

CHAPTER-VI

CASE STUDY OF RAJASTAN

6.1 Introduction

Rajasthan is in the forefront of adapting weather index insurance on a large scale. Rajasthan was among the first four states to embrace weather index insurance pilot, and there was no turning back since then. Rajasthan is the only state to have embraced weather index insurance for the whole state for all the crops for two or more seasons. At present Rajasthan accounts for over 1/3rd of the total national coverage under the weather index insurance pilot. Given this large scale implementation and presence of four insurance companies implementing the weather index insurance pilot, Rajasthan state has been chosen for the case study, which involves – coverage, scale, insurance company wise performance, selection criteria used by the state to select the insurance product, etc.

1. District wise scenario

In the first season of Rabi 2007-08, 10 of the 34 districts piloted Weather Based Crop Insurance Scheme (WBCIS). However during 2008-09, after observing dissent from some sections of farmers the state decided to implement only NAIS for the loanee farmers while non loanee farmers could choose either NAIS or WBCIS. However during Kharif 2009, seven districts were brought back under WBCIS exclusively while non- loanee farmers in other districts could choose between NAIS and WBCIS. Rabi 2009-10 has seen for the first time a private sector insurance company was allotted five districts exclusively for loanee farmers. During 2010-11, the entire state was brought under WBCIS and three

private sector insurers were allotted districts exclusively for loanee farmers. During 2011-12, three districts have gone to MNAIS and during 2012-13, the districts under MNAIS have risen to four while the rest of the districts were continued under MNAIS (refer to Table 6.1 for details).

Table 6.1: Rajasthan: Districts Allocation in Rajasthan

Year	Insurance Company	Season	Districts Covered for Loanee Farmers	Remarks
2007-08	AIC	Rabi 2007-08	10	Remaining Districts under NAIS
	ICICI Lombard			Allowed for Non-Loanee farmers
2008-09	AIC	Kharif 2008	All	Allowed only for Non-Loanee farmers
	ICICI Lombard			Allowed only for Non-Loanee farmers
	AIC	Rabi 2008-09	All	Allowed only for Non-Loanee farmers
	ICICI Lombard			Allowed only for Non-Loanee farmers
2009-10	AIC	Kharif 2009	7	
	ICICI Lombard			Allowed for Non-Loanee farmers
	AIC	Rabi 2009-10	12	
	ICICI Lombard		5	
2010-11	AIC	Kharif 2010	23	
	ICICI Lombard		10	
	IFFCO-Tokio			Allowed for Non-Loanee farmers
	AIC	Rabi 2010-11	18	
	ICICI Lombard		9	
	IFFCO-Tokio		5	
	HDFC Ergo		1	
2011-12	AIC	Kharif 2011	18	
	ICICI		9	
	IFFCO-Tokio		5	
	HDFC Ergo		1	
	AIC	Rabi 2011-12	16	MNAIS implemented in 3 Districts by AIC

	ICICI Lombard		6	
	IFFCO-Tokio		6	
	HDFC Ergo		2	
2012-13	AIC	Kharif 2012	6	MNAIS Implemented in 2 Districts by AIC
	ICICI Lombard		7	MNAIS Implemented in 2 Districts by ICICI Lombard
	IFFCO-Tokio		10	
	HDFC Ergo		6	
	AIC	Rabi 2012-13	22	MNAIS Implemented in 3 Districts by AIC
	ICICI Lombard		2	MNAIS Implemented in 1 District by ICICI Lombard
	IFFCO-Tokio		1	
	HDFC Ergo		4	

Source : Ministry of Agriculture, Department of Agriculture and Co-operation & AIC

2. Crops covered under the scheme

Rajasthan is the only state to pilot WBCIS for all insurable crops (cereals, millets, pulses and oil seeds), as also a few tree crops like kinnow. The various crops covered are as follows:

Kharif: bajra, maize, jowar, guar, soya bean, rice, groundnut, green gram, castor, cotton, chilly, kinnow, etc.

Rabi: wheat, barley, gram, rai & mustard, peas, taramira, cumin, coriander, fenugreek, isabgol, etc

3. Insurance Coverage

The coverage has been steadily increasing. The number of farmers covered during 2009-10 was 8.87 lakh which increased to 61.76 lakh during 2010-11 which further increased to 76.25 lakh during 2011-12. Similarly the cropped area insured which was 14.41 lakh hectares during 2009-10, increased to 90.64 lakh during 2010-11, which further went up to 101.88 lakh. Sum insured too increased

exponentially during this period. The gross premium which was at Rs.126.20 crore during 2009-10, increased to Rs 601.14 crore during 2010-11 and further to Rs.785.88 crore during 2011-12 (see Table 6.2).

