

ZENGYOREN REGIONAL CONFERENCE
ON
INSURANCE AND CREDIT FOR SUSTAINABLE
FISHERIES DEVELOPMENT IN ASIA

Tokyo, Japan, 11 -15 November 1996

AN OUTLINE OF FISHERY COOPERATIVE INSURANCE IN JAPAN

by Kyosuiren
Japan

Abstract

The paper describes the wide range of life and non-life insurance schemes available to members of fishermen's cooperatives in Japan. The schemes embrace insurance arrangements covering life endowment with term insurance, whole life policies, children's insurance, crew welfare schemes, old age annuities, supplementary pensions, group credit life insurance and non-life insurances for buildings, fire and automobiles. The role of Kyosuiren, a nation-wide organization for fishermen's insurance established in 1951, is examined together with the business results experienced in the last fiscal year. The ties of Kyosuiren and Kengyoren with the International Cooperative Alliance (ICA) and the International Cooperative and Mutual Insurance Federation (ICMIF) are discussed.

CLASSIFICATION OF INSURANCE FOR FISHERMEN

Insurance for fishermen is classified into "protection for livelihood" and "protection for management". Fishery cooperative insurance covers all of the former and part of the latter.

LINES OF INSURANCE WRITTEN BY FISHERY COOPERATIVES

Unlike commercial insurers, fishery cooperatives are allowed to conduct joint operations of life and non-life insurance business. They now write the following eight lines of both life and non-life insurance to cover life and property of fishermen against accidents.

Life Insurance

a) *Comprehensive Life Insurance (individual insurance)*

i) *Endowment with term insurance*

This is a long-term life policy which encourages savings and at the same time provides for contingencies. There are five types of this insurance, from Type 1 which stresses savings to Type 10 which emphasizes protection. A policy matures in two ways, namely, when a specified period passes after a policy is purchased (fixed term maturity) and when the insured reaches a fixed age (age maturity). Specified amounts of benefits are paid in case the insured suffers from a disease, sustains an injury, is hospitalized and receives medical treatments as an outpatient. A refund is paid on maturity of an insurance policy.

ii) *Whole life insurance*

This is a life policy which provides protection throughout the life of the insured. Premium payments can be completed at the age of 60, 65 or 70. From the time of purchase of a policy to the completion of premium payments during the productive stage of the insured, larger protection is provided for death and disability of the insured. Until the insured reaches 80, extensive protection is offered for hospitalization, medical treatments as an outpatient, etc. In addition, "congratulatory money" is paid when the insured reaches 70, 77 and 88.

iii) *Children's insurance*

Benefits are paid when the insured child suffers death, sustains an injury or is hospitalized. In addition, "congratulatory money" is paid when the child enters elementary, junior high and senior high school and a refund is paid when the child enters an university. Further, should a child's parent die or suffer a serious disability, a specified amount of benefit is paid and subsequent premium payments are exempted. In addition, double the amount of congratulatory money for entering schools and double the amount insured is paid on maturity of a policy. Children's Insurance is a policy which parents take out for the sake of their children.

In life insurance policies directed at the individuals mentioned above, 10 percent of the amount of the claim is added to any claim paid for death of the insured while aboard a fishing boat or caused by an accident at sea.

b) *Crew Welfare Insurance*

This is a group life policy that collectively covers people who engage in fisheries such as a crew of a fishing boat. Benefits are paid when the insured dies, suffers an injury, is hospitalized or receives medical treatments as an outpatient. Unlike the individual life policies mentioned above, this is a one-year policy without payment on maturity of a policy. It is a characteristic of this policy that it offers extensive coverage at a minimal premium. A cover is also available that collectively insures anglers onboard a fishing boat. It can safely be said that this is an innovative policy covering a risky area in this particular field for the first time in Japan.

c) *Annuity Insurance*

i) *Fisheries workers annuity insurance*

This annuity insurance allows fishermen to live an comfortable life in their old age. The policyholder continues premium payments until he or she reaches 60 or 65 and receives benefits thereafter. The amount of annuity increases annually and annuity payments continue as long as an annuitant is alive. However, payments continue until an annuitant reaches 75 regardless of whether he or she is alive or dead.

