

Best practices and lessons learnt from Weather Index Insurance schemes in Sri Lanka

9th Consultative forum on Micro insurance
Regulation for Insurance supervisory authority and
insurance practitioners

@

MAS Building at Singapore

Presentation by

Ravinda Herath

Sanasa Insurance Company limited, Sri Lanka.



SANASA INSURANCE COMPANY LIMITED SRI LANKA.



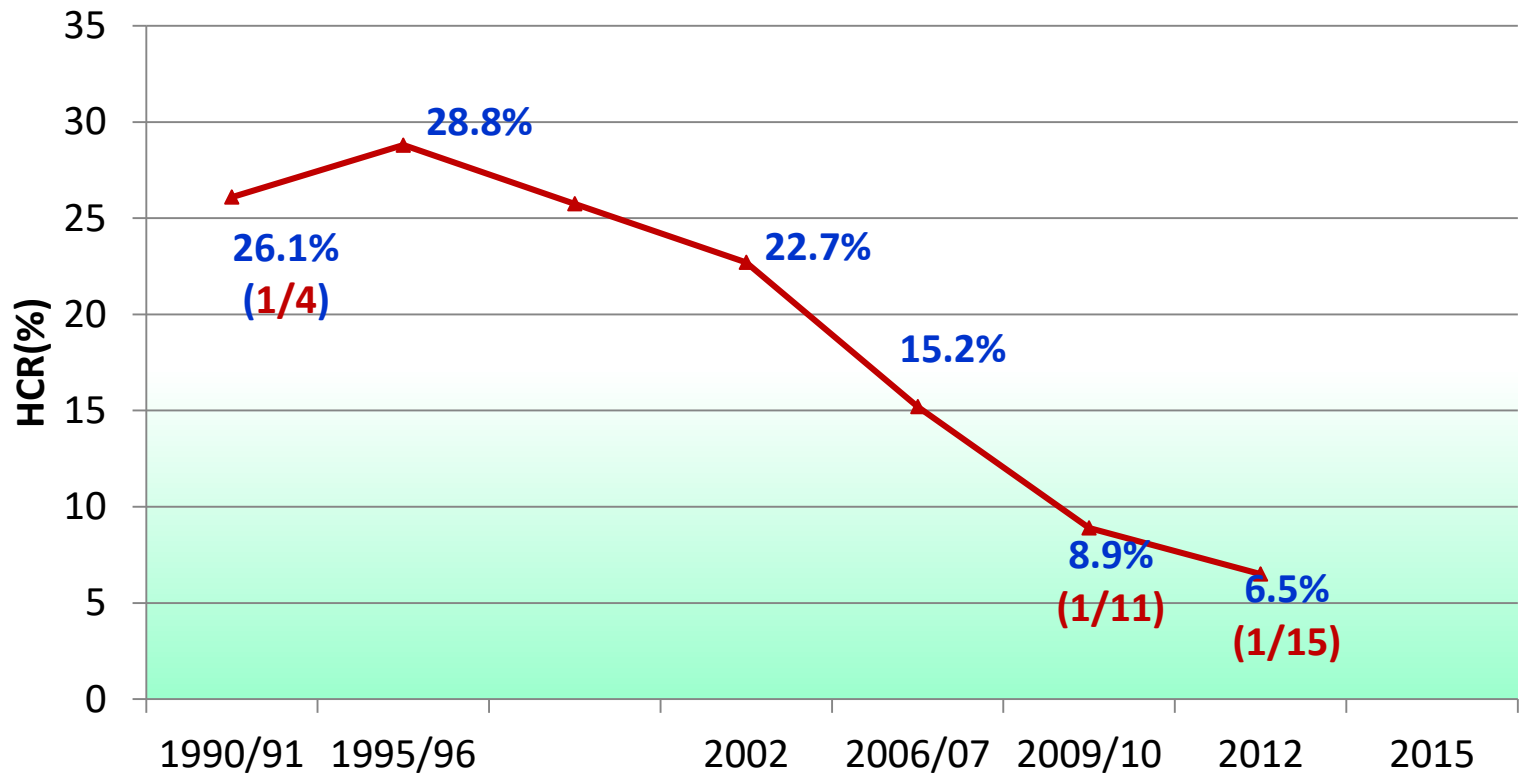
1. Sri Lankan Economy

- Sri Lanka is a beautiful island surrounded by the Indian Ocean.
- Population is around 21 million.
- Working population is 73.7%
- GDP contribution
 - Agriculture 10.8%
 - Industry 31.1%
 - Services 58.0%



1. Sri Lankan Economy Cont...

Economic indicators of Sri Lanka



Poverty Headcount Ratio by Survey Period

2. What is SANASA?

The Sinhala acronym of SANASA is “Thrift and Credit cooperative societies”

SANASA Movement at a Glance

Individual Members Representing SANASA	1,118,842
Total Societies (Credit Unions)	8,423
Total Workforce	11,431
Male Workforce	5,342
Female Workforce	6,059
SANASA Regional and District Unions	48
Total Assets (Rs. Bn)	149.9

Total Asset Base of SANASA Movement (Rs. Bn)

Total Assets of SANASA Federation, Primaries & Unions	82.3
SDB Bank PLC	64.9
SANASA Insurance Company Ltd	2.25
Other SANASA Entities	0.395



2. Background of Sanasa Insurance Company Limited (SICL)

SICL is an insurance provider emerged from a long and outstanding experience in micro-insurance activities conducted by an organization called “All Lanka Mutual Assurance Organization”(ALMAO) which was the insurance arm of SANASA prior to its incorporation under the Companies Act.

1991

Formation of ALMAO with Society Leaders of Funeral Aid Societies.
