



SUGAR INSURANCE FUND BOARD

INFORMATION PAPER (BD2014/6/8)

FOR BOARD MEETING TO BE HELD ON THURSDAY 21 AUGUST 2014 AT 13:30 HOURS

CROP 2013 SYNOPSIS

1.0 GENERAL INSURANCE

1.1 Registration of Factories and Plantations

- 1.1.1 The foundation for the staggered registration over five year interval of plantations of small planters was laid during Crop 2012 registration by issuing registration cards valid for five years to the first 20% who registered; four years to the next 20%, three years to the next 20%, two years to the next 20% and one year to the last 20%.
- 1.1.2 Crop 2013 registration was the first year during which 20% of all planters registered during Crop 2012 for one-year validity turned up for renewal of their registration cards for the next 5 years. The practice remains unchanged for large planters (holding 10 Hectares or more of land under cane cultivation in aggregate) and sugar estates with the yearly renewal of registration of their plantations.
- 1.1.3 On the other hand, the 80% of small planters (15,533) holding valid registration cards for 2 to 5 years were sent a "Declaration To Board – No Change in Registration Data" form so that planters can confirm to the SIFB that there has been no change in the information they had declared at time of their last registration. 7,880 forms were returned (51%). Out of 7,653 small planters whose forms were not received, 1,869 already called at the sub-offices for fresh registration. .

1.2 Sugar Production

Total caneweight sent to mills for sugar production was 3.815 million tonnes resulting in a total sugar production of 408,536 tonnes island-wide against a Total Insurable Sugar of 447,550 tonnes, i.e. a sugar production percentage of 91.3%. The island average extraction rate is 107.1 kg of Sugar per ton of cane produced.

1.3 Declaration of Event Year

In line with the new insurance terms effective as from Crop Year 2012, the island-wide crop reduction being 8.7% for Crop 2013 is below the statutory threshold of 20% crop loss at island area level). Therefore, no Event Year is declarable by the Board and no general compensation becomes payable.

1.4 Sugar Price for Insurance

- 1.4.1 In accordance with Section 47 of the Sugar Insurance Fund Act, the sugar price for insurance purposes in respect of Crop Year 2013 was determined at the rate of Rs. 17,090.87 per metric tonne of sugar for planters, inclusive of the added value of molasses.
- 1.4.2 The sugar price payable for insurance purposes for milling side was fixed at Rs. 16,500 per metric tonne of sugar.
- 1.4.3 As provided for under the Act, the above rates were approved by the Honourable Minister of Finance & Economic Development and subsequently published under General Notice No. 2834 of 2013 in the Government Gazette of 7th December 2013.

1.5 Milling Operations

- 1.5.1 There were 5 milling factories in operation for Crop 2012, namely Terra Milling Co. Ltd in the North sector, Deep River Beau Champ and Alteo (F.U.E.L) in the East sector, Medine in the West sector and Omnicane in the South Sector.
- 1.5.2 Milling operations island-wide started at Deep River Beau Champ (DRBC) factory on the 15th June 2013 and ended with Omnicane factory on the 26th December 2013. The longest milling season was over a period of 191 operational days at Omnicane Milling factory.
- 1.5.3 As a result of centralization of milling activities, Crop 2013 is the last year for which DRBC factory was operational and shall be closed down as from Crop 2014. All canes from factory areas of Deep River Beau Champ and Constance La Gaiete shall be diverted to Alteo Milling for crushing.

1.6 GENERAL INSURANCE STATISTICS

1.6.1 **Number of Planter Accounts & Type of Assessment**

The total number of accounts of planters having a cane consignment for Crop 2013 is 16,528 compared to 17,541 accounts for Crop 2012.

