
ROLE OF CROP INSURANCE AND ITS FUTURE

Roini Gowdar, LLM, Gujarat National Law University, Gandhinagar

ABSTRACT

Farmers feed the nation. To provide security to the farmers in the event of unforeseen crop destruction, the concept of crop insurance had emerged. Crop Insurance provides cover to the farmers for their crops. There are two types of coverage, Yield-Based Coverage and Revenue Based Coverage. Crop insurance is a risk management tool that protects farmers and agricultural producers from financial losses caused by unforeseen events that damage or destroy their crops. This research is important to study the role of Crop Insurance for farmers. This paper seeks to analyze through various case laws and identify whether the farmers have benefited with the crop insurance and whether the farmers have had successful claims in the court. A few questions that have been addressed in the paper are that what are the key legislative acts and regulations governing crop insurance in India, and how have they evolved over time, are there any noteworthy legal cases or legal precedents related to crop insurance disputes in India and are there any recent legal developments or amendments in Indian crop insurance laws related to improving the claims settlement process and ensuring farmers receive timely and fair compensation. The researcher, for the purpose of this research, examined and considered the various reports of the government of India. Furthermore, the researcher went through and critically examined the important precedented text of Indian judiciary. The objective of this study is to study the role of crop insurance in India. This research is a Doctrinal Descriptive Research. To address the previous mentioned questions, the paper is divided into four parts, Key Factors that is important to understand when considering Crop Insurance, Key Legislative Acts and Regulations governing Crop Insurance in India, The Farmer- the Most Important Stakeholder in Crop Insurance and Conclusion.

Keywords: India, Insurance, Crop Insurance, Farmer, Case, Claim

Introduction

India, being an Agricultural Economy, supports its farmers by providing them with schemes that protect their best interests. Farmers are the backbone of our society. Insurance is a financial arrangement and contract entered into between a person or entity, that is, the insured or policyholder, and an insurance company, that, is the insurer. It is intended to provide financial compensation and protection in the event of certain specified risks, losses, or unexpected events. The insured makes regular payments to the insurer, known as premiums, in exchange for the insurer's promise to pay out compensation if certain covered events occur. Crop insurance is a risk management tool that protects farmers and agricultural producers from financial losses caused by unforeseen events that damage or destroy their crops. Natural disasters such as droughts, floods, hail, and storms are examples of adverse events that can have a negative impact on crop yields or quality.

Key factors that is important to understand when considering Crop Insurance

The farmer should be brought to notice about the key factors which are important to understand when considering Crop Insurance.

There are different types of coverage under the crop insurance. It is important to understand that there are two types of coverage, that is, Yield-Based Coverage and Revenue Based Coverage. Yield based coverages is a type of coverage which compensates farmers for a decline in crop yields due to covered perils such as drought, excessive rainfall, or pests. The payout is determined by the difference between the actual and expected yields.

It is also important to understand the perils for which coverage is provided. Crop insurance typically covers a wide range of perils, including natural disasters such as drought, floods, hail, windstorms, and heavy rainfall. Non-natural perils such as plant diseases or pests may also be covered by some policies.

Another key factor to be discussed is the Premium that the farmer would be required to pay. Crop insurance can be acquired by farmers by paying premiums. Premiums can differ depending on factors such as the type of coverage, the level of coverage, the specific crop, and the location of the insured farm. Many governments provide subsidies to farmers in order to make crop insurance more affordable and to encourage participation in these programs.

The most significant factor while considering Crop Insurance would be whether the crop is eligible for crop Insurance. The crops that are eligible for insurance coverage and the specific requirements for participation are determined by laws and regulations. Some crops may not be insurable, and coverage levels may differ. Some crop insurance policies may include coverage for situations where planting a crop is impossible due to adverse weather conditions. Farmers are usually required to keep accurate records of their farming practices and to report crop data to their insurance company. When filing a claim, this documentation is critical.

Crop insurance is a risk management tool that assists farmers in stabilizing their income and protecting against financial losses caused by unforeseeable events. The policy, or insurance contract, specifies the terms and conditions of the coverage, such as the perils covered, coverage limits, and other important details. Crop insurance programs are regulated and overseen by government agencies in many countries to ensure they meet specific standards and are fair to both farmers and insurers.