Table 6.2: Rajasthan – Comparative Statement of Performance of Insurance Companies

2009-10								
Insurance Company	Hectares Insured (Lakhs)	Premium (Rs. Crs)	Claims (Rs. Crs.)	Claim Ratio	Claim / Hectare (Rs.)	Farmers Insured (Lakhs)	Farmers Received Claims (Lakhs)	Claim amount / Farmer (Rs.)
AIC	11.8	100.04	94.99	94.95	8050	7.08	3.90	2434.9
ICICI Lombard	2.61	26.16	6.29	24.04	2410	1.79	0.35	1820.2
IFFCO-Tokio	0	0.00	0.00	0.00	0.00	0.00	0.00	0
HDFC Ergo	0	0.00	0.00	0.00	0.00	0.00	0.00	0
TOTAL	14.41	126.20	101.28	80.25	7028	8.87	4.25	2384.9

2010-11								
Insurance Company	Hectares Insured (Lakhs)	Premium (Rs. Crs)	Claims (Rs. Crs.)	Claim Ratio	Claim / Hectare (Rs.)	Farmers Insured (Lakhs)	Farmers Received Claims (Lakhs)	Claim amount / Farmer (Rs.)
AIC	70.41	440.78	188.01	42.65	2670	46.16	14.09	1334.4
ICICI Lombard	17.47	131.39	42.73	32.52	2446	13.30	4.54	941.2
IFFCO-Tokio	2.53	26.44	32.10	121.41	12688	2.06	1.25	2568.0
HDFC Ergo	0.23	2.53	1.82	71.94	7913	0.24	0.23	791.3
TOTAL	90.64	601.14	264.66	44.03	2920	61.76	20.11	1316.1

2011-12								
Insurance Company	Hectares Insured (Lakhs)	Premium (Rs. Crs)	Claims (Rs. Crs.)	Claim Ratio	Claim / Hectare (Rs.)	Farmers Insured (Lakhs)	Farmers Received Claims (Lakhs)	Claim amount / Farmer (Rs.)
AIC	72.31	541.71	438.11	80.88	6059	51.42	22.44	1952.4
ICICI Lombard	20.69	164.75	90.24	54.77	4362	17.40	9.77	923.6
IFFCO-Tokio	7.66	67.86	16.75	24.68	2187	6.43	2.49	672.7
HDFC Ergo	1.22	11.56	2.33	20.16	1910	1.00	0.42	554.8
TOTAL	101.88	785.88	547.43	69.66	5373	76.25	35.12	1558.7

Source: Ministry of Agriculture & AIC.

4. Value for Money

In terms of the value of the government subsidies, AIC provided the best value which was 66.61% based on the previous 3 years, and is significantly higher compared to the private sector insurers. Within the private sector IFFCO-Tokio provided 51.8%, ICICI LOMBARD 43.21% and at the bottom was HDFC ERGO with 29.45%. As regards claim paid / hectare AIC and IFFCO-Tokio was at Rs 4667 and Rs 4794, respectively, while ICICI Lombard at Rs.3416 and HDFC Ergo at Rs.2862. In terms of claim amount/ farmer AIC was on top with Rs.1783.5 followed by IFFCO-Tokio with Rs.1306.1, ICICI Lombard with Rs. 950.2 and HDFC Ergo at the bottom with Rs. 638.5 (see Table 6.3).

Table 6.3 Company-wise Insurance in Rajasthan (Cumulative All Seasons)

Insurance Company	Hectares Insured (Lakhs)	Premium (Rs. Crs)	Claims (Rs. Crs.)	Claim Ratio	Claim / Hectare	Farmers Insured (Lakhs)	Farmers Received Claims (Lakhs)	Claim amount / Farmer (Rs.)
AIC	154.52	1082.53	721.11	66.61	4667	104.66	40.43	1783.5
ICICI Lombard	40.77	322.30	139.26	43.21	3416	32.49	14.66	950.2
IFFCO-Tokio	10.19	94.30	48.85	51.80	4794	8.49	3.74	1306.1
HDFC Ergo	1.45	14.09	4.15	29.45	2862	1.24	0.65	638.5
TOTAL	206.93	1513.22	913.37	60.36	4414	146.88	59.48	1535.7

Source: Ministry of Agriculture & AIC

5. Market Share

As regards the market share in Rajasthan, AIC has over 70% market share which can be understood from the fact that the state has favoured the insurance company which gave the best value among the insurance company. Within private companies ICICI Lombard is dominant having almost 75% of the market of the private insurers, (see Table-6.4).

Table-6.4: Rajasthan WBCIS: Market Share (Cumulative fig.)

