

The Launch of Taiwan's First Crop Disaster Insurance Policy

Min-Hsien Yang, Professor, Feng Chia University, Taiwan

I Han, Assistant Professor, Feng Chia University, Taiwan

Source: Council of Agriculture

The first crop natural insurance policy has just been recently launched after years of efforts by Taiwan's Council of Agriculture (COA). This is because of the probability of more frequent natural disasters in the future. The purpose is to reduce the farmer's potential loss caused by natural disasters, given that the government compensation by using the natural disaster relief system is still limited. The priority target is to cover the high-value grafting pears, which COA encourages farmers to purchase the policy with a subsidy as an incentive. The Counseling Director of COA, Zhi-Sheng Zhang said, the extreme climate causes a significant increase of natural disaster frequencies in Taiwan, resulting in the crop damage losses caused by typhoons, heavy rains and frosts. Given that the act of "Agricultural Natural Disaster Relief" provide compensation, the 20% is the maximum of a total loss suffered by a farmer. After years of efforts to formulate "Crop Natural Disaster Insurance Pilot Subsidy" regulation, this year we have domestic private-owned insurance companies that agreed to launch the first crop natural disaster policy. The first dedicated promotion targets at high-value grafting pears to reach an increase of loss damage compensations from 20% to 70% of the farmer's loss. Zhi-Sheng Zhang said, COA and insurance companies plan to have a three-year pilot period. The one-third insurance fee or a maximum amount of NT\$30,000 per hectare is subsidized by COA. The Taichung City government also follows COA to subsidize another one-third of the insurance fee, which leaves only one-third of the fee as paid by the farmers. There are two types of insurance policies, with a total of nine combinations. One type of policy is for the natural disaster loss damage compensation recognized by the government, while the loss is also covered by the same amount as an extra by the insurance. The other type of policy covers the insufficient amount of government relief, which can offer the loss damage compensation according to the insurance contract.

Grafting pear farmers at Donshi District of Taichung, Zhi-Biao Wu and Lin-Zhuan Liu purchased three insurance policies. Both of them attended the ceremony of contracting. Zhi-Biao Wu explained that The 7-2 Big Floods entirely destroyed his pear farm and caused more than a million NT dollars of loss. He reconstructed the farm by loans. There was also a NT\$0.3 million loss caused by frost during the winter, while he only got NT\$45,000 from government relief. Now he felt lucky that COA and Taichung City Government shared a financial burden by subsidizing a two-third of the insurance fee, of while he paid only NT\$30,000 fee.

Date submitted: Nov. 29, 2015

Reviewed, edited and uploaded: Nov. 30, 2015