CASE STUDY

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Bharti AXA: Protecting Producers through Private Crop Insurance

*Delivering a **just rural transition** through state-subsidized private insurance for crop risk management*

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Crop Insurance for India's Producers by Bharti AXA

State-subsidized private crop insurance for 2.5 million farmers across India

Location

India

Context

There are over 125 million smallholder farmers in India, part of an agricultural sector worth 18% of GDP. A long supply chain supporting many hundreds of millions more is reliant on their production being resilient.

Most of these smallholders lack access to or choose not to take out insurance products for their crops. As climate change intensifies unpredictable weather, it will be increasingly important for these farmers to have access to suitable insurance cover.

Challenge

Uptake of insurance among smallholders is low in India, with an estimated two-thirds of farmers operating without any kind of insurance in 2019. Smallholder households also tend to be more indebted than non-cultivating households. When crops fail, uninsured farmers see an extended period with no income, in which loans are still expected to be repaid and debt is incurred. This exacerbates existing levels of indebtedness, with 46% of farmer households indebted.

> **"Agriculture provides livelihoods to more people in India than all other sectors put together. Agriculture production is highly volatile due to risks of uncertain weather, a large rain fed area, incidence of pests and diseases."**
>
> Bharti AXA Advertisement

Solution

To address the widespread lack of insurance, Bharti AXA General Insurance entered a public-private partnership with the Government of India to form Pradhan Mantri Fasal Bima Yojana (PMFBY). Under PMFBY, Bharti AXA insures farmers in five Indian states against crop losses during the entire cycle, from preparation and sowing to harvesting and post-harvest. The insurance coverage provides a safety net to farmers against their debts in the event of natural disasters or unfavourable weather.

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To address the lack of awareness of insurance amongst farmers, AXA have utilised existing online and physical public infrastructure for advertising and enrollment, as well as an active outreach campaign including street plays and auto rickshaw campaigns, among other creative last-mile strategies.
This has resulted in a much lower operational cost. As PMFBY is a government-sponsored scheme, the government absorbs the losses if claims rise above premiums. Premiums paid by the farmer are set by the government with a fixed upper limit between 1.5% - 5%, depending on the crop, with the Government of India providing 90% of the final premium received by Bharti AXA .

> **"PMFBY provides a comprehensive insurance cover against failure of the crop thus helping in stabilizing the income of the farmers."**
>
> Indian Department of Financial Services

Impact

Farmers insured under PMFBY have experienced an increased stability in their incomes. A key benefit has been the ability to repay loans even during times of crop failure, reducing precarity, leaving smallholders with minimal debt, and increasing their chances of accessing credit from formal financial institutions for later harvests. So far around 15% of the insured farmers have made a claim, meaning the amount claimed has not exceeded the premium collected, resulting in profit for AXA and no additional cost to the government, who have agreed to absorb any losses.

> **"The Government of India urges farmers to take advantage of the [PMFBY Insurance] scheme ... to become self-sufficient in times of crisis."**
>
> Union Agriculture Ministry, India

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