

INSURANCE SERVICES FOR THE ASIAN SMALL-SCALE FISHERIES SECTOR

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A recent FAO review of fisheries and aquaculture insurance found that in Asia the underwriting experiences in both capture fisheries and aquaculture insurance were good over the last decade and seem to have improved in recent years. An estimated 275 000 fishing vessels are insured and at least 32 000 aquaculture farmers in Asia have some stock mortality insurance cover. However, more than 1.8 million fishing vessels, mainly small-scale, still operate without insurance cover in Asia. Insurance coverage can be increased through awareness raising of fishers about the benefits of insurance, capacity building of insurers about the fishing and aquaculture business, and gradual adoption of compulsory insurance requirements in legislation.



Small-scale aquaculture in Bangladesh

Some insurance benefits to fisheries businesses

- Protection against accidents and natural hazards.
- Compensation for loss/damage to fishing assets (vessels, equipment, infrastructure).
- Coverage of third-party liability.
- Compensation in case of crew injury and loss of life.
- Increased access to institutional credit and investment.

Commercial fishing is a risky business. The Food and Agriculture Organization (FAO) estimates that every year, more than 32 000 fishermen and women die during fishing operations across the world. The numbers of fishers injured or suffering from work-related illnesses are much higher. Fishers often work long hours under harsh weather conditions, increasing the likelihood of accidents or injury.

Most of the 39 million fishers worldwide are active in small-scale fisheries and 85 percent of the fishers live in Asia (FAO, 2020)¹. Small-scale fishers generally do not participate in or have access to government-supported social security systems. Many small-scale fishers are self-employed or work on vessels without formal contracts. If their vessel sinks or they get into an accident, they will have no income.

Fisheries insurance can help to secure incomes and investment in fisheries, and to bring greater social and

economic stability to fishing communities. Access to insurance services strengthens the capacity of fishers and fishing communities to adapt and thrive in the face of accidents at sea or natural disasters.

In 2020-21 the FAO conducted a world review of capture fisheries insurance. The findings will be published later in 2022, but some highlights from the Asian region are contained in this article in the following sections.

The insurance market

Asia is the fastest-growing region in terms of gross written premiums for non-life insurance (Staib et al., 2019)². China and Japan are two of the largest insurance markets in the world while Bangladesh, Vietnam, and China have made improvements in the regulatory framework for insurance services provision in recent years. They have gradually

¹ FAO. 2020. *The State of World Fisheries and Aquaculture 2020: Sustainability in action*. Rome. Available @ <http://www.fao.org/documents/card/en/c/ca9229en>

² Staib, D., Puttaiah, M.H. & Tschekassin, O. 2019. *World insurance: the great pivot east continues*. In: *Swiss Re [online]*. Zurich. [Cited 26 November 2021]. www.swissre.com/institute/research/sigma-research/sigma-2019-03.html

opened their domestic insurance and reinsurance markets to foreign insurers. These developments have made a positive impact on the fisheries and aquaculture insurance markets.

Supply and demand

The demand for capture fisheries insurance in the region has dropped slightly over the past decade. This is primarily due to a reduction in industrial fishing fleets, especially in Japan and China. However, the decline in industrial fleets and its corresponding insurance demand do not apply to small-scale fishing vessels. Demand for insurance in small-scale fisheries is high but largely unmet. For example, in China and India, only respectively 6 percent and 5 percent of the fishing vessels operating in 2019 were insured. Considering that 68 percent of the world's fishing fleet operates in Asia (FAO, 2020), the overall demand for fisheries insurance remains high in the region.

The demand for aquaculture insurance among small-scale farmers in Asia has increased. Most large aquaculture producing countries in Asia (except for Bangladesh) have aquaculture insurance programmes in place. Some programmes are implemented successfully by public insurance companies, others remain in a pilot stage, and some governments actively seek public-private partnerships for insurance provision to the sector. Despite the positive developments, the proportion of aquaculture production covered by insurance is low. In China the aquaculture area underwritten in 2019 amounted to over 50 000 hectares, which represents less than 1 percent of the estimated total aquaculture area in the country.

