

AGRICULTURE INSURANCE:  
A LEGAL STUDIES AND ITS IMPLEMENTATION IN INDONESIA \*

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**Abstract**

*Indonesia is known as an agrarian country. Indonesia's development can not deny the development of agriculture. Indonesia's welfare is related to the supply of agricultural products. On the other hand Indonesia is known as a disaster prone country with a series of volcanoes (ring of fire), locates in a chain slab of earthquakes, the potential landslides and floods in many places. Mount eruptions, earthquakes, landslides, floods become familiar in the vocabulary of people's lives. The eruption of Mount Sinabung (August 2<sup>nd</sup> 2017) has recently caused agricultural damage. Landslide in Banjarnegara (17 March 20017) for some time not only took the lives of farmers, but also destroyed agricultural land. Or the floods that hit Garut (June 6, 2017) soaked the agricultural land. Those catastrophe leave the detriment on farmers. Then what can be done to reduce the disadvantage and loss? Insuring farmlands is one way that can be applied to reduce farmer losses. What is the construction of Indonesian law for this? Insurance is an agreement (legal action) which regulates the transfer of risk from the policyholder to the insurance company. Insuring farmland from crop failure due to natural or other causes can be done. There are many centers of farmlands throughout Indonesia, but are in disaster prone areas. Indonesia can duplicate health and education insurance for Indonesian citizens for agricultural lands. Agricultural insurance can protect farmers from crop failure due to earthquakes, landslides, floods, pest attacks, and those similar to. Agricultural insurance becomes a strategic legal instrument to protect the interests of farmers and provide hope after the disaster struck.*

*Key Word: Agricultural Insurance, Polis, Risk*

## **I. Introduction**

Indonesia's development includes both physical and non-physical aspects. Physical development covers aspects of infrastructure, facilities and various fields. One of the strategic areas the Government of Indonesia continues to develop is an agriculture sector. Indonesia is known as an agrarian country. The fertile soil lies on the land of Indonesia, from the western city of Sabang in the province of Aceh to Merauke on the eastern tip of Papua, from Rote Island in the southernmost point of East Nusa Tenggara (NTT) to Miangas Island at the North point in North Sulawesi Province.

Agriculture is one of the most important aspects in the life of the Indonesian people. Farming is an activity that is commonly done by villagers throughout Indonesia to meet the needs and as a way to earn money by selling it in markets. Working on farms as farmers and farm laborers, as well as being fishermen, is the work of the majority of the Indonesian people. Therefore, Indonesia is said to be an agrarian country. This paper has been presented in International Conference on Applied Business and Economics

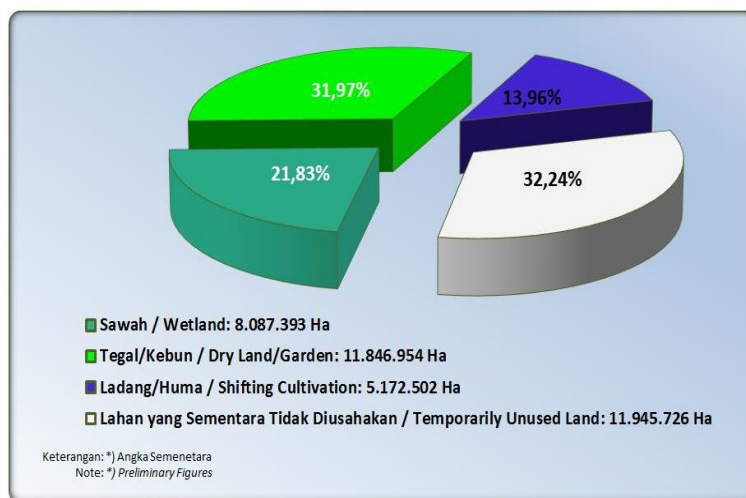
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The Ministry of Agriculture of the Republic of Indonesia recorded an increase and decrease of agricultural land area since 2003 until 2014. However, the increase or decrease of agricultural land was at the lowest level of 7,743,764 hectares in 2005 and the highest reaching 812,726 ha in 2012.