ii) *National pension fund of fisheries workers*

This is a pension insurance scheme that supplements the national pension fund. Pension payment starts after an annuitant reaches 65. Two options are available as regards receiving pensions i.e. to receive them throughout life or a definite period of 15 years. This is a public pension program which fishermen can join on a voluntary basis. Advantageous tax treatments are given to its premiums and pensions.

d) *Group Credit Life Insurance*

This is a group life policy which repays an outstanding loan of a borrower who received the loan from a fishery cooperative or credit federation of fishery cooperatives when the borrower dies or suffers serious a disability. Many fishery cooperatives utilize this policy because it enables a smooth collection of loans and at the same time relieves the financial burden of bereaved family members.

Non-life Insurance

a) *Householder's Comprehensive Insurance*

Claims are paid when an insured building or property sustains damage by fire, windstorm, flood, earthquake, etc. Insurance terms of 5, 10, 15 and 20 years are offered. A refund is paid on maturity of a policy. When an insured building is damaged by fire, etc., and a claim is paid for the damage, extraordinary expenses, debris removal expenses, fire consolatory money expenses, etc., are paid. In recent years, Japan has been struck by a series of big natural disasters. A large amount of claims and solatia were paid from this insurance in respect of a typhoon that swept over the country in 1991, an earthquake and tsunami that struck Hokkaido in 1993 and an earthquake that hit the Kobe area in 1995.

b) *Fire Insurance*

Claims are paid when an insured building or property sustains damage by fire, wind, hail, snow, earthquake fire etc. Unlike Householder's Comprehensive Insurance, the term of insurance is one year and no refund is paid on maturity of a policy. Fishermen can protect their buildings and property at low premium. In addition to a claim, payments in respect of fire, extraordinary expenses, debris removal expenses, fire consolation money expenses, etc. are paid.

c) *Automobile Insurance*

This insurance covers legal liability for damages that the insured is liable to indemnify if inflicting death or injury to a third person while driving a car. This insurance also covers accidents that the insured or his or her spouse causes while driving other peoples cars.

OPERATING METHODS OF FISHERY COOPERATIVE INSURANCE

Services of Fishery Cooperatives

The fishery cooperatives, fish processors cooperatives and other fishery-related cooperatives offer

guidance, marketing, purchasing, credit, joint utilization and insurance services for the benefit of members. As is clear from the above, fishery cooperative insurance is conducted as a business of the fishery cooperatives.

Profile of Kyosuiren

a) *Establishment*

Kyosuiren is a national level organization for insurance business established in 1951. It was reorganized into the present federation structure in 1983 due to the amendment of the Fisheries Cooperative Association Law.

b) *Organizational structure and activities*

Kyosuiren is organized and capitalized by fishery cooperatives, fish processors cooperatives, their federations and fishermen's production associations. It has its head office in Tokyo and regional offices in 40 coastal prefectures. To ensure the smooth operation of fishery cooperative insurance, Kyosuiren engages in improving the business system, developing new products, providing guidance on sales promotion and conducting education and training activities for the entire organization.

Operating Methods of the Business

Fishery cooperatives etc., write direct business from fishermen and Kyosuiren accepts all of the direct insurance policies from fishery cooperatives by way of reinsurance (accepting 100 percent of the risk portion of premiums).

BUSINESS RESULTS (April, 1995 to March, 1996)

Sales Results for Life Insurance

a) *Comprehensive Life Insurance (individual life insurance)*

Sales targets for the (protection) amount insured were not attained, but the (protection) amount insured in force exceeded the 2 trillion yen mark.

b) *Crew's Welfare Insurance*

Sales results equal to those of the previous year were achieved.

c) *Annuity Insurance*

i) *Fisheries workers annuity insurance*

New business in the number of policies and the annuity amount substantially exceeded the previous year's results. The number of policyholders, which had been a downward trend, increased.

ii) *National pension fund of fisheries workers*

Sales results were far below the targets.

d) *Group credit life insurance*

Sales results equal to those of the previous year were achieved.