Central and local governments continue to play a key role in the supply and promotion of insurance to small-scale fishers in Asia. These fisheries and aquaculture insurance programmes are often supported by premium subsidies ranging from 20 percent to 100 percent of the premium value, depending on the country and characteristics of the fishing vessel or aquaculture operation. The subsidies are not only available for fishing vessels or aquaculture stock mortality cover, but also for accident- and health insurance products. Subsidized programmes are undoubtedly contributing to the advancement of insurance provision to the sector in the region.

The main constraints to the provision of insurance to small-scale fisheries (and aquaculture) remain the same as those noted a decade ago: small-scale fishers/fish farmers' lack of access to financial and extension services, lack of financial literacy and limited awareness of insurance benefits. Insurers continue to be risk-averse mainly due to limited knowledge about fisheries and aquaculture businesses and their

operations as well as the high administrative costs involved when dealing with remote fishing communities.

Underwriting and production assets covered

Mutual insurance arrangements are the most common type of insurance services available for small-scale fishers in Asia. In China and Japan nearly 80 percent of the capture fisheries/aquaculture policies are underwritten through such arrangements. It should be noted that these countries have strong institutional frameworks that allow producer organizations to manage mutual insurance.

New models for aquaculture insurance have been piloted and are currently being implemented in a few countries. For example, in Indonesia, subsidy insurance programmes are run by the government in partnership with insurance companies. In China, private companies provide insurance to aquaculture cooperatives through the so-called "cooperative plus commercial insurance" scheme. In India and Bangladesh there are several NGOs and microfinance institutions which are increasingly involved in insurance distribution.

The most common types of fishing vessels insured do not differ much from those reported a decade ago. They are: bottom trawlers, pelagic trawlers, purse seiners, seiners, longliners and tuna pole-and-line vessels. The types of hull materials accepted for insurance coverage remain broadly the same: steel, glass reinforced plastic (GRP), aluminium and wood.

The range of species and culture systems covered by aquaculture policies worldwide is diverse and has increased in recent years, though most insurers continue to focus on insuring the aquaculture species and systems they are most familiar with.

Aquaculture production systems that can be insured

Offshore: Marine cages, barges, oyster and mussel hang culture/rope/line and bottom culture

Onshore: Ponds, greenwater tanks, recirculation aquaculture systems (RAS), submersible and semi-submersible systems, raceway and gravity tanks, hatcheries and on-growing units

Policies in force

Capture fisheries insurance policies generally cover fishing vessels (i.e. marine hull), gear/equipment protection (i.e. machinery) and/or provide safety and liability protection (i.e. P&I insurance, employer's/crew liability and public

liability). Insurance for catch loss and revenue variations are not common. For aquaculture insurance, policies mainly provide coverage for stock mortality (in situ and in transit), although P&I (including third-party liability) and protection for buildings and onshore aquaculture equipment are also widely available.

FAO estimates that there were 2.86 million motorized fishing vessels in the world in 2018, of which 2.1 million vessels are from Asian countries (FAO, 2020). Some 450 000 of these vessels are covered by insurance according to the latest information. In the Asian region it is estimated that there are around 275 000 insured fishing vessels. This means that more than 1.8 million fishing vessels operate without insurance. Japan is the country with most insured fishing vessels. Approximately 112 000 fishing vessels are insured in Japan. China is the second largest market with 55 500 insured vessels, followed by the Philippines with 40 467 and India with around 7 000 vessels insured. In Indonesia and Viet Nam the number of fishing vessels insured is estimated to be above 30 000.



Fishing vessels in China



Gillnetter in India

In terms of aquaculture insurance, the number of insurance policies available in the region has at least quadrupled in

the last 15 years. In 2020, the total number of aquaculture insurance policies in Asia is estimated at 32 000, including 15 000 in Indonesia and 12 000 in China, but this figure is likely an under-estimate.

Risk management and handling of claims

Risk management and claims handling processes have not changed much in the last decade. Insurers continue to use per-acceptance surveys in their risk assessment process. Where insurance is offered through mutual insurance associations, members of the fishers organizations (in the case of China and Japan, mainly) are often involved in risk management practices as well as claims handling procedures. In-house risk surveyors are also often used.

Underwriting experiences

Underwriting experiences differ greatly among insurance companies and years. In general the underwriting experiences in both capture fisheries and aquaculture insurance were rather good over the last decade and seem to have improved in recent years (e.g. in Japan, China and India). However, the impacts of extreme weather events such as cyclones in India and typhoons in China, Japan, and the Philippines (in 2013 and 2018) negatively affected the underwriting experiences in both sectors.