**Table 1.**  
**Composition of Land Use of Agriculture in Indonesia**



Nearly 25 million hectares more land is used for agriculture. Millions of rural Indonesians work as farmers. The government is obliged to realize prosperity for all the people of Indonesia, where farmers become the largest part. Indonesia's prosperity or prosperity is related to the farmers' independence from the economic and agricultural management side. Nawacita (President's Agenda) President Joko Widodo proclaimed 3 things related to agriculture.

- (1) to meet the food needs of domestic production;
- (2) regulates food policy independently, as well as;
- (3) protect and prosper the farmers as the main actors of food agriculture.

The consolidation of agricultural development leads to the sustainability and independence of the provision of agricultural products, especially rice which is the staple food of the Indonesian people. The welfare of farmers is one of the great goals of President Joko Widodo's Government. Farmers are prosperous, Indonesia is strong and has food security. To achieve the target of food self-sufficiency, Indonesia has a very good natural capital, fertile soil in all corners of Indonesia. Indonesia still has a land area of approximately 11 million hectares that has not been utilized for agriculture and plantations. The government seeks to optimize agricultural lands throughout Indonesia. Rice Indonesia is famous and delicious. Certain regions produce superior agricultural products, such as Cianjur Rice, Malang Apples, Lampung Bananas, Mango Indramayu. Each region in Indonesia has a center of agriculture.

**Table 2.**  
**The Area of Agricultural Land All over Indonesia**

Province	Area of Wetland (Hectare)											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ACEH	348232	346305	356649	315277	312803	323010	359751	313649	307556	308973	300808	294129
SUMATERA UTARA	538180	502839	462767	460486	453372	478521	464256	468724	467138	448722	438346	433043
SUMATERA BARAT	225369	231939	228176	229469	227355	225623	228176	229693	231463	230775	224182	225890
RIAU	128225	125966	118955	124985	128242	122255	122738	115961	115897	109585	93338	87594
JAMBI	120552	122126	117482	119242	117543	116212	117336	112434	113757	113379	113546	101195
SUMATERA SELATAN	512510	474429	484207	523922	530204	577821	611072	611386	629355	610314	612424	616753
BENGKULU	88432	85641	84164	83885	93779	89244	89614	92976	90217	88877	93382	88756
LAMPUNG	303380	316017	313621	317413	342507	348732	349144	345437	350949	364111	360237	363055
KEP. BANGKA BELITUNG	3186	3773	4111	4048	4176	3506	5017	4056	5932	6133	5358	7490
KEP. RIAU	-	-	76	82	124	133	238	442	393	559	487	405
DKI JAKARTA	2738	2563	1866	1466	1200	1200	1215	1312	1098	1001	895	778
JAWA BARAT	934140	932337	925900	926782	934845	945544	937373	930268	930507	923575	925042	924307
JAWA TENGAH	995469	996197	964102	963401	962942	963984	960768	962471	960970	962289	952525	966647
DI YOGYAKARTA	57612	56982	57188	56218	55540	55332	55325	55523	55291	55023	55336	54417
JAWA TIMUR	1115239	1108361	1100574	1096479	1096605	1108578	1100517	1107276	1106449	1105550	1102863	1101765
BANTEN	207530	196589	194504	196538	196370	195583	195809	196744	197165	195951	194716	200480
BALI	81870	81557	80211	79252	80251	80873	79185	81425	80164	79399	78425	76655
NUSA TENGGARA BARAT	226627	222968	225708	232851	231129	230986	236420	238619	240180	246569	253021	254298

