



PARTNER PROFILES

SANASA INSURANCE Sri Lanka

GLOBAL INDEX
INSURANCE FACILITY

FUNDED BY



Country	Sri Lanka
Market launch	2011
Clients	20,806 tea and paddy farmers (cumulative)
Partners	Insurers: Sanasa Insurance Reinsurers: GIC- India Delivery Channels: Sanasa Insurance Societies; farmers' organizations; tea factories
Products	Two weather index
Insured Crops/Livestock	Paddy, tea
Insured Perils	Drought, excess rain
Total Insurance Portfolio (total sums insured)	\$86,642 (sums insured cumulative)
Insurance Payouts	\$65,330 (cumulative)
Average Cost of Insurance	10% of value of insured inputs or harvest
Development Impact	The key objective of the Sanasa Project is to develop the weather index insurance market in Sri Lanka through a combination of capacity building and awareness creation at both company level as well as at the farmer level.
Background	<p>Historically, agriculture has always been a key economic activity in Sri Lanka, employing over 30 percent of the labor force. As Sri Lanka recovers from the effects of a 26 year armed conflict which ended in 2009, new land is becoming available for agriculture in northern and eastern Sri Lanka. A growing number of micro and small farmers are hoping to benefit from growth in the agricultural sector. The agro-industrial sector is the fastest growing industrial category, with an average annual growth rate of around 5%. However, agricultural productivity is low by global standards, and most farmers have not been able to migrate to value-added agricultural products, which are in demand by the growing middle class and for export.</p> <p>It is estimated that less than 10-15 percent of the Sri Lankan population has some form of insurance, largely life and property insurance. Insurance coverage among small businesses (MSMEs) is estimated to be less than 1-2 percent, and is almost nonexistent for smallholder farmers. Sanasa designed an index product for paddy farmers in 2011 and launched another product for tea farmers in 2012. Insurance will allow farmers access to scarce capital, new farming techniques and technologies and hopefully will lead to increased investment by farmers and improved harvests and livelihoods.</p>
Project Description	<p>The project will achieve the following objectives by project completion:</p> <ol style="list-style-type: none"> 1. Support the development of a simple, flexible, affordable Weather-Index Based Crop Insurance product that will cater to diverse client needs for food crops in Sri Lanka 2. Assist in developing institutional capacity of SICL (Sanasa Insurance) and select agents 3. Raise awareness among at least 50,000 farmers on the availability of the index insurance product/s and its benefits
Success Factors	Continuous farmer education is the most important factor for sales and expanding index insurance markets in Sri Lanka. Farmers need training on how indexes are structured, what they cover and how payouts are measured.
Challenges	<p>PADDY—The high cost of premiums has inhibited sales of weather index products to paddy farmers. The Sanasa team plans to modify the design to reduce premium costs. Premium subsidies are also being explored as a possible means to reduce costs and expand the market.</p> <p>TEA—A strong awareness campaign through mass media on weather index insurance is needed to promote sales. In addition, there have been difficulties obtaining rainfall data in a timely manner from the meteorological department which has challenged the smooth operation of WII in Sri Lanka.</p>
Opportunities	There are two million farmers in Sri Lanka, and there is good market potential. The Sanasa Federation has excellent outreach to over one million members through its 8,400 savings and credit institutions in all provinces of the country. The Sanasa Insurance Company has over 250,000 micro-insurance clients. Index insurance is a new sector for the insurance company. Sanasa Insurance hopes to have 50,000 farmers insured with weather index insurance by end 2015.
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