



Korea Proposed Amendments to their “Agricultural Commodities/Crops Disaster Insurance” Coverage on May 2nd, 2013

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The Korean authorities in a desire to ameliorate the disaster losses of affected Korean farm households, have deployed assiduous assistance and disaster relief efforts, to help the farming sector recover as expeditiously as possible, and resuscitate their aquaculture industry through implementation of loss compensation insurance measures for the agriculture and aquaculture sectors, along with emergency relief support assistance. Although the Korean administration began their agriculture and aquaculture disaster insurance system in 2001, some disaster insurance beneficiaries and coverage items were insufficient for certain agricultural commodities and crops when faced with various disasters or calamities. Thus, the Korean government has decided to propose adoption of the following amendments:

1. Expanded disaster insurance item coverage and scope of insurance, to include a variety of commodities
 - Expanded disaster insurance beneficiaries and coverage items: Expansion of coverage to include 93 items up to 2017 (an addition of over 50% of items covered).

(Expanded disaster insurance coverage items)

- 71 items are covered in 2013→ 77 items in 2014→83 items in 2015→ 88 items in 2016→ 93 items in 2017
 - Crops: 40 crops covered in 2013→43 crops in 2014→46 crops in 2015→48 crops in 2016→50 crops in 2017
 - Animal husbandry/cattle: 16 kinds covered in 2013→16 kinds in 2014→16 kinds in 2015→16 kinds in 2016→16 kinds in 2017
 - Aquaculture: 15 items covered in 2013→ 18 items in 2014→ 21 items in 2015→ 24 items in 2016→ 27 items in 2017
 - Expanded compensation coverage: for all natural disasters
 - Apples, pears, oranges, persimmons: Existing coverage is limited to typhoons, hail damage, and torrential rain induced disaster losses, while the amendments will provide extension of coverage to all natural disasters, including frost damage, snow damage, or bird related losses.
- Reduce the time limits for processing investigations into disaster losses: The public authorities will train professional loss estimation Adjusters and develop robust

technological solutions for investigative equipment. In 2013, it plans to ensure a total cohort of 400 professional disaster loss Adjusters, with the number expected to increase to 1,000 trained Adjusters by 2017.

2. Establish a “Loss Estimation Adjuster Qualifications System”, to stabilize operations of the “Agricultural Commodities/Crops Disaster Insurance” system

3. Expand disaster insurance related infrastructure:

- Establish a professional administration for the “Agricultural Commodities/Crops Disaster Insurance” system: which will ensure the unique functions of the “Agricultural Commodities/Crops Disaster Insurance” system as differing from a standard commercial risk insurance, and allow for a professional administrative agency for the “Agricultural Commodities/Crops Disaster Insurance” system, develop the requisite human capital resources for Agricultural Loss Adjusters, and develop the appropriate range of agricultural insurance products.
- Expand research studies of agricultural commodities/crops disaster loss insurance, provide structure for ascertaining agricultural commodities/crops insurance statistics and production administration systems, produce an “Agriculture and Aquaculture Disaster Insurance Map” and calculate the appropriate insurance rates and develop new insurance products.
- Reduce the government’s interest costs for capital requirements of the public policy decisions, engaging in promotion of “Agricultural Commodities/Crops Disaster Insurance” system education, promoting the public willingness of farmers and fishermen to participate in the “Agricultural Commodities/Crops Disaster Insurance” system.

4. Improve the agricultural disaster loss restoration strategies:

- *Force majeure* secondary natural disaster loss beneficiaries will be extended to: cases of flood damage, resulting in insufficient electricity for operations causing death of cattle or aquaculture crop losses.
- Each participating farmer or fishery household’s maximum agricultural natural disaster loss crop coverage amount for *ex gratia* support will be a maximum of Korean Won 50 million, with any portions in excess thereto being covered by long-term low interest capital from the public authorities.
- Increase the unit coverage amount of insurance items, allowing natural disaster loss covered farmers or fishermen the earliest possible restoration to normal operations.
- For example in 2012 greenhouse related natural disaster loss relief fund totaled 35%~47%, and after amendment will expand to over 55%.

<Primary components of the “Agricultural Commodities/Crops Disaster Insurance” system amendments are as follows>

	Lee Myung-bak administration	Park Geun-hye administration
Natural Disaster Coverage Items	62 items covered	2013: 71 items covered 2017: 93 items covered
Time for Completing Loss Investigations	7-10 days	3-5 days
Natural Disaster Loss Adjusters	Assigned to farmers and fishermen	Professional disaster loss Adjusters (establishing a new Loss Adjuster qualifications system)
Scope of Guaranty	typhoon, hail, torrential rains	All natural disaster losses, including frost, snow, and bird/animal losses
Crop Harvest Determination Method	Average harvest in the affected city and area	Individual farmer and fishermen household actual harvests
Benchmark Price Use Methods	Typical agricultural product prices will be used uniformly	Different agricultural and aquaculture commodities will use varying benchmark prices for evaluation. For example, in highly arable land areas rice crops benchmark price valuation for ex gratia compensation will be for a loss ratio of 20%, but for standard land grown black rice, the benchmark price valuation for ex gratia compensation will be for a loss ratio of only 15%.
Farmer Household Co-Payment Percentage of the Natural Disaster Losses	Primarily 30%	15%— apples, pears, mandarin orange, tangerines, small persimmons, and oranges (but if a farmer or fishermen who has accepted disaster insurance relief fund within the latest 3 years, they can only buy the agricultural commodities/crops disaster insurance with more than 20% co-payment ratio). 20%—potatoes, onions, sweet potatoes, corn 30% or more—typical farm and fish produce
National Reinsurance	Pays: up to 180% of losses	Downward adjustment of the standard loss rate * In 2013, paying: 150% and up of losses sustained

Insurance System Administrative Agency	none	the Farmers and Fishermen Policy Insurance Public Consortium
Maximum Disaster Loss Assistance For Each Covered Household	Korean Won 50 million	Korean Won 50 million+ natural disaster loss loans (loan amount limits: 100 million Won, at annual interest rate of: 1.5%, loan term of 10 years, with a repayment grace period of 5 years)

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