

# PMFBY payouts crash as states don't pay premium

By: [Sunil Jain](#) | New Delhi | Published: May 21, 2018 5:13 AM



A year ago, in kharif 2016, the payout ratio was a much higher 95% across both PSU and private sector insurance firms. (Reuters)

Against claims of Rs 14,453 crore made by farmers for crop losses in kharif 2017 under the Pradhan Mantri Fasal Bima Yojana (PMFBY), insurance firms have paid a mere Rs 733 crore so far, a payout ratio of just 5%. A year ago, in kharif 2016, the payout ratio was a much higher 95% across both PSU and private sector insurance firms.

The reason for the low payout ratios is that very few state governments have made payments for the premium due from them — typically, farmers pay around 20% of the cost of insurance and the balance is equally split between the state and the central

government; till the state government pays its share, the Centre does not pay its share either. Some states like Bihar and Odisha have not paid their full premium for 2016-17 as well.

---

---

Apart from the low payouts ratio, insurance firms are making losses in the second full year of the scheme. While the claims ratio — claims made as a share of premium — was a healthy 68% in kharif 2016, this rose to 88% in kharif 2017, and can go up a bit more since not all claims have been processed. Once you add in the profit margins of insurance companies, they are running at a loss.

The claims ratio for PSU firms rose from 64% in kharif 2016 to 96% in kharif 2017 and from 72% to 75% for private insurance firms. The total claims ratio for PSU firms was 90% in the first three crop seasons (data for rabi 2017-18 is not available at an aggregated level) and 74% for private sector insurers. While around 30% of the country's Gross Cropped Area is covered by PMFBY right now, the target is to raise this to 50% in 2018-19.

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).

---

#### PROMOTED STORIES

---



**Watch the Sakth Launda's new show on Prime video. Start your 30 day Free**

Amazon Prime Video



**Get Your Kids Away From TV and Cartoons**

Magic Crate



**Watch Zakir Khan as Ronny Bhaiya in Chacha Vidhayak Hain Humare on**

Amazon Prime Video