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AN OUTLINE OF THE FISHING VESSEL INSURANCE PROGRAM

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*Abstract*

Fishing vessel insurance in Japan is regarded as part of a national programme to mitigate the effect of fishing disasters and to promote stability in the management of fishery enterprises. This insurance programme is organised on a multi-tiered basis, involving Fishermens Cooperative Associations and Fishing Vessel Insurance Associations with the support of the central government. Three classes of vessel insurance contracts can be identified: individual, compulsory and group. A variety of policies are available, the main ones being basic fishing vessel insurance, owner-operator insurances covering unforeseen liabilities of such operators and cargo and equipment insurances. Over the 60 years since the first fishing vessel insurance scheme was introduced, the services and coverage have been considerably strengthened and modernized. In particular, compulsory policies and government subsidies have been established. Originally, the programme was intended to provide basic compensation for loss or damage to fishing vessels but has since been expanded into a comprehensive system embracing almost all conceivable contingencies. The number of insured vessels now exceeds 250,000, representing the great majority of Japan's fishing vessels. The scheme has undoubtedly become a major contributor to stability in an often unpredictable, high risk industry.

## GOALS AND OBJECTIVES

Fishing vessel insurance, a part of Japan's national fishery disaster countermeasure program, is designed to increase stability in the management of fishery operations. Coverage is provided for losses in the event of accidents as well as unforeseen costs and liabilities due to operation of a fishing vessel. In addition, policies cover unforeseen loss or damage to products being carried by a fishing vessel.

## STRUCTURE AND ORGANIZATION

The Fishing Vessel Insurance Program is organized on a multi-tiered basis, with fishermen's associations and government support. The roles of the four main levels are described below. A flow chart showing the relationships among these levels is presented in Figure.

### **Fishermen's Cooperative Associations (FCA)**

Collects premiums from member fishermen on compulsory insurance policies. A fixed percentage of the premiums is returned to the FCA to cover administrative costs.

### **Fishing Vessel Insurance Associations (FVIA)**

These associations are the primary contractors for the fishing vessel insurance policies. There are 51 FVIA, including 47 District Associations (one for each prefecture) and four specific Fishery Associations (for vessels over 20 gross tons). As of the end of December, 1994, these associations employed 525 persons.

### **The Central Federation of Fishing Vessel Insurance Associations**

This Central Federation, which includes all the FVIA as members, provides guidance and assistance to the FVIA and their member fishermen, and also reinsures part of the Vessel Owner-Operator policies held by the FVIA. The society employed 54 persons as of the end of December, 1995.

### **Central Government**

The Central Government performs the following functions with regard the Fishing Vessel Insurance Program which is implemented under national law:

- It re-insurers and provides back-up insurance for vessel and cargo policies held by the FVIA as well as the Owner-Operator policies reinsured by the Central Federation.
- It provides partial premium subsidies for compulsory and group policies.
- It provides partial subsidies for operational and administrative costs incurred by the FVIA and partial premiums returned to the FCA, and also for programs designed to prevent maritime accidents involving fishing vessels.
- It oversees and audits the financial operation and management of the FVIA.

## ELIGIBILITY

Eligibility includes fishing vessels as recognized under the Fishing Vessel Law, and tender vessels owned by Fishermen's Cooperative Associations engaged in the transport of product, fuel, supplies, bait, etc.. It is limited to vessels of Japanese registry under 1,000 gross tons.

## CONTRACTING PROCEDURES

There are three classes of vessel insurance based on the procedure for contracting.

- *Individual Contract*: Individual vessels contract under their own initiative
- *Compulsory Contract*: Under this system, all the fishing vessels under 100 gross tons registered or operated in each area defined by the prefectural governor (these areas usually coincide with the jurisdiction of the FCA) are required to contract for Basic Vessel Insurance. In this case, the Federal Government provides partial subsidies for the Basic Vessel Insurance, as well as Owner-operator and Cargo Insurance policies. Currently, 98.6% of all vessels insured under the program fall in this category.
- *Group Contract*: If more than half of the less than 20 gross ton fishing vessels in a defined area (must be 15 vessels or more) contract for the Basic Vessel Insurance as a group, the Federal Government provides premium subsidies equal to half the value of the subsidies obtained under a compulsory contract.

## TYPES OF POLICIES

Various fishing vessel insurance policies are available. The three major types are discussed below:

- *Basic Fishing Vessel Insurance*: These policies provide a fixed percentage against full loss of vessel or partial damage due to collisions, sinking and other unforeseen accidents.
- *Owner-operator Insurance*: These policies pay a fixed percentage against unforeseen costs and liabilities incurred by vessel owner-operators as a result of operating a fishing vessel. Policies are available to cover collisions, general damages and also crew members. Collision policies provide a fixed percentage against liability damage caused to other vessels through collision, including both direct liabilities such as damage to the hull or cargo, and indirect liabilities accruing from decreased income as a result of lost fishing time. General Damages policies provide rated value payments against damages caused to the person or goods of a third party. Crew Policies cover damages incurred by crew members working on the vessels, or sports fishermen on a charter vessel.
- *Cargo Insurance*: These policies pay a rated value against loss, damage or leakage of catch or other cargo items, such as fuel, provisions, bait, etc., due to accidents involving the vessel or equipment failures involving freezers and other onboard storage facilities.

## RECENT TRENDS

The basic performance figures for various types of fishing vessel insurance programs in 1994 are shown in Table 1, and performance trends for Basic Vessel Insurance from 1955 through 1994 in Table 2. In Table 2, Insurance Balance is calculated by subtracting total payments from total premiums, and Reinsurance Balance by subtracting total reinsurance payments from total reinsurance premiums.

