



Food and Agriculture Organization  
of the United Nations

**FAO's  
Blue Growth Initiative**

# Blue finance guidance notes

Insurance for  
small-scale  
fisheries



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# Why insurance for small-scale fisheries?

Capture fishing is among the most dangerous occupations in the world. Every year, more than 32 000 fishers worldwide die during fishing operations, and many more are injured. Fishers often work long hours under harsh weather conditions, increasing the likelihood of accidents or injury. Climate change has made these hazardous conditions more frequent and intense, and ultimately more destructive.

Fishers, their families and fishing communities require support and protection from accidents which their lives and vessels can be subjected to. Insurance is a risk-transfer mechanism that provides financial compensation for loss or damage caused by events beyond the control of the insured, including natural and human-made disasters.

In most countries, uninsured cars are not allowed on the road. Car insurance is a legal requirement. But there is usually no such requirement for fishing vessels. Without insurance, accidents can lead to job and income insecurity, bankruptcy and

lower access to health care for fishers and their families. Most small-scale fishers worldwide do not participate in or have access to government-supported social security systems; hence, life and accident insurance could provide them with an important social safety net.

Access to high-quality, low-cost insurance strengthens the capacity of fishers and fishing communities to adapt and thrive in the face of adverse events. Small-scale fisheries insurance would secure incomes and investment in the sector and bring greater social and economic stability to fishing communities. In tandem with other strategies including measures to protect ecosystems and implementation of effective warning systems, insurance helps fisheries in mitigating and adapting to climate change. In short, small-scale fisheries insurance protects fishers and their families and is key to fostering and achieving true sustainable development, or “blue growth” in the context of fisheries.

## Risks in small-scale fisheries and its consequences

<p><b>→ Risks</b></p> <p><b>Natural:</b> Hurricanes, storms, surges, rough seas</p> <p><b>Human-caused:</b> Accidents (vessel capsizing, collision, grounding, fire), oil spills, pollution</p>	<p><b>→ Consequences</b></p> <p>Loss of life or disability</p> <p>Loss of income</p> <p>Loss of production assets (vessel/gears/port infrastructure)</p> <p>Destruction of the environment</p>
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# What does insurance for small-scale fisheries look like?

## Specific insurance needs for small-scale fisheries

The most essential types of insurance needs for small-scale fisheries are:

- life and accident insurance for the captain and the crew;
- marine insurance, which generally covers a fishing vessel's hull and machinery, but can also cover gear and cargo;
- protection and indemnity (P&I), which generally covers liabilities for damage caused to other vessels from collision, damage caused by a fishing vessel to a third party during navigation, and crew- and passenger-related liabilities.

In most countries, private-sector insurance companies provide these forms of insurance to the fisheries sector. However, while the majority of industrial fishing vessels and recreational fishing vessels are insured, more than 95 percent of small-scale fishing vessels worldwide are not. Furthermore, few small-scale fishers purchase life and accident or P&I insurance. This document will focus largely on aspects related to insuring small-scale fishing assets.

## Benefits of insurance for small-scale fisheries

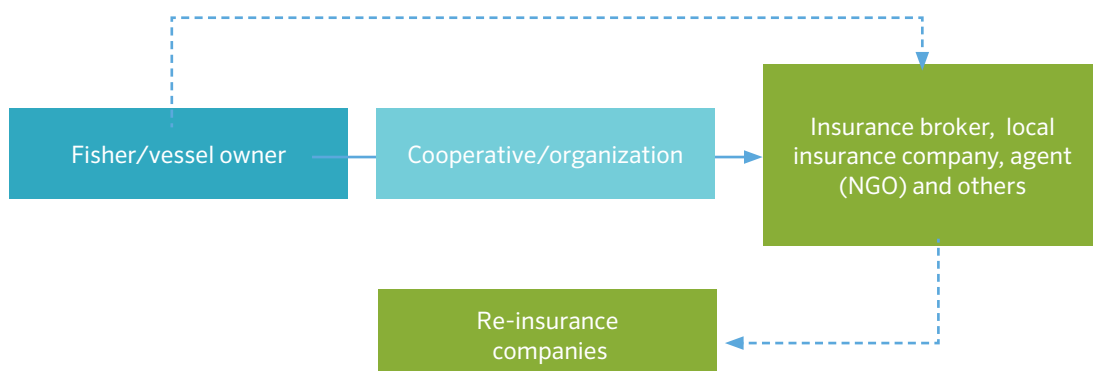
- Protection against natural hazards
- Compensation for loss or damage
- Increased access to credit and investment
- Support for a stable income that contributes to the economy