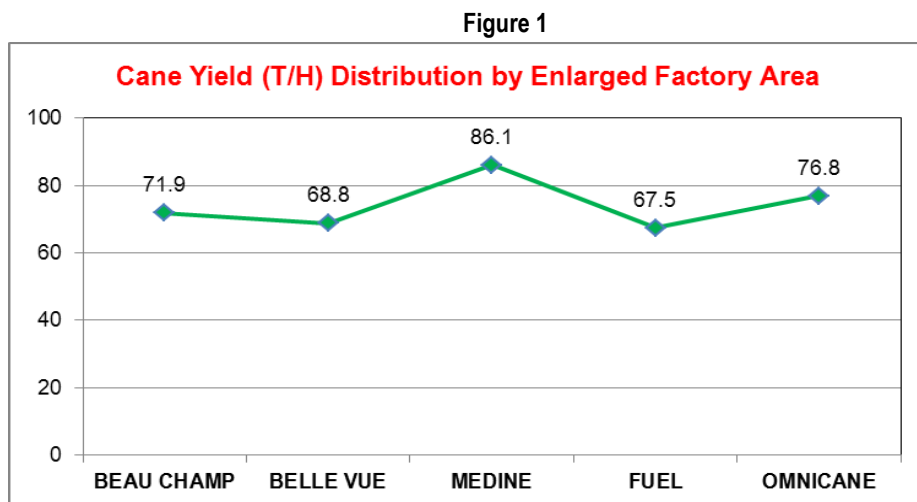
1.6.2 **Harvest Extent and Cane Yield Distribution**

- The total area harvested for Crop 2013 is 52,312 hectares for planters who supplied canes for milling with the total tonnage of canes harvested being 3,815,782 tonnes islandwide.
- Crop 2013 witnessed another drop in harvest extent with a reduction of 1,116 hectares of cane land from last year, the harvest extent of which stood at 53,428 hectares. Likewise, there has been a reduction in the tonnage of canes produced by 131,503 tonnes as compared to 3,947,285 in 2012 mainly due to a reduction in area under cane harvested for the production of sugar.
- **Table 1** below shows the harvest extent, cane weight and cane yield for each enlarged factory area.

Table 1

Enlarged Factory Area	Harvest Extent (H)	Cane Weight (T)	Cane Yield [T/H]
Deep River Beau Champ	7,376	530,145	71.9
Terra (Belle Vue)	11,634	800,171	68.8
Medine	4,591	395,425	86.1
FUEL	12,411	837,553	67.5
Omicane	16,300	1,252,489	76.8
TOTAL	52,312	3,815,782	72.9

- The highest harvest extent is seen in Omnicane enlarged factory with 16,300 hectares under cane harvested for milling whilst Medine factory area had the lowest (4,591 H). The highest cane yield per hectare recorded at enlarged factory level is 86.1 T/H for Medine, whilst FUEL had the lowest cane yield.
- **Figure 1** below depicts the cane yield distribution by enlarged factory area for Crop 2013.



1.6.3 Category of Planters

- **Table 2** below classifies the number of accounts by enlarged factory area and by category of planters (small and large) and is similarly depicted at Figures **2(a)** and **2(b)** respectively.
- For the purpose of classification in Table 2 hereunder, a small planter is taken as having a harvest extent of up to 10 hectares and a large planter as having harvest extent exceeding 10 hectares in an enlarged factory area.

Table 2

NUMBER OF ACCOUNTS					
ENLARGED FACTORY AREA	Small Planters (Less than or equal to 10 H)	% of Total # Accounts Island-wide	Large Planters (more than 10 H)	% of Total # Accounts Island-wide	TOTAL
Deep River Beau Champ	2,159	13.1%	15	0.1%	2,174
Terra (Belle Vue)	3,867	23.4%	24	0.1%	3,891
Medine	368	2.2%	15	0.1%	383
FUEL	5,207	31.5%	26	0.2%	5,233
Omicane	4,811	29.1%	36	0.2%	4,847
TOTAL	16,412	99.3%	116	0.7%	16,528

- Over a total number of 16,528 planters, 16,412 of them cultivate up to 10 hectares of sugar cane and 116 planters cultivating more than 10 hectares of land.
- On overall, the highest quantum of planters for Crop 2013 recorded by enlarged factory area is in F.U.E.L with 5,233 planters and the lowest in Medine (383 planters).