NUSA TENGGARA TIMUR	103341	109070	100194	112715	122649	124416	139943	142479	144574	148810	169063	172954
KALIMANTAN BARAT	253316	283021	292220	321838	290392	292687	300906	307016	318581	322541	330883	323959
KALIMANTAN TENGAH	156645	167776	159516	166703	159059	157406	171428	175633	202237	226903	210807	215545
KALIMANTAN SELATAN	420086	423884	435940	440720	471042	477336	464581	436318	457155	451869	440429	431437
KALIMANTAN TIMUR	92982	89769	88846	90786	92934	84235	88308	82796	90518	90887	63306	55485
KALIMANTAN UTARA	-	-	-	-	-	-	-	-	-	-	21762	21775
SULAWESI UTARA	64605	59393	57969	60262	61098	61133	61134	52789	56181	56173	56157	62722
SULAWESI TENGAH	121670	120049	113715	119463	128250	129016	130879	136241	137786	143475	146721	141405
SULAWESI SELATAN	619084	626634	558935	552940	560989	567520	565601	572089	576559	592376	602728	624171
SULAWESI TENGGARA	66939	69432	73646	62286	65338	82806	89601	83356	85585	92280	95378	96826
GORONTALO	27598	25955	25561	25668	27794	31327	29062	29566	28707	30728	32239	32116
SULAWESI BARAT	-	-	60531	48884	50800	53220	56056	59476	55016	59020	61070	62312
MALUKU	8401	8542	8542	8657	10035	11461	11281	11451	14085	15972	15042	13519
MALUKU UTARA	11867	11867	11867	11867	11782	13630	8890	9478	9093	9359	10510	10516
PAPUA BARAT	4719	6290	7051	7735	8395	9116	9249	7711	7648	8330	8727	9587
PAPUA	36021	36021	28970	28970	26397	29018	27454	27757	27756	27756	42350	42843
INDONESIA	7876565	7844292	7743764	7791290	7855941	7991464	8068327	8002552	8095962	8127264	8112103	8114829

The data above shows that the entire territory of Indonesia has agricultural land. The province of North Kalimantan is not without agricultural land, but as a new province, the Central Bureau of Statistics (BPS) has no data on agricultural land. The fertile nature of North Kalimantan is assumed to have a lot of agricultural land. One of the fertile areas in North Kalimantan is Krayan. The area has the famous (Adan rice) and became the kings' food in Malaysia. Adan rice planting is still traditional and organic, so the price is very expensive compared to other rice. It can be said that the entire territory of Indonesia is agricultural lands.

On the other hand, Indonesia is known as a disaster prone country with a series of volcanoes (ring of fire), are in a series of earthquake plates, the potential for landslides in many places, floods. Mount eruptions, earthquakes, landslides, floods become familiar in the vocabulary of Indonesian society. North Sumatra, for example, which is a supplier of agricultural products to other regions, is vulnerable to disasters. The eruption of Mount Sinabung has recently caused agricultural damage. Central Java, which has several agricultural product centers, is overshadowed by landslides. Landslides in Banjarnegara in the first quarter of 2017 not only took the lives of farmers, but also destroyed agricultural land. Large loss of material experienced by farmers due to crop failure, because their rice fields and gardens damaged by floods hit. Not to mention, the crop failure caused by prolonged drought. Climate change makes agricultural lands more vulnerable to fail to produce results. Bad forest governance also features catastrophic impacts of banjir bandang followed by landslides. Pest and animal attacks such as rats and birds can thwart farmers' crops.

Problems of crop failure due to natural causes and attacks of pests and animals require systematic handling. The disadvantage that many farmers experience is related to the disaster. The Indonesian government has no legal means to provide farmers protection against crop failures caused by disasters and pests. For pest and animal attacks, farmers and the government use pesticides and traditional means such as burning holes into mice nests. But the losses still suffered by farmers. Then what can the Government do to reduce the loss? Insuring agricultural lands is one of the applicable ways to reduce farmer losses.

