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CURRENT PRACTICES IN FISHERIES AND AQUACULTURE INSURANCE IN THE PHILIPPINES AND FUTURE PLANS

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Abstract

Although crop insurance mechanisms are already being implemented in the Philippines, covering priority commodities such as rice, corn and livestock, such schemes have not yet been extended to capture fisheries and aquaculture for which solely loan guarantee schemes are in place. The paper first describes the insurance arrangements already provided for various parts of the agriculture sector. These embrace such features as multi-risk cover, uniform premium rates, cover based upon production cost rather than on yield, etc. The major factors why special insurance programmes have not yet been established for fisheries are then discussed. The main constraints in these respect are the limited financial resources available to the government, the lack of even the basic information required to provide a sound actuarial platform for a fisheries insurance scheme, the wide and complex variety of practices and systems involved in fisheries, the high risk of widespread damage and losses in fisheries often associated with natural calamities, the need for more personnel trained in the technical and administrative aspects of insurance, and for better infrastructure facilities to support the development of local fisheries. Attention is also drawn to the absence of any strong demand for insurance protection from the fisherfolk themselves who generally are not only poor but lack an understanding of the potential benefits of such a programme. The author concludes by identifying points to be considered in planning a fisheries insurance scheme for the Philippines and offers a project idea for a feasibility study to this end.

INTRODUCTION

The fisheries sector of the Philippines is mature and complex. It plays an important role in the economy and contributes significantly to food security. The sector accounts for an average of 4.5% of the country's Gross Domestic Product (GDP). It provides livelihood to about one million (five percent) of the country's labor force as well as their dependents.

At present, the fisheries sector is confronted with the challenge of increasing production and productivity of fish and fishery/aquatic resources within sustainable and ecological limits, of rehabiliting and regenerating the country's coastal areas, and alleviating the living conditions of fisherfolk. One of the support activities to promote fisheries development and management is the provision of credit which has been one of the priority programs of the government. In respect of the perceived inherent riskiness of fisheries, the Philippines has not yet adopted appropriate insurance schemes for the fisheries and aquaculture sector, except for a guarantee program.

STATUS OF FISHERIES DEVELOPMENT STRATEGIES

In general, the fundamental policies which have been adopted to promote the sustainable development of the fisheries sector are as follows: (1) rationalize the issuance of fishing licenses to ensure that the granting of permits is guided by MSYs and that the fees/rents collected for the privilege to exploit public resources reflect their true economic value; (2) decentralize the management of nearshore fisheries resources to municipalities and local fishing communities; (3) strengthen the enforcement of fisheries laws, rules and regulations; (4) establish a national fisheries information system; (5) enhance and prioritize fisheries research; (6) expand extension services; (7) provide post-harvest facilities particularly where the private sector is unable or unwilling to establish such facilities; (8) extend trade incentives to assist in making exportable fisheries products more competitive in the international market; and (9) encourage formal financial institutions to respond to the credit requirements of the fisheries sector, in support of income diversification among marginal coastal fishers and intensification of aquaculture development.

The Department of Agriculture (DA) through the Agricultural Credit Policy Council (ACPC) was created to promote all appropriate policy environment and institutional framework to ensure adequate and timely access to credit particularly by small farmers and fisherfolk. On the other hand, the Philippine Crop Insurance Corporation (PCIC) is mandated to oversee the operations of the crop insurance programs in the country.

All government-supported programs which provide credit to agricultural activities/projects, guarantee on loans originated by financial institutions and/or insurance cover on commodities financed are monitored by ACPC. These include Agricultural Credit programs which provide loans, in cash or in kind, to targeted beneficiaries either through banks or non-bank financial institutions, and Guarantee Schemes that provide a pledge or security for the debt or loan obligations of qualified borrowers whose loans are originated by banks and other accredited financial institutions. Under these schemes, the participating financial institutions use their own funds for lending and call on the guarantee in cases of non-payment of loans. Insurance schemes cover programs of the PCIC which basically insures rice and corn farms and livestock commodities only.

