Agricultural Disaster Compensation System in Japan (Part 1)

Fumihiro Kabuta, Ph.D.
Policy Research Coordinator, Policy Research Institute
Ministry of Agriculture, Forestry and Fisheries, Japan

INTRODUCTION

Agricultural Disaster Compensation System shall be a public insurance system that has been implemented as the Government measure for agricultural disaster recovery. Agricultural mutual aid insurance money will be paid for victim farmers by natural disasters, depending on the degree of damage, from the reserve fund accumulated by mutual aid premiums. Based on the farmers’ mutual aid, the Agricultural Mutual Relief (AMR) Program has been operated by the Agricultural Mutual Relief Associations (AMRAs) for each region or municipal governments. These operating bodies, AMRAs and municipal governments, are called “NOSAI”. The Government of Japan provides subsidy as a part of the insurance premium and operating cost of the program, and re-reinsures.

Purpose of the program

AMR Program has been managed under the Agricultural Disaster Compensation Law (Law No.185 of 1947). This Law specifies the purpose of the program as stabilizing the farm income by compensating the loss that farmers may receive by accident, and hence contributing to the growth of Japanese agriculture.

Insured accident

Wind and flood damage, drought, cold weather, heavy snow, other damages caused by bad weather, fire, diseases and insect damage, harm wildlife, and so on.

System scheme

This system is to compensate for the loss of farmers affected by the disaster through the insurance scheme. Farmers make contribution to a joint reserve fund in advance. This system is based on a mutual voluntary relief of farmers in a sense that mutual aid insurance money will be paid from the joint reserve fund if the damage has occurred.
Insurance types and their target agricultural products

- **Rice and the other grain insurance**: Paddy rice, upland rice, wheat and barley
- **Livestock insurance**: Cattle, horse, pig
- **Fruit and fruit-tree insurance**: Satsuma orange, citrus natsudaïdai, Iyokan, designated citrus, apple, grape, pear, peach, cherry, loquat, persimmon, chestnut, plum, prunus salicina, kiwi fruit, pineapple (Designated citrus includes Hassaku, Ponkan, navel orange, pomelo, citrus tankan, citrus sulcata, Kiyomi, Hyuganatsu (citrus tamurana), seminole, Dekopon, citrus maxima (Kawachi-Bankan), Yuzu, Harumi.)
- **Field crops insurance**: Potatoes, soybeans, red beans, green beans, sugar beet, sugar cane, tea, buckwheat, sweet corn, onions, pumpkin, hops, silk-cocoon
- **Greenhouse insurance**: Specific horticultural facilities (including subsidiary facilities, agricultural products grown in the insured facilities)

Government’s contribution of premiums

Japanese Government bears part of the premiums (50% in principle) of which farmers have to pay from the following reasons;

- Premiums of agricultural insurance becomes higher due to extremely higher damage rate compared to the damage rate in the other property and casualty insurance, and the number of farmers who can join the insurance program shall be limited without support for premiums (cf. damage rate of paddy rice (8.2%) is around 180 times higher than fire rate (1.045%));
- In order to operate the system using insurance scheme in a continuous and stable manner, it is necessary to encourage participation of farmers more, and to ensure enough insurance population.

Organizational structure of the program

This program has been operated in three layers, namely 1) AMRAs and municipal governments, 2) their prefectural federation, and 3) national government. Natural disasters may cause huge losses to farmers over a wide area, where the risks cannot be fully covered within the local communities or even prefecture. Therefore liabilities by AMRAs and municipal governments are reinsured by their prefectural federation, and further, the federations’ liabilities are re-reinsured by the Government of Japan in order to distribute risks nationwide.
Government (MAFF) (Agricultural Mutual Aid Reinsurance Special Account)

Prefectural Federation of AMRAs (38 federations)

AMRAs (181)

Municipal governments operating AMR program (54)

Farmers

Farmers


(To be continued)

Date submitted: April 18, 2014
Reviewed, edited and uploaded: April 18, 2014