Insurance Company	Hectares Insured (Lakhs)	Premium (Rs. Crs)	Claims (Rs. Crs.)	Farmers Insured (Lakhs)	Farmers Received Claims (Lakhs)
AIC	74.67%	71.53%	78.95%	71.25%	67.97%
ICICI Lombard	19.70%	21.29%	15.25%	22.12%	24.64%
IFFCO-Tokio	4.92%	6.24%	5.35%	5.78%	6.28%
HDFC Ergo	0.71%	0.94%	0.45%	0.84%	1.09%
TOTAL	100%	100%	100%	100%	100%

Source: Own Calculation based on data from Ministry of Agriculture & AIC

6.2 Rajasthan Government: Selection Process of Insurance Product

During 2007-08 where AIC was the only insurance company permitted to administer WBCIS, the insurance product was finalized by AIC based on the Crop Modelling inputs received from the Indian Agriculture Research Institute (IARI). Going forward during 2008-09 the State wasn't sure that WBCIS could meet the expectations of the farmers, and, therefore, played safe by implementing WBCIS only for non-loanee farmers, who in any case have the choice to pick up NAIS or WBCIS.

During 2009-10 the State developed a sense of confidence in WBCIS and decided to implement it for loanee farmers in some districts. During Kharif 2009 AIC was the only insurance company permitted for loanee farmers, and the insurance product was finalized in consultation with the subject matter specialists of the State. During Rabi 2009-10, for the first time ICICI Lombard was allotted a few districts for loanee farmers as well, and the product was finalized in consultation with subject matter specialists of the State.

During 2010-11 and 2011-12, the districts were pre-assigned to insurance companies (AIC + three private sector insurance companies), and the products were finalized involving the officials of the District Agriculture Department. AIC

used to get a larger allocation mainly because of its experience and expertise with the insurance product. The State Agriculture Department used to convene a meeting of insurance companies with respective District officials and the product used to be discussed. The product finalized in the discussions would be vetted by the District Agriculture Department.

However, during 2012-13 the State decided to go for the 'open tender' asking all insurance companies to compete for all the districts. In order to standardize the tender, the State froze the insurance product largely, leaving the insurance companies to quote the 'exit' and 'pay-out rate'. This helped the State to evaluate the tenders more objectively.

The typical process followed for selection of insurance products and insurance companies for Rabi 2012-13 is illustrated below:

6.3 Weather Based Crop Insurance Scheme- Rajasthan (Rabi 2012-13)

Invitation for Exit Value Offers against Specified Strike Points and Pay-outs

1. Preamble

1.1 Every crop insurance company shall mandatorily submit all exit/Strike values for the crops mention and tehsils for the districts of state of Rajasthan in order to ensure a healthy competition among the participating crop insurance companies.

2. Term-Sheet

2.1 The Crop-wise prescribed "Term Sheet" for each tehsil/ district is enclosed with this invitation for crop insurance Exit/Strike values. [Annexure-A]. The crop insurance company shall submit the Exit/Strike values in the prescribed term-sheets only.

2.2 In order to synchronize the system within the scheme, single term-sheet is provided in cases where there exist geographical and weather based similarities.

2.3 The term-sheet specifically outlines different pay-outs for each phase and peril. The term-sheet also outlines peril for abnormal rainfall, minimum temperature and maximum temperature indistinct time based phases. The maximum pay-out is mentioned against each of these phases. The cap for maximum pay-out is also up to the sum assured of that particular peril.

3. Perils

3.1 There are five specific perils namely rainfall, Relative humidity, low temperatures, and high temperatures. The number of perils may vary in the term-sheet depending upon the crop and district and the crop insurance company shall mandatorily provide Strike/exit values covering all applicable perils mentioned in the term-sheet.

3.3 All the peril strike points have been pre-determined and fixed by the scientists of the department based on weather based data of the specific tehsil.

4. Sum Assured

4.1 The sum assured calculation will include all the perils to be counted for calculating the total sum assured for the specific crop as well as the district.

4.2 The total sum assured along with the value of each peril is pre-determined and mentioned in the term-sheet which is non-negotiable and non-changeable in any circumstances whatsoever. Where 'two strike' is

mention sum assured is divided in 25:75 and if 3 strike is mention then sum assured is divided in the Ratio of 15:20:65

5. Pay-out

- 5.1 Pay-outs for all the perils will be added to the pay-outs calculated in order to determine the total pay-out.
- 5.2 Pay-outs shall remain fixed and same in all the phase-based combinations for submission of exit/strike values.
- 5.3 There must be a uniform pay-out from the given strike point to the offered strike/exit point value.