The United States has insurance for agriculture through the introduction of the Federal Crop Insurance Act of 1980. Insurance against agricultural products is aimed at protecting US farmers from crop failures due to severe economic problems (Great Depression). Then the United States expanded the cause of crop failure into the insurance provisions. Prolonged drought is one of the causes of failure of the harvest which then becomes a clause in agricultural insurance. The US Government's pro-farm policy is intended not only to protect farmers from losses from crop failures, but more than that, maintaining sustainability in the national food supply.

There are many causes of crop failure. It is not easy to keep the agricultural process that takes a long time to arrive at the results. There are many things that can cause crop failure. Various forms of natural disasters, pest attacks, market risk are some things that can be mentioned as the cause of farmers failing to harvest rice and other crops. What is the construction of Indonesian law for this? Insurance is an agreement (private law) that regulates the transfer of risk from the policyholder to the insurance company. Insuring farmland from crop failures caused by natural disasters or other causes can be done as a tangible form of efforts to prosper farmers.

### 3. Literature Review

In general, insurance covers the protection of loss and life. Insurance issues in Indonesia are regulated in Law Number 40 Year 2004 on Insurance (Insurance Law). The Insurance Law provides life insurance and loss insurance. Akhmad Yasin (2015) stated that, as part of the civil law and underpinned by the agreement, the insurance may include anything that does not violate the provisions of law. The provisions of the Insurance Law Article 1 states that Insurance is an agreement between two parties, namely the insurance company and the policyholder, which becomes the basis for the premium receipt by the insurance company in return for:

- a. Provide reimbursement to the insured or the policyholder for any loss, damage, expense incurred, loss of profits, or liability to any third party that the insured may suffer or the policyholder due to an uncertain event; or
- b. Provide payments based on the death of the insured or payments based on the life of the insured with the benefits of which the amount has been determined and/or based on the results of fund management.

Especially for agricultural insurance, the government has issued Law Number 19 Year 2013 on the Protection and Empowerment of Farmers. Such enforcement is the Government's response to the increasing trend of climate change, vulnerability to natural disasters and business risks, globalization and global economic turmoil, and market systems that do not take sides with farmers, so farmers need protection and empowerment. The Law Number 19 Year 2013 Article 7 states 7 forms of protection against farmers namely

- a. Agricultural production infrastructure and facilities;
- b. Business certainty;
- c. Brices of Agricultural Commodities;
- d. Elimination of high cost economy practices;
- e. Harvest failures due to extraordinary events;
- f. Early warning systems and addressing climate change impacts; and
- g. Agricultural Insurance.

S. S. Raju and Ramesh Chand (2007) stated that the government pays attention to the plight of vulnerable farmers in dealing with natural and non-natural issues. Recent problems facing the world, climate change gained government attention. Farmers are the ones most affected by climate change. Of all, only agricultural insurance is operational and can be implemented immediately. The Law Number 19 Year 2013 Article 1 point 16 defines agricultural insurance. Agricultural Insurance is an agreement between the farmer and the insurer to commit himself/herself to the risk of farming. Furthermore, Law Number 19 Year 2013 Article 37 paragraph 1 requires the Central Government and Local Government to protect Farm Enterprises through agricultural insurance. The central government and regional governments are stakeholders of the implementation of agricultural insurance. While farmers are those who get protection from the risks and uncertainties that may plague their farms.

The government determines the requirements of farmers who are entitled to be protected by agricultural insurance, namely:

- a. Farmers who do not own Farmland and cultivate the widest of 2 (two) hectares;
- b. Farmers who own land and conduct cultivation of crops on the most extensive land of 2 (two) hectares; and/or
- c. Horticultural farmers, smallholders or small scale business farmers in accordance with the provisions of legislation.

This provision sides with smallholders from crop failures caused by natural and non-natural factors.

The provisions of Law Number 19 Year 2013 Article 37 paragraph 2 mentions the cause of crop failure is Agricultural Insurance:

- a. Natural disasters;
- b. Attack of plant-disturbing organisms;
- c. Outbreaks of contagious animal diseases;
- d. Impacts of climate change; and/or
- e. Other types of risks are regulated by Ministerial Regulation.

