

# Design of community managed hybrid insurance programme for the small scale fishers: PTSLP Fishing Asset Risk Mutual Society (PFARMS)



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# Unique features of artisanal Marine fishing

- Small scale fishing sector- dinghies, canoes, FRP Boats, Kattumaram with or without Out Board Motor.
- Fishers' assets on water more valuable than the assets they own on ground; fishing assets prone to damage and loss due to several natural and man made factors.
- Insurance companies find claim assessment difficult with high moral hazard and so offer high cost product
- Claim settlement delays and rejections make fishers weary of formal insurance.
- Mutual distrust.





# Product and process innovation....

- PTSLP management and fisher federations developed a hybrid insurance product over two years of consultations and in depth study.
- Fishers needed surety of genuine claims to be settled and wanted mutual insurance but understood that catastrophic events cannot be managed internally.
- Thus emerged a model where individual claims to be settled by the fisher mutual (PFARMS) and catastrophic loss will be insured with insurance company.

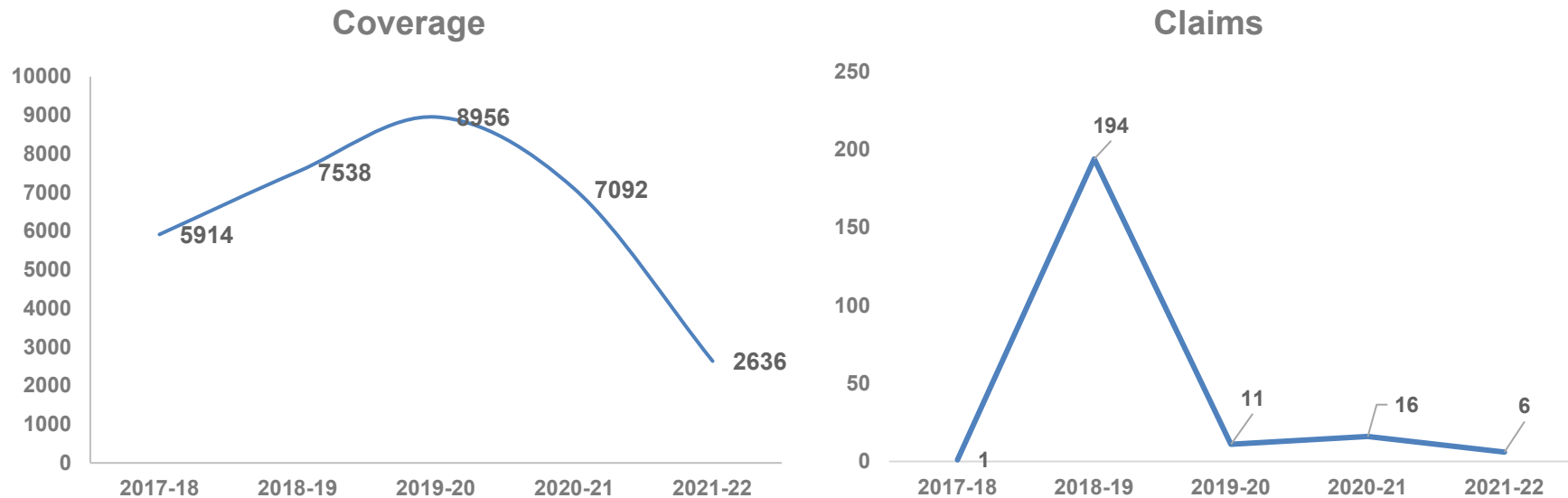


## Features of PFARMS fishing asset insurance

- 1% value of asset is a premium. Very affordable
- 50% of premium collected passed on to insurance company for catastrophic loss like cyclone. All claims related to catastrophic events settled by insurance company.
- All claims related to individual losses settled by PFARMS.
- 60% loss is treated as total loss.
- Boat and engine treated separately.
- Involving community in management of underwriting and claim administration.

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# Outreach of the programme



## Grant support to PFARMS

- PTSLP matched insurance premium collected for first three years; thus claim fund was created. (USD 205610 grant).
- Administration costs provided for first two years (USD13851 grant).
- PFARMS operationally self sufficient.



# Impact of the programme

- Total value of assets is USD 31 million insured under the programme.
- Total premium amount of USD 306525 collected from the clients.
- 41 claims of USD 16274 settled for individual accidents with no claim rejection.
- 187 claims of USD 36628 settled for cyclone related losses.
- The employment of crew is protected.
- PFARMS is owned and managed by the Fishermen with a corpus of USD 307445.
- A notional premium savings of USD 904250 to the clients .



# Learnings

- Strong community owned institutions can create sustainable mutual insurance models not only for fishers but also for other commodities.
- Negotiation with insurance company can result in affordable products but mutual trust building takes time.
- The dependence on Government for grants in rehabilitation of livelihoods due to catastrophic events is minimized. Thus initial grant support to PFARMS yields long term benefit







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