6. Strike/Exit-Points

- 6.1 The crop insurance companies will have to submit the exit/strike points for each phase as applicable for all crops and districts.
- 6.2 It shall be the undivided responsibility of the competing crop insurance company that in any case whatsoever the Strike/exit point quoted in response to this invitation is not hypothetical and imaginary in nature. In case of wheat high temperature peril exit value will not be exceed twice the previous year value.
- 6.3 Each participating crop insurance company shall ensure that only the required Strike/Exit values are offered by them in the prescribed term-sheets. Any other information in any form shall not be provided under any circumstances whatsoever.

7. Criteria for Selection

- 7.1 The Strike/Exit values nearest to the given strike points shall be the sole criterion for selection of the best evaluated substantially responsive offer.

- 7.2 The district wise crop insurance company would be selected on the basis of the pre-determined major crop for the district. The crops would be treated as major crops for a district covering 70 percent or more area sown altogether of the district during the Rabi 2011-12. There could be more than one major crop for a particular district. For the purpose of comparison the major crops covering more than 70 percent sown area shall be considered.
- 7.3 The crop insurance company determined as the best evaluated and substantially responsive Strike / Exit value offered for major crops will be selected finally. At the same time the crop insurance company offering “next best evaluated and substantially responsive Strike / Exit point” shall also be determined for the purpose of comparing the Strike/Exit points of all remaining crops. For the remaining crops, including the minor crops, the crop insurance company adjudged as the selected crop insurance company shall be bound to accept the best Strike / Exit points offered by both of the crop insurance companies.
- 7.4 The districts are divided into three groups as indicated below The crop insurance company is required to submit the Strike/Exit point for at least two groups out of three groups:

Groups	Districts
Group-A	Churu, Shriganganagar, Barmer, Bharatpur, Jalor, Bhilwara, Pratapgarh (7)
Group- B	Jaisalmer, Nagaur, Pali , Hanumangarh, Sirohi (5)
Group -C	Chittorgarh, Dungarpur, Kota, Udaipur, Bikaner, Sawai madhopur, Jodhpur, Alwer, Dholpur, Karoli, Bundi, Jhalawar, Ajmer, Baran, Jaipur, Dausa, Banswara, (17)

Districts appearing in the 1st & 2nd groups will be allotted to one company outing / hearing best arrange trigger value at district level for the whole group.

Districts appearing in the third group will be allotted to the crop insurance company offering best trigger value for the major crops for the particular district.

Weights will be given on the basis of the last two Rabi season performances.

8. Evaluation of Offers

8.1 A departmental committee shall be specifically constituted for examining and determining the best evaluated and substantially responsive Strike/Exit value offers from the participating crop insurance companies. The committee shall be entrusted to determine and recommend the insurance company for the particular crop and district selected for the state of Rajasthan.

8.2 The detailed evaluation of each term-sheet will be accomplished by the committee. The evaluation will lead to the determination of best evaluated and substantially responsive offer for each crop and district.

8.3 For evaluation purposes only the Strike/Exit values shall be transformed in to the rates per mm or per degree as the case may be for each of the participating crop insurance company for all phases as well as all perils. On the basis of these rates an assumptive pay-out will be arrived at by introducing a deviation of 50 percent of the strike point value from the original fixed strike point towards the offered or fixed exit point in each case. This assumptive pay-out calculation would lead to the determination of best evaluated and substantially responsive offer which will be finally

considered for allotment of district to the particular crop insurance company.

9. Signing and Submission of Exit Value Offers

- 9.1 Each of the prescribed term sheets will necessarily be signed with official seal by the legally competent authority or the legally authorized representative of the crop insurance company.
- 9.2 All the crop insurance Strike/Exit value offers on the prescribed term sheet(s) shall be submitted in a sealed envelope.
- 9.3 The sealed envelopes shall be addressed to the Joint Director, Agriculture (M&E), Pant Krishi Bhawan , Jaipur and must be submitted in the Room Number 235, Pant Krishi Bhawan, Jaipur-15 (Rajasthan).
- 9.4 The stipulated last date and time for submission of the sealed envelopes containing crop insurance exit value offers is Nov 16th 2012 at 03.00 p.m.
- 9.5 No Strike/Exit value offer shall be accepted after the due date and time of submission for the crop insurance exit value offers under any circumstances whatsoever.

10. Amendment/Change/Withdrawal

- 10.1 The participating crop insurance company shall be bound to accept that once the Strike/Exit values are offered in the prescribed term sheets and submitted to the department, they shall not be changed, amended, or withdrawn under any circumstances.

11. Sovereignty

11.1 Nothing absolves the competency and authority of the Agriculture Department, Government of Rajasthan (GOR) to execute the Crop Insurance Scheme (CIS) in any district of the state of Rajasthan.