Figure 2 (a)

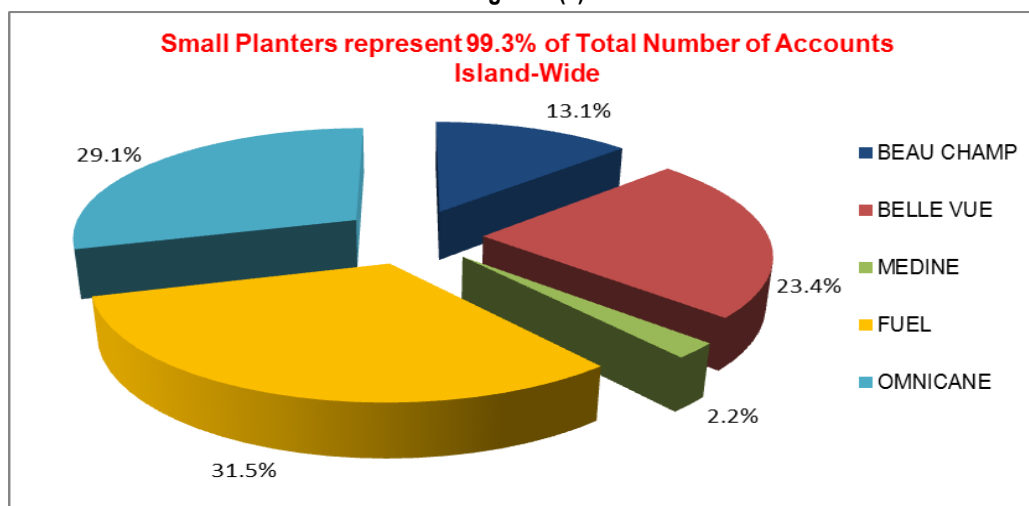
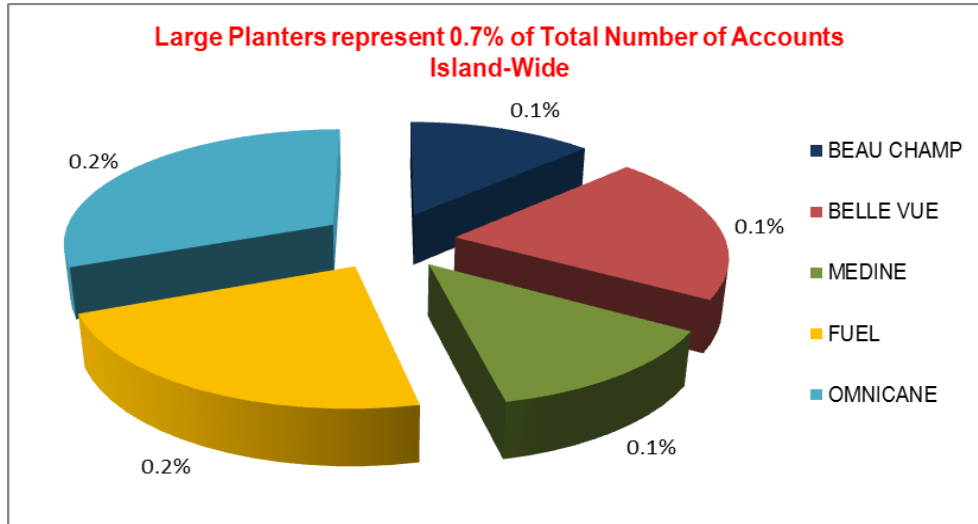


Figure 2 (b)