The business of both capture fishing and aquaculture, like agriculture, involves numerous risks, natural, social and human. However, the principal characteristics which distinguishes both from any other business unit, is its great dependence on nature. Fisheries have to be carried on in the face of continual uncertainties arising out of diverse natural elements such as inclement weather, wind, flood, drought, pests and various fish diseases/fish kills. Normally, the greatest impact of all these factors falls on fish production. In addition, variations arising from fluctuations in the price received by the fisherfolk for their fish/commodity are considered market risks.

Like any developing country, the majority of the fisherfolk in the Philippines are poor and have extremely limited means and resources. Consequently, they are unable to bear the risks of fish production failure, especially if these are of a disastrous nature. Serious fish production failure means not only the loss of fisherfolk's income but also the loss of their investments. Moreover, the entire community is affected by risks of which the fisherfolk are always the direct and primary victims.

The major risks besetting commercial fisheries operators such as the loss of or damages to fishing vessels and equipment as well as the personal and health accidents at sea, and death, are presently covered by existing commercial insurance of the private sector/companies specializing in insurances, especially, when the number of beneficiaries may be rather limited due to the large risk involved. Fishing gears or fish ponds are not presently covered by any insurance. Only guarantee schemes are being implemented by the government for the fisheries sector.

INSURANCE SCHEMES IN THE AGRICULTURAL SECTOR

Crop insurance is generally recognized as an instrument that provides protection for agricultural production against natural calamities, pests and diseases. In the Philippines, this mechanism is deemed indispensable for two reasons: the high incidence of typhoons, droughts and other calamities as well as the prevalence of pests and diseases; and the fact that the majority of the farmers are small or that one bad harvest generally renders them incapable of recovering their investments.

As public policy, crop insurance in the Philippines is promoted not only to correct market failures but also to stabilize farm incomes and to reduce inefficiencies caused by agricultural risks.

The agricultural crop insurance program is presently implemented nationwide by the PCIC and it has several features distinct from other crop insurance programs in the world. These include the (i) multi-risk insurance cover which indemnifies losses due not solely to a particular calamity, but to a number of calamities including the occurrences of pests and diseases; (ii) the value of insurance cover is based on the cost of production rather than on yield; (iii) the insurance coverage may be either compulsory or voluntary; and (4) it employs a uniform premium rate policy.

A. Insurance Cover for Rice and Corn

Only the priority agricultural commodities such as rice and corn are covered by the crop insurance program. These crops were chosen because they are widely grown in the country. Insurance cover is based on the cost of production and the ceilings are based on estimates provided by the Department of Agriculture (DA) which include inputs such as seeds, fertilizers, chemicals, labor and the insurance fee. For rice, the insurance period is one crop season-from direct seeding and transplanting to harvest and for corn it is from planting to harvest.

The compulsory and voluntary nature of the crop insurance program is linked to supervised credit. Insurance coverage is compulsory for rice and corn farmers who borrow from the bank under the supervised credit program of the government. On the other hand, farmers who do not borrow under any of the supervised credit program may or may not insure their crop.

On premium rates, these were calculated on a no-profit-no-loss basis, which means that the premium is based solely on loss expectancy and does not include administrative cost and profit loadings. The premium rate is uniform nationwide; however, it implies that the differential risks between regions and municipalities are not considered. Likewise, the farmer's premium share has been based on the actual risk of farmers in the lowest risk region. Low risks may subsidize the high risk; but it pays to be risky; the higher the risk, the lesser the premium relative to the actual risk. Moreover, the government premium share differs for the borrowing and self-financed farmer. The government share is lower for the borrowing farmer because the lending institution assumes part of the risk.

B. Reinsurance and Indemnity

The PCIC entered a reinsurance treaty with local and international reinsurers which started in 1983, covering only rice. Reinsurance was adopted by the PCIC as the insuring agency to share the risk with one or more reinsurance agencies and can "siphon off" losses which are in excess of its resources or underwriting capacity. On the other hand, a team of adjusters composed of technical representatives from the Department of Agriculture (DA), Department of Agrarian Reform (DAR) and the PCIC are in charge of determining the payment of claims which is based on the extent of crop loss. Franchise system of payment is adopted only where compensable losses are indemnified.