Sales Results for Non-life Insurance

a) *Householder's Comprehensive Insurance*

New business in the number of policies was up 63 percent over the previous year and the amount insured up 57 percent, thus substantially exceeding the targets.

b) *Fire Insurance*

Sales results equal to those of the previous year were achieved.

c) *Automobile Insurance*

Sales results were far below the previous year.

Claims Payments

The amount of claims paid during the 1995 fiscal year amounted to 34.8 billion yen involving 60 thousand policies (excluding claims paid under National Pension Fund of Fisheries Workers), an increase of 11.4 billion yen over the previous year. The amount of claims paid for Crew's Welfare Insurance and Group Credit Life Insurance was down over the previous year, but Fire Insurance and Householder's Comprehensive Insurance showed an increase over the previous year. The aggregate amount of claims paid for all lines of insurance from February, 1951 to March, 1996 totaled 340.8 billion yen.

Lines of insurance	Claims paid in 100 million yen	
	Feb 1951 - Mar 1996	Apr 1995 - Mar 1996
Comprehensive Life	2,534	286
Crew's welfare	529	24
Fisheries workers annuity	54	11
Group credit life	73	3
Householder's comprehensive	68	15
Fire	133	8
Automobile	17	1
Total	3,408	348

Balance of Income and Outgoings

It was difficult for long-term insurance business to attain a balance due to the prolonged low interest rates, but a balance was attained as a whole.

TIES WITH ICA AND ICMIF

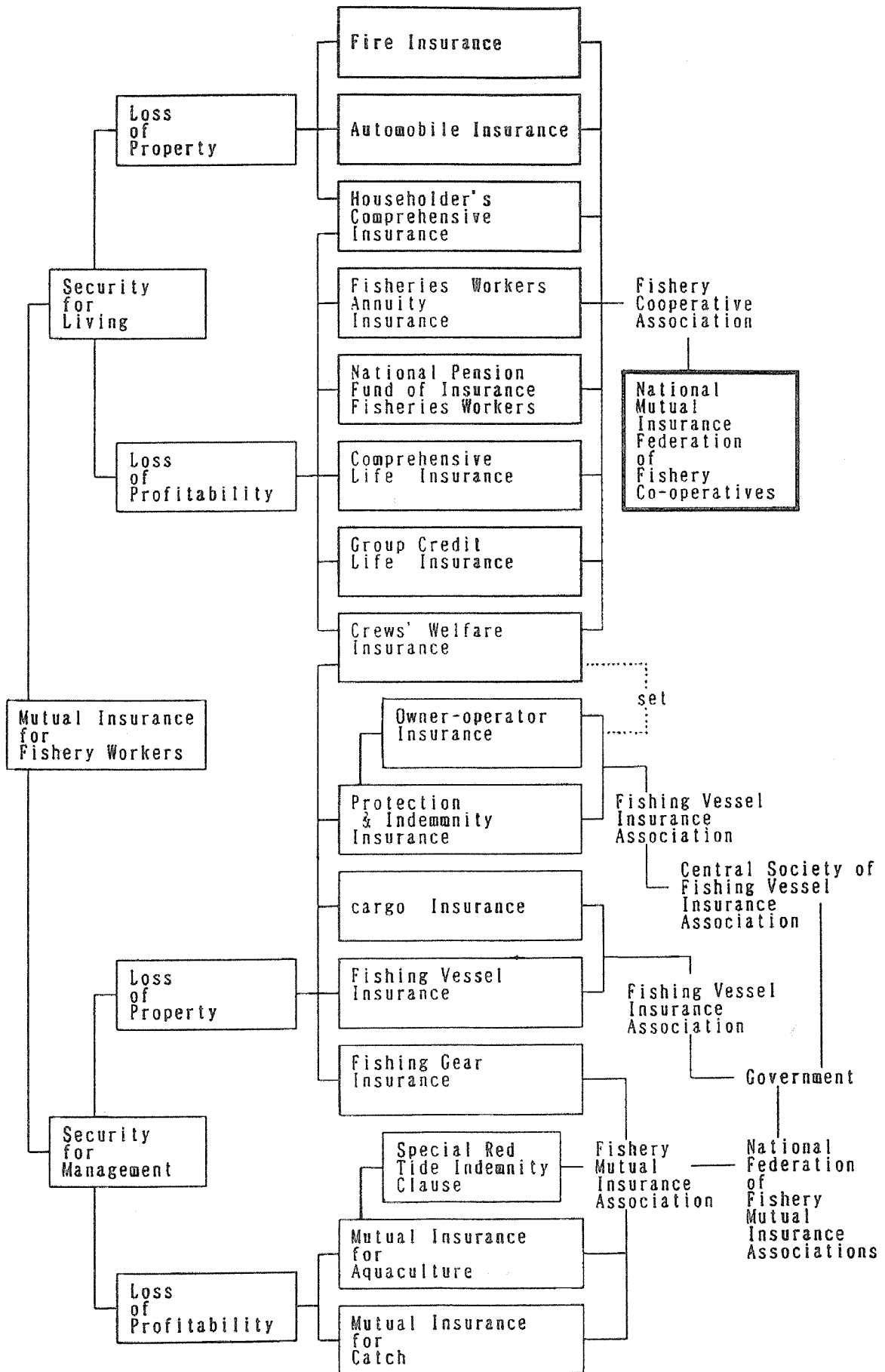
The ICA (International Cooperative Alliance) is an international non-governmental organization established in London in 1895. The purpose of ICA is to promote the development of the cooperative movement globally. ICA embraces every type of cooperative which operates in the spirit of mutual aid and democracy in many countries regardless of their social, economics and political systems. Zengyoren (National Federation of Fisheries Cooperative Associations) of Japan is one of the leading members of ICA and Kyosuiren participates in ICA activities indirectly through Zengyoren. Meanwhile, the ICMIF (International Co-operative and Mutual Insurance Federation) is a specialized organization for insurance in ICA. 150 cooperatives were members of ICMIF as at the end of June 1996. Kyosuiren joined ICMIF in 1980 and contributed since then to the development of the cooperative and cooperative insurance movement in the world through its international activities.