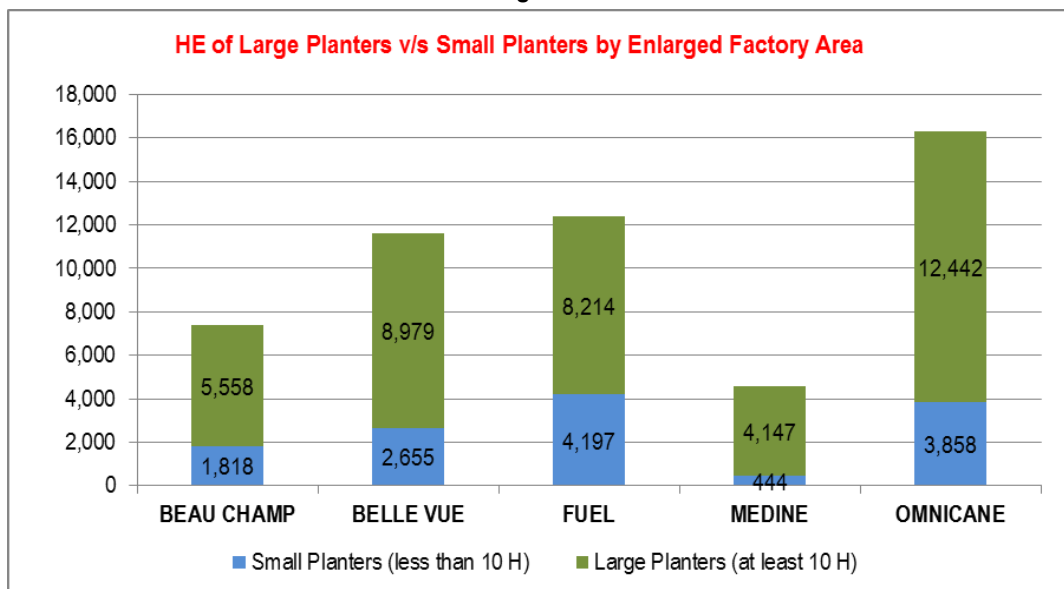


➤ **Table 3 below** shows the breakdown of Harvest Extent between small and large planters by enlarged factory area which is also depicted at Figure 3.

Table 3

ENLARGED FACTORY AREA	HARVEST EXTENT [H]					
	Small Planters (up to 10 H)	% of Island-wide HE	Large Planters (more than 10 H)	% of Island-wide HE	Total HE	% of Island-wide HE
BEAU CHAMP	1,818	3%	5,558	11%	7,376	14%
BELLE VUE	2,655	5%	8,979	17%	11,634	22%
FUEL	4,197	8%	8,214	16%	12,411	24%
MEDINE	444	1%	4,147	8%	4,591	9%
OMNICANE	3,858	7%	12,442	24%	16,300	31%
TOTAL	12,972	25%	39,340	75%	52,312	100%

Figure 3



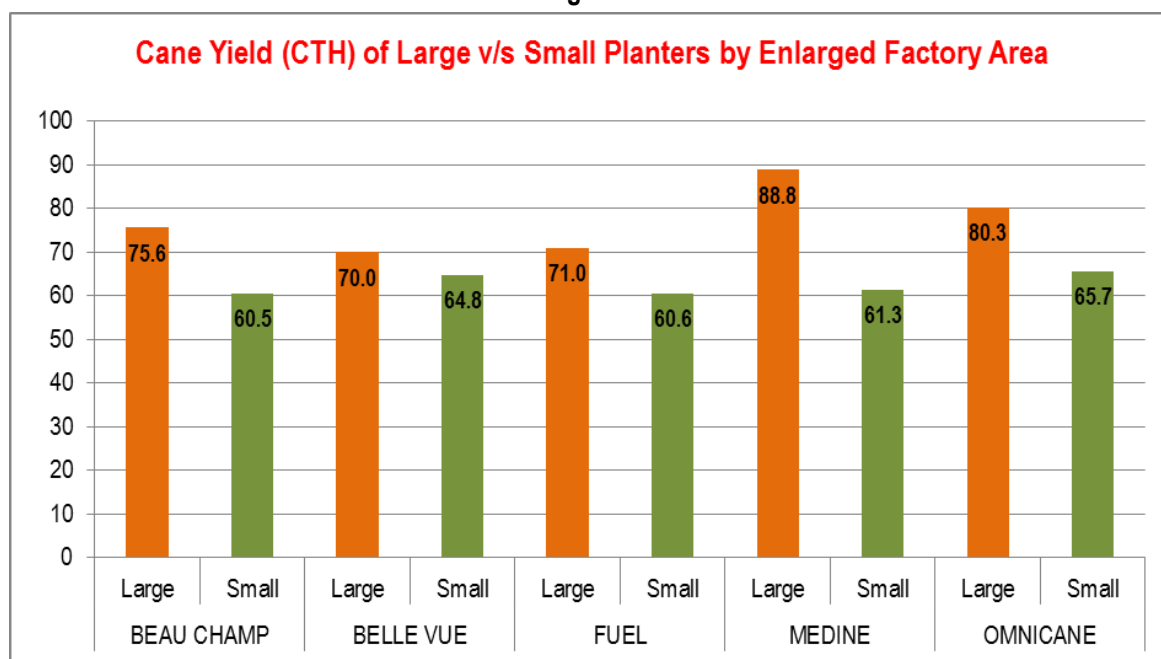
- The weighted average cane yield per hectare of large planters exceeded those of small planters in all of the respective enlarged factory areas for Crop 2013 (**Table 4**).

