

FAO Guidelines for increasing access of small-scale fisheries to insurance services

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PART 1

PURPOSE,
BACKGROUND
AND
CONTEXT



Purpose of guidelines

- *increase awareness* about the needs of small-scale fishers for better risk management, disaster preparedness and insurance services;
- *guide policy and decision makers in the Asia-Pacific region* and elsewhere, to help introduce insurance facilities and services to small-scale fishers, with the ultimate objective to strengthen the sustainability and ecological and economic viability of these fisheries;
- *build capacity among insurance providers, fisherfolk organizations, NGOs, and concerned government agencies, to design and implement insurance programmes* that suit the needs of small-scale fishing communities and enhance social protection;
- *promote insurance services that incentivize and reward a responsible and sustainable conduct of fishing, fish processing and marketing operations and a better preparedness for natural disasters* including climate change related challenges.

PART 2

FRAME WORK



Risks and consequences

Risks

- Capsizing, grounding, collision and sinking of vessels
- fire on board of vessels or in port
- injury or death of crew as a result of above or of human errors during navigation of fishing operations
- oil spills or other pollution caused by fishing vessels
- theft and vandalism, when moored in port
- piracy and crime
- storms, hurricanes, typhoons, tsunamies

Consequences

- damage or loss of vessel and gear
- financial obligations to provide compensation to third parties that have been affected;
- loss of life or disability
- loss of income and/or employment
- destruction of fish habitats such as reefs and mangroves

Options for providing insurance to small-scale fisheries

Traditional insurance		Insurance companies or brokers provide a range of insurance coverages often on commission basis.	
Partner-agent model	Public sector or private insurance company (partner) collaborates with a local institution (agent) such as a fishermen's/women's organization, NGO or microfinance agency to distribute its insurance services	Mutual insurance	A mutual insurance company is owned by the policy holders, i.e. fishers. Its main purpose is to provide insurance coverage for its members plus related activities aimed at reducing or mitigating risks such as providing assistance in case of emergencies/accidents. Mutual insurance companies can also provide deposit and limited credit facilities.

Options for providing insurance to small-scale fisheries

Community/cooperative based

A community based organization operates an insurance fund on a non-profit basis. Fishers pay insurance premiums and receive benefits.

Parametric

A government purchases weather insurance from an international insurer. Payouts are channeled to insured through Ministry of Finance in case of natural disasters and predetermined triggers regardless of damages suffered.

Part 3

DESIGN AND IMPLEMENTATION OF SMALL-SCALE FISHERIES INSURANCE PROGRAMMES



Insurance assessments, surveys, policies, procedures and forms

Preparation phase:

- An assessment of the economic and financial performance of the fishing industry to be insured and its ecological and environmental viability and sustainability and future prospects.
- An assessment of needs and opportunities (market assessment) for the provision of insurance services with reference to particular segments of the fishing industry and geographic coverage.
- An identification of complementary actions, which need to be taken to make insurance services viable and sustainable such as actions for a sustainable use, management and conservation of aquatic resources and ecology; actions for providing health insurance, social security and social welfare, vocational training and other services to small-scale fishing communities.
- A decision on what coverage the insurance services could provide.
- An assessment of risks with regard to the assets to be insured including climate change related risks.
- A determination of the cost of insurance services and premiums.

Insurance assessments, surveys, policies, procedures and forms

Implementation phase:

- The establishment of procedures for evaluating insurance applications.
- The establishment of procedures for adjusting/settling insurance claims.
- The establishment of procedures for monitoring the performance and impact of the insurance programme and identifying challenges and opportunities in terms of monitoring of insurance enrolment; identification of factors behind increase, decrease and stagnation in the numbers of insured;
- Assessment of the impact/success of the insurance programme in terms of increasing the economic productivity of the insured and their socio-economic well-being of the insured as well as promoting safer and more responsible fishing operations.

Insurance policy and coverage

Third party liability, protection and indemnity coverage.

This type of coverage, also referred to as protection or indemnity coverage, provides coverage for legal obligations to third parties. The legal liability typically arises from injury, loss of life or damage to another's vessel or other property as result of the operation of a fishing vessel. Collisions of vessels in tight fishing ports or anchorages are an example, where third party liability can help. Liability coverage is also available for legal defense costs if a legal action is brought against the owner of a vessel that causes damages to another vessel.

Insurance policy and coverage

Hull and machinery coverage.

Provides coverage for the damage to and loss of hull of a vessel, attached and unattached equipment and belongings. It pays for physical damage to a vessel and is best purchased and provided on an all-risk basis. This means that if the cause of the loss/damage is not excluded under the policy, it also provides coverage in the case of natural disasters. However, it is important to note that the owner is responsible for properly maintaining and operating the vessel and that normal wear and tear is typically excluded. Theft can be included here.

Insurance policy and coverage

Nets and gear coverage. This insures against the loss of fishing gear.

Vessel disposal and pollution liability. This coverage provides liability to pay for removing and disposing of the wreckage, when a vessel sinks offshore or in a waterway and related clean-up expenses that result from oil pollution or contamination.

Medical payments coverage in case of crew injury or illness. This coverage will pay for medical expenses for third parties, who are injured on a vessel, whether the owner is found liable or not.

Factors that determine the cost of fishing vessel insurance and insurance premiums

- The value of the fishing vessel. If the vessel is new, the purchase price or market value will be used for the replacement value. In case of a vessel that has already been used, the underwriter/insurer will use the service of a marine surveyor to determine the overall condition and value of the vessel.
- In some countries, fisheries officers, who are in charge of the annual renewal of fishing vessels registrations have either been trained, or could be trained, to assess the overall condition and value of fishing vessels using depreciation rates or similar means. They could provide their services to insurers. This seems to be a pragmatic solution in the case of small-scale fisheries and smaller vessels.
- Length, beam, draft and age of the vessel
- Type and horsepower, and fuel of engine
- Mooring location and seasonal changes of the same
- Area of navigation of the vessel
- Claims history of the owner and/or navigator

Thank you
for your
attention!

Observations
& questions
are most
welcome!