Moreover, crop insurance in the Philippines indirectly affects technology adoption by reducing farmers' risk aversion. However, the link between risk aversion and technology adoption is weak. On credit, crop insurance is viewed in the light of its role as a collateral substitute that would lower lenders' screening and monitoring costs for insured borrowers because of the positive externalities brought about by the insurance agency. Lastly, the program is seen to be a more effective relief measure to alleviate hardships that follow crop losses.

C. Livestock Insurance Scheme

The Pool of Livestock Insurers (PLI) was organized in 1976, composed initially of 25 private insurance companies. The PCIC became a member of the Pool in 1988 but serves only as an underwriter for a pool of livestock insurers since the agency is not allowed to compete with the private sector. The Government Service Insurance System (GSIS) also became a member of the Pool. Based on the 1994 Annual Report, there are 26 companies comprising the Pool, which are otherwise known as ceding companies under Automatic Livestock Reinsurance Treaties with the Munchener Ruckversisherungs-Gasellschaft of Munich.

D. Comprehensive Agricultural Loan Fund (PCIC-CALF) Program

The PCIC implements this program to promote agri-business activities by encouraging lending institutions to extend credit to small farmers by providing a scheme to protect the lenders from certain risk which could lead to loan defaults. This program is designed to provide a credit guarantee scheme which covers agricultural production and production-related activities with a guarantee fee rate from 1.5% to 2% per annum of outstanding loan submitted for guarantee, loan and institutional ceiling and claims settlement mechanisms.

E. Fisheries Sector Program

Under the PCIC, the only insurance program given for the fisheries sector is a guarantee mechanism. Moreover, the scheme is also limited to the twelve priority bays and six priority regions of the country targeted under the Fisheries Sector Program. The details of this guarantee scheme are discussed later in this paper.

DIFFICULTIES AND CONSTRAINTS

Within the fisheries sector, which has a history of being perceived as risky, the lack of fisheries/ aquaculture insurance maybe considered as one of the major constraints to further development of the sector as well as hampering investment and provision of credit to fisherfolk and fishfarmers.

At present, the Philippine government has not yet adopted any insurance programs for the fisheries/ aquaculture sector, except for the guarantee schemes implemented by the ACPC and PCIC. These might be attributed to the following difficulties and constraints in the development and operation of a fisheries and aquaculture insurance:

A. Limited Financial Resources

The very limited resources and the high-risk nature of the agricultural business and the existing restrictions imposed by the government, limits the expansion of insurance programs to other agricultural crops such as the fisheries and aquaculture. Rice and corn are the priority crops of the DA since rice is the staple food of the Philippines. Likewise, the baseline information, policies and insurance arrangements in the agriculture sector are already standardized and established.

On the other hand, the initiation of fisheries/aquaculture insurance will require at least, in the initial stages, considerable financial support. Information problems coupled with the nature of fisheries itself lead to high transaction costs to administer a fisheries insurance program. Moreover it requires huge reserves and can produces negative externalities resulting in lower social benefits.

B. Lack of basic data to develop an appropriate insurance arrangements

The fisheries/aquaculture insurance, like any other insurance, must have a sound actuarial basis for the calculation of rates of premiums and indemnities. Due to the protection of trade secrets and other information by the fishfarmers/fisherfolk (who perceive that these data might be used against them regarding tax evasion), it is very difficult to collect data from them, particularly regarding production losses and profits.

Likewise, it is very expensive to gather other technical fisheries data such as the croppings for each type of culture or fishing, spread over a series of years, reliable and comparable statistical data of average yields/production and of damage caused by natural elements, diseases and fish kills, as distinguished from those due to negligence. This difficulty in gathering information is influenced due to the fact that local government units now which take charge of providing technical assistance and monitoring of fisheries activities in the municipalities and local levels.

Moreover, the expected returns differ enormously among fishponds/fishing vessels and fishfarmers/fisherfolks. Hence, the cost of measuring and assessing the probability distribution of yield at any given time are high. If such costs are charged to the premium, premium rates would also be high which may be beyond the affordability of fishfarmer/fisherfolk, especially smallscale.

