

## Agricultural Insurance in Vietnam

### Code of Rice Insurance Based on Productivity Index

#### Context

This factsheet provides an overview of the rice 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 rice crops against risks arising from natural disasters and diseases.
- 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 providing the lawful ownership or use of agricultural land for rice cultivation.

#### Scope of insurance

##### Natural disasters and diseases

The insurer compensates the insured if there is a decline in rice productivity due to the following:

- 1. Natural disasters**, including storms, tropical depressions, cyclones, lightning, heavy rains, floods, flash floods, inundations, landslides caused by floods or currents, land subsidence due to floods or currents, rising water, saline intrusion, heat, drought, cold, hail, hoarfrost, earthquakes, tsunamis.

- 2. Diseases**, including yellow dwarf disease, twisted leaves dwarf disease, dwarf black stripes, blast, leaf blight, brown leafhopper, and stem borer.

Natural disasters and diseases must be declared or certified by competent authorities or agencies.

##### Re-sowing and re-transplanting

The policy also covers **re-sowing and re-transplantation costs** if the specified risks damage over 5 hectares of rice in the commune during the transplanting/sowing time. In this case, the insured must:

- 1.** Notify local competent authorities and the insurer, who will verify the necessity and compensate the insured one-time equal to 5% of the insured amount for the re-sowing area.
- 2.** Re-sow and -transplant within 30 days from the end of sowing and transplanting, while complying with the requirements from competent agencies. A relevant agency will verify the work in 15 days after it has been carried out.

After the compensation is paid, the re-sowed and -transplanted area will be covered by the insurance policy, but the insured amount will be reduced by 5%. If the insured does not re-sow and re-transplant, the policy will automatically be terminated after the insurer has compensated 5% of the insured amount.

##### Exclusion insurance liability

The insurer does not provide compensation if the losses are caused by **a)** natural disasters and pests not specified above, **b)** intentional damage by the insured, **c)** post-harvest loss and damage such as germination, flooding, fire or theft, **d)** rice quality-related risks, e.g., nutrient content or mould, **e)** pollution and contamination, **f)** war, nuclear, terrorism and radiation, **g)** volcano eruptions and meteorite attacks, or **h)** provisions on restrictions and exclusions on sanctions.

##### Insurance duration

The insurance policy is signed for one year and it is valid for all rice seasons within the insurance period that include sowing and



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transplanting. The insurance validity starts from when the rice is transplanted and sowed and finishes after the harvest day.

If the policy expires while the rice season has not yet reached harvesting, it will automatically extend to the harvest date of that rice season.

### Insured amount

The insured amount is calculated by the following formula:

$$\text{Insured amount} = \text{Insured rice area} \times \text{Insured productivity} \times \text{Rice unit price}$$

**Insured rice area** is the actual rice planting area that is insured (unit: hectares per season). **Insured productivity** is the minimum expected productivity within the insurance period, which is agreed as 90% of the average commune productivity in the previous 3 years (unit: ton per hectare). **Rice price** is the value in cash for one ton of rice in each crop in the insured locality, which is set by price announced by the provincial People's Committee.

### Insurance premium

Insurance premium is the money that the insurer receives from the policyholder and/or as subsidies from the state. The total insurance premium of the policy is the annual sum of the premium of all rice crops for the insured area, and it is calculated by the following formula:

$$\text{Premium} = \text{Insured amount} \times \text{Premium rate}$$

The insurance premium rate applies for the entire season and is calculated in percentage of the insured amount. It differs per province and ranges from 3.2% to 6.3%.

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

### Principles to identify compensation

Compensated productivity loss is calculated as follows:

$$\text{Compensated loss value} = \left( \text{Insured productivity} - \text{Published actual productivity} \right) \times \text{Area} \times \text{Unit price}$$

The commune **actual productivity** data is published by the National Institute of Agricultural Planning and Projection (NIAPP), and the **area** and **unit price** are indicated in each insurance policy.

The insurer can deduct up to 20% of the compensation if the loss occur is directly caused by the insured's failure to follow the rice planting and protection procedures as prescribed by the competent agencies.

### Claim settlement

When the insured event occurs, the insured/policyholder must **1.** Notify immediately (within 24 hours), the insurer, and the authorised agencies, **2.** Prepare and send the insurer the filled claim form, insurance policy and other documents as agreed in the policy.

The insurer must **1.** Coordinate with relevant agencies to assess the loss, **2.** Collect the announcements of natural disasters and epidemics by competent agencies, **3.** Obtain declaration of actual productivity by NIAPP, and **4.** Receive other documents related to the compensation settlement.

The insurer will pay the determined compensation directly to the policyholder, who is responsible for transferring this to each insured in respect to their insured rice area.

### Insurance policy termination

The insured or policyholder can terminate the policy either:

- 1. Before the last day when the insurer receives the insurance proposals** for the season, by sending a written request to the insurer 10 days in advance. The insurer must then refund 80% of the premium corresponding to the number of seasons if the insured area has not been cultivated due to the insured events. Refunds are made if the insured or policyholder informs the insurer about non-sowing or non-transplantation within 20 days since the start of the season, as specified in the policy.
- 2. Before the deadline** by sending a written request to the insurer 30 days in advance. After a written agreement, the insurer must refund 80% of the premium for the remaining period if the insured event has not occurred.



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