

Aquaculture Insurance Information



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AQUACULTURE INSURANCE INFORMATION

ABOUT LONGLINE ENVIRONMENT

Longline Environment was incorporated in 2005, to provide marine environmental products and services based on 20 years of research and technology development experience. The company offers a range of consultancy services and solutions to the aquaculture industry.

EXECUTIVE SUMMARY

Aquaculture is one of the fastest growing food related sectors and the emergence of medium/large scale aquaculture projects has stimulated the demand for insurance to share and cover the risks involved.

The aquaculture sector in recent years has focused on establishing and implementing risk management strategies such as Better Management Practices (BMP), certification and traceability.

In addition to Better Management Practices, aquaculture insurance is an effective tool for mitigating risk for fish farms. Aquaculture insurance is a specialised insurance class and the majority of aquaculture operations have little information about its availability and the process involved in obtaining insurance cover.

WHAT IS AQUACULTURE INSURANCE?

Aquaculture Insurance is available for aquaculture operations and fish farms around the world for a wide range of species. According to the FAO Review of Aquaculture Insurance, taking out aquaculture insurance for fish farms should provide the following benefits:

- Protection of capital invested;
- Protection against events/natural hazards that affect health, assets and harvests;
- More secure incomes, increasing stability and economic welfare;
- Improved access to investment capital and finance;
- Access to risk management strategies and opportunities for mutual assistance for cooperation within the aquaculture industry.

WHY IS AQUACULTURE INSURANCE NOT WIDESPREAD?

Aquaculture insurance is a technically difficult industry to insure and the majority of fish farms are not covered by aquaculture insurance. Despite the benefits outlined above, FAO highlights some of the difficulties aquaculture insurance has faced during its expansion.

- Limited awareness among fish and shellfish farms of the availability of insurance;
- Lack of BMP's and other management skills/processes required for insurance cover eligibility;
- Exclusion of small-scale fish farms from insurance;
- Lack of well established associations and co-operatives to act as insurance agents in developing countries;
- Weak legal frameworks for aquaculture insurance and lack of related government policies.

WHAT SPECIES CAN BE INSURED?

There are a large range of aquaculture species currently insured. Aquaculture insurance is available for fish, molluscs, crustaceans, kelp. The table below lists the most common species for which insurance is available. The table is not exhaustive, however insurers tend to limit insurance cover to the species listed below.

Fish	Molluscs	Crustaceans
Salmon	Oysters	Prawn
Tuna	Mussels	Shrimp
Cobia	Clams	Lobster
Sea Bass	Scallops	
Sea Bream	Abalone	
Trout		
Carp		
Cod		
Tilapia		
Barramundi		
Halibut		
Sturgeon		

WHAT PERILS ARE COVERED?

Most aquaculture insurance schemes can cover onshore and offshore aquaculture farms. Insurance is available for offshore cage and longline culture and onshore culture in ponds, raceway and recirculation systems.

Onshore Systems

Pollution from external sources;

Aircraft and other aerial devices or articles dropped from the sky;

Malicious acts;

Predation;

Storm damage (including hurricanes, cyclones and typhoons);

Landslides, earthquakes and volcanic eruptions;

Structural failures, breakage or blockage of any part of the water supply system;

Drought, fire, lightning, explosion;

Freezing, frost damage, frazil ice;

Mechanical breakdown or accidental damage to machinery and other installations;

Electrical breakdown, failure or interruption of the electricity supply, and electrocution;

De-oxygenation and other changes in the chemical constituents of the water that cause damage.



Aquaculture insurance can cover most offshore aquaculture farms, including operations in enclosed bays and fjords, as well as open ocean farms located several kilometres offshore.

Offshore Systems
Pollution from external sources;
Aircraft and other aerial devices or articles dropped from the sky;
Malicious acts;
Predation or physical damage by other aquatic organisms;
Storm damage (including hurricanes, cyclones and typhoons), tidal waves and collision;
Sudden and unforeseen structural failure of equipment;
Freezing, super-cooling, ice damage;
Structural failures, breakage;
De-oxygenation due to competing biological activity or to changes in the physical or chemical conditions of the water;
Harmful Algal Blooms (HAB's);
Freezing, frost damage, frazil ice;
Other changes in the concentration of the normal chemical constituents of the water, including pH or salinity.

Insurance policies which include cover against disease can also be arranged for aquaculture farms.



HOW MUCH DOES INSURANCE COST?

Due to the varied nature of aquaculture operations, the insurance cost will be different from farm to farm. The cost of insurance for fish and shellfish farms depends on the risk exposures, the operating standards of the farm and on the farms' experience. Aquaculture insurance is most effective when tailored to the necessities of individual farms, with emphasis on covering the risks beyond the direct control of the farm.

The majority of insurance policies are structured on an adjustable basis, using a 'maximum sum insured' which is the basis for calculating the premium. Under this structure, a deposit premium is paid, with the final premium being calculated at the end of the year. An adjustable policy accounts for fluctuations in farm values and reflects the interests of both the aquaculture operation and the insurer.



WHAT IS THE ROLE OF THE INSURANCE BROKER?

Aquaculture insurance is a specialised class of insurance and an insurance broker is recommended to help fish farms with the application process and other issues relevant to obtaining insurance. Brokers also present the insurance application to the underwriters who ultimately provide insurance.

Depending on the local insurance market, producers may be able to find local insurance brokers/intermediaries with contacts in the London Insurance Market (<http://www.lloyds.com>). The most experienced aquaculture insurance brokers are based in London and insurance can be arranged directly through them.

HOW TO OBTAIN AN AQUACULTURE INSURANCE QUOTATION?

Fish farms/aquaculture operations wishing to obtain insurance for their fish or shellfish farms are normally requested to complete an insurance proposal form. In certain cases insurers may require a pre-risk survey.

Due to the specialised nature of aquaculture insurance, underwriters require information in to assess the risk involved with each aquaculture operation. The insurance proposal form requires basic information about the site location, dimensions, types of equipment used, security issues, etc. In addition to insurance proposal form, additional information such as coordinates/maps, photographs, farm diagrams, etc.

FURTHER INFORMATION

For further information about aquaculture insurance and how we can assist you please get in touch.

<http://www.longline.co.uk>

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