

Title: *Rythu Bima* (farmers' life insurance) scheme of Telangana: A critical analysis of its early years

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Abstract

Rythu Bima is a much-appreciated farmers' life insurance scheme launched in 2018 by the Telangana Government. In 2021-22, the scheme covers 42 lakhs landholding farmers in the age group of 18-59 years, including revenue and RoFR *pattadars*. While the total death claims per year hovers around 20,000 for the last three years of its implementation, the premium burden on the State Government increased by more than 100%, from 710 to 1,450 crores. In the light of Government's thinking of introducing a similar scheme for hand loom weavers, this article raises the question of financial viability of the scheme that is burdened by higher per-farmer premium. There is need for making the scheme more inclusive and transparent.

Keywords

Life insurance, *rythu bima*, revenue *patta*, RoFR *patta*

Introduction

Life insurance is a social security net that financially support the family of the person insured, in the event of untoward natural or accidental death of the person. The lives of employees and workers in the organized sectors are covered by insurance through various schemes institutionalized already. But, large sections of the population in India, particularly in the unorganized sectors, are left out from insurance in India. The farmers are one such group whose families are highly vulnerable to the financial turmoil. Death of a bread-earning farmer is a great loss for their family, particularly to the elderly dependents and the children. There were many instances of family members sliding into deep economic crisis and poverty soon after the sudden death of the head of a farming family.

Aptly spotting the need for providing the social security net for the farming families in the state, The Telangana Government introduced the *Rythu Bima* scheme in 2018, which offers to cover the lives of farmers in the state. The scheme is boasted as revolutionary and first in the country. The Government subscribed to a group life insurance scheme by Life Insurance Corporation of India (LIC) and paid annual premium to the tune of Rs.1450 crores. In return, the LIC covered the lives of 41.58 lakhs eligible landholding farmers in the age group of 18 to 59 years for the year 2021-22 against natural or accidental death (Hindu 2021a). The farmers eligible to the scheme are auto-populated by the Government as per the defined eligible criteria. LIC pays the sum insured to the nominee of the deceased in an unbelievable 10 day timeframe. The *Rythu Bima* helped around 60,000 farming families since its inception in 2018 and praised by the farmers without any second thought. This article analyses the context of its evolution; the performance of the scheme over 2018 to 2021; and critically comments on its inclusiveness and financial burden on the State Government.

Recent insurance schemes by the Governments

Apathbandhu scheme is the notable predecessor of *Rythu Bima*, which was started in the year 2011 by the State Government of the undivided Andhra Pradesh. *Apathbandhu* provides ex-gratia of Rs. 50,000 to the kin of a below poverty line (BPL) citizen in the state, in case of his / her accidental

death. Farmers are also covered under this scheme. But, the deaths due to natural causes and by committing suicide are not covered by it. The scheme was implemented through the New India Assurance Company, which is a public sector non-life insurance company in India. In case of farmers, now this scheme is superseded by *Rythu Bima*, offering 10 times the claim benefit and includes all causes of death, natural or accidental.

Large sections of the Indian population, particularly poor and unorganized, are yet to be covered under life and accidental insurance. Sensing this, the Central Government launched two schemes in 2015, the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and the Pradhan Mantri Jeevan Jyothi Bima Yojana (PMJJBY) with affordable premiums (GoI 2015). PMSBY provides risk coverage of Rs.2.00 lakh against accidental death and permanent total disability, and a cover of Rs. 1.00 against permanent partial disability. Rs.12 premium has to be paid by the subscriber, in the age group of 18 to 70 years, every year for continued coverage under the scheme. PMJJBY offers term life insurance cover of Rs. 2.00 lakhs to the subscriber, in the age group of 18-50 years, for an annual payment of Rs. 330. These above schemes were launched with an objective of providing insurance protection to the poor and low-income sections of the society, including the farmers. Both PMSBY and PMJJBY are implemented through various banks and insurance companies.