## Key actors and their relationship in small-scale fisheries insurance

Typically, the following actors are involved, in a variety of different ways, in the obtaining or provision of insurance:

- insurance companies;
- insurance brokers/underwriters;
- fishers;
- risk assessors;
- loss adjusters and marine surveyors (for companies) and loss assessors (for policy holders);
- reinsurance companies;
- mutual associations;
- Self-insurance pools
- regulators;
- agents, usually non-governmental organizations (NGOs), involved in policy design, marketing and servicing;
- fishing cooperatives and associations.

## Traditional relationships between actors



## Traditional and alternative models for small-scale fisheries insurance

Options	How it works	Benefits	Challenges
<b>Traditional (direct sales)</b>	Locally active insurance companies or brokers provide fishers with a range of insurance services (life/accident, marine hull, etc.), often on a commission basis.	Insurance companies have full control over policy issuance. Reinsurance is easier with this model than with the others.	Transaction costs and resulting insurance premiums can be high because of distance between insurers and fishing communities.
<b>Partner-agent model</b>	An insurance company (partner) collaborates with a local agent, often an NGO, fishers cooperative or microfinance institution, which serves as the distribution channel for insurance services to small-scale fishers.	Distribution of insurance services is facilitated. Local NGOs and microfinance institutions often have a good network of offices in fishing communities, so information gaps for risk management are reduced. Transaction costs are lower. Administrative responsibilities are shared.	The agent needs to be authorized and a legal entity. Agent's staff must be trained. Policies are less flexible. Technological infrastructure may require improvement.
<b>Parametric</b>	A government purchases weather insurance from an international insurer, which pays out to fishers through the Ministry of Finance. The level of rainfall, wind speed or temperature is used as a payout trigger to cover damage from natural disasters such as flood, hurricane or drought. Fishers can be asked to pay part of the premium.	Government can subsidize poorer fishers by covering their insurance premium. Simple product, not requiring high levels of information, monitoring and risk management.	Does not cover specific fishing assets, lives or accidents. Payment to fishers is often delayed. Has been well tested in agriculture, but less so in fisheries. Usually covers catastrophic events and not on a day-to-day basis risks .
<b>Community/cooperative based</b>	A community-based organization operates a fund on a non-profit basis. Fishers pay a premium and receive a payout from the fund in case of loss or damage.	Transaction costs are low and social control is high. Can work efficiently for relatively small insurance cover and small cash payments. Decision-making on payments is often rapid.	In case of a natural disaster, where the whole community or cooperative is likely to be affected, sustainability of the service may be at risk. Administrative capacity of cooperatives or associations is sometimes low.
<b>Mutual</b>	A mutual insurance company is generally entirely owned by the policyholders: the fishers. Its main purpose is to provide insurance coverage for its members and policyholders. A mutual company is sometimes linked with a savings or credit cooperative or union.	Transaction costs and premiums can be kept low. A great deal of information about members and their activities is available. Loss and claim adjustment specialists are often available in-house. The service is established to serve the sector, sometimes with government support.	In case of a major natural disaster affecting the sector or policyholders, the mutual fund can rapidly become decapitalized. This model is often specialized in one type of insurance, e.g. marine hull.



## Fisheries insurance versus land-based insurance

Agriculture and fisheries deal with many of the same hazards, including harsh weather and climate-change impacts, but crops and livestock are much more commonly insured.

The premiums for fisheries insurance are often higher than for agricultural insurance because of the greater risks and the potentially high cost of damage and losses to fishing vessels in the event of an accident. Insurance coverage for the fisheries sector is also complicated by uncertainties about the value of vessels and gear, about the ownership of and access to fisheries resources (e.g. pelagic stocks) and about expected income.

