

South Korea's Agricultural Crop Insurance

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What is Agricultural Crop Insurance?

An insurance which protects from damages to crops due to natural disasters

; key in assisting farmers lessen the negative financial impact or income instability of these adverse natural disasters.



History of Agricultural Crop Insurance

Introduced in March 1, 2001

Handled by a public private partnership
And is heavily supported by the government

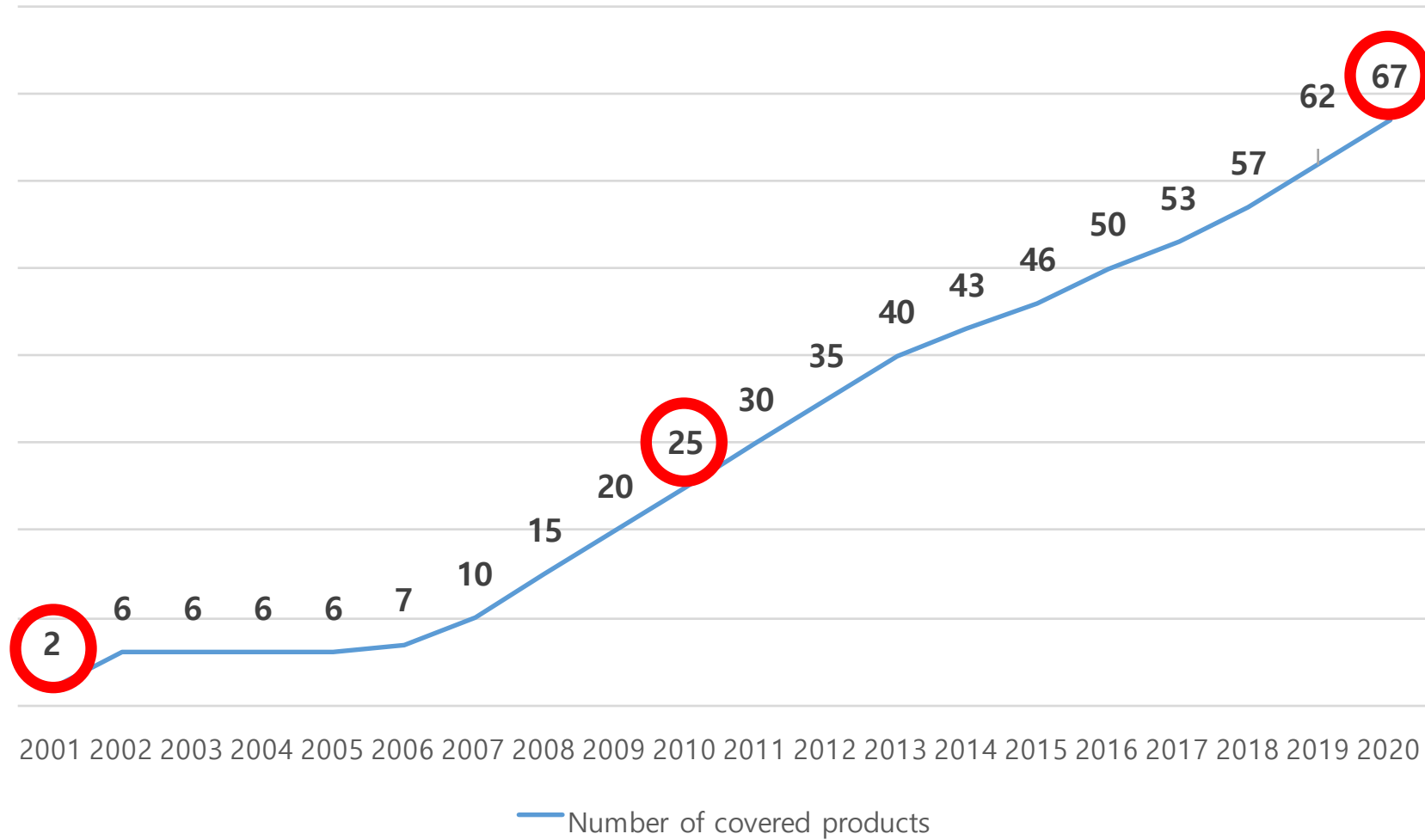
Managed by the National Agriculture Cooperative Federation (NAFC)

Offered through named-peril and multi-peril crop insurance policies

67 crops are covered (2020)



The number of covered products from 2001 to 2020



History of Agricultural Crop Insurance

First crisis

Severe loss (Loss to risk premium, L/R, 435%) occurred due to super typhoon “Rusa” in 2002.