However, compared to *Rythu Bima*, the sum assured by them is smaller, and claim process reported taking longer due to several agencies involved in this scheme. The subscriber has to renew the insurance by paying the premium on time, however small it is, for active and continued insurance coverage. The *Rythu Bima* avoids all these difficulties, yet provides higher coverage of Rs.5.00 lakhs. Once the farmer is added to the scheme, Govt. pays the premium on behalf of the farmer to LIC every year.

Operational details of *Rythu Bima* scheme

The *Rythu Bima* group life insurance scheme was launched in June 2018 and the implementation guidelines for the same were issued through the Government Order - GO Ms. No.63 (GoTS 2018). The scheme is being implemented by the Agriculture and Cooperation Department, with support from the Revenue Department and in collaboration with the LIC. All the farmers having *pattadar* passbooks in the age group of 18–59 are covered under this scheme. A sum of Rs.5.00 lakhs would be paid on death, due to any cause, to the nominee of that enrolled farmer. Thus, the scheme provides much needed financial relief and social security to the family members of the deceased farmer. Earlier schemes treated natural and accidental deaths separately, and some schemes, such as PMSBY, did exclude death due to suicide from their purview. *Rythu Bima* is more comprehensive in the sense that it covers the death of the enrolled farmer due to any cause, without any exceptions.

It is a dynamic scheme, with the composition of the set of eligible farmers changing with time. Those who are turning 18 years; those who purchase the land newly; and those getting mutationⁱ of land get newly admitted. In fact, the scheme provides for adding new farmers to the scheme on a monthly basis, except that those turning 18 years will be admitted annually. Farmers with multiple landholdings will be treated as single subscriber to the scheme by Aadhaar identification. Farmers above the age of 59 years will be removed from the scheme every year.

Instead of collecting applications for joining the scheme afresh, the pre-populated application forms to join the scheme are printed by the revenue department from their records of *pattadars*. They will be passed onto the district and *mandal* functionaries of agriculture department. The Agricultural Extension Officers (AEOs) at the grass-roots visit the eligible farmers, collect the details of nominees

and verifies their details with the Aadhaar identify. The LIC, after including them in the scheme, issues a certificate of insurance to each and every farmer. In the event of unfortunate death of a farmer, the claim forms are readied by the AEO after verifying the details of nominees with their Aadhaar identity and their bank account details with the bank. Claims are settled within 10 days on submission of the required claim form along with necessary documents, such as, the death certificate and the bank details of the nominee.

Historical performance of the scheme

The scheme covered all the farmers having *pattas* in the digital revenue records during 2018 to 2020. However, it added Recognition of Forest Rights (RoFR) *patta* holders also into the scheme in 2020-21 (GoTS 2020). One does not understand the reasons for exclusion of the assigned landholders from the scheme. The scheme guidelines of GoTS (2018) clearly mention that death of enrolled farmers due to any cause is covered by the scheme, though it does not explicitly list out all those causes of death. Thus, it may be concluded that the scheme is quite inclusive, covering the deaths due to suicides, murder, snake bites, animal attacks or death due to electrical shocks. However, there is little information publicly available about number of farmers covered, their classification based on type of landholding and the mortality rate of farmers since the launch of the scheme on the official website of the scheme (GoTS 2021c).

A classification of farmers' deaths as per the cause of the death is undoubtedly a very useful information that informs the policy-making processes. Bifurcated data of enrolled farmers as per the revenue and RoFR *pattadars*, coupled with gender classification, will provide insights into the penetration of the scheme among these sub-groups. Apart from natural and accidental reasons, cases of farmers committing suicides are also reported in recent years. Further, several farmers are killed every year due to electricity shocks at their farm lands. Covid-19 pandemic also had taken the lives of some rural population, including farmers. Continuous analysis of mortality due to these causes will provide valuable insights to the Government for understanding the situation of farmers and to initiate any policy measures. Further, keeping the data related to the claim settlement history, disclosing the number of claims settled against the number of claims along with the time taken to settle are useful statistics that help to gauge the performance of LIC in relation to the scheme. Thus, in terms of improving the transparency in the *Rythu Bima* scheme implementation, there is much to be done by the Government.

