

A LIFE INSURANCE PRODUCT FOR SEASONAL PADDY FARMERS TO MITIGATE RISK

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Though insurance is a flexible contract designed to mitigate risk, insurance companies are less interested in farmer, crop and livestock insurance because of low benefits. Thus it has been evident for long that there is no suitable life insurance product to insure seasonal paddy farmer despite the high risk they are facing. Hence, the main objective of this study was to develop a suitable life insurance product to seasonal paddy farmers identifying the factors motivating farmers to purchase an insurance product and expected attributes of an insurance product. This study used primary data collected from randomly selected sample of hundred paddy farmers in Gampaha district through a questioner survey. Data were analyzed with binary logistic regression and cluster analysis. Results revealed that 87% of the respondents were aware of the life insurance while 71% of them were preferred to purchase a life insurance product. Thus 25% of the total sample had life insurance policies. Binary logistic regression results revealed farmers' age, cultivating season, irrigation type, crop diversification, paddy income and premium interval increase the likelihood of having an insurance product at $p < 0.05$ level of significance and education and number of dependents at $p < 0.10$ level of significance. The cluster analysis resulted waiver of premium and dividend (100%) as the most preferred attributes of a life insurance product followed by a pension fund (94%), premium-holiday feature (97%), hospitalization (99%) and life cover with fund building (99%) respectively. Emergency withdrawal and Loyalty reward were preferred by 88% and 90% respectively while spouse and child (82%) and accident cover (77%) were preferred respectively by respondents. Adult surgery benefit (66%) and critical illness benefit (71%) were found to be least preferred attributes. Based on the results, it can be concluded that 99% paddy farmers preferred to have benefits when they are alive. Hence, any life insurance product designed to cover paddy farmers should accompany the attributes identified above and consider most affected factors of having an insurance product.

Keywords: Factors affecting on insurance, Product attributes, Life insurance, Paddy farmers