INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Non-Life Insurance

Crop Insurance

Presentation

Crop Insurance

Crop insurance is a means of protecting the agriculturist against financial losses due to uncertainties that may arise from crop failures/losses arising from named or all unforeseen perils beyond their control.

Risk in Agriculture

- Production
- Market
- Financial
- Resource
- Legal/Policy

Coverages

- Localized calamities
- Sowing/ planting/ germination risk
- Standing crop loss – non-preventable risks such as hail storm, dry spells, flood, cyclon
- Post harvest losses

Exclusions

Significant exclusions are:

- Losses arising out of war, nuclear risks
- Malicious damage and other preventable risk arising out of negligence by the farmer or the manpower employed by the farmer
- Burning of the crop by order of a public authority
- Damage caused by birds or animals
- Ionizing radiations or contamination by nuclear waste
- Harvested crops bundled and heaped before threshing

Types of Crop Insurance

Multiple Peril crop insurance - MPCI insures against losses from weather-related causes such as drought, excessive moisture, hail, wind, frost, insects, and disease.

Actual Production History - Covers losses due to wind, hail, insects, etc. The insurance is based on production history of the farm over several years. The average production will be calculated and then a certain percentage of the yield will be paid if loss occurs.

Group Risk plan – The insurance makes indemnity payments only when the average county revenue of the insured crop falls below the revenue chosen by the farmer.

Crop Revenue Coverage - This is based not only on the crop yield but on the total revenue generated from this yield. In case of a drop in crop price, the difference is covered by this type of crop insurance.

Income Protection (IP): IP protects against low gross income. from low yield, price or a combination.

Objectives of Crop Insurance policies

- Reduction in crop yield risk
- Protection against loss of revenue
- Protection against price declining
- To provide security of investment
- To increase saving of farmers

Thank You