Increasing access of small-scale fishers to insurance services

Closing the gap between demand and supply of insurance services for small-scale fishers and aquaculture farmers requires concerted efforts. Policy and decision-makers will need to understand that insurance services are essential for strengthening the sustainability of fishing and aquaculture operations, and will contribute to their ecological and economic viability. Moreover, government investments in affordable life- and accident insurance for fishers and aquaculture farmers will contribute to social protection.

Awareness raising among small-scale fishers and aquaculturists on better risk management, disaster preparedness and insurance services is needed. There is still much capacity to be built among insurance providers, fisherfolk organizations, NGOs and government agencies, in the design and implementation of insurance programmes that suit the needs of small-scale fishing and aquaculture communities.

Gradual adoption of compulsory insurance requirements in national legislation, for instance through linking fishing

International Conventions requiring insurance for industrial fishing vessels

Insurance supply is competitive for large-scale industrial fishing vessels, especially for those operating in areas under the mandate of regional fisheries management organizations (RFMOs). These vessels are often well covered by insurance (marine hull insurance and P&I). As they operate in areas beyond national jurisdiction (ABNJ) and in the exclusive economic zones (EEZs) of countries other than those they are flagged to, their insurance needs are often set by RFMOs, in line with International Maritime Organization (IMO) Conventions, and/or the laws of the coastal states of the EEZs they operate in or pass through.

Various IMO Conventions include compulsory insurance requirements for large vessels, and do not distinguish between merchant marine or fishing vessels. Some of the most relevant Conventions are:

- the [International Convention on Civil Liability for Bunker Oil Pollution Damage 2001](#) (Bunkers Convention), which requires shipowners of vessels of 1 000 tons or more to obtain either insurance or another type of financial security to cover liability, as established under international law or any applicable international regime.
- the [Nairobi International Convention on the Removal of Wrecks 2007](#) (Wreck Removal Convention), which applies to any seagoing vessel of 300 tonnes (24 metres in length) or more – including large fishing vessels – and provides the basis for a shipowner's liability with regard to wreck removal costs. The vessel's registered owner is required to have insurance or other financial security to cover wreck removal costs.

Most Asian countries have ratified these IMO Conventions and have integrated compulsory insurance requirements in their legislation for large vessels. However, few countries have done so for small- and medium-scale fishing vessels. The introduction of compulsory insurance for smaller vessels also needs attention.

licenses or vessel registrations to insurance coverage, may also contribute to increasing insurance of small-scale fisheries.

Fishing and aquaculture businesses that care about their property, personnel and the environment make sure that they are insured. Insurance contributes to the sustainability of the fishing and aquaculture business, providing compensation for damage and loss and helping to restart businesses after accidents and natural disasters.

Further information

- FAO has published brochures on “Insurance for small-scale fisheries”³ and “Aquaculture Insurance for small-scale producers”⁴. A handbook for insurance and fisheries stakeholders was also prepared in 2019 containing

³ FAO. 2020a. Blue finance guidance notes: Insurance for small-scale fisheries. Rome. Available @ <https://www.fao.org/3/ca8646en/CA8646EN.pdf>

⁴ FAO. 2020b. Blue finance guidance notes: Aquaculture insurance for small-producers. Rome. Available @ <http://www.fao.org/3/ca8663en/ca8663en.pdf>

guidelines for increasing access of small-scale fisheries to insurance services in Asia⁵. These guidelines are being implemented by Asia-Pacific Rural and Agricultural Credit Association (APRACA⁶) membership consisting of rural finance organizations from 24 Asian countries.

- The Global Network for capacity building to increase access of small-scale fisheries to financial services (CAFI SSF Network)⁷ acts as a platform where members promote, develop and facilitate capacity building, knowledge exchange, advocacy and awareness, share experiences, good practices and provide support and advice to stakeholders to increase access of adequate financial services for SSF (small - scale fishers and small-scale aquaculture) producers. 🌐

⁵ 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. Rome, FAO. Available @ <https://www.fao.org/3/ca5129en/CA5129EN.pdf>

⁶ Information about APRACA can be found at: <https://www.apraca.org/>

⁷ For more information on CAFI SSF, please contact CAFI-SSF@fao.org or visit: <https://www.linkedin.com/in/cafi-ssf-network-388253191/>



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