

## LIVE STOCK INSURANCE SCHEME

### **Guidelines for Implementation of Livestock Insurance Scheme**

Livestock is an important sector of national economy, especially for the rural areas. The supplementary income derived from rearing of livestock is a great source of support to the farmers facing uncertainties of crop production, apart from providing sustenance to poor and landless farmers.

2. For promotion of the livestock sector, it is important that along with providing more effective measures for disease control and improvement of genetic quality of animals, a mechanism of assured protection to the farmers and cattle rearers is required against eventual losses of such animals. In this direction, the Government of India introduced a Centrally Sponsored Scheme (CSS) on Livestock Insurance on a pilot basis during 2005-06&2006-07 in 100 selected districts of the country. For the year 2007-08, the scheme continued in the same format in the same 100 districts. A full fledged scheme on Livestock Insurance, which was approved on 20.11.2008, is being implemented in 100 newly selected districts on regular basis. The Government has now extended the scheme in 300 selected districts. The broad guidelines, to be followed by the States for implementing the scheme are detailed below:

#### **Implementing Agency**

3. Department of Animal Husbandry, Dairying & Fisheries is implementing the Centrally Sponsored Scheme of 'National Project for Cattle and Buffalo Breeding (NPCBB)' with the objective of bringing about genetic up-gradation of cattle and buffaloes by artificial insemination as well as acquisition of proven indigenous animals. NPCBB is implemented through State Implementing Agencies (SIAs) like State Livestock Development Boards. In order to bring about synergy between NPCBB and Livestock Insurance, the latter scheme is also implemented through the SIAs. Almost all the States have opted for NPCBB. In States which are not implementing NPCBB or where there are no SIAs, the livestock insurance scheme will be implemented through the State Animal Husbandry Departments.

#### **Executive Authority**

4. The Chief Executive Officer of the State Livestock Development Board is also the executive authority for this scheme. In those States where no such Boards are in place, the Director, Department of Animal Husbandry is the Executive Authority of the scheme. The CEO will have to get the scheme implemented in various districts through the senior most officer of the Animal Husbandry Department in the district; the necessary instructions for this purpose will have to be issued by the State Government. The Central funds for premium subsidy, payment of honorarium to the Veterinary Practitioners, awareness creation **through Panchayats etc** will be placed with the SIA. As Executive Authority of the scheme, the Chief Executive Officers will be responsible for execution, and monitoring of the scheme. The main functions of the CEO will be: -

- (i) Managing the Central funds carefully and in accordance with instructions issued by the Department of Animal Husbandry, Dairying and Fisheries, Government of India.

- (ii) Calling quotations from the insurance companies for implementing the scheme, carrying out negotiations with them and selecting suitable company (companies).
- (iii) Signing the contract with the selected insurance company/companies.
- (iv) Payment of subsidy premium to the Insurance Company (including advance, if any and its subsequent adjustment).
- (v) Preparing district wise list of veterinary practitioners (Government /Private) and providing the same to the insurance company and also to concerned Panchayati Raj bodies.
- (vi) Creating awareness among the general public as well as the officials whose services may be required for implementation of the scheme.
- (vii) Carrying out field inspections and also facilitating field inspections by Central teams.
- (viii) Release of funds to the District Officers in charge of the Department of Animal Husbandry for payment of honorarium to the Veterinary Practitioners.
- (ix) Regular monitoring and preparation of reports for submission to the Central/State Governments.
- (x) Displaying village wise list of livestock owners who have insured their animals during the last Financial year along with list of claimant and status of their claims during the last quarter at concerned Gram Panchayat office
- (xi) Such other functions necessarily required for efficient implementation of the scheme.