C. Wide variety of fishing and aquaculture practices/activities

In the Philippines, particularly for aquaculture, there is often a considerable variety of methods or systems being used with regard to the same commodity. This lack of uniformity embraces varied fishpond sizes, cropping cycles, disparity of aquaculture conditions and differences among fishfarmers in the adoption of new techniques of culture such as application of fertilizers, fingerling sizes, stocking densities, machinery and implements, and measures of pest and disease control. Such wide variety of culture/fishing methods often result in high variability of yields, which make it rather difficult to establish insurance coverages and premium rates.

D. High covariance of risk in fisheries

Risks due to calamity (in aquaculture i.e. flood, fish kills, diseases) are generally so widespread such that there is a high probability that crops of insured fishfarmers are hit by calamity all at the same time. Therefore, for insurance agencies (for example, PCIC or private insurance companies) to be viable, they should be able to spread risks both over time and space (i.e. to different agroclimatic conditions). In order to do so, the insurer needs to hold high reserves which at least equal to the total insured value at all times.

E. Little demand for insurance and the existing poverty of fisherfolk

According to the requirements of the PCIC, in order for the scheme agency to develop or formulate a specific insurance scheme, there should be demand for insurance protection on the part of a considerable number of people and an understanding on their part of the meaning, responsibility and significance of an insurance program. At present, in the Philippines, there is yet little visible demand for insurance amongst fisherfolk/fishfarmers because of their poverty; the average fisherfolk/fishfarmer rarely considers any margin for "non-essential expenditures" including the payment of insurance premium.

F. Lack of existing policy and studies as scientific basis

At present, there are no definite policies for the implementation of a fisheries and aquaculture insurance in the Philippines. Moreover, research studies have been carried out regarding the development of appropriate insurance arrangements for fisheries or aquaculture and the need for fisherfolk/

fishfarmers or cooperatives to form the bases in the formulation of appropriate insurance mechanisms or programs.

G. Need for trained personnel and inadequate infrastructure

The Local Government Code of 1991 and the devolution of municipal fisheries management and extension functions to Local Government Units (LGUs) seem to have resulted in a void in the delivery of services to fisherfolk/fishfarmers in fisheries communities. It appears that LGUs are not yet fully prepared, from the technical fisheries standpoint, to handle the development and management of their fisheries resources.

The operation of a fisheries insurance system will require the services of qualified persons including not only good insurance administrators, actuaries and people well acquainted with the fishpond/fishing conditions, but also supervisors, loss adjusters and salesmen who will act as direct contacts with the fisherfolk/fishfarmers.

Moreover, the country urgently needs infrastructure facilities such as communication/transportation facilities, farm to market roads and post-harvest facilities i.e. fish ports, ice plants and cold storages to support the development of fisheries in the localities. These support services are very important for prompt estimation of losses by the insured and for the speedy initial assessment of losses by the insuring agency and the payments of indemnities.

TRADITIONAL RISK MANAGEMENT SCHEMES IN FISHERIES

There are various fisheries and aquaculture activities that tend to mitigate various risks, for example are: fishing or aquaculture techniques/culture systems that tend to lessen the impact of adverse events, for instance, decreasing stocking densities to avoid fish diseases or fish kills or use of semi-intensive culture instead of intensive system; risk spreading by adjusting assets and liabilities, i.e. crop diversification; risk pooling by individuals or risk sharing such as contract growing arrangements and payment in kind. These mechanisms, however, do not address production risks of the fisherfolk/fishfarmers. At present, the following schemes are being implemented in the Philippines with regard to risk abatement for the fisheries and aquaculture sectors:

A. Presidential Decree (P.D.) No. 1460

P.D. 1460 updated in 1993, commonly known as the Insurance Code of the Philippines covers marine insurance which includes among others marine protection and indemnity that cover insurance against, or against legal liability of the insured for loss, damage or expense incident to ownership, operation, chartering, maintenance, use, repair, or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

The development of commercial fisheries in the Philippines normally involves a transition from small fishing banca to larger motorized vessels which are able to use more efficient types of gear and techniques. Being less dependent on favorable weather and sea conditions, such vessels make it possible to extend fishing operations both in time and distance. Filipino fishermen now becomes increasingly aware of the need to protect his vessel from loss or damage, not only because the vessel represents a considerably increased capital value, much more difficult to replace, but also because it has become the main and, in many cases the sole, source upon which he and his family depend for their livelihood.