CHALLENGES OF KYOSUIREN

Since Japan has a high level of technology, expertise and experience on fisheries, an increasing number of requests for cooperation and assistance on fishery have in recent years poured into Japan from abroad, especially from developing countries. High expectations are placed on the fishery cooperatives as well. Fishery cooperatives, on the other hand, are facing severe business circumstances characterized by sluggish marine product prices, etc. The insurance business can therefore be expected to play a major role in the management of fishery cooperatives in order that the fishery cooperatives can further develop as multi-functional enterprises. To respond to these expectations, Kyosuiiren initiated a new three year plan from April this year and set up sales promotion headquarters at the Head Office and regional offices thereby aggressively pursuing expansion of business volume and improvements to the business system.

APPENDIX 1

Mutual Insurance for Fishery Workers and its Operating Organization

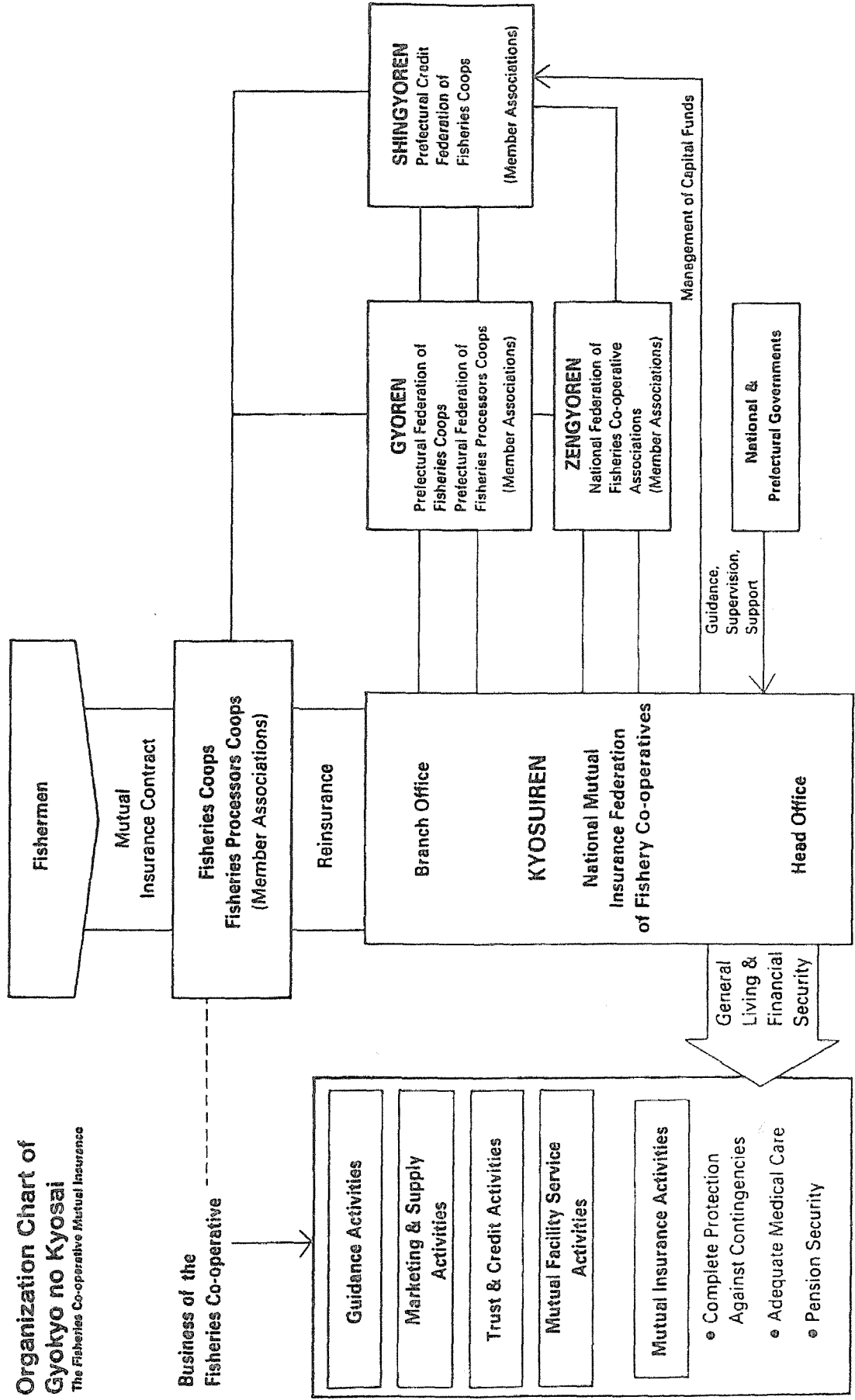


Lines of Transacted of Fishery Cooperative Insurance

Type of Insurance item	L I F E						N O N - L I F E		
	Comprehensive Life Insurance	Crews' Welfare Insurance	Fisheries Workers Annuity Insurance	National Pension Fund of Insurance Fisheries Workers	Group Credit Life Insurance	Householder's Comprehensive Insurance	Fire Insurance	Automobile Insurance	
The reason why claims paid	death, serious disability, hospitalization, operation, going to hospital, fixed disease, survival	death, serious disability caused by accident, hospitalization, going to hospital	survival, death	survival, death	death of creditor, serious disability	fire of building and movable property, damage caused by natural accident, disability	fire of building and movable property, damage caused by snow and hail	individuals caused by automobile accidents and death, disability, hospitalization, going to hospital which are caused driving way of passengers	
Term of Insurance	5, 6, 10, 12, 15, 20, 25, 30-year or till 18, 55, 59, 64, 70, 75, 80-year or whole life	1 month~1-year (exception: 7, 15 days)	whole life insurance (terms of protecting payment 10-year or 15-year)	whole life insurance (case of after 2nd contract, 10 or 15-year)	term of debt repayment (limit of year is 70year-old)	5, 10, 15, 20-year	1 day ~ 1-year (in case of long-term with endorsement, 2 ~ 25-year)	1 month ~ 1-year	
Entry age or Collateral	0 ~ 75-year-old	over 15-year-old working without disability	20~64-year-old (in case of the contract with endorsement of single premium, 59~69-year-old)	20~59-year-old (those who are engaged in fisheries)	15~65-year-old (those who are borrowing from fishery cooperative or prefectural credit federation of fishery cooperative associations)	building and movable property or inhabitant	building and movable property	automobile, motor bike	