The Principal Secretary/Secretary in-charge Animal Husbandry of the State Governments/ Director of State Animal Husbandry Department will ensure availability of sufficient infrastructure in terms of manpower and other logistic support to the CEO/District level officer, needed for effective implementation of the scheme. (The exact name, designation, address of CEO/District Officer in-charge for Insurance work will be made available to Central Government and same will be prominently displayed on important places within the district and specially in the rural areas of the district. Any change in the name and designation of CEO will also be properly communicated to all concerned.) For effective implementation and monitoring of the scheme, if States feel necessity, a district committee could be formed suitably involving the officers/organizations having interest in the field of Animal Husbandry. The Dairy Cooperative Societies, if interested, could also be involved and given responsibility of implementing the scheme wherever possible.

#### **Districts in which the scheme will be implemented**

**5. *The scheme is to be implemented in 300 selected districts of the country. The list of districts selected for this purpose is given in Annexure-I. The scheme is to be implemented in these districts only.***

#### **Selection of Insurance Companies**

6. In order to get the maximum benefit in terms of competitive premium rates, easier procedures of issue of policy and settlement of claims, Chief Executive Officer will be empowered to decide upon the Insurance company(s) and the terms and conditions. While selecting Insurance Company, besides premium rates offered, their capacity to provide services, terms and conditions and service efficiency should also

be taken into account. The CEO will invite quotations in writing from those public and private general insurance companies having a fairly wide network in the State or a considerable part of the State. The CEO should select the Insurance Company/Companies after negotiating with the insurance companies for successful and efficient implementation of the scheme and popularizing the scheme amongst the livestock owners. If any Insurance Company is offering cover for any type of disability in addition to death of the insured animal, such offer could be considered, however, no subsidy in the premium for such additional risk coverage will be provided. The entire cost of premium on account of the risk coverage other than death of the animal has to be borne by the beneficiaries. However, if any additional risk cover is offered as a package along with death cover and the premium rate is not exceeding the maximum limit of 4.5 % for annual policies and 12% for three year policies, such offer could be accepted and subsidy could be provided. As mentioned above, the CEO has to ensure that the premium rate agreed to is competitive. Under no circumstances, the rate of premium should exceed 4.5% for annual policies and 12% for three-year policies. Normally, a single insurance company should be entrusted for insurance with the work in a district. However, for the purposes of encouraging competition and popularizing the scheme more than one insurance company may be allowed to operate in a district, if other terms and conditions are remaining same. Default in settlement of claim or any types of deficiency in services on part of Insurance Companies could be brought to the notice of the Insurance Regulatory and Development Authority which is a nodal authority in the country in this regard.

The Service Tax cannot be paid by the Central Government, but by the entity, that is liable.

### **Involvement of Veterinary practitioners**

7. The active involvement of the veterinary practitioners at the village level is required for the successful implementation of the scheme. They are to be associated with the work of identification and examination of the animals to be covered under the scheme, determination of their market price, tagging of the insured animals and finally issuing Postmortem Report as and when a claim is made. Besides, being in touch with the farmers and cattle-rearers, they may also help in promoting and popularizing the scheme. Only the veterinary practitioners registered with the Veterinary Council of India, may be involved. A list of such veterinary practitioners will be prepared for every district with the help of district officer of the Department of Animal Husbandry and it will be made available to the insurance company selected for the district as well as to the concerned Panchayati Raj bodies.

### **Commencement of Insurance policy cover and adjustment of premium subsidy**

8. In order to generate confidence among the cattle owners about the efficacy of the scheme, it is important that the policy cover should take effect once the basic formalities like identification of animal, its examination by the veterinary practitioner, assessment of its value and its tagging along with payment of 50% of the premium to the insurance company or its agent by the cattle owner are completed. The selected insurance company will have to agree to this. However, it is possible that the insurance company may point out a provision in the Insurance Act that insurance cover can take effect only after the whole premium is paid in advance. In order to

take care of this problem, there could be an arrangement by which certain amount is paid in advance to the insurance company directly by the CEO. This amount should not exceed 50% of the premium of the number of animals expected to be insured in a period of 3 months. The insurance company, on its part, should issue instructions to their branches that as and when 50% of the premium is paid by the cattle owner, they should issue the policy by suitably adjusting the balance 50% from this advance. The insurance company should prepare monthly statements of the policies issued indicating the assessed value of each animal and the Government share for each district duly countersigned by the district officer of the Animal Husbandry Department and submit to the CEO so that, that much amount can be recouped to the insurance company by the CEO. Target of getting the number of animals insured in a three months period for payment of advance to the Insurance Company should be on realistic basis and recouping of the advance fund should be on the basis of subsequent progress made by the concerned Insurance Company.

