

“Innovation of the Year – 2008”

award from Asian Insurance Review

**Shri M. Parshad, Chairman-cum-Managing Director,
AIC receives the award.**

Agriculture Insurance Company of India (AIC)'s introduction of a pilot Weather Based Crop Insurance Scheme (WBCIS) availed the highest level of scientific expertise and propelled it to become a leading player in the global agricultural insurance sector.

AIC has acquired in-depth knowledge of crop insurance since 1979. It administers the world's largest area yield crop

insurance programme, the National Agricultural Insurance Scheme, which covers about 20 millions farmers.

Although area yield insurance is comprehensive, it suffers from a few shortcomings, such as delayed settlement of claims, the lack of reliable historical data and the huge cost of crop cutting experiments. Since about 90% of claims under the area yield index programme are attributed to vagaries of weather, AIC asked whether weather index insurance could be introduced instead. This resulted in four years of work, leading to the introduction of WBCIS as a pilot during 2007-08.

The new product was made available in about 200 locations for about 20 different crops. It was not only first of its kind, but used the highest level of scientific and technical inputs available anywhere in the world. The product was designed using cleaning and simulation of historical weather data, a crop growth simulation model to capture yield-weather relationship and a dense network of automatic weather stations to measure current weather.

Service was made highly flexible under WBCIS. While the product is available only to the cultivators growing the crop, opportunities were equally extended to all growers – borrowing farmers, non-borrowing farmers, owner cultivators, tenant farmers and share-



croppers. The product was marketed through the network of rural financial institutions so as to reach out to the maximum number of cultivators, as well as through intermediaries and micro-insurance agents.

In the first year of the pilot, WBCIS insured 671,000 farmers growing crops on over a million hectares. The weather insurance portfolio of AIC that year was almost 10 times the combined share of other insurers. With WBCIS, AIC became the leader of not just the agricultural sector in India, but across the world.

WBCIS was a success, mainly because claims could be paid within 45 days from the end of the contract. This was a huge improvement from the six to nine months for area yield insurance. Other gains were product transparency and a larger scope in terms of new crops and areas.

The product also received excellent response from the international reinsurance, with three reinsurers participating on 'quota share' basis, taking 50% of the portfolio. Further improvements to the product will be made in the year ahead