## Status quo of small-scale fisheries insurance

Small-scale fishers in Europe, North America, Oceania and a few Asian countries (Japan and the Republic of Korea) generally have direct access to insurance services. The market for life and accident, marine hull and P&I insurance is well developed in these regions or countries. Competition between insurance companies generates favourable conditions and premium rates for the fishers.

In Africa, Latin America and the Caribbean and large parts of Asia, small-scale fishers have no or limited access to fishing vessel insurance, but access to life and accident insurance is rapidly increasing

## Reasons why most small-scale fishers are not insured

From the fishers' angle:

- failure of available insurance policies to meet fishers' needs;
- unaffordable premiums;
- lack of a local insurance provider in the community;
- complexity of insurance policies in relation to the limited education and high illiteracy among small-scale fishers;
- lack of access to other financial services (e.g. bank accounts, savings) to facilitate premium payments and payouts;
- limited awareness of the need for insurance or of insurance options;
- seasonality of income from fishing, seasonal migration and high poverty rates among small-scale fishers.

From the insurers' angle:

- high transaction costs of doing business with small-scale fishers, who are often geographically distant;
- low or limited profitability of vessel insurance (in comparison with car and life insurance);
- lack of an enabling environment (policies, laws and regulations) for insurance provision to the sector;
- lack of well-established institutions, such as fishing cooperatives or associations, to act as insurance agents;
- difficulty of designing sustainable insurance programmes, owing to the large diversity of fisheries practices and fishers' needs;
- limited knowledge of fishing operations among most insurers.



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## Assessment of small-scale fisheries insurance needs in the Caribbean

In 2015–2016, a survey by FAO, the World Bank, the Caribbean Regional Fisheries Mechanism and the Caribbean Network of Fisherfolk Organizations showed that:

- 97 percent of fishing vessels and fishing assets were not insured.
- Only 17 percent of the fishers had health insurance and 20 percent had a life insurance policy.
- Each of the countries of the Caribbean Community (CARICOM) had at least one local insurer offering marine insurance.
- Very few fisheries authorities were insuring their fisheries research vessels, patrol vessels or fish landing sites.
- 83 percent of the fishers would purchase insurance coverage if it were more affordable.
- As an annual insurance premium, fishers were prepared to pay around 3 percent of the value of the insured asset.
- About 50 percent of the fishers were participating in national social security schemes.
- More than one-third of the fishers would be interested in investing in a safe harbour, anchorage or boat haul-out/storage facilities, including installation of bumper rails on piers and use of fenders on boats and piers, if these would reduce insurance premiums.

Source: Tietze and van Anrooy, 2018

# Creating an enabling environment for insuring small-scale fishers

Insurers, governments, investors and fishers themselves all have a part to play in creating an enabling environment for increasing access to SSF to insurance services (see Table).

The delivery of insurance services to small-scale fishers can be facilitated through:

- policy and legislation;
- meeting information needs and enhancing understanding and awareness of insurance as a safety net;
- testing, piloting and promoting innovative products.

Requisites for an enabling environment include an adequate financial service infrastructure in the communities, so that fishers have access to savings and banking services. Most fishers have mobile phones and Internet access; these can facilitate access to insurance and banking services. Mobile apps can also facilitate recording of damage and losses after a calamitous event.



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Small-scale fishing vessels on the beach near Chennai, India.

## How different actors can contribute to an enabling environment for small-scale fisheries insurance

Fishers	Insurers	Governments	Investors
<ul style="list-style-type: none"> <li>• Organize into associations or cooperatives</li> <li>• Adopt and apply safety-at-sea measures</li> <li>• Participate in training on finance and insurance</li> <li>• Keep records of costs and earnings and maintain logbook data</li> </ul>	<ul style="list-style-type: none"> <li>• Increase capacity to deliver marine insurance</li> <li>• Simplify wording in insurance policy documents</li> <li>• Facilitate flexible procedures for premium payment and claims handling</li> <li>• Team up with agencies that deliver microfinance or credit services to small-scale fisheries</li> </ul>	<ul style="list-style-type: none"> <li>• Assist insurance agencies in feasibility studies</li> <li>• Integrate insurance in general legislative and policy framework (e.g. as a requirement for vessel registration)</li> <li>• Invest in early warning systems, disaster prevention and mitigation and seaworthiness</li> <li>• Facilitate establishment of insurance facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate assessment of insurance needs and demand in the small-scale fisheries sector</li> <li>• Establish insurance facilities for small-scale fisheries</li> <li>• Support dissemination of non-traditional insurance systems such as the partner-agent and parametric insurance</li> <li>• Integrate insurance in credit and investment programmes for small-scale fisheries</li> </ul>