Despite the lack of official data disclosed at one location by the Government, attempt is made to compile and present credible data from different Government Orders and that got reported in the newspapers from time to time. Table 1 presents the data of number of farmers covered by the scheme and the premium paid to LIC by the Telangana Government for the years 2018-19 to 2021-22.

Table 1: Farmers covered by *Rythu Bima* scheme and premium paid

Particulars	Year			
	2018-19	2019-20	2020-21	2021-22
Total farmers covered (Lakhs)	31.10	31.10	32.73	41.58
Premium paid to LIC (Rs. Crores)	710.58	1102.34	1141.44	1,450.00
Premium paid per farmer, including GST (Rs.)	2,271.00	3555.94	3486.90	3,487.00

Source: Eenadu (2021), GoTS (2018), GoTS (2019), GoTS (2020), GoTS (2021a) & GoTS (2021b)

The scheme was started with an annual premium of Rs. 2,271 per farmer in 2018-19. Soon after, the LIC reported a 54.42% loss to premium collected ratio and proposed a cost-based pricing from 2019-20 (GoTS 2019). Thus, there is a sharp rise in the premium per farmer during the year 2019-20. However, there has been a marginal decline in the premium rates during consequent years. As seen from Table 1, the number of farmers covered suddenly increased by 8.85 lakhs in 2021-22. This cannot be due to the addition of RoFR holders alone, as the RoFR *patta* holders in Telangana are only 99,486, spread mostly in the erstwhile Adilabad, Khammam and Warangal districts (CFR-LA 2016). The sharp spike in eligible farmers during 2021-22 could be due to continued process of digitization of land records in the state and addition of those accumulated farmers to the scheme.

Table 2 below presents the total deaths of farmers reported by the scheme and amount of money paid as claim settlement by the LIC for the three years period starting from 2018-19.

Table 2: Mortality and claim settlement history of Rythu Bima scheme

Particulars	Year		
	2018-19	2019-20	2020-21
Number of farmers deaths reported	17,485	19,351	22,004
% of deaths to the total farmers covered	0.56	0.62	0.67
The claim amount settled (Rs. Crores)	881.00	939.65	856.85

Source: Eenadu (2021)

Percentage deaths of the total farmers covered by the scheme showed an increasing trend from 0.56 to 0.67 from 2018-19 to 2020-21. The increase in death rate could be due to the Covid-19 pandemic that began in India in late March 2020 and continued through 2021. We will know if the death rate reduces to pre-Covid level, as in case of 2018-19, once the pandemic situation decimates over time. While the claim amount settled remained more or less stable (around 900 crores), the amount of premium paid increased from 710.58 crores in 2018-19 to 1141.44 crores in 2020-21. Though LIC incurred loss in this business during the first year of the scheme, it could recover and profit from it later. The premium for the year 2021-22 rose more steeply to 1,450 crores, probably due to the 8.85 lakhs increase in the farmers covered by the scheme.

The scheme guidelines of GoST (2018) provides for revision, upward or downward, of premium for subsequent years based on the actual claim experience. The scheme implementation guidelines justify collaboration with LIC by stating that it has got the highest claim settlement ratio; is a public sector company with sovereign guarantee from Government of India; and offers the benefit of the lowest possible premium rates. However, the Government of Telangana did not select LIC through a competitive process, but through preferential allotment. The Government might have found its comfort in a public sector company than any other private insurance companies due to the concerns of data security. However, due to this, the Government did not get an opportunity to discover the market price for a life cover of Rs.5.00 lakhs. Comparing the premium of PMJJBY of Rs.330 for providing the coverage of Rs.2.00 lakhs against death due to any reason, the average premium of Rs.3,500 per farmer collected by the LIC from the *Rythu Bima* scheme for coverage of 5.00 lakhs is quite high. However, one may dismiss this argument by saying that these two schemes are not comparable due to the large difference in their population coverage. It is the common notion in the insurance parlance that, the larger the size of insured subjects, the lower the premium amount per subject. But we do not find that logic working in 2021-22 in case of *Rythu Bima* scheme, as premium per farmer remained same after adding 8.85 lakhs of farmers to the scheme.