Key Legislative Acts and Regulations governing Crop Insurance in India

Crop insurance in India is governed by a number of key legislative acts and regulations that set the legal framework for crop insurance schemes and their implementation. There are some primary legislative acts and regulations related to crop insurance in India.

The National Agriculture Insurance Scheme (NAIS) was one of India's first crop insurance schemes, with its own set of rules and regulations. Although Pradhan Mantri Fasal Bima Yojana has largely replaced it, the regulations associated with NAIS may still be relevant in certain circumstances.

The Pradhan Mantri Fasal Bima Yojana was introduced in 2016 as a comprehensive scheme and transformative insurance scheme.¹ PMFBY is India's flagship crop insurance scheme, governed by a number of notifications and guidelines issued by the Ministry of Agriculture and Farmers Welfare. These notifications describe the scheme's features, eligibility criteria, premium rates, and various stakeholders' roles and responsibilities.

¹ Report on the task force on Enhancing Technology use in agriculture insurance available on <https://www.niti.gov.in/sites/default/files/2023-02/EnhancingTechnology-Use-in-AgricultureInsurance-30-07-21.pdf> (accessed on 15 October, 2023)

The Weather-Based Crop Insurance Scheme (WBCIS) is another crop insurance scheme in India, with its own set of rules and regulations. These regulations are issued by relevant government authorities.

Crop Insurance Rules, 1988 establishes a legal framework for crop insurance operations in India. They cover a variety of topics related to crop insurance, such as premium rates, claims settlement procedures, and the role of insurance companies.

The General Insurance Companies (Nationalization) Act, 1972 provides the legal foundation for the nationalization of general insurance companies in India, including those involved in crop insurance. It describes the companies' objectives, powers, and structure.

The Insurance Regulatory and Development Authority of India (IRDAI) is India's insurance regulatory authority. It issues rules and regulations that govern the operations of insurance companies, including crop insurance companies. These regulations ensure that insurance laws are followed and that policyholders' interests are protected. The Agriculture Insurance Company of India Limited (AIC) is a government-owned corporation that is crucial in the implementation of crop insurance schemes. The regulations and guidelines issued by AIC in collaboration with the Ministry of Agriculture and Farmers Welfare are critical for crop insurance administration.

In India, many states have their own agricultural insurance regulations or guidelines. State-specific agricultural practices and crop insurance requirements may be addressed by these regulations. The Ministry of Agriculture and Farmers Welfare, state agricultural departments, and other relevant authorities regularly issue notifications, circulars, and guidelines to provide additional guidance and updates on crop insurance schemes.

The Farmer – the Most Important Stakeholder in Crop Insurance

The Supreme Court, in *M/S Bajaj Allianz General Insurance Co. Ltd. v. Dnyanraj & Ors*, 2022, stated that “Crop Insurance is not like a commercial policy”. The Supreme Court bench comprised of Chief Justice U.U. Lalit and Justice Ravindra Bhat upheld the Bombay High Court's order directing Bajaj Allianz General Insurance to compensate 3,57,287 farmers in Maharashtra's Osmanabad District for post-harvesting losses caused by heavy rainfall during the Kharif Season 2020. While responding to Senior Advocate Vivek Tankha's submissions on

behalf of Bajaj Allianz that there were different policies for National Disaster Relief as opposed to localized incidents and that the company would be "adversely affected" because they were offering compensation even to farmers who had not filed claims within the 72-hour period specified in the policy document, the bench stated and emphasized that "this is a human problem and not an ordinary commercial policy. You are treating it as a commercial policy." The Bench also addressed to the issue of climate change and that these incidents are bound to increase with climate change, further it was questioned that would there be result of excluding such farmers who didn't have adequate means to inform the insurers within 72 hours. Here, it was upheld the decision of the High Court of Bombay wherein the petitioners had made out the case for the reliefs claimed. The insurance company had entered into memorandum of understanding with the state government for implementation of a scheme. After which the government passed a resolution dated 29th June, 2020 wherein it was noted that Clause 7 of the said scheme provided for the scheme's protected object, and Clause 7.5 provided for post-harvest losses.²