However, at present, private insurance companies in the Philippines are reluctant to insure fishing vessels, except to a limited degree and at a cost in premiums which are serious handicap and burden to fisherfolk. Likewise, only large fishing companies have been able to afford to insure their commercial vessels because the premiums are expensive. Records show that only seaworthy ships or marine vessels are given insurance. Fishing vessels or hulls made of steel, fiber glass and other materials except wood are acceptable for insurance. At present, there is no insurance available for fishing gears nor fishponds/fishpens in aquaculture sector. Moreover, the personal and health risks of the fisherfolk or fishfarmers arising from the unavoidable physical dangers of fishing are covered under the said Decree but it is a voluntary (self-insurance - life or health insurance) charge at their personal expense.

B. PCIC- Fisheries Sector Program

The PCIC's crop insurance program started operations in May 1981. It has the following objectives: (1) increase agricultural productivity; (2) stabilize farm income; (3) improve credit worthiness of small farmers; and (4) facilitate a more effective adhoc relief measures. The first and third objectives are particularly evident with the program's linkage to the adoption of new technologies and the supervised credit programs of the government.

The guarantee mechanism effectively provides for the sharing of credit risk in agreed proportion between the lender and the guarantor. Initial efforts were taken to operationalize the guarantee mechanism in fisheries in the 70's with the creation of an Agricultural Guarantee Fund (AGF). Allocations were provided for a Fisheries Loan Guarantee Fund (FLGF) to support the lending activities to fisherfolk. Although the program did not meet the targeted output, the mechanism's potential in facilitating credit flow was still recognized.

In 1990, under the FSP, the ACPC, fund manager of the credit component, initially tapped the facilities of the PCIC and the Guarantee Fund for Small and Medium Enterprises (GFSME) to provide the credit guarantee requirements. This guarantee scheme covers production and production-related loans to coastal beneficiaries and fisherfolk involved in land-based business, including aquaculture projects, and/or agro-industrial projects in twelve priority bays and six priority regions the country. Loans granted by rural financial intermediaries (RFIs) accredited by PCIC were expected to be provided with guarantee cover of up to 85 percent. The GFSME mechanism is similar except that its accredited lending institutions are commercial banks.

Loans to assist fishery-related and alternative livelihood projects for the fisherfolk were entitled to the guarantee privileges offered by PCIC, while the guarantee benefits for GFSME catered more to aquaculture such as fishpond development as well as large-scale agri-business projects in the priority areas. The Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) was tapped since the tie-up with GFSME was short-lived. The scheme covers a guarantee cum financing mechanism which include 90-100 percent guarantee cover on the exposure of its accredited RFIs, and QUEDANCOR would also match the RFIs credit exposure on a peso-for-peso basis.

I. *Objectives of the PCIC-FSP Guarantee Scheme*

a) To provide support to the systematic efforts of the government to effect responsible resource management, environmental rehabilitation, poverty alleviation and improved productivity in the fisheries sector through policy and institutional reforms as well as the implementation of certain livelihood investment programs.

b) To provide assistance to fisherfolk in the priority bays and regions in obtaining credit from formal sources under competitive terms;

c) To encourage banking institutions and lending conduits to extend credit to small fisherfolk for production and production-related activities on agri-based and/or agro-industrial projects without being too concerned about collateral requirements considering the guarantee support provided by PCIC;and

d) To encourage the formation of associations among fisherfolk in the priority bays and regions such as cooperatives or analogous self-help groups as desirable mechanisms for individual fisherfolk development.

II. *Targeted Areas*

The priority areas identified for coverage under the PCIC-FSP Guarantee Scheme are Regions I,

passage of PCIC-friendly bills and measures for the strengthening of the crop insurance programs is already on-going.

Likewise, as one of the risk abatements identified by the government, the proposed Code, Section 166 and pursuant to Section 7, Article XIII of the Philippine Constitution, the Fishery Loan and Guarantee Fund was created to be administered by the Land Bank of the Philippines (LBP). The fund will be made available for lending to qualified borrowers to finance the development of the fishery industry. Moreover, in addition to the fisheries credit guarantee, grants and other similar facilities will be granted to qualified Filipino fisherfolk/fishfarmers and enterprises who will enjoy such other facilities granted to them under existing and /or new laws, especially as to rural credit, with preference being given to fisheries cooperatives.