This provision implies the protection of agricultural land at all risk. The insurance company works within the framework of the protection of agricultural land from all risks mentioned in the above provisions and other causes or risks established by the Government as the cause of crop failure.

## **2. Methodology**

The research method used in this research is normative juridical research method. Normative juridical research is a study that refers to the legal norms contained in legislation and court decisions relating to the transfer of risk and responsibility of business actors in the perspective of consumer protection. This research also have done through comparative study of other countries.

The study also examined data on both primary legal materials, secondary law materials and tertiary legal materials, among others by collecting all legislation or law that transfer of risk and responsibility of business actors in the perspective of consumer protection in Indonesia. In order to obtain accurate data, then the following steps are taken: First, the study of literature, the way taken is to read, study, cite, compare and connect the legal materials of legislation and literature, so as to become easy to process. Second, conduct interviews on parties related to the problems studied, namely interviews to Insurance Companies, Insurance Associations and others who deal directly or indirectly with this research. Data Processing in this research is done through stages (1) Editing, which is checking the data carefully to avoid from errors of data collected. (2) Classification, data that has been collected and then classified based on their respective subjects, this processing is done to avoid errors in the data grouping. (3) Organizing, data that has been collected and then sorted in accordance with the grouping, in order to avoid errors in the sense in accordance with systematization of materials.

Analysis of data that has been processed and then constructed qualitatively, which gives meaning and interprete each data that has been processed then described in a comprehensive and in-depth form of systematic description of the sentence to then drawn conclusions. There are three stages: data reduction, data presentation, and data verification. The three stages will be done simultaneously.

## **3. Results and Discussions**

### **A. Indonesian Insurance Law**

Agricultural insurance is a new service for the world of insurance that generally offers the protection of objects from various causes that cause losses due to damage or disappearance of the object concerned. Insurance companies currently provide life protection services, protection from loss, reinsurance and compulsory insurance. Central Government and or Local Government may stipulate the insurance company to carry out the agricultural insurance as stated in Law Number 19 of 2003 Article 38 paragraph 2. Or the Central Government and Local Government may cooperate with general insurance companies to carry out agricultural insurance.

The government takes a role in the implementation of agricultural insurance. Farmers are one of the weaker parties. The government should facilitate and succeed in the implementation of agricultural insurance by budgeting the payment of agricultural insurance premiums. The funding sources for the

payment of agricultural insurance premiums come from the State Budget of Indonesia (APBN) and the Regional Revenue and Expenditure Budget (APBD). As a weak community, farmers can not be burdened with large portions of premium payments.

Central Government and Local Government can work together to bear the burden of payment of agricultural insurance premiums with a certain ratio. It is mentioned in the provisions of Law Number 19 Year 2013 Article 39. The proposal submitted is 50% premium borne by the Central Government, 30% paid by Local Government and 20% paid by the farmers. The portion composition of insurance premium payment can be determined by the Central Government and Local Government and also consider the financial condition of farmers.

Based on Minister of Agriculture Regulation Number 40/Permentan/SR.230/7/2015 on Agricultural Insurance Facility states the maximum replacement amount of Rp.6,000,000.00 (six million rupiahs) per hectare with a premium of Rp.180,000.00 (one hundred and eighty thousand rupiah). Farmers only pay Rp.36,000.00 (thirty six thousand rupiah) or 20%. The remaining 80% is paid by the Central Government and Local Government.

With a premium of that size, farmers get the right to get compensation. The insurance company will pay a claim of Rp. 6,000,000.00 (six million rupiah) for 1 hectare of cropland that failed to harvest is certainly very small. One hectare of rice fields requires about Rp.12,000,000.00 (twelve million rupiah). The claim money is not able to cover the cost of planting rice in a 1 hectare rice field. Not to mention the needs of farmers for the life of a family.

