



Horticulture Facility Insurance Plan

Dr. Jeongbin Im

Professor, Seoul National University, Korea

The Ministry of Agriculture, Food and Rural Affairs (MAFRA) announced that horticulture facility insurance plan will be launched on October 1st and it will be on sale from October 1st to December 6th at 946 local Nonghyup (Agricultural Cooperative) branches across the country. For farmer convenience, the documents required for horticultural facility insurance registration have been simplified, and the applicable items, regions, and coverage have been largely extended.

Major horticulture facility insurance changes in 2013 are as follows. First, nine facility crops insurance sold only in main producing area will be under nationwide implementation. The nine crops are watermelon, strawberry, cucumber, tomato, oriental melon, unripe red pepper, pumpkin, chrysanthemum, and roses. Second, three crops insurance, including chive, lettuce, and spinach have been newly introduced to the market, and the demonstration project is being expanded from 50 to 70 cities and districts. Third, insurance coverage is expanded to ancillary facilities like heating warming, and watering facilities. In addition, the documents required for registration have been simplified by integrating facility and product insurance. Applicants should prepare only an application form and six relevant documents to obtain the insurance, unlike the two application forms and 18 relevant documents previously required for the separate facility and product insurance. Finally, the application period has been changed from one time (August to November) to two times (April to May and October to November) prior to the occurrence of a disaster to be covered.

Losses will be covered if insured facilities or farm facility products are damaged by natural disasters such as high winds, heavy snow, flooding, animals or fire. The minimum unit of insurance is one household complex (1,500 m² in a single span and 400 m² for multiple spans). Since central and local governments support 50% and 26% of the insurance premiums respectively, the burden on farmers is minimal. The average insurance premiums per 1ha of facility crops was Korea won 353,000 thousand in 2012, and the actual average farmer's payment was Korea won 85,000 thousand.

The Korean government will expand government financing for the agricultural disaster insurance system, to ensure it is a reliable support system for damaged farms. For example, the government has drawn up next-year's budget for agricultural disaster insurance amounting to 270.1 billion won to implement follow-up measures for insurance policy improvement, making it the largest increase since the agricultural disaster insurance system was introduced in 2001. The amount of government budget for disaster insurance has been increased from 9.4 billion won in 2001 to 201.6 billion won in 2013, and 270.1 billion won in 2014. The Korean government is now requesting that farmers aggressively apply for agricultural disaster insurance to handle increased business risk resulting from recent extreme weather conditions.

Korean Horticulture Facility Insurance Improving Plan in 2013

Category		2012	2013
Coverage	Item	Watermelon, strawberry, cucumber, tomato, oriental melon, unripe red pepper, pumpkin, chrysanthemum, rose, melon, and bell pepper	Watermelon, strawberry, cucumber, tomato, oriental melon, unripe red pepper, pumpkin, chrysanthemum, rose, melon, bell pepper, <u>chive, spinach, and lettuce</u>
Coverage	Facilities	Vinyl greenhouses and glasshouses	Vinyl greenhouse, glasshouse, <u>ancillary facilities</u> (watering facility, nutrient solution culture facility, warming facility, heating facility, etc.)
Transferred to nationwide business		Demonstration business (11 items and facilities) - sold in 51 cities and districts	<u>Nationwide business</u> (nationwide sales) - facility houses and nine crops including watermelon, strawberry, cucumber, tomato, oriental melon, pumpkin, chrysanthemum, rose, melon, bell pepper, etc.
Demonstration business area		51 cities and districts - 11 items and facilities	<u>70 cities and districts</u> - melon, bell pepper, chive, spinach, lettuce
Coverage area		Single-span house: 1,000 m ² or wider Multiple span house: 400 m ² or wider Glasshouse: Unlimited	Same as before
Coverage unit		Register by complex unit (Insurance premium and damage estimation calculated with the house as a unit)	Same as before
Coverage period		August 20 to December 7	<u>October 1 to December 6</u> * 1st half of the year: April 29 to May 31
Covered disaster		Natural disaster, damage by animals and fire	Same as before
Applicant payment		- Houses : the lesser of 300 thousand won or 10% of the insurable value (based on a house) - Facility crop: 100 thousand won	Same as before
Insurance premium		50% of insurance premium supported by the government (Ave. 26% of additional support by local governments)	Same as before
Selling agency		First-line regions and local Nonghyup branches (946 agencies)	Same as before
Simplified insurance documents		Facility and production insurance application forms to be separately prepared - two application forms and 18 relevant documents	<u>Integrated application form</u> including facility and product to be prepared - An application form and six relevant documents

Date submitted: November 8, 2013

Reviewed, edited and uploaded: November 14, 2013