

GOAL Conference - More aquaculture insurance is needed to drive production growth.

Date: October 12, 2014

NOTE: This is a report on what we said in the GOAL session on insurance. The report misses a lot of points, but I think we got a message over that insurers face a lot of difficulties in covering aquacultural crops.

PADS

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At the minute, getting insurance for all but the largest operators is not easy. When the aquaculture sector is comprised of lots of small and medium sized operators, this is a problem.

“There is no specific insurance policy designed for the fish farmer,” said Paddy Secretan, of AUMS Ltd.

“If you own a hairdressers or a garage, you can get a specific insurance policy designed for your business.. If you are a fish farmer, you cannot,” he said.

A model Secretan sees developing in the future is one that is being used in agriculture, where a co-operative of farmers come together to get insurance together.

The bearish attitude from the insurance industry comes from the “massive losses” that have been sustained over the years in aquaculture, said Secretan.

Farmed seafood standards make it easier to pick companies that have more sophisticated and arguably less risky farming models, he said.

Having said that, the plethora of standards makes it very confusing for insurers, said Secretan, echoing a point made by several over the first three days of GOAL.

The need for insurance in aquaculture is getting more and more acute, as demand for seafood grows at a far slower rate than the world’s population.

“Aquaculture is no longer an option, it is a need,” said Cesar Real, CEO of RMB Insurance Brokers. “Production cannot grow without insurance.”

Specialized brokers, such as RMB, are needed to “break the roundabout trap”, he said. Like Secretan, Real also said certification can lead to making aquaculture firms a more interesting prospect for insurers.

He said Best Aquaculture Practices (BAP) certification could help. BAP plus insurance might be part of the answer, but “there is a need to make sure to truly welcome the small and mid-size farmers”.

It is difficult for the small and mid-size players to get BAP and the mid-size part of the industry is “key”, he said. Large players tend to get insurance, one way or another.”

This is very true in Vietnam, but the industry does not look like a great option for insurers at the moment, said Au Quan Hien, of the Vietnam office of US-based Aegis Insurance Services.

At the moment, the risks outweigh the possible benefits, he said.

For every \$1 of insurance, there is \$3 of claims, said Hien. This does not create a strong story for insurers.

A possible option for Vietnamese companies is to come together in a co-operative. That could give more scale and less risk for insurance companies, said Hien.

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