### **Animals to be covered under the scheme and selection of beneficiaries**

9. The indigenous/crossbred milch cattle and buffaloes will be under the purview of the scheme. Milch cattle/buffalo will include both in-milk and dry as well as pregnant animal, which have already calved once. Benefit of subsidy is to be restricted to two animals per beneficiary per household. For this purpose, 'household' will be defined on the same lines as adopted under National Rural Employment Guarantee ACT (NREGA). Efforts will be made to insure the milch animals for at least three years rather than one year. This is administratively convenient and rates will also be significantly reduced. However, as evident from the past experiences, farmers were eager to go for one year policy rather than three year policy as the payment of premium amount for one year was comparatively less than the premium amount for three years. Hence, keeping this in view, if a farmer desires to have a policy for a period less than three years that could also be provided and subsidy on premium will be provided for insuring same animals again in the future years of implementation of the scheme.

Special efforts will be made to associate and involve the registered milk societies/unions for insuring the milch animals belonging to the members of these societies/unions as a group. The insurance agents will also be persuaded to give some further concessions to these societies/unions with respect to rate of premium as the work of their agents will be reduced otherwise. The Department of Animal Husbandry, Dairying & Fisheries is continuing a scheme called "Central Herd Registration Scheme" (CHRS) for registration of elite cows and buffalo breeds of National importance and provides incentives for rearing elite cows and male calves. Four CHRS units have been established in different breeding tracts of the country. Under these, 103 milk recording centres have been set up. The animals, which are covered under CHRS, can also be insured.

Field performance recording under the NPCBB for identification of elite animals may also be integrated with insurance. The Village Panchayats and the Panchayat Raj Institutions will also be involved in the identification of animals to be insured, promotion of the scheme and providing assistance for better implementation of the scheme

### **Determination of market price of the animal**

10. An animal will be insured for its current market price. The market price of the animal to be insured will be assessed jointly by the beneficiary, authorized veterinary practitioner and the insurance agent. However, *if the market value of an animal is expected to change during the period of insurance, the insurance may be done for the lower value to avoid moral hazard.*

#### **Identification of insured animal**

11. The animal insured will have to be properly and uniquely identified at the time of insurance claim. The ear tagging should, therefore, be full proof as far as possible. The traditional method of ear tagging or the recent technology of fixing microchips could be used at the time of taking the policy. The cost of fixing the identification mark will be borne by the Insurance companies and responsibility of its maintenance will lie on the concerned beneficiaries. The nature and quality of tagging materials will be mutually agreed by the beneficiaries and the Insurance Company. The Veterinary Practitioners may guide the beneficiaries about the need and importance of the tags fixed for settlement of their claim so that they take proper care for maintenance of the tags.

#### **Change of owner during the validity period of insurance**

12. In case of sale of the animal, or otherwise transfer of animal from one owner to other, before expiry of the Insurance Policy, the authority of beneficiary for the remaining period of policy will have to be transferred to the new owner. The modalities for transfer of livestock policy and fees and sale deed etc required for transfer, should be decided while entering into contract with the insurance company.