### Steps for developing a fishing vessel and gear insurance scheme for small-scale fishers

- Collect information on the potential size of the business involved (assets/persons/activities that require insurance and the current value of the assets).
- Assess the needs/demands for insurance services (possibly within a larger assessment of the market for financial services in general, and/or combined with awareness-raising activities).
- Collect and analyse historical information on the fleet, landing-site infrastructure and natural and human-induced hazards that have caused losses to the sector.
- Identify potential insurers and NGOs that may assist in lowering transaction costs of providing insurance services to small-scale fisheries.
- Build capacity of financial services provides on the priorities and specific characteristics of SSF for insurance through collaborative efforts involving relevant government agencies (e.g. fisheries, finance) and fishing cooperatives
- Encourage guarantees and linkages with existing safety net programmes, with relevant

government support as necessary.

- Promote and develop policies for partnerships (insurers, NGOs, fisher representatives, government) that meet the needs and requirements of fishers.
- Raise the awareness and capacity of fishing communities about vessel and gear insurance and accident and life insurance – their benefits, costs and delivery processes and mechanisms – by developing informational materials and disseminating them (broadcast, print media) and increasing education in meetings, person-to-person contact, in close cooperative with local authorities, fishers organizations and local agents.





## Guidelines for increasing access of small-scale fisheries to insurance services in Asia

To increase the capacity of insurance providers, fisher organizations, NGOs and governments in providing insurance services for small-scale fishers, FAO, together with the Asia-Pacific Rural and Agricultural Credit Association (APRACA), has developed *Guidelines for increasing access of small-scale fisheries to insurance services in Asia: a handbook for insurance and fisheries stakeholders* (Tietze and van Anrooy, 2019). The guidelines, published in support of implementation of the *Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication* (FAO, 2015), will:

- increase awareness about the needs of small-scale fishers for better risk management, disaster preparedness and insurance services;
- guide policy- and decision-makers to help introduce insurance services to small-scale fishers, with the ultimate objective to strengthen the sustainability and ecological and economic viability of these fisheries;
- build capacity for the design and implementation of insurance programmes that suit the needs of small-scale fishing

- communities and enhance social protection;
- promote insurance services that incentivize and reward responsible and sustainable fishing operations and preparedness for natural disasters, including climate change related challenges.

The publication elaborates on the context and framework in which insurance programmes for small-scale fisheries should be conceived, and provides practical advice on insurance assessments and surveys; insurance coverage;

factors that determine the cost of fishing vessel insurance and insurance premiums; evaluation of insurance applications; and determination of loss settlement and claim adjustment.



1

### WHY SMALL-SCALE FISHERIES INSURANCE?

- Worldwide, 38 million people are employed in capture fisheries.
- It is one of the most dangerous occupations—for every 100 000 fishers, 80 die each year from work-related accidents.
- Only 1 out of 10 fishers is insured. Deaths and injuries have far-reaching impacts on families and communities.

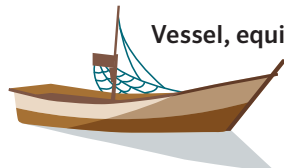


2

### INSURED FISHING ASSETS



Human life



Vessel, equipment

3

### RISKS

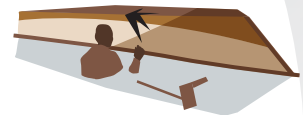
- Natural hazards: hurricanes, storms, surges, rough seas
- Human error: capsizing, collision, grounding, fire, oil spills, pollution



4

### CONSEQUENCES

- Loss of life or disability
- Loss of income or unemployment
- Loss of production asset (vessel)
- Depleted financial resources
- Indebtedness to creditors
- Limited scope to restart fishing



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### ENABLING CONDITIONS

- Raise awareness of opportunities for insurers and fishers.
- Give strong government backing and initial financing.
- Leverage technology (e.g. mobile phones) to facilitate insurance claims.
- Make P&I insurance mandatory for obtaining a commercial fishing license.



