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ON
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CO-OPERATIVE FISHERIES INSURANCE IN THE REPUBLIC OF KOREA

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Abstract

Insurance services for fisheries in the Republic of Korea were initiated in 1962 by the National Federation of Fisheries Cooperatives (NFFC) which provided insurance for fishing boats and for the fishermen themselves. The system now covers contracts worth 4.7 trillion won (C US\$6,000 million) with claims paid out amounting to 61 billion won (approximately US\$80 million). All the banking branches of the NFFC and its member cooperatives handle insurance services. Part of the profits from these operations is passed back to policy holders via household expense loans and special education scholarships for the children of policy holders; so far over 19,000 students have benefitted from the latter scheme. The NFFC is seeking further means of improving the benefits and competitiveness of its insurance services. Despite a pilot project in 1991/92, it has so far not been found possible to extend the insurance schemes to aquaculture. The NFFC itself lacks the necessary resources, data and manpower but, given sufficient financial support from the central government and the required legislation, the Federation could act as an effective institution through which to channel an aquaculture insurance service.

INTRODUCTION

The beginning of insurance operations by the National Fisheries of Fisheries Cooperatives in the Republic of Korea (NFFC) can be traced back to 1962, when two kinds of insurance services were handled; insurance for fishing boats and fishermen. At that time, the NFFC had contracts of 766 million won (about 1 million US\$), and received 18 million won in insurance premium. In 1995, the NFFC and its member fisheries cooperatives had contracts of 4.7 trillion won, receiving 112 billion won in insurance premiums. That year, 31.8 billion won was paid in damage insurance money and 29.4 billion in life insurance money. (see table 1)

EXPANSION OF COOPERATIVE INSURANCE

The NFFC and its member fisheries cooperatives handle damage insurance for fishing boats and crews, and life insurance for fishermen and member of the fisheries cooperatives. In a bid to encourage people in fishing communities to apply for cooperative insurance policies, the NFFC and its member fisheries cooperatives have arranged that all their banking branches handle the cooperative insurance service. They also have computerized the cooperative insurance service to boost competitiveness and raise their image.

RETURN OF PROFITS TO POLICY HOLDERS

In an effort to pass part of profits from the cooperative insurance operation to the policy holders, the NFFC has awarded scholarships to sons and daughters attending school of the policy holders; such scholarships awarded in 1995 amounted to 270 million won. The NFFC has so far paid 2.7 billion won in scholarships to 19,045 students.

The NFFC has extended a total of 31.9 billion won in loans to the policy holders to financially support their household expenses. The assets of the cooperative insurance special account in 1995 stood at 182 billion won, up 30 per cent from the previous year.

IMPROVEMENT OF THE COOPERATIVE INSURANCE SYSTEM

The NFFC and its member fisheries cooperatives are working to revamp the cooperative insurance system in order to lighten burdens on policy holders and fishermen hoping to apply for insurance policies. They are also planning to bring more benefits to them while listening to their opinions and boost their competitiveness.

Although the NFFC has implemented damage and life cooperative insurance for fishermen since its inauguration, it does not presently provide aquaculture insurance because of technical problems. From June, 1991 - February, 1992, the NFFC tried a pilot exercise on the oyster hanging culture in southern part of Korea in collaboration with the Office of Fishery, Korea. This exercise was negative as regard the nullified introduction of an aquaculture insurance system which might help fish farmers who face a variety of risks associated with natural disasters, fish diseases etc. A number of problems were identified. First, fish farmers would have to bear big insurance premiums (this is a reason why most fish farmers do not want to take out insurance). Secondly, there must be considerable public finance available. Thirdly, the Law of Countermeasure against fishery disaster (which can provide fish farmers with compensation) might be a more helpful system to fish farmers than aquaculture insurance which is a economic burden on fish farmers. From the point view of the NFFC which has to act as focal point institution for aquaculture insurance, the Federation would need a lot of equipment for damage inspection; moreover it does not have the primary statistical data and manpower required for implementing aquaculture insurance. It was also noted that claims paid reached nearly 13.1 billion won in only one kind of oyster culture (about 16.8 million US\$). In conclusion, while NFFC itself cannot implement an aquaculture insurance system, such a system might be possible if funds were created with relative laws and the system operated by the Government with NFFC acting as an aquaculture insurance financial institution for the Government.

Table 1

Unit: million won

	----- SUBSCRIPTION -----			----- PROVISION -----		
	No. of cases	Contract amount	Insurance premium	No. of cases	Claim paid	provision (%)
1962	4,503	766	18	66	6	33
1963	5,511	1,064	21	109	11	52
1964	6,780	1,087	30	118	23	77
1972	13,961	25,583	485	372	195	40
1973	15,629	28,913	525	347	332	63
1974	30,943	42,768	558	301	364	65
1983	105,621	526,166	11,906	3,472	5,527	46
1984	115,693	642,310	15,074	6,469	8,382	56
1985	114,274	725,659	16,493	9,797	13,370	81
1993		3,156,800	64,200	10,875	36,437	57
1994		3,797,600	86,700	14,049	49,855	57
1995		4,685,200	112,000	14,897	61,207	55

Korea WON amounts can be translated into US\$ at W774.7 to US\$1, the exchange rate of December 31, 1995.