

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:1931  
ANSWERED ON:01.12.2009  
RATE OF PREMIUM UNDER NAIS  
Shantha J.

**Will the Minister of AGRICULTURE be pleased to state:**

- (a) the genesis and objectives of the National Agricultural Insurance Scheme (NAIS);
- (b) the criteria followed to decide the rate of premium and computation of loss incurred by the insured farmer, crop-wise; and
- (c) the details of financial liabilities shared by the Union and State Governments?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a): The genesis and objectives of National Agricultural Insurance Scheme (NAIS) is to provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crops as a result of natural calamities, pests and disease, encourage adoption of progressive farming practices and to stabilize farm income, particularly in disaster years.

(b): Flat rates or actuarial rates of premium whichever is less, for food crops and oilseeds and actuarial rates of premium for annual commercial/ horticultural crops are charged. Flat rates of premium are fixed keeping in view the paying capacity of farmers. For working out actuarial rates, pure risk premium at the first state is estimated by considering variation in past yield of the insured crops. The estimated pure risk premium rates are then loaded by some parameters like escalation in sum insured; data inconsistency, etc. so as to arrive at applicable actuarial rates of premium. Accordingly, the loss/claims in a notified area becomes payable if there is a short fall in yield. In other words, if the current season's yield is less than the threshold yield of the notified unit area for the insured crop, all farmers in the notified area/crop become eligible for compensation.

(c): The financial liability on account of claims (for food crops & oilseeds) over and above the premium generated and for annual commercial/horticultural crops above 150% of the premium collected; premium subsidy (10% of premium to small and marginal farmers); bank service charges (2.5% of premium collected from non-loanee farmers) and Administrative & Operational (A & O) expenses (20% of total A & O expenses) as provided under the scheme are shared by the Central and the State Governments in the ratio of 50 : 50.