Table 4

ENLARGED FACTORY AREA	Size	Harvest Extent [H]	Cane Weight [T]	Tonnes of Cane per Hectare (CTH)
BEAU CHAMP	Large	5,558	420,190	75.6
	Small	1,818	109,955	60.5
BELLE VUE	Large	8,979	628,171	70.0
	Small	2,655	171,999	64.8
FUEL	Large	8,214	583,289	71.0
	Small	4,197	254,264	60.6
MEDINE	Large	4,147	368,187	88.8
	Small	444	27,238	61.3
OMNICANE	Large	12,442	999,174	80.3
	Small	3,858	253,315	65.7
TOTAL		52,312	3,815,782	72.9

- **Figure 4** below shows the cane yield of small planters compared to large planters for Crop 2013 for each enlarged factory area.

Figure 4



- The highest weighted average cane yield per hectare is with respect to Medine large planters (88.8T/H) and the lowest average cane yield pertains to small planters of Deep River Beau Champ (60.5T/H).

1.6.4 Sugar Yield

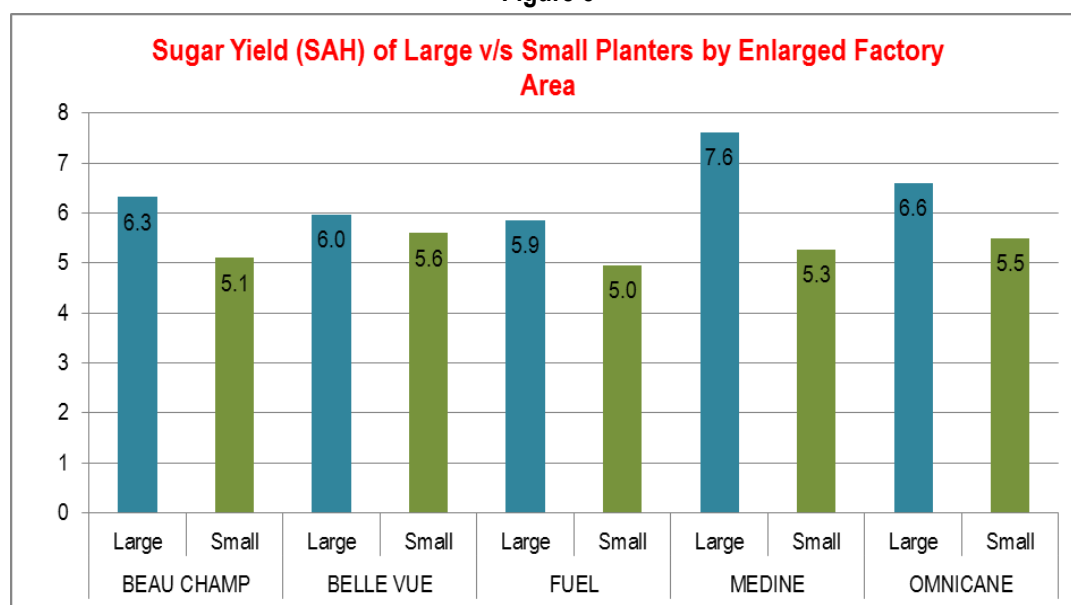
- The average sugar yield (at planter's share) of large planters exceeded those of small planters in all enlarged factory areas. **Table 5** below shows sugar yield per hectare for small planters and large planters by enlarged factory area.
- The highest weighted average sugar yield (at planters' share) was with respect to Medine large planters (7.6 T/H) and the lowest average sugar yield (at planter's share) was with respect to FUEL small planters (5.0 T/H).
- The maximum differential between large and small planters was 2.3 T/H, recorded in the enlarged factory area of Medine.