In another case, Ten petitioners approached the Gujarat High Court under Article 226 of the Constitution, praying for appropriate directions to the contesting respondent authorities, namely SBI General Insurance Company Limited and the State authorities, as well as the Ministry of Agriculture and Farmers Welfare, Government of India, to ensure that the petitioners are paid their insurance amount covered for crop losses occurred during the Kharif Season 2017 under the Prime Ministry.³ The High Court had directed to assess and determine if the farmers covered under the PMFBY scheme have been compensated for their crop loss and have instructed the officers of the company to extend their cooperation so as to sort out the issues. The Court also stated that it must be ensured that the farmers do not suffer if they are otherwise entitled.⁴

In another case before the Rajasthan High Court, Bhala Ram Patel Vs. State of Rajasthan and others, the High Court had importance to the farmers over other issues that arose in the matter between other stakeholder such as the insurance company and the government. The Court has

² Padmakshi Sharma 'Crop Insurance Not Like Commercial Policy' : Supreme Court Affirms Direction To Insurer To Compensate Farmers For Harvesting Loss available at <https://www.livelaw-in.gnlu.remotlog.com/top-stories/crop-insurance-not-like-commercial-policy-supreme-court-affirms-direction-to-insurer-to-compensate-farmers-for-harvesting-loss-208609?infinitescroll=1> (accessed on 15 October, 2023)

³ CAV Order in Vinod Bhagwan Chavda and 9 others Vs. the Manager, SBI General Insurance Ltd and 5 others 2020 available at https://www.livelaw-in.gnlu.remotlog.com/pdf_upload/pdf_upload-382589.pdf (accessed on 15 October , 2023)

⁴ Supra note 3

also ordered the Insurance Company to file a compliance report with the Court within two weeks of the four-week deadline for clearing the farmers' dues. It had stated that the petitioners, who are poor farmers who have been waiting for years for insurance payments, cannot be denied that benefit because of a pending dispute between the Insurance Company, the State Government, and the Bank. As a result, the Court had directed respondent, Insurance Company, to release the amount owed to the petitioners-farmers within four weeks of the said order.⁵

These cases highlight the legal challenges and complexities of crop insurance in India, with a focus on ensuring timely and fair compensation for farmers who have suffered crop losses due to a variety of factors, including extreme weather events and climate change. These cases reflect the evolving legal landscape and the courts' role in addressing crop insurance challenges and disputes in India. They emphasize the importance of ensuring that farmers receive timely compensation for crop losses and that humanitarian concerns are addressed, particularly in cases involving natural disasters and the effects of climate change.

The Bombay High Court examined many problems pertaining to the Comprehensive Crop Insurance Scheme in Maharashtra in the case of "The Osmanabad District Central Co-op. Bank Ltd. and Anr v. The State of Maharashtra and Ors,"⁶ decided on April 4, 2005. The case revolved around the petitioners, The Osmanabad District Central Co-operative Bank Ltd. and its Deputy General Manager. The proposed system sought to offer insurance coverage for agriculturists' crops in Maharashtra State, with agriculturists paying premiums and an insurance firm providing coverage. The petitioner bank operated as a middleman in the process, collecting premiums from farmers and remitting them to the insurance business.

Insurance claims were settled based on the results of crop cutting trials, with insurance coverage awarded if the actual crop yield dropped below a predefined threshold yield. The petitioners voiced concerns about the technique used in these tests, claiming that it was arbitrary and violated natural justice principles. The petitioner bank's legal capacity (*locus standi*) to file the petition on behalf of the agriculturists was a critical issue in the case. Given

⁵ Order dated 27.07.2020 available at https://www-livelaw-in.gnlu.remotlog.com/pdf_upload/pdf_upload-379172.pdf (accessed on 15 October,2023)

⁶ The Osmanabad District Central Co-op. Bank Ltd. and Anr v. The State of Maharashtra and Ors., AIR 2006 Bombay 8

its position in protecting the interests of farmers and primary cooperative societies, the court found that the bank had the proper locus standi to initiate the case.

