

REVIEW :

Evaluation of weather based crop insurance in Karnataka as a risk management strategy

■ **H. JEYANTHI**

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BACKGROUND AND OBJECTIVES

In India, many traditional crop insurance programs were implemented to mitigate the risk of farmers and secure reasonable income from the cultivation at the time of occurrence of extreme events leading to crop loss. Weather being a major risk factor, weather index based crop insurance program was experimented to specifically address the weather and its related risks in India. The first experiment was attempted by ICICI Lombard General Insurance Company in 2003 in Andhra Pradesh. Agriculture Insurance Company of India, a public sector agriculture insurance company had taken up the experiment to the next level by implementing it as a commercially viable crop insurance scheme in 2007 and piloted across India in the name of Weather Based Crop Insurance Scheme (WBCIS). Later other registered general insurance companies got license to do crop insurance and entered into crop insurance business. Over the years several improvements were made by various state

Governments and number of farmers insured increased from 6.78 lakhs during 2007-08 to 90.30 lakhs during 2015-16 (Government of India 2016). But slowly the momentum in implementing the scheme is lost and the very purpose of the scheme such as early settlement of claims, quality of risk (weather) data, and compensation for qualitative yield loss (Rao, 2007; Rao, 2011; Clark *et al.* 2012) are missing. Now, all the stakeholders of weather risk mitigation initiative such as insurance companies, State Governments, weather data providers are hesitant to move ahead with WBCIS. One of the reasons is the legal cases related to poor or no claim from WBCIS, poor index design of WBCIS and poor quality of weather data before consumer courts at National, State and district level¹. Several state governments had not notified WBCIS scheme in the recent past, even if notified only for few crops, and found difficult to get insurance companies to operate at competitive rates. At last the ultimate sufferers are the poor farmers who are in need of support to mitigate risk in cultivation and

Author for correspondence :

H. JEYANTHI

ADRTC, Institute for
Social and Economic
Change (I.S.E.C.),
BENGALURU
(KARNATAKA) INDIA
Email : jeyanthih@isec.ac.in