Pioneer in introducing Life Cover with Maturity Benefits , Accident and Health Cover

1993

Declared as a Specially Authorized Society in the government gazette by the Ministry of Trade and Commerce

1996

Amalgamation with Micro-Insurance Unit of Sanasa Federation

2002

Establishment of Sanasa Insurance Company Ltd. ALMAO become the major shareholder

2005

SICL begins operations in General Insurance.

Community Development survey conducted by “Forum of Development” which was established by Dr. P.A. Kiriwandeniya. Initiation of the SICL



3.1 Target Market of SICL

Customers of SICL are mostly from the BPO market consists of:

- Members and customers of Sanasa Primary societies & non members**
- Members of Funeral Aid societies and other Community Based Organizations (farmer organization, Tea society ect..)**
- Customers of Sanasa Development Bank and other Sanasa subsidiary organizations**



3.2 Services offered by SANASA Insurance Company in Sri Lanka

SICL offers both Life and general insurance products for low income groups in rural mass of Sri Lanka.

Life Insurance



Motor Insurance



General Insurances



Agriculture Insurance

Indemnity based
Crop Insurance



Weather Index
Insurance



Insurance Plus
Programs



Livestock insurance



4. Implementation of Weather Index Insurance in Sri Lanka

- SICL is the founding insurance company introduced the concept of index insurance to Sri Lankan agricultural sector
- It introduced WII to paddy farmers in year 2010 and to Tea farmers in 2012.
- To develop WII products, Sanasa” received technical support from DID-Canada, K.A. Pandith from India and Basix, India.



