Agricultural Insurance in Vietnam

Code of Aquaculture Insurance

Context

This factsheet provides an overview of the aquaculture insurance code that supports the implementation of Vietnam's agricultural insurance policies as per Decree 58 and Decision 22, to enhance the resilience of individuals and organizations engaged in agricultural production against natural disasters and diseases.

The factsheet details the nature, scope, features, and processes relevant to the insurance code and its three key stakeholders:

1. **Insured:** organization or individual who receives state support for agricultural insurance premiums as per Decision 22, to insure black tiger shrimp and whiteleg shrimp (insured subjects) against risks arising from natural disasters.
2. **Policyholder:** either insured or a representative as authorized by the insured who signs the insurance policy with the insurer, pays the premium and facilitates the relevant information.
3. **Insurer:** a non-life insurance company that determines the extent of loss with relevant agencies and compensates the insured when an insured event occurs.

Documents for insurance application

To apply to the insurance, the insured must send the insurer the insurance application form and the documents legally verifying the location and surface area of the shrimp farm and the ownership right or the right to use the agricultural land as a shrimp farm in the area planned for shrimp farming.

Insurance conditions

To be eligible for the insurance, the insured must:

a. Have the right to use shrimp farms legally.

b. Purchase insurance for all shrimp farms under his/her management and usage in the same commune.

c. Comply with the farming procedures regulated by relevant authorities. This includes the requirement for the insured to submit the insurer monthly declaration reports before the 15th day of the following month, which includes data on the number of raising days, density, biomass, shrimp weight, number of shrimp and alive rate.

d. Immediately inform the insurer within 24 hours after the risk occurs if the insured subject is damaged or lost by the natural risk.

Scope of insurance

The insured will be compensated any loss that results from the direct causes or the consequences of the damages to or loss of the insured subject by the following **natural disasters**: storms, tropical depressions, cyclones, lightning, heavy rains, floods, inundations, landslides caused by rain or runoff, land subsidence due to rain or run off , rising water, saline intrusion, heat wave, drought, hail, earthquakes, tsunamis.

The disasters must be confirmed by competent agencies.

Exclusion insurance liability

The insurer will not compensate the losses resulting from: **a)** risks not specified above, **b)** intentional acts and fault behaviours, such as intentionally poisoning or injuring shrimps, **c)** poisonous substances, pollution and contamination, **d)** war, sabotage, rebellion, strike, terrorism or radiation, and **e)** volcano eruption or meteorite attack. Compensation will also not be provided if the insured **f)** incorrectly reflects the information on the monthly declaration, **g)** arbitrarily changes the area of the shrimp farm without declaring this to the insurer, or **h)** provisions on restrictions and exclusions on sanctions.

Insurance duration and period

The insurance period is valid from the first farming day – stocking the baby shrimps – until either **a)** the 120th day for black tiger shrimps or **b)** the 80th day for the whiteleg shrimps.

Whiteleg shrimp. Photo from Wikimedia

Tiger Shrimp. Photo from aquaculture04.blogspot.com

This factsheet is produced for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia, jointly by the Insurance Supervisory Authority of Vietnam (ISA) and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia).
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Insured amount

Insured amount is the value of the cost of breeds and foods for each pond in one shrimp farming cycle. It is calculated as follows:

$$\text{Insured amount} = \left(\text{Farming area} \times \text{Farming density} \times \text{Avg weight of food per shrimp} \times \text{Avg food price}\right) + \text{Baby shrimp price}$$

The farming area is measured in m2, **farming density** in shrimp per m2, **the average weight of food** is 0.03 kg per black tiger shrimp and 0.02 kg per whiteleg shrimp, **average food price** as VND per kg and **baby shrimp price** in VND.

Insurance premium

Insurance premium is the money that the insurer receives from the insured or policyholder and/or as subsidies from the state. The insurance premium is calculated as follows:

Premium = Insured amount x Premium rate

The **insured amount** is specified in the insurance policy and the **premium rate** for both shrimp types is 5%.

The policyholder must pay the insurer the entire insurance premium, excluding the state budget's support, within 30 days since the insurance policy is signed, unless stated otherwise. If the premium is not fully paid within the agreed timeframe, the policy will be terminated.

Claim settlement

Loss notification: When the insured event occurs, the insured and/or the policyholder must notify the insurer immediately (in 24h) and follow insurer's guidelines as requested.

Claim document:

- Within 1 month from the insured event, insured must submit the insurer the claim files, which include **a)** a copy of the insurance policy and **b)** a filled and signed claim form. The insurer must collect **c)** a written declaration of natural disasters by the competent agencies, **d)** loss assessment minutes completed by the inspection company approved by the insurer, and **e)** other documents related to the claim.

Compensation amount is calculated for each pond as follows:

1. Determine the insurance rate based on the number of raising days. It ranges from 14% to 100%, with 100% being day 120 for black tiger shrimp and days 75-80 for whiteleg shrimp.

2. Determine the insurable damage rate from natural disasters by assessing and deducting losses from natural death, which is done jointly by a loss assessment company and the insurance enterprises. Damage rates do not include natural death rates.

3. Calculate the compensation amount via the following:

$$\text{Compensation amount} = \text{Insured amount} \times \text{Insurance rate (\%)} \times \text{Damage rate (\%)}$$

4. Calculate the final payment by noting the deductible rate:

$$\text{Indemnity payment} = \text{Claim amount} \times \left(1 - \text{Deductible rate}\right)$$

The **deductible rate** consists of **1.** A standard agreed deductible rate that the insured must bear in case an insurance event occurs, which is 30% for both types of shrimps, and **2.** An additional rate of up to 20% by the insurer if the insured fails to fully comply with the shrimp raising processes regulated by the competent authority or with the loss notification procedures.

Compensation settlement duration:

- In a standard policy, the insurer must provide compensation within 15 days from receiving all valid claim documents.

Insurance contract termination

The insurance policy is automatically terminated if the premiums are not fully paid in time, the insured has harvested the shrimp or the policy has expired, or the insurer has paid the claim to the insured.

The insured can terminate the policy before its expiry by sending a written request to the insurer 10 days in advance. After settling a written contract, the insurer must refund 80% of the premium for the remaining period if the insurance event has not occurred.

Whiteleg shrimp. Photo from Wikimedia

Tiger Shrimp. Photo from aquaculture04.blogspot.com

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