#### **Settlement of Claims**

13. The method of settlement of claim should be very simple and expeditious to avoid unnecessary hardship to the insured. While entering into contract with the insurance company, the procedure to be adopted/documents needed for settlement of claim should be clearly spelt out. *Only four documents would be required by insurance companies for settling the claims viz. FIR with the Insurance Company, Insurance Policy, Claim Form and Postmortem Report.* All documents/forms for insuring as well as settling the claims should be made available by the insurance agency in local language and English language. In case of claim becoming due, the payment of insured amount should be made within 15 days positively after submission of requisite documents. While insuring the animal, CEOs must ensure that clear cut procedures are put in place for settlement of claims and the required documents are listed and the same is be made available to concerned beneficiaries along with the policy documents. The beneficiary should get *full payment of the sum insured in case of death of animals. In case, there are delays in settling a claim or the claim is rejected, it must be fully justified by the concerned insurance agency to the claimant under intimation to SIA. Provisions to these effects must be incorporated in the MOU with the insurance agencies.*

#### **Effective monitoring of the scheme**

14. In order to ensure full impact of the scheme, there is a need of strict monitoring at different stages. The monitoring should be in terms of financial releases, number of animals insured and type of insurance. Monitoring at the Central and State levels is extremely important. CEO will be required to make special efforts for effective monitoring. Secretary in-charge Animal Husbandry in State Government/ Director of State Animal Husbandry will take periodic review of the implementation of the scheme. All Insurance Agencies will submit State-wise quarterly progress report for the policies in operation to Department of Animal Husbandry, Dairying and Fisheries (DADF) in the format given below by 15<sup>th</sup> of the next quarter.

State	No. of animals insured		Total cases of claims made		Total cases of claims settled		Amount of premium received (Rs. Lakh)		Amount of claim paid (Rs. Lakh)	
	During last quarter	Upto last quarter	During last quarter	Upto last quarter	During last quarter	Upto last quarter	During last quarter	Upto last quarter	During last quarter	Upto last quarter
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

In addition, they will also submit State-wise information on Claim ratios for the animals insured during a financial year (FY) latest by the 15<sup>th</sup> of April of the following FY after expiry of the said policies. For instance, for animals insured for annual policies during 2008-09, information on claim ratios needs to be supplied to DADF by 15<sup>th</sup> April, 2010. Similarly, for animals insured for three year policies during 2008-09, information on claim ratios is required to be furnished to DADF by 15<sup>th</sup> April, 2012. The format for furnishing information on claim ratios is given below:

State	For annual policies			For three year policies		
	FY	Premium rate *	Claim ratio	FY	Premium rate	Claim ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)

\*including Service tax

### Payment of honorarium to the Veterinary practitioners

15. The involvement of veterinary officer in the scheme is from beginning to end. His active interest and support is essential for success of the scheme. In view of this it is essential to provide some incentive to the veterinary practitioners to motivate them to carry out these activities wholeheartedly. It has been decided to pay an honorarium of Rs.50/- per animal at the stage of insuring the animal and Rs. 100/- per animal at the stage of issuing post-mortem certificate (including conducting post-mortem) in case of any insurance claim. Central Government will provide the amount needed for payment of honorarium to the SIAs. The CEOs should ensure that

payment is made to Veterinary Practitioners at the end of each quarter for the animals insured and veterinary certificates issued by them in that quarter.

### **Publicity**

16. *The scheme has been in operation since 2005-06 and since many of the beneficiaries were able to purchase new animals after the death of their animals, there seems to be good demand for the scheme indicating its popularity. However, it has been felt that the onus of making the scheme more popular lies with the insurance agency. The expenditure on publicity, therefore, needs to be minimized. Efforts should be made to involve dairy cooperative societies and other agencies that have direct contact with milk producers in different ways e.g. Livestock Inspectors, Gau-Mitras, traders of milk and milk products, etc. The Panchayati Raj institutions will be involved in publicity. The task of disseminating information on the scheme and inviting farmers to offer their animals for identification for insurance will be entrusted to the Intermediate Panchayats. For this purpose the CEOs are empowered to provide one time assistance not exceeding Rs.10,000/- for each intermediate Panchayat (in both cash and in the form of publicity material).*

### **Commission to Insurance Agents**

17. The active and dedicated involvement of insurance agent is most essential for efficient implementation of the scheme. The insurance company should be persuaded to pay at least 15% of the premium amount to the agent out of their premium income. While entering into contract with the Insurance agency, this has to be ensured by the implementing agency.

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