Table 5

ENLARGED FACTORY AREA	Size	Harvest Extent [H]	Sugar Accruing (SA) @ planter's share [T]	SA per Hectare (SAH) @ planter's share
BEAU CHAMP	Large	5,558	35,101	6.3
	Small	1,818	9,282	5.1
BELLE VUE	Large	8,979	53,648	6.0
	Small	2,655	14,869	5.6
FUEL	Large	8,214	48,108	5.9
	Small	4,197	20,808	5.0
MEDINE	Large	4,147	31,582	7.6
	Small	444	2,339	5.3
OMNICANE	Large	12,442	82,101	6.6
	Small	3,858	21,218	5.5
TOTAL		52,312	319,055	6.1

- **Figure 5** below shows the sugar yield by enlarged factory area for small and large planters.

Figure 5



1.6.5 Total Insurable Sugar & Total Sugar Accruing by Enlarged Factory Area

- **Table 6** below shows the Total Sugar Accruing (TSA) of insureds in each enlarged factory area with their Total Insurable Sugar (TIS) and their respective sugar production percentage.

Table 6

ENLARGED FACTORY AREA	Total Insurable Sugar [T]	Total Sugar Accruing [T]	Production %	Crop Reduction %
BEAU CHAMP	61,229	56,938	93.0%	7.0%
BELLE VUE	100,483	87,438	87.0%	13.0%
MEDINE	46,189	43,091	93.3%	6.7%
FUEL	100,159	88,521	88.4%	11.6%
OMNICANE	139,490	132,548	95.0%	5.0%
ISLAND-WIDE	447,550	408,536	91.3%	8.7%

- **Figure 6 (i)** below depicts the TIS against the TSA of insureds in each enlarged factory area. **Figure 6 (ii)** shows the corresponding sugar production percentage.
- The highest sugar production percentage was observed in Omnicane enlarged factory area (95%) and the lowest sugar production percentage was recorded in Terra (Belle Vue) enlarged factory (87%).

Figure 6 (i)