6

### THE FUTURE

- More than 80 percent of small-scale fishers would purchase insurance coverage if it were more accessible and affordable.
- Insurance offers a concrete way to help fishers recover from adverse events and get back to work.





## CAFI SSF Network

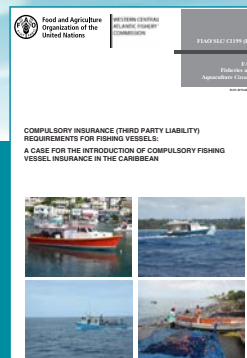
In 2019, FAO, APRACA, and rural finance insurance and fisheries experts from FAO Asia-Pacific member countries agreed to establish a “Capacity Building for Small-Scale Fisheries in Micro-Finance, Credit and Insurance Services Network – CAFI SSF Network”. The network aims to bring together professionals, practitioners and experts on rural finance, insurance and fisheries management to facilitate training, knowledge sharing and cooperation among policy makers, financial services providers and fisherfolk organizations to enhance their capacity to develop and implement inclusive and sustainable finance services to the fishing community.

Through different online-platforms, the Network will work together to promote and disseminate knowledge and lessons learned from field-base experiences, capacity development materials and to support the development of evidence-based policy recommendations and training programs to foster access of small-scale fisheries to financial services.

### Acknowledgements

The authors of this brochure are Raymon van Anrooy, Fabiola Espinoza, Henry DeBey, Keyan Liu and Jackie Alder.

## Third party liability insurance for small-scale fisheries



FAO recently published a circular, titled “*Compulsory insurance (third party liability) requirements for fishing vessels: a case for the introduction of compulsory fishing vessel insurance in the Caribbean*” (Martinez and van Anrooy, 2020). The document demonstrates that introduction of compulsory third party liability insurance for fishing vessels is possible in most Caribbean countries with only minor legislative amendments. It notes that if such insurance is introduced it would contribute to improving the working conditions of fishers, to their safety and to more responsible fishing practices.

This circular provides the entry points in national legislative frameworks for introducing third party liability insurance in fisheries. It also includes best-practices and model regulations for introducing this type of insurance in fisheries. Finally, it contains the proceedings of a Stakeholder Meeting on Fisheries Insurance Legislative Frameworks for the Caribbean held in November 2019, awareness raising materials and guidance on capacity building activities that could contribute to the introduction and uptake of third party liability insurance for fishing vessels.

## References

- FAO.** 2015. *Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication*. Rome
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- Tietze, U. & van Anrooy, R.** 2019. *Guidelines for increasing access of small-scale fisheries to insurance services in Asia. a handbook for insurance and fisheries stakeholders*. In support of the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication. Rome, FAO.

Financial investment in the fisheries and aquaculture sectors has traditionally been limited. Fisheries and aquaculture sectors' production and profitability have historically been rather unpredictable. Therefore they presented risky business models for the financial sector. However, our understanding of how to manage this unpredictability, through established best practices and ever improving technology, is shifting this paradigm. The financial sector and fisheries and aquaculture sectors can mutually benefit from collaboration given the important scale and economic impact of these sectors, including contributions to employment, value addition and food security. The Blue Finance guidance notes, prepared under FAO's Blue Growth Initiative, include brochures on microfinance and insurance for small-scale fisheries and small-scale aquaculture producers, blue bonds, blended finance and impact investment. The brochures aim to provide governmental, non-governmental, private and public stakeholders with information, resources and concrete pathways for obtaining finance to support blue growth transitions at local, national, regional and global scales.

**The Blue Finance Guidance Notes series includes:**

Microfinance for  
small-scale fisheries



Blue bonds



Insurance for  
small-scale fisheries



Blended  
finance



Aquaculture insurance  
for small-scale producers

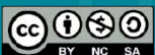


Impact investment



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