Range of Amount insured	100thousand~50 million yen (claims for death)	500thousand~30 million yen (claims for disease)	30 thousand ~ 6 hundred yen (yearly amount of pension)	300 and 6 thousand 13.56 million yen (yearly amount of pension)	balance of debt (limited 3 million yen)	one hundred~40 million yen (case of movable property, limit is 2 million yen)	10 thousand ~ one thousand million yen	1 ~ 1 thousand million yen (claims for bodily injury liability; per one person)	
Coverage	fixed amount	fixed amount	fixed amount	fixed amount	balance of debt	principle of proportion	principle of proportion	an amount of liability	
Tax deduction	deduction of life insurance premium	deduction of life insurance (deduction of personal pension premium)	deduction of social insurance premium	deduction of social insurance premium	deduction of debt	deduction of non-life insurance premium	deduction of non-life insurance premium	---	

APPENDIX 3

**Organization Chart of
Gyokyo no Kyosai**
The Fisheries Co-operative Mutual Insurance



Sales Targets and Results Under the Three Year Plan (1993 - 1995)

Type of Insurance	1993 (New Business)			1994 (New Business)			1995 (New Business)			1995 (Business in Force)		
	targets	results	rate of achievement	targets	results	rate of achievement	targets	results	rate of achievement	targets	results	rate of achievement
Comprehensive Life Insurance	number of policies	48,432	87%	54,923	45,544	83%	62,018	37,781	61%	438,997	387,480	88%
	aturity amount insured (in hundred million yen)	732	96%	831	759	91%	942	644	68%	7,038	6,331	90%
	amount insured (in hundred million yen)	3,148	79%	3,601	2,591	72%	4,105	2,344	57%	24,882	21,184	85%
Crew's Welfare Insurance	amount insured (in hundred million yen)	17,138	100%	17,657	17,066	97%	18,267	17,588	96%			
	premiums received (in million yen)	4,155	102%	4,229	4,200	99%	4,402	4,324	98%			
	number of the insured (new business)	5,210	79%	7,817	4,803	61%	7,566	5,591	74%			
Fisheries Workers Annuity Insurance	amount insured (in million yen)	578	104%	900	715	79%	1,029	803	78%			
	number of the insured (increase in amount)	4,030	87%	4,490	4,789	107%	4,261	4,594	108%			
	amount insured (in million yen) (increase in amount)	267	85%	262	304	110%	233	311	133%			
National Pension Fund of Insurance Fisheries Workers	number of the insured	5,000	8%	2,000	465	23%	2,000	282	14%			
	number of groups	467	90%	490	415	85%	525	413	79%			
	number of policies	13,378	92%	16,126	13,608	84%	19,669	22,150	113%			
Householder's Comprehensive Insurance	amount insured (in hundred million yen)	1,092	86%	1,389	1,147	83%	1,779	1,805	101%			
	number of policies	200,243	93%	200,232	177,627	89%	206,503	170,568	83%			
	amount insured (in hundred million yen)	19,355	96%	19,951	19,226	96%	20,649	18,835	91%			
Fire Insurance	premiums received (in hundred million yen)	2,095	98%	2,164	2,130	98%	2,245	2,080	93%			
	number of insured cars	5,477	88%	5,282	4,103	78%	5,118	3,637	71%			
Automobile Insurance												

Claims Paid