Section 181 of the proposed Code also covers the inclusion of fisherfolk/fishfarmers engaged in fishing/aquaculture operations among those covered by the provisions set under the Blue Sunday Law and the Eight -Hour Labor Law.

In general, the government will continue to implement the Insurance Code of the Philippines, in particular to revise the Code to infuse flexibility, keep peace with the changing needs and demands of industries in line with new risks and reflect international developments.

Likewise, close coordination between and among the concerned agencies i.e. ACPC, DA, BFAR, PCIC, LGUs should be strengthen to pursue institutional capability and awareness/discipline building through improved training programs, social preparation and community organizing. Moreover, priority activities will be focused to the improvement and strengthening of the support service delivery system including the expansion of guarantee or insurance schemes. This activity can be realized by extending FSP credit guarantee agreements with the PCIC to make fund maturity, coterminous with terms of existing loan guarantee coverages (i.e. at least 3 years from original fund maturity date - October 1998). This can be effected by an MOA between PCIC and ACPC extending PCIC-FSP fund maturity date. ACPC plans to study the liberalization of bank branching policy and accredit mature viable cooperatives as conduits of credit and abandon regressive credit policies (e.g. quota policy, GRT, withholding tax and reserve requirement) as well as realign the seed fund to support to priority fisheries projects.

Support projects and activities such as development of multi-media advertising of the insurance program should be developed. Relevant data on fisheries/aquaculture should be gathered and analyzed to serve as baseline information to formulate policies and programs for guarantee and insurance schemes. Information should be disseminated particularly on the insurance benefits that will be derived from its implementation and to dispel ignorance and uncertainties in the part of insurance agency and the fisherfolk/fishfarmers. In addition, the government should present to the fisheries industry, especially the private sector (including the small scale fisherfolk/fishfarmers), the importance of the insurance system as one way of protecting them from financial losses due to circumstances beyond their control and providing fisherfolk/farmers with security without which he cannot risk capital.

Moreover, there is an urgent need to study the different risk abatement mechanisms (i.e. guarantee programs, insurance systems - voluntary vs. compulsory, mutual insurance systems like in Japan, etc) that might be appropriate to the Philippine fisheries situation through collaborative efforts by the concerned agencies such as the DA-BFAR, PCIC and ACPC. Based on the results of the study, the identified and selected mechanisms should be verified through implementation in pilot areas.

ACTIONS TO MAKE FISHERIES INSURANCE PROGRAMS FEASIBLE IN THE PHILIPPINES

The Philippines being a developing country, with limited financial resources and with very unique culture and beliefs, the government will strongly need concerted efforts by the different agencies involved in fisheries and fisheries-related activities and the private sector to implement a fisheries/ aquaculture insurance. In order to make the fisheries insurance programs feasible in the Philippines, the following points maybe be considered:

I. The fisheries/aquaculture insurance (especially multi- or all risk) should be operated by the government as a social and economic policy measure to assist not only fishfarmers/fishfolk but also the fisheries industry as an enterprise.

II. The government should bear at least the direct costs of administration.

III. In addition, the government should underwrite part of the production risks of fisherfolk/ fishfarmers through subsidization of premiums until at least such time as the insurance is established, has accumulated sufficient reserves and has been generally accepted by the fisherfolk/fishfarmers.

IV. Support activities should go hand in hand with the implementation of the fisheries insurance such as collection of relevant fisheries information/statistics, information dissemination, research, verification and pilot studies on appropriate insurance programs , technical assistance and extension services, credit, institutional strengthening and capability building of the agencies concern in the implementation of the insurance systems and provision of necessary facilities i.e. market , post-harvest, export ,etc.

V. Adequate incentives should be given to the fisherfolk/fishfarmers for timely and correct reporting of the area under each crop and for keeping losses as low as possible

VI. There should be good monitoring mechanisms for the insurance programs, close coordination between agencies involved in the implementation and clear delineation of functions and responsibilities.