To supplement the available data, rapid field checks on the coverage of farmers; claim settlement; and addition of new farmers to the scheme were done with three farmers' cooperatives (around 650 members) in Bhongir, Jangaon and Adilabad districts during July-August 2021. From the perspective of these farmers, the hallmark of the scheme is its swift claim settlement. Within 10 days of receipt of all the necessary documents by the LIC, the nominees of the deceased received the sum assured of Rs.5.00 lakhs into their bank accounts. This is a rare fête in any matter to do with the government. However, it was found that the addition of eligible farmers, by newly acquiring land or through mutation, is not happening true to the spirit of the scheme guidelines. While the scheme guidelines provide for monthly updating and inclusion of such farmers into the scheme, farmers complained that no addition of farmers has been done so far to the list prepared in 2018 at the time of launch of the scheme. Many RoFR *pattadars* are not aware that there is such a scheme exists. Farmers holding assigned *pattas* are not clear about their coverage under the scheme.

Conclusion

The *Rythu Bima* group life insurance scheme for farmers is a one-of-its-kind scheme in the country that addresses the sudden financial crisis the death of a farmer causes to his / her family. The scheme aptly took advantage of information technology and computerized land record databases for fool-proof implementation. Also, by effecting mutation of names soon after the change in land ownership, the newly eligible farmers to the scheme are readily generated by the Revenue Department. This process may be further simplified by asking those farmers who become newly eligible because of mutation or purchase of land, to submit the *Rythu Bima* nomination forms at the time of land registration at the offices of registrars. This will reduce the work on AEOs to visit the newly enrolled farmers for obtaining nomination forms. This may also automate the process of including eligible farmers into the scheme from time-to-time.

Since the scheme has only three years of experience, more data will certainly help to make more in-depth analysis and to understand the trends, particularly the mortality rate of farmers post the Covid-19 pandemic. From the available data, the number of deaths of farmers over the last three years has not varied substantially, but the per-farmer premium does go up sharply. The *Rythu Bima* website shall disclose all the scheme historical data at one place. There is also need for more transparency in revealing aspects like, percentage of yearly claims settled by the LIC; classification of deaths of farmers by cause of death; and the relative proportion of RoFR and revenue *pattadars* covered by the scheme, for each district.

The farming community shall not see the *Rythu Bima* scheme as an alternative to the existing insurance schemes, particularly PMJJBY. By paying a small amount of Rs. 330 each year, farmers and any other citizen can avail life insurance coverage under PMJJBY. PMJJBY, when subscribed, offers additional insurance cover to the farmers and the scheme is versatile in covering all forms of death, including suicide and murder.

Finally, the amount of premium paid to LIC has more than doubled from 2018-19 to 2021-22. However, the mortality rate and amount of claim settlement has remained more or less the same continuously for three years since 2018. Though the number of farmers covered by the scheme rose significantly, there is no reduction in the per farmer premium paid to LIC. This is in contradiction to the general insurance principle that the more the number of subjects covered by a group insurance policy, lesser the premium per subject. During 2020-21, LIC profited to the extent of 25% of the total premium paid by the Government. Yet, during 2021-22, the premium payout from the Government further increased to Rs. 1,450 crores. If Government of Telangana pays out the financial assistance to the deceased families directly, it may save public money from the excess payments to LIC. The

Telangana Government is now thinking of launching a similar scheme for the welfare of hand loom weavers (Hindu 2021b). Therefore, there is need for serious thinking on the implementation model of *Rythu Bima* scheme with a huge per-farmer premium burden on the Government.

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ⁱ The process of changing the name of land owner in the event of sale or gifting of the land or partition of land among family members.