some 15 insurers (for which data are available), out of the claims of Rs 16,061 crore.