## HISTORICAL BACKGROUND AND ANALYSIS

Almost 60 years have passed since the Fishing Vessel Insurance scheme was established under the Fishing Vessel Insurance Law in 1937. This scheme, was strengthened and modernized in 1952, when the Fishing Vessel Damage Compensation Law was passed. Compulsory policies and government subsidies were established, and the number of insured vessels increased rapidly. In 1981, policies covering liabilities against damages caused to other vessels and third parties were added; and cargo policies, which provide payments against losses and damage to the catch and other items carried onboard a fishing vessel, were revised in 1983. Originally, the scheme was designed to provide basic compensation for loss or damage of fishing vessels, but has since been expanded into a comprehensive system which covers almost all conceivable contingencies. In 1995, the number of insured vessels passed the 250,000 mark, a figure which represents the great majority of Japan's fishing vessels. The Fishing Vessel Insurance Scheme is a major contributor to stability in the often unpredictable, high-risk fishing industry.

**Table 1: Fishing Vessel Insurance Performance 1994**

Policy type	----- POLICIES -----		----- PAYMENTS -----		
	#Vessels	Total rated value	Total premiums	No. of Claims	Total Payments
Basic vessel	251,194	1,551,396	19,487	72,086	21,512
<b>Owner-operator</b>					
(Collision)	218,467	1,542,909	1,172	2,030	1,339
(General)	241,627	6,439,652	2,395	800	1,273
(Crew)	11,505	3,089,505	229	43	76
Cargo	1,330	237,161	617	15	488
Note: Data from 1994; all monetary values in million yen.					

Table 2: Performance Trends for Basic Fishing Vessel Insurance 1955-1994

	POLICIES						PAYMENTS				BALANCE	
	#Vessels	Total Rated Value	Total Premiums	Reinsurance Premiums	Govt. Subsidies	#Claims	Total Payment	Reinsurance Payments	Insurance Balance	Reinsurance Balance		
1955	83,504	33,668,717	1,051,487	946,338	250,279	19,023	808,705	727,906	242,702	216,432		
1960	105,873	79,908,409	2,166,605	1,911,172	500,420	26,776	1,747,380	1,572,642	419,225	338,530		
1965	142,214	183,652,453	4,054,109	3,595,243	934,014	36,612	3,137,474	2,823,727	916,635	771,516		
1970	180,359	370,546,398	6,384,762	6,060,533	1,352,235	50,392	6,203,783	5,583,404	180,979	477,129		
1975	210,398	846,649,113	14,090,292	11,861,485	3,164,361	64,645	13,224,456	11,539,870	865,836	321,615		
1976	216,127	963,490,045	16,150,304	13,620,259	2,762,539	69,751	15,198,673	13,266,454	951,631	353,805		
1977	221,999	1,121,378,673	18,949,658	15,983,184	4,818,582	71,622	15,483,732	13,483,916	3,465,926	2,499,268		
1978	227,985	1,259,568,994	21,680,277	18,230,136	5,360,587	75,581	18,897,709	16,470,477	2,782,568	1,759,859		
1979	232,816	1,370,325,559	23,648,896	19,898,061	5,925,767	75,700	19,642,592	17,028,622	4,006,304	2,869,439		
1980	237,801	1,482,313,257	25,044,015	21,095,714	6,296,340	78,954	17,197,534	15,003,495	7,846,481	6,092,219		
1981	239,371	1,521,569,409	24,069,448	20,324,950	6,061,157	80,300	22,189,045	19,362,030	1,980,403	982,920		
1982	241,841	1,547,149,345	23,680,678	20,094,161	6,068,048	83,350	20,556,442	17,794,978	3,124,236	2,209,183		
1983	243,185	1,558,366,006	24,022,909	20,312,113	6,102,766	85,517	21,612,935	18,766,038	2,409,974	1,546,075		
1984	246,149	1,566,509,213	22,649,994	19,211,896	5,773,664	84,206	22,052,470	19,258,660	597,524	-46,764		
1985	248,980	1,576,826,303	22,650,798	19,216,347	5,821,187	86,375	22,270,260	19,435,851	380,538	-219,504		
1986	254,082	1,590,552,060	22,696,355	19,258,018	5,916,276	85,185	20,424,406	17,718,407	2,271,949	1,599,611		
1987	255,252	1,622,454,482	20,378,172	17,101,987	5,275,793	83,881	22,355,406	19,386,747	-1,977,234	-2,284,750		
1988	253,070	1,626,411,266	20,777,772	17,459,407	5,360,775	79,651	19,410,802	16,882,762	1,367,770	576,645		
1989	253,078	1,662,029,863	21,170,584	17,800,867	5,459,559	75,530	19,093,462	16,602,344	2,077,122	1,198,523		
1990	252,472	1,678,523,748	20,274,326	17,054,545	5,373,161	75,279	20,587,246	17,816,079	-312,920	-761,534		
1991	252,229	1,670,625,743	20,261,406	17,055,240	5,456,327	77,532	22,842,496	19,820,107	-2,581,090	-2,764,867		
1992	252,424	1,634,389,178	19,946,764	16,801,869	5,464,922	71,465	22,130,419	19,132,012	-2,183,655	-2,330,143		
1993	251,525	1,575,039,372	19,424,066	16,384,869	5,466,799	69,275	22,095,174	19,540,121	-2,072,088	-3,185,252		
1994	251,194	1,551,396,109	19,487,397	16,449,416	5,505,083	72,086	21,511,787	20,146,882	-2,024,390	-3,697,466		

Overall Organization Chart of the Fishing Vessel Insurance System