4.1 SICL`s Progress of Weather Index Insurance by year 2016

PADDY	Cumulative
Farmers	31,228
Premiums	USD 120,236
Sum insured	USD 1,202,369
TEA	Cumulative
Farmers	25,087
Premiums	USD 132,701
Sum insured	USD 1,958,533

5. Success behind – SICL WII

Affordable Prices

Farmers can buy WII policy/products at a cost of Rs.300/- including 4 rider covers

LKR 300.00 = USD 2

Payments for WII can be made:

- Monthly
- Quarterly
- Semi Annually
- Annually



5. Success behind – SICL WII

Appropriate product bundling



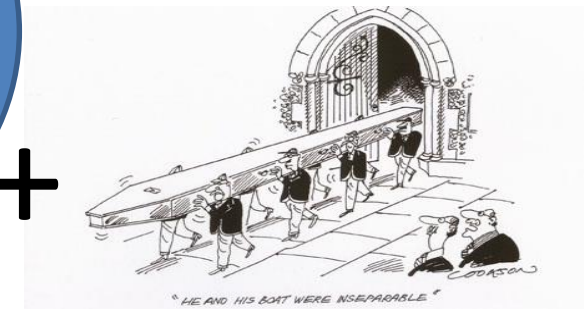
Hospitalization cover



Property insurance



Personal Accidental Benefits



Funeral Insurance



5. Success behind – SICL WII

Proper product designing

Cumulative Rain fall payout

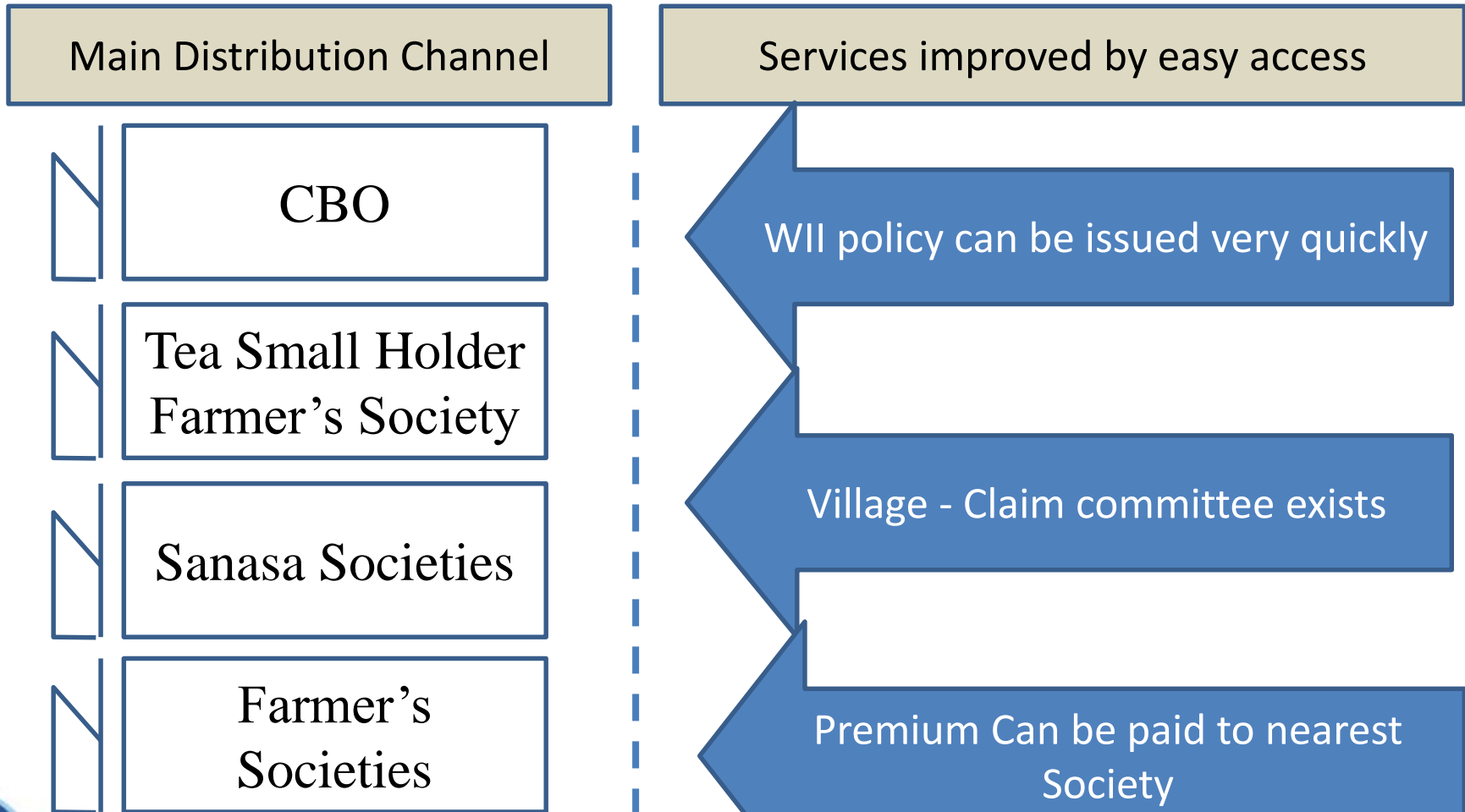
Payout Structure _ Rainfall			
<u>Premium Rates</u>			
Index	Cumulative rainfall from the 16th of the Previous month till the 15th of the current month		
Trigger value	100mm		
Stop loss	20mm		
Rates			
Office Premium per month	Minimum Payout per Month at Trigger	Maximum Payout Per Month at Stop Loss	Payout per mm
Rs. 300	Rs. 205.75	Rs. 2,057.54	Rs. 23.15
Rs. 400	Rs. 308.63	Rs. 3,086.31	Rs. 34.72
Rs. 500	Rs. 411.51	Rs. 4,115.08	Rs. 46.29

