

## States Lagging: Crop Insurance Defaults Top ₹6,450 Crore in Five Years



State governments across India have collectively defaulted on crop insurance premium payments exceeding ₹6,450 crore over the past five years, a figure that continues to rise, according to data from the Ministry of Agriculture presented to Parliament on Friday, July 25, 2025. This substantial backlog in state contributions to the Pradhan Mantri Fasal Bima Yojana (PMFBY), India's flagship crop insurance scheme, poses a challenge to the timely and comprehensive compensation of farmers affected by agricultural losses.

The PMFBY, launched in 2016, is designed to provide comprehensive risk coverage to farmers from pre-sowing to post-harvest stages against natural calamities, pests, and diseases. Under the scheme, farmers pay a nominal premium: 1.5% of the sum insured for Rabi crops, 2% for Kharif crops, and 5% for cash crops. The remaining, larger portion of the premium is equally shared between the central government and the respective state government, with a 90:10 split for northeastern states. The heavy financial burden on state budgets, coupled with administrative delays, has contributed to these defaults.

Andhra Pradesh leads the list of defaulting states with an outstanding amount of ₹2,565 crore, followed by Rajasthan (₹1,525 crore), Madhya Pradesh (₹1,468 crore), Tamil Nadu (₹124 crore), and Uttar Pradesh (₹121 crore). These consistent delays in premium payments from states can directly impact the ability of insurance companies to settle claims promptly, leaving farmers in financial distress during critical periods. While the central government has delinked its share of the premium subsidy from that of the states to ensure farmers receive at least the central portion of their claims, the full benefit hinges on complete state contributions.

To mitigate these issues, the Ministry of Agriculture has introduced new measures. Effective from the current Kharif season (2025-26), states are now mandated to open escrow accounts for depositing their premium share in advance. Furthermore, a provision for a 12% penalty on delayed claim payments by insurance companies has been implemented, with automatic calculation on the National Crop Insurance Portal. The ministry also emphasizes robust crop yield assessment through technology-based systems like Yes-Tech, aiming for at least 50% weightage from such methods to ensure accuracy and reduce disputes.

Despite these challenges, farmer participation in PMFBY has notably increased, with enrollments rising by 32% from 3.17 crore in 2022-23 to 4.19 crore in 2024-25. The scheme has disbursed over ₹1.78 lakh crore in claims to farmers between its inception in 2016 and FY24, which is approximately five times the total premiums paid by farmers themselves. This highlights the scheme's potential but also underscores the persistent need for states to meet their financial commitments to ensure the program's full effectiveness and maintain farmer confidence.