CONCLUSION

Although crop insurance mechanisms are already being implemented in the Philippines, the priority programs cover rice, corn and livestock, and only loan guarantee schemes are provided for the fisheries sector. Although, some of the risks encountered by the fisherfolk/farmers can be covered by the existing Insurance Code of the Philippines, production risks are not included. Implementation of an insurance system for fisheries and aquaculture in the Philippines should be studied carefully because there is no visible clamor or demand for insurance by a considerable group from the fisheries industry, a lack of basis information in policy formulation for insurance arrangements, the country presently has inadequate facilities, technical manpower and support services; and based on interviews with the private companies specializing in insurance, there is doubt the feasibility of fisheries/aquaculture insurance without implementation of legislative actions or public policy. These doubts obviously arise because of the relative newness of such insurance and the lack of experience to measure the cost and benefits.

With the above-mentioned considerations, the Department of Agriculture through the Bureau of Fisheries and Aquatic Resources (BFAR), is willing to study the feasibility of implementing a fisheries and/or aquaculture insurance in the Philippines. This activity will be undertaken in close coordination with ACPC and PCIC. (See attached Project Idea). Most importantly, these agencies concerned should take the initial steps and focus their concerted efforts in the development and approval of policies to develop a fisheries/aquaculture insurance programs. Moreover, the Philippine government must demonstrate the political will to implement such insurance schemes and make them feasible and operational for the fisheries sector.

APPENDIX

PROJECT IDEA

TITLE: FEASIBILITY STUDY ON THE DEVELOPMENT OF FISHERIES AND AQUACULTURE INSURANCE IN THE PHILIPPINES

LOCATION: Targeted areas- Region I and IV for Luzon; Region VI and VII for Visayas and Region IX and XI for Mindanao

IMPLEMENTING AGENCY: Department of Agriculture (BFAR, ACPC and PCIC)

OBJECTIVES:

1. To study the different risk abatement mechanisms applicable to the Philippine fisheries sector situation;

2. To gather relevant information/data as basis for the design and formulation of a fisheries insurance program and to recommend technical, legislative and institutional policies, plans and actions to adopt such program; and

3. To determine the feasibility of developing and adopting a fisheries and/or aquaculture insurance scheme in the Philippines.

RATIONALE OF THE PROJECT:

At present, the Philippines has not yet adopted an insurance system for fisheries and/or aquaculture. This might be attributed to the fact that the government has limited resources and efforts have to be focused to its priority agricultural commodities - rice and corn. On the part of the fisheries sector, there is no visible demand for insurance by a considerable group from the industry. Moreover, information and technical data on the fisheries insurance are inadequate to serve as basis for policy formulation and recommendation. In addition, fisheries insurance is relatively new and the government lacks experience in measuring its costs and benefits. It is in this context that a feasibility study on the development of a fisheries and/or aquaculture insurance in the Philippines is proposed.

PERIOD OF IMPLEMENTATION: Nine (9) months

OPERATIONAL FRAMEWORK:

Major activities that will be undertaken in conducting the feasibility study, are: (1) organization and coordination of all agencies concerned (i.e. DA, ACPC, PCIC and BFAR) including the delineation of functions and responsibilities thru Memorandum of Agreement (MOA) between agencies and planning of activities which covers the identification targets, preparation and approval of work and financial plans, timetable of activities and management or proposal to contract services; (2) gathering and analysis of information and secondary data for the preparation of survey framework of the feasibility study; (3) meetings, workshops, in-house verification and consultation with experts will be conducted to operationalize effectively the study; (4) Phases of implementation---a) survey, b) analysis of results, and c) verification in the targeted regions: Region I and IV in Luzon, Region VI and VII in Visayas and Region IX and XI in Mindanao. Data/information that will be gathered will include technical data on the croppings, culture methods/fishing technologies used, different risks or hazards encountered over time, determination of actuarial methods applicable for the fisheries and aquaculture sector - coverages, premium and indemnities and other important requirements to analyze the strength and weakness of the available insurance arrangements or an insurance need of fisherfolk/fishfarmers; (5) based on the survey, recommend an appropriate and workable insurance scheme for the fisheries and aquaculture sectors as well as policies/guidelines, plans and actions in order to effectively adopt the recommended scheme by the fisheries industry.

PROJECT COST: P7 Million or US$ 300,000.00

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