

CM tells PM to remove cap on Centre's share in PMFBY

It is a major detrimental factor in implementing the scheme, says Stalin

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Chief Minister M.K. Stalin on Thursday wrote to Prime Minister Narendra Modi urging him to take necessary action urgently to remove the cap on the Centre's share in premium subsidy under the Pradhan Mantri Fasal Bima Yojana (PMFBY), and revert to the 49:49:2 ratio premium share for the welfare of the farming community. Its financial implications on Tamil Nadu were causing a lot of concern, he said.

Though the pattern of sharing in 2016-17 was 49:49:2 (i.e., Central, State and farmer's share respectively), the Central share had been capped at 25% for irrigated area and 30% for rainfed area, leading to a large in-



Good intention: PMFBY was launched to mitigate economic losses of farmers at the time of natural calamities. ■ N. RAJESH

crease in the State's share in premium subsidy by 12% (totally 61%), he said in the letter. A copy of the communication was shared with the media.

"In money value, the State's share in the premium subsidy, which was only

₹566 crore in 2016-17, has increased by 239% to ₹1,918 crore during 2020-21, after the capping of the Central share in premium subsidy. This further increased to ₹2,500 crore during 2021-22 due to exorbitant actuarial premium rates (APR) quoted

by insurance companies empanelled by the Government of India. Thus, the financial implications on the State are causing a lot of concern," Mr. Stalin said.

Though it was launched with a noble intention of mitigating economic losses of farmers at the time of natural calamities, PMFBY has become a heavy liability to the States over the years. The intention of capping the subsidy to bring down APRs has not happened in reality, as the insurance companies are continuing to quote exorbitant APRs, citing reasons like high loss ratio, inadequate financial capacity and lack of support from reinsurers, the Chief Minister said.

"The States are coerced to tweak the existing guidelines

and adopt new co-insurance models, increasing risks to the States. Otherwise the insurance companies refrain from bidding. As the State is already reeling under a severe financial crunch due to the pandemic, the onus of bearing a huge State share in the premium subsidy under PMFBY is unaffordable," Mr. Stalin said.

The capping of the Centre's share in the premium subsidy, no doubt, has been a "major detrimental factor" for the implementation of PMFBY, he said.

Mr. Stalin said the State's share in premium subsidy had increased at a compound annual growth rate of 28.07% in five years. "This has stymied the very purpose of the scheme," he said.