Dry Day Payout

Office premium	14 consecutive dry days payout	Additional per day Payout up to a maximum of 6 Dry Days
Rs. 300	Rs. 514.38	Rs. 82.30
Rs. 400	Rs. 771.58	Rs. 123.45
Rs. 500	Rs. 1,028.77	Rs. 164.60
Rs. 600	Rs. 1,285.96	Rs. 205.75
Rs. 700	Rs. 1,543.15	Rs. 246.90
Rs. 800	Rs. 1,800.35	Rs. 288.06

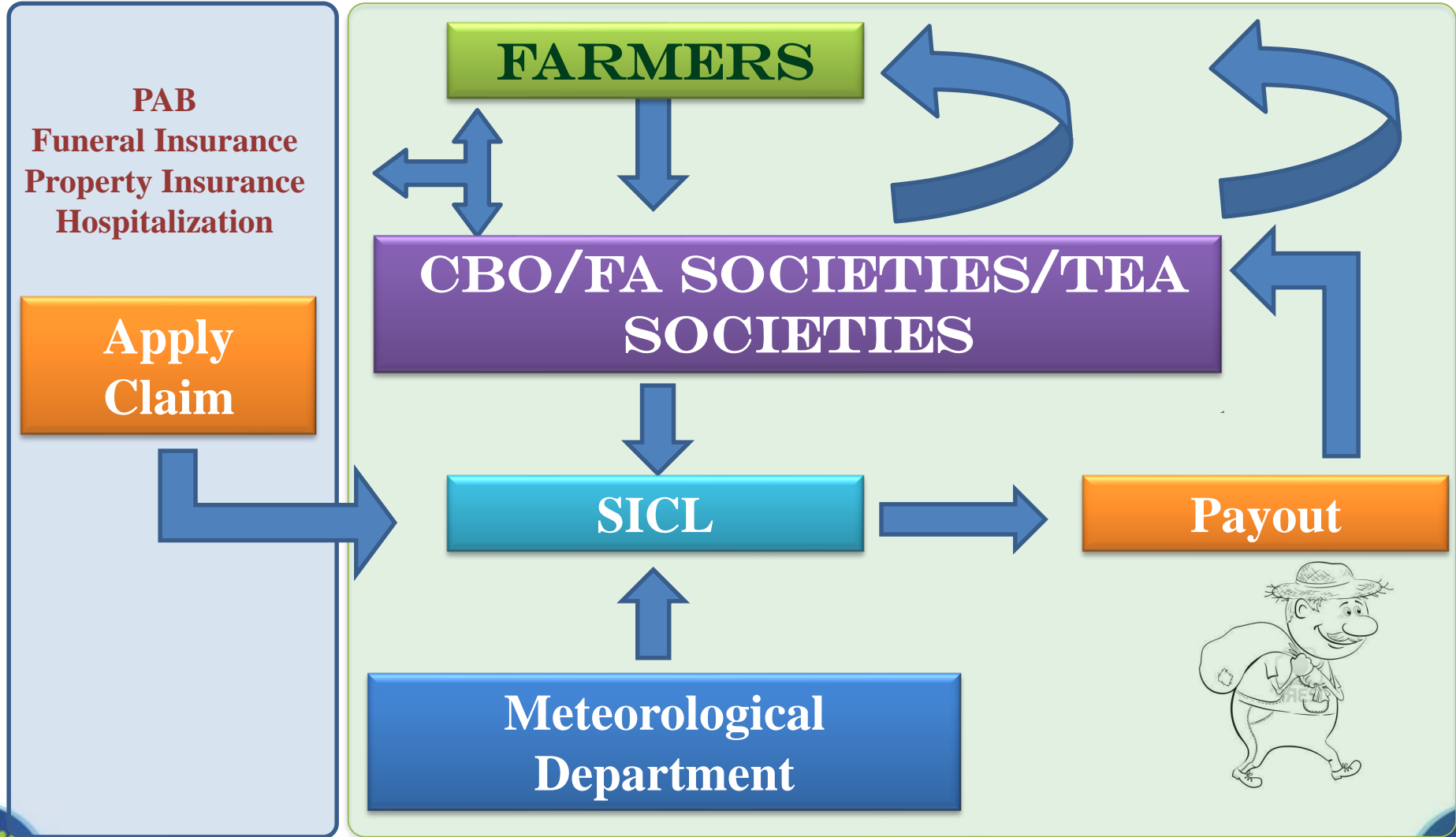
5. Success behind – SICL WII

Easy access to Famers



5. Success behind – SICL WII

SICL WII – Distribution network



6. Next pace to develop Weather Index Insurance

Community Based weather Station

2 weather stations are under construction, as a pilot project with the assistance of Moratuwa University (Sri Lanka`s best engineering faculty). Special features of these weather stations are comprised of:

- Automated system.
- Facilities to upload data to Online web site.
- High security & barriers to access in altering data
- Solar power.
- Data availability - RF, Humidity, Wind direction and speed, Temperature.
- Access to Historical data



Community Based weather Station cont...



Community Based weather Station cont...

Proposed website for community based weather station



Weather Station 1

7.66° | 80.34°

29.7 °C 

Humidity	45.24
Rain Fall	12.45
Wind Speed	2.56
Wind Direction.	56.44



History

Starting Date Week

- Temperature
- Rain
- Humidity
- Wind

Community Based weather Station cont...

History

Starting Date

Week

August 2015						
Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Wind

Rainfall Over Time

Click and drag in the plot area to zoom in



7. Challenges faced by SICL

Making behavioral change (thinking pattern) towards insurance among farmers is the major challenge faced by SICL during the implementation period of WII

No budget allocated for Insurance

Believe Insurance as luxury product

Pray god for protect their cultivation

They believe they can bear the losses by themselves

Lack of knowledge about insurance

Lack of trust on insurance



8. Lessons Learned

1. Farmer`s lack of ability to pay upfront premiums.
2. Need for introducing a premium subsidiary scheme for farmers to grant concessions during initiative period.
3. Take measures to update the network of collecting rainfall data by automated equipments for receiving Well-timed data.



Thank You!
😊

