



# Beed Model of Pradhan Mantri Fasal Bima Yojana

## Why in News

Recently, the Maharashtra Government asked the Prime Minister for state-wide implementation of the 'Beed model' of the crop insurance scheme Pradhan Mantri Fasal Bima Yojna (PMFBY).

## Key Points

### ▪ About Beed Model:

- Beed is a **district of Maharashtra** located in the **drought-prone** Marathwada region.
- **80-110 Formula:** This model is also called 80-110 Formula.
- Under this plan, the **insurer's potential losses are restricted**.
- The insurance firm **does not have to entertain claims above 110% of the gross premium**. The **state government has to bear** the cost of compensation **above 110%** of the premium collected to insulate the insurer from losses (**bridge amount**).
- However, **if the compensation is less than the premium collected**, the **insurance company would keep 20% of the amount as handling charges and reimburse the rest to the state government (premium surplus)**.

### ▪ Reason for Implementing this Model:

#### ◦ Benefits to States:

- **Another Source of Fund:** In most years, the **claims-to-premium ratio is low**. In the Beed model, **the profit of the insurance company is expected to reduce** and the **state government would access another source of funds**.
- **Reduce the Burden of Financing PMFBY:** The reimbursed amount can **lead to lower budgetary provision for PMFBY by the state** for the following year, or **help in financing the paying the bridge amount in case of a year of crop loss**.

#### ◦ Flaws in PMFBY:

- **Fiscally-stressed states** have over the years **dissented to footing the premium bill** for the PMFBY, resulting in **insurers not honouring the farmers' claims on time**.
- In 2020, **far-below-normal monsoon rainfalls** in central Maharashtra's Beed district **dissuaded insurers from covering farmers** in the district under the PMFBY for kharif 2020.

### ▪ Challenges:

- Questions remain on **how the state government is going to raise the excess amount, and how the reimbursed amount would be administered**.
- For **farmers**, this model **does not seem to have any direct benefit**.

## Pradhan Mantri Fasal Bima Yojana

- **About:** PMFBY was **launched in 2016**.

- It **provides a comprehensive insurance cover against failure of the crop** thus helping in **stabilising the income of the farmers**.
- **Scope:** All **food & oilseed crops and annual commercial/horticultural crops** for which past yield data is available.
- **Premium:** The prescribed premium is **2%** to be paid by farmers for **all Kharif** crops and **1.5% for all rabi** crops. In the case of annual commercial and **horticultural** crops, the **premium is 5%**.
  - Premium cost **over and above the farmer share is equally subsidized by States and Gol**.
  - However, **Gol shared 90% of the premium subsidy for North Eastern States** to promote the uptake in the region.
- **PMFBY 2.0** (PMFBY was **revamped in the 2020 Kharif Season**):
  - **Completely Voluntary:** Prior to 2020, the scheme was optional for farmers who did not have loans pending, but mandatory for loanee farmers. Since 2020, it has been optional for all farmers.
  - **Limit to Central Subsidy:** The Cabinet decided to cap the Centre's premium subsidy under the scheme for premium rates up to **30% for unirrigated** areas/crops and **25% for irrigated** areas/crops.
  - **More Flexibility to States:** The government has given the flexibility to states/UTs to implement PMFBY and given them the option to select any number of additional risk covers/features.
  - **Investing in ICE Activities:** Insurance companies have to spend 0.5% of the total premium collected on **information, education and communication** (IEC) activities.
- **Use of Technology under PMFBY:**
  - **Crop Insurance App:**
    - Provides for easy enrollment of farmers.
    - Facilitate easier reporting of crop loss within 72 hours of occurrence of any event.
  - **Latest Technological Tools:** To assess crop losses, satellite imagery, remote-sensing technology, **drones, artificial intelligence** and machine learning are used.
  - **PMFBY Portal:** For integration of land records.
- **Performance of the Scheme:**
  - The Scheme **covers over 5.5 crore farmer applications** on average per year.
  - **Aadhar seeding** (linking Aadhaar through Internet banking portals) has helped in speedy claim settlement directly into the farmer accounts.
  - One notable example is mid-season adversity claims of nearly Rs. 30 crore in Rajasthan during Rabi 2019-20 **Locust attack**.

**Source: IE**