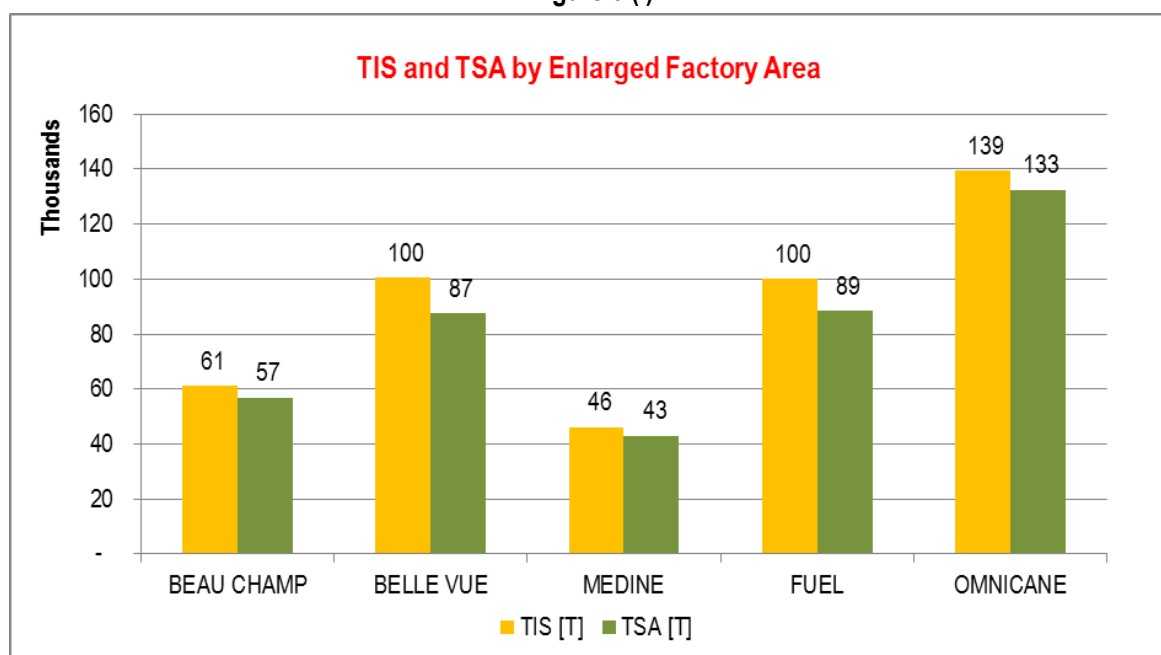
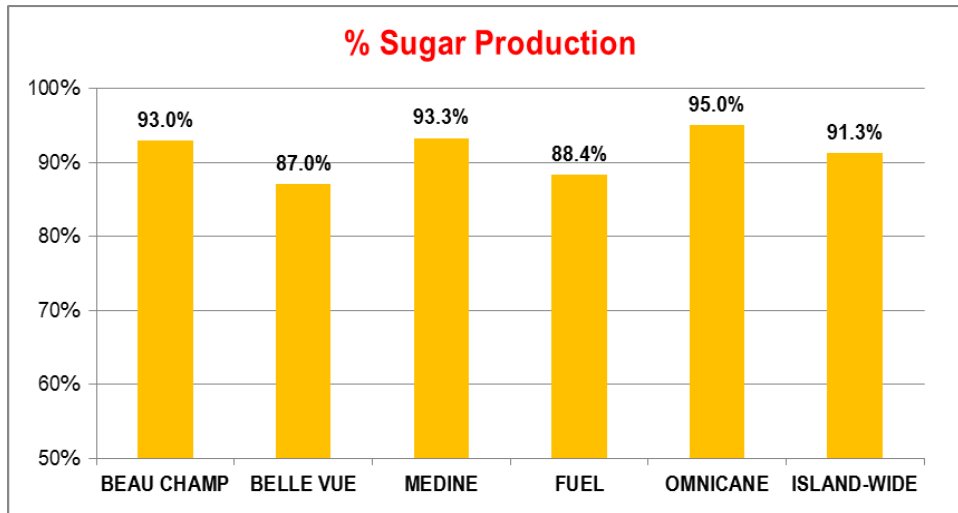


Figure 6 (ii)



1.6.6 General Premium, Compensation & Loss Ratio

- The gross General Premium Income (GPI) receivable for the year was Rs 265.7 Million from all insureds. **Table 7** below shows the Total General Premium Receivable for each enlarged factory area.
- Under the current insurance terms effective since Crop 2012, the island-wide sugar production % being 91.3% for Crop 2013, higher than the prescribed threshold, no “event year” is declarable, hence no compensable loss with the loss ratio being Nil.

Table 7

ENLARGED FACTORY AREA	General Premium [Rs]	General Compensation [Rs]
BEAU CHAMP	41,047,184	-
BELLE VUE	64,582,921	-
MEDINE	25,033,493	-
FUEL	56,375,071	-
OMNICANE	78,694,636	-
TOTAL	265,733,305	-

2.0 FIRE INSURANCE

2.1 Inter-Crop Fire 2013

- For Crop 2013, the total number of compensated fire cases caused by inter-crop fire was 148 representing a total extent of 148 hectares of canes was destroyed island-wide. The number of compensable cases is lower compared to Crop 2012 (154 cases) for a total extent of 171 hectares.
- The number of fire cases was more prominent in the North sector of the island (72 cases) followed by the South (30 cases). On the contrary, the highest extent damaged by fire was noted in the South sector of the island with 54.025 hectares burnt during inter-crop compensable.
- Fire compensation paid to insureds amounted to Rs 6.01 M for Crop 2013, against Rs 7.6 M for Crop 2012.