The court's ruling was based on a previous Division Bench decision that upheld the maintainability of a petition filed by a cooperative association representing farmers' interests. The court emphasized the bank's, primary cooperative societies', and farmers' combined interests in the Comprehensive Crop Insurance Scheme, which reinforced the case's viability. However, the petition was ultimately rejected on the merits by the court. The Court emphasized that the Comprehensive Crop Insurance Scheme claims should be settled in accordance with the outcomes of crop cutting trials, and that the court could not substitute its judgement for that of the scheme's expert designers. As a result, the court confirmed the scheme's legitimacy while rejecting the petition's accusations.

The petitioners in *Akshaya Kanubhai Patel And Ors V. Branch Manager And Ors*⁷ sought crop insurance for the loss of their hybrid cotton crop in the Karjan Taluka of Vadodara District. The insurance payment had been withdrawn from their agricultural loans, and the premium had been transmitted to the insurance firm by the bank. However, because of a mistake in the bank's declaration, the claims were not processed, and the petitioners were not paid their insurance sum. The court determined that because the insurance company had received the premium, it was principally obliged to pay the crop insurance. The insurance company's responsibility to the covered farmers was not absolved by the bank's error in the declaration. The court also concluded that the farmers had been deprived of their lawful claims since 2001.

As a remedy, the court granted interest at the rate of 8% per annum from the moment the claims became payable until they were paid. The insurance firm was instructed to process the claims within three months and to release the funds to the bank, which would subsequently credit the funds to the farmers' accounts. The court authorized the insurance company to seek restitution from the bank through the State Level Co-Ordination Committee, where both parties might offer defenses. The petition was granted, but no fees were assessed.

In another case of *Government of India V. Suresh Gopal Manage*⁸, the Government of India was accused of failing to follow a court order to investigate proposals for reforms to a Crop Insurance Scheme. The court determined that no contempt of court had occurred because

⁷ *Akshaya Kanubhai Patel And Ors V. Branch Manager And Ors* , AIR 2013 GUJARAT 236

⁸ *Government Of India V. Suresh Gopal Manage*, AIR online 2019 SC 683

periodic evaluations were undertaken and plans to give financial assistance to farmers in the case of crop loss due to drought and flooding were in place. As a result, no prima facie cause for contempt existed. The appeal was granted, and the ruling of the High Court was reversed. Hon'ble Judges L. Nageswara Rao and Sanjay Kishan Kaul rendered the decision on January 8, 2019.

The petitioner sought a writ of mandamus in the case of *S. Meenakshi v. Joint Registrar of Co-operative Societies, Ramanathapuram*⁹, decided by the Madras High Court in 2020, to compel the respondents to disburse a crop insurance amount of Rs. 74,914 along with interest at an 18% per annum, claiming that her crops had failed due to a monsoon shortfall in 2009. The petitioner had signed up for and paid Crop Insurance Scheme premiums for that year. However, it was discovered throughout the course of the proceedings that various irregularities and false claims had been made in respect to the payment of compensation to farmers. It was determined, in particular, that the petitioner's name was on a list of those who had given counterfeit Adangal excerpts to support their compensation claims. The petitioner's attorney admitted that the list of beneficiaries, which included the petitioner, had been invalidated following an investigation into these illegal practices.

As a result, it was determined that the petitioner was not entitled to compensation on the basis of this list. Based on the discredited list, the court ruled that the petitioner was ineligible for compensation. Nonetheless, it gave the petitioner the option of filing a new representation if she could.

Courts in India play an important role in crop insurance. They act as the principal forum for resolving disputes over crop insurance claims that frequently emerge between farmers, insurance firms, and government officials. When farmers have difficulties in getting crop loss compensation, the courts step in to provide a fair and reasonable conclusion. These issues might range from late payments to refused claims to differences over loss calculations, and courts will analyze the facts and legal arguments offered to make a decision based on the merits of the case. Furthermore, courts serve as protectors of farmers' rights, emphasizing the need of obtaining prompt and equal compensation for crop losses. They guarantee that crop insurance firms and government bodies comply with their legal duties, such as legislative rules, timely

⁹ *S. Meenakshi v. Joint Registrar of Co-operative Societies, Ramanathapuram*, AIR Online 2020 Mad 758

claim processing, and strict adherence to court decisions for reimbursement. As a result, the courts encourage openness and responsibility in the crop insurance industry.

