

ACTUARIAL REVIEW 2011

1. RECOMMENDATION

- ü We recommend that the Board introduce a 25% declaration threshold set at an island level with a premium reduction of 50%.
 - Ø The Board would declare a crop year to be an event year on account of cyclone, drought or excessive rainfall which results in island-wide Sugar Accruing being 75% or less of island-wide Total Insurable Sugar.
 - Ø No change in method of determining ranking.
 - Ø No change in method of determining value of Total Insurable Sugar.
 - Ø No change in general compensation rates (first loss percentages, value of shortfall percentages).
 - Ø A 50% reduction in all premiums under the General Insurance Account.
 - Ø Nonetheless, on representations made, some flexibility has been provided. In the likelihood that the island crop reduction in any given year is between 20% to 25%, i.e. lower than the threshold of 25%, the Board on consultation with an Actuary and with the approval of the Minister shall declare an event year.

2. RECOMMENDATION

- ü Rankings below 5 automatically reset to actual value of 5.
 - Ø Before the 2006 actuarial review, many insureds were stuck at rankings below 5 with some having even negative values.
 - Ø The 2007 amendment provided a one-time upliftment to ranking 5 to such insureds.
 - Ø On representations made by the Board, the Actuary recommended that the actual (recorded) ranking of any insured can never be below 5.
 - Ø This is another definite advantage in favour of insureds, as movement up the ranking table will be faster, especially for those insureds who had a ranking below 5, resulting in lower premium percentage claimable.

3. RECOMMENDATION

- ü We recommend that compensation under the fire insurance account be reduced by 20% from Rs625 to Rs500 per tonne of cane short produced and be kept under review.

We suggest that the benefit structure should be in control of the Board by regulation rather than stated in the Act to enable changes to be made more easily to account of experience and changes in sugar prices.

- Ø No change in fire premium rate.
- Ø In 2007, the Fire Insurance Account fixed premium was increased from Rs10 to Rs12.50 per tonne of insurable sugar and fixed benefits increased from Rs500 to Rs625.
- Ø In 2007, sugar price to planters was Rs18,206 per tonne but this had fallen to Rs13,409 by 2010.
- Ø In order not to increase the fire premium rate, the Consulting Actuary has proposed a lowering of the fire compensation rate with a view to ensure that the Fire Insurance Account remains viable.

4. ADMINISTRATIVE ARRANGEMENTS

- ü Reduction in administrative costs

It is imperative that administrative costs be kept at sustainable level, more particularly taking into account a lower premium receivable (50% reduction) and the fall in harvest extent. One of several administrative measures being taken is that the validity period of registration of small planters shall be 5 years. However, the registration needs to be staggered such that only 20% of all small planters are registered in a given year.