2.2 Fire during Harvest 2013

- The number of fire occurrences during harvest season was observed to be more prominent in the North sector of the island. A total amount of Rs 1,421,585 was disbursed to 35 eligible planters as road transport allowance for milling of burnt canes outside their respective factories. **Table 8** below shows the amount disbursed as transport allowance for Crop 2013 and the number of cases by sector.

Table 8

SECTOR	Number of Cases	Transport Allowance [Rs]
North	30	505,407
South	1	200,031
East	2	4,224
Centre/ West	2	711,923
Total	35	1,421,585

- The road rates payable by the Board for transport allowance are 25% higher than the road transport rates determined by the Control & Arbitration Department of the MCIA. Thus, the rates payable were as follows:
 - (1) Rs 8.78 per tonne of canes per kilometer in excess of 6 kilometers with respect to planters supplying up to 100 tonnes of canes.
 - (2) Rs 7.98 per tonne of canes per kilometer in excess of 6 kilometers with respect to planters supplying more than 100 tonnes of canes.

2.3 Fire Insurance Loss Ratio

The loss ratio under the Fire insurance Account for Crop 2013 was 129%, representing an island-wide compensation of Rs 7.250 M (inclusive of transport allowance) against an island-wide premium of Rs 5.606 M.

Table 9

Premium (Rs)			Compensation (Rs)			Loss Ratio
Fire Premium (Inter-Crop)	Fire Premium (Assessment)	Total Fire Premium	Gross Fire Compensation (Inter-Crop)	Transport Allowance (Crop Season)	Total Fire Compensation	
16,137	5,590,502	5,606,639	6,028,911	1,421,585	7,450,496	133%

2.4 Fire Insurance Account Status as at December 2013

The Fire Insurance Account which had an accumulated fund of Rs133,000 is now in deficit by an amount of Rs1.9M (as at December 2013). The liabilities have partly been met out of the General Insurance Account.

3.0 SUMMARY

3.1 GENERAL INSURANCE ACCOUNT

CROP YEAR	CROP 2012	CROP 2013
Total Number of Insureds	17,546	16,533
Total Harvestable Extent (H)	53,428	52,312
Total Cane Weight (T)	3,947,285	3,815,782
Total Sugar Accrued (T)	412,876	408,536
Total Insurable Sugar (T)	462,114	447,550
Sugar Production %	89.3%	91.3%
Crop Reduction %	10.7%	8.7%
General Premium Claimable (Rs.)	288,594,514	265,733,305
General Compensation Payable (Rs.)	-	-

3.2 FIRE INSURANCE ACCOUNT

INTERCROP FIRE	CROP 2012	CROP 2013
Extent Under Cane Destroyed [H]	171	148
Accounts compensated	154	148
Net Fire Compensation (Inter-Crop) [Rs]	7,595,858	6,012,774
FIRE DURING HARVEST SEASON		
Accounts compensated	16	35
Transport Allowance [Rs]	326,085	1,421,585

4.0 NEW ACTUARIAL REVIEW 2014

- 4.1 The recommendations in the 2011 Actuarial Report enacted by Act No. 1 of 2012, more particularly the 50% reduction of all general insurance premiums, were well received by insureds of the SIFB.
- 4.2 However, the basis for 'Event Year' declaration, the threshold of 25% in crop reduction measured island-wide to trigger compensation payable to insured caused discontent, despite the fact that the Board, in its own deliberate judgment, provided a flexible sunset clause (Section 25(2)) to declare an event year for overall crop reduction in the range of 20% to 25%, subject to an actuarial advice.
- 4.3 Against this background and to continue the fulfillment of its obligations under the SIF Act, the Board has commissioned a fresh actuarial review. On the other hand, given the changing environment within which the sugarcane industry is evolving, the consulting actuaries have been requested to review also the operations of the Fire Insurance account and make appropriate recommendations more particularly that the account is now in deficit. The findings of the Consulting Actuaries are expected before the end of year 2014.

SIFB

12 August 2014