In addition to resolving disputes and maintaining legal responsibilities, courts play an important role in establishing legal precedents. Their judgements in crop insurance disputes set legal norms and principles that influence the behaviour of insurance firms, government agencies, and other industry stakeholders in the future. As a result, the crop insurance system becomes more equitable and effective overall. Courts also assess the efficacy of crop insurance agriculture and insurance plans, and their judgements can influence or steer policy choices in the industry. Courts play an important role in resolving circumstances where claims have been mismanaged owing to administrative faults by addressing administrative difficulties and errors that prevent farmers from collecting their appropriate reward. Furthermore, they may force insurance firms to produce compliance reports to verify that the court's decisions are followed, with the goal of ensuring that farmers receive their dues within the timeframes indicated.

Conclusion

Finally, this study provides light on crop insurance's vital role in India's agricultural sector, emphasizing the necessity for strong regulatory frameworks to protect farmers' interests and assure equitable recompense in the case of crop losses. The research answers the first research question on the legal landscape and its change through time by examining significant legislative acts and rules governing crop insurance. It is clear that India has put in place extensive legislative protections and initiatives to safeguard farmers from agricultural losses caused by numerous hazards.

The study also dives into judicial decisions and precedents, emphasizing the importance of the court in handling complicated crop insurance concerns. The Supreme Court's decision in "M/S Bajaj Allianz General Insurance Co. Ltd. v. Dnyanraj & Ors" emphasises crop insurance's humanitarian aspect and the necessity to prioritise farmers' needs over commercial concerns. This judgement also acknowledges climate change's concerns and emphasises the significance of inclusive policy.

The participation of the Gujarat High Court in ensuring that farmers receive their due claims under the Prime Minister's Fasal Bima Yojana (PMFBY) shows the judiciary's role in protecting farmers' rights and holding insurance firms responsible.

Furthermore, the case of "Bhala Ram Patel vs. State of Rajasthan and others" demonstrates the courts' dedication to ensuring that farmers are not harmed as a result of conflicts among different parties. The court's order to the insurance company to release the owing sums to farmers within a certain deadline demonstrates the judiciary's proactive approach to preserving farmers' interests.

The case of "The Osmanabad District Central Co-op. Bank Ltd. and Anr v. The State of Maharashtra and Ors" decided by the Bombay High Court reveals the legal complexities surrounding crop insurance schemes while emphasising that claims should be settled based on the results of crop cutting trials, highlighting the limitations of court intervention in these matters.

In "Akshaya Kanubhai Patel And Ors V. Branch Manager And Ors," the court maintains that insurance companies must meet their responsibilities to farmers even when administrative mistakes occur. Finally, the case of "Government of India V. Suresh Gopal Manage" highlights the importance of the courts in maintaining agricultural reform decrees and ensuring government compliance with court rulings.

Given these findings and the complexities of crop insurance, the paper advises a course of action, India must focus on enhancing its crop insurance system in order to better safeguard the interests of its farmers, who are the backbone of the country's agriculture industry. This is possible with a diverse approach. First and foremost, there is a need for more legislative clarity and enforcement to guarantee that both farmers' and insurance firms' rights and duties are adequately defined and adhered to. Concurrently, awareness and education initiatives should be launched to provide farmers with information about their entitlements and accessible insurance plans. To promote prompt compensation for farmers, the efficiency of claims processing must be increased, with a focus on openness and adherence to deadlines.

Given the rising impact of climate change, crop insurance plans must be modified to handle developing difficulties and offer complete coverage. Collaboration between government agencies, insurance firms, and financial institutions should be encouraged in order to speed up the claims process. Implementing crop insurance-specific alternative dispute resolution processes can aid in the resolution of disputes without the need for long judicial proceedings. Furthermore, continuing research and development in enhanced risk assessment and crop monitoring technology can improve crop insurance policy accuracy and, eventually, benefit

farmers. By implementing these tactics, India can ensure that its crop insurance system works as a safety net for the country's agricultural industry, providing assistance and security to the farmers who feed the country.

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