The government indemnified NHPCI (2003)

A Public-Private Task Force Team was organized in 2004

- ➔ Premium rate raised by 50%
- ➔ The government reinsurance (over L/R 180%)
- ➔ Two-step step claim handling



Agricultural Crop Insurance Join Rate (%)



History of Agricultural Crop Insurance

Second crisis

- (1) good loss results
: L/R 44% (2005), L/R 37% (2006), L/R 45% (2008)
 - (2) exclusion of catastrophe pricing after 2005
- premium rates steadily decreased
from 2005 level to the pre-2005 level;
- (3) Unexpected losses during 2009-2011
 - (4) Severe losses (L/R 37%) due to super typhoon “Bolaven”.



History of Agricultural Crop Insurance

Renweal

1. Premium rate increased by 33%
2. Government insurance (Stop Loss)
: L/R 150%. Stop Loss Cost : 5.5% of Cross Premium;
3. Created new claim organization
with 200 persons for claim handling.



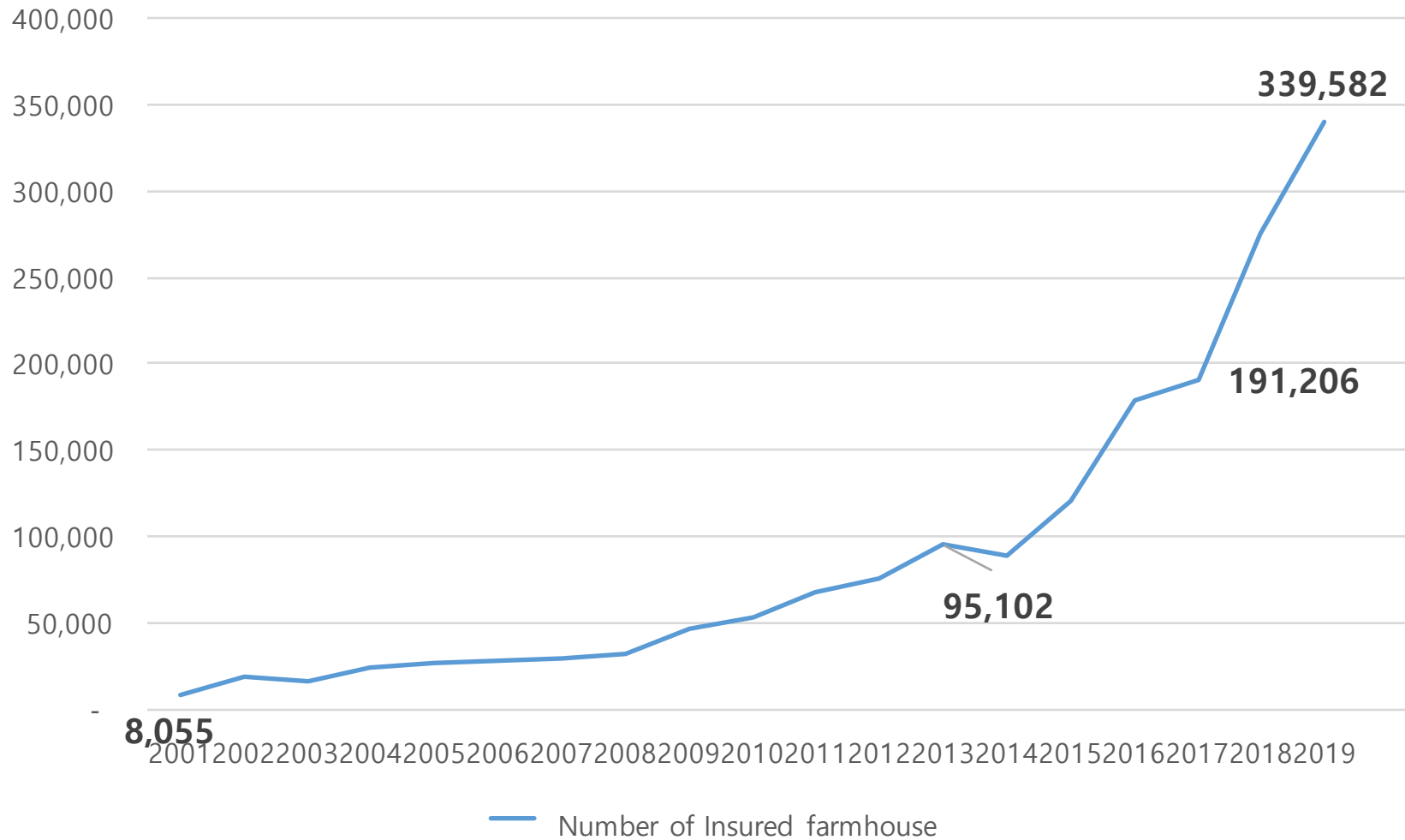
History of Agricultural Crop Insurance

Korean Crop insurance program is heavily supported by the government in 4 ways:



1. The Central government provides 50% premium subsidies;
2. The Central government also acts as a reinsurer of last result for the liability in excess of 180% local market loss ratio (150% after 2013)
3. 100% of the NFCA's crop insurance operational expenses are subsidized by the central government budget;
4. The Central government, through the Ministry of Agriculture, has an active participation in product research and development.

