

# CAG Report Summary

## Agriculture Crop Insurance Schemes

- The Comptroller and Auditor General (CAG) submitted a report on the 'Performance of Agriculture Crop Insurance Schemes' on July 21, 2017. The report examines the performances of crop insurance schemes in nine states, between the period 2011-12 and 2015-16. These schemes include the National Agriculture Insurance Scheme (NAIS), the Modified National Agriculture Insurance Scheme (MNAIS), and the Weather Based Crop Insurance Programme (WBCIP). Crop insurance schemes aim to provide insurance cover to farmers against yield losses. The Department of Agriculture, Cooperation and Farmers' Welfare is responsible for implementing the schemes. The Agriculture Insurance Company of India (AIC) and private insurance companies are the implementing agencies of the schemes. Key findings and recommendations of the audit report include:
- **Coverage of farmers:** The CAG noted that the number of farmers covered under the scheme was low when compared to the population of farmers as per Census 2011. Share of farmers covered under all schemes ranged between 8% to 22% of the total farmers, between Kharif and Rabi crop from 2011 to 2016. The CAG noted that under NAIS, which provides subsidy for small and marginal farmers, coverage ranged between 2% to 13%. The CAG recommended that effective measures need to be taken by the Department of Agriculture Cooperation and Farmers' Welfare to ensure coverage of a larger number of farmers, including both with and without loans.
- **Data on beneficiary farmers:** The CAG noted that data on beneficiary farmers was not maintained by the AIC, and the central and state governments. Further, schemes like MNAIS and WBCIS, do not require the central and state government to maintain databases of insured farmers. The CAG recommended that the central and state governments should maintain databases of beneficiary farmers for monitoring and implementation purposes.
- **Delays in processes:** The CAG noted that while the Department of Agriculture Cooperation and Farmers' Welfare released their share of funds on time, delays in were observed in release of share from state governments. Further, CAG observed delays in: (i) the issue of notifications of crops and area covered and receipt of yield data by the states, (ii) processing of claims by the implementing agencies and (iii) receipt of declaration and disbursements of claims from banks. The CAG recommended that effective measures need to be taken by the Department to ensure that timelines are met by state governments, implementing agencies and banks.
- **Verification of claims by private insurance companies:** The CAG noted that the AIC failed to verify the claims submitted by the private insurance companies before releasing funds under the MNAIS and the WBCIS. The guidelines released by the Department of Agriculture and Farmers' Welfare specify that funds can be released to private insurance companies on submission of: (i) statistics of claims covered with a certificate from the respective state government, and (ii) a random verification of scheme coverage. The CAG recommended that the Department should ensure that payments to private insurance companies are made only after verification of claims. Noting that private insurance companies receive large amount of funds under these schemes, the CAG also recommended that there needs to be a provision for audit of such companies by the CAG.
- **Savings under NAIS:** Savings under NAIS may arise due to difference between premium collected and claims payable by the AIC. The CAG noted that the guidelines of NAIS do not address utilisation of such savings under the scheme. Savings of Rs 2,519 crore (18% of the premium collected) were retained by the AIC, between 1999-2000 Rabi crop season and 2015-16 Rabi crop season. In this context, the CAG recommended that the manner in which such savings will be dealt with, should be taken up by the Department of Agriculture Cooperation and Farmers' Welfare, Ministry of Finance and the AIC.
- **Monitoring of the schemes:** The CAG noted that the monitoring of schemes by the implementing agencies and the central and state governments, was poor. The CAG observed that a technical support unit to monitor the scheme was not set up. Further, periodic appraisal reports of the schemes were not prepared by the Department of Agriculture Cooperation and Farmers' Welfare. The CAG recommended that the central and state governments need to ensure that the schemes are monitored at all levels.

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