The number of insured farmhouse from 2001 to 2019



Sorts of Agricultural Crop Insurance

- (1) Fruits
- (2) Rice, Barley, etc
- (3) Horticulture facility
- (4) Field crops
- (5) Mushroom



Sorts of Agricultural Crop Insurance

_ Fruits

An insurance which guarantees from damages to fruit tree crops



Sorts of Agricultural Crop Insurance

_ Fruits

Guarantee against specific risks



Type1) Apple, Pear, Sweet persimmon and Astringent persimmon insurance cover only limited risks such as windstorm, hail, earthquake, rainfall and freeze(special clause).

Type2) Apple, Pear, Sweet persimmon and Astringent persimmon insurance cover all risks before tinning out and specific risks after tinning out.

Sorts of Agricultural Crop Insurance

_ Fruits

Guarantee against all risks



Tangerine, Peach, Grapes, Apricot, Plum, Mulberry, Chestnut, Jujube, Kiwi and Citron insurance cover all risks.

Black raspberry and Fig insurance cover all risks before harvest and specific risks(windstorm, hail) after harvest.

Sorts of Agricultural Crop Insurance

_ Rice, Barley, etc



An insurance which guarantees against decrease in yield of rice, barley etc.

Sorts of Agricultural Crop Insurance

_ Rice, Barley, etc

Guarantee against all risks

Rice, Barley insurance cover natural disasters, wild animal attacks and fire.



Sorts of Agricultural Crop Insurance

_ Rice, Barley, etc

Guarantee against harmful insects to rice

Rice insurance covers leaf blight, stripe leaf blight and leaf blast.



Sorts of Agricultural Crop Insurance

_ Horticulture facility



An insurance which guarantees
Against damages to agricultural facilities,
supplementary facilities, and growing crops
due to natural disasters, wild animal attacks, and fire.

Sorts of Agricultural Crop Insurance

_ Horticulture facility



Guarantee against damages to agricultural facilities

Supplementary facilities and growing crops are applicable when they work for agricultural facilities. All supplementary facilities except for movables are possible for application.

Sorts of Agricultural Crop Insurance

_ Horticulture facility



Guarantee production cost of facilities and growing crops

In case that damage to growing crops exceeds a small damage exemption of KRW 100 thousand, the indemnities set out for loss in proportion to damage.

When agricultural facilities get damaged by natural disasters, wild animal attacks and fire, the indemnities set out after deducting some of damage amount.

Sorts of Agricultural Crop Insurance

_ Horticulture facility



Guarantee against all risks

Strawberry, Cucumber, Tomato, Oriental melon, Unripe hot pepper, Pumpkin, Water melon, Melon, Paprika, Eggplant, Chrysanthemum, Rose, Lettuce, Leek, Spinach, Cabbage, Chive, Scallion, Carnation, Radish, Lily and Water parsley insurance cover all risks.

Sorts of Agricultural Crop Insurance

_ Field crops

An insurance which guarantees against decrease in yield or production cost of field crops.



Sorts of Agricultural Crop Insurance

_ Field crops

Guarantee against all risks

Tea, Autumn potato, Sweet potato, Onion, Bean, Garlic, Spring potato, Corn lettuce and Red pepper insurance cover natural disasters, wild animal attacks, fire.

Ginseng insurance covers only limited risks (windstorm, heavy snow, rainfalls, excessive moisture, fire and hail).



Sorts of Agricultural Crop Insurance

_ Field crops

Guarantee against production in crop yield

Tea, Autumn potato, Sweet potato, Onion, Bean, Garlic, Spring potato, Corn lettuce and Ginseng insurance cover reduction in crop yield.



Sorts of Agricultural Crop Insurance

_ Field crops

Guarantee production cost

Red pepper insurance covers production cost of the crop.



Sorts of Agricultural Crop Insurance

_ Mushroom

An insurance which guarantees damage to the facilities and production cost of mushroom.



Sorts of Agricultural Crop Insurance

_ Mushroom

Guarantee against damages to agricultural facilities

Supplementary facilities and growing crops are applicable when they work for agricultural facilities. All supplementary facilities except for movables are possible for application.



Sorts of Agricultural Crop Insurance

_ Mushroom

Guarantee production cost of facilities and growing crops

In case that damage to growing crops exceeds a small damage exemption of KRW 100 thousand, the indemnities set out for loss in proportion to damage.



Sorts of Agricultural Crop Insurance

_ Mushroom

Guarantee against specific risks

Oyster mushroom and Shiitake mushroom insurance cover natural disasters, wild animal attacks and fire under special clause.



Thank you for listening.