Compensation in Decree of the Minister of Agriculture Number 15/Kpts/SR.230/B/05/2017 number 2.3.3. the provision stipulates the compensation requirements as follows:

- a. Age of rice has passed 10 days (10 days after planting)
- b. Rice has passed 30 days
- c. The damage intensity reached > 75% and the extent of damage reached > 75%

Even for new rice 1 day planted and damaged by flood, for example, still can be paid insurance claims with a proportional calculation.

## **B. The Experience of other Country on Agriculture Insurance**

India is a country with relatively similar characteristics to Indonesia. India and Indonesia were independent at a time not much different. Indonesia declared its independence from the Netherlands on August 17, 1945. India gained independence from England on August 15, 1947. As an agrarian country India has had a much longer experience applying agricultural insurance. India has been experimenting with agricultural insurance since the 1972 decade. India views agriculture as a very strategic aspect. The first agricultural insurance program was the Individual Approach Scheme (1972-1978) which was applied in a limited and scattered manner.

Agricultural insurance for the first phase is implemented in Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu and West Bengal regions. Not many farmers get farming insurance protection for this first phase. Approximately 3,110 farmers across the region participated in the agricultural insurance premiums by 4.54 rupees (about 940 Rupiahs) for claims amounting to 37.88 rupees (around 7.850 Rupiahs). Then India continued its agricultural insurance with the Pilot Crop Insurance Scheme (PCIS) program (1979-1984). This is an insurance that is applied more massive but done voluntarily. The Indian government offers farmers to insure their farmland.



At the same time, the United States imposes provisions on agricultural insurance through the Federal Crop Insurance Improvement Act of 1980. The provision is intended as a major agricultural insurance that protects farmers from disaster and disaster assistance to replace the agricultural insurance subsidies. The agricultural sector of the United States suffered many losses due to the disaster. Subsidies for agricultural insurance premium payments are considered to be more helpful to farmers than to disaster relief. The United States is used to experiencing disasters such as storms, typhoons, prolonged drought and recent floods and fires. Agricultural insurance is helping farmers to avoid losses (total loss).

The agricultural insurance program of India and the United States is aimed at protecting farmers from crop failure from natural causes that used to engulf agricultural lands in India and the United States. Lately, the world faces a global problem, climate change. Climate change is a risk other than cyclones, floods, droughts and fires that cause crop failure. Climate change is one of the causes of crop failure covered by agricultural insurance. Because climate change is something new and different from the one previously encountered.

In the United States, agricultural insurance is managed by private insurance companies that partner with government firms engaged in agriculture. Every farmer who owns a farm makes an insurance agreement with an authorized insurance agent and broker. Active insurance agents or brokers come to farmers to offer and make insurance arrangements.

On the other hand, the Government socializes agricultural insurance through mass media and government officials. Specific days can be used to socialize agricultural insurance in order for farmers to understand the importance of insurance, so that when an insurance agent or broker comes along and offers an insurance agreement, the farmer can understand and approve. The Government shall oversee the execution of the manufacture of the insurance agreement until the implementation of the payment of the claim, including the determination of the premium.

India uses an approach area of "area approach" for the provision of insurance against reduced agricultural yields below the borders for wheat, cotton, potatoes, millets, oilseeds, chickpeas. For premium payments, the government subsidizes farmers. Determination of premium subsidies stipulated by the Indian government. The Indian government and local governments bear 50% (fifty per cent) premiums each applied in 13 states over the year (1984-1985). Central and Regional Government subsidies are common in agricultural insurance. So, all farmers can insurance protection for his farm land. The risk sharing between insurance companies and local governments (India) is 2: 1 (two to one).

A year later, the Government of India introduced and implemented a protective program for farmland called Comprehensive Crop Insurance Scheme (CCIS) 1985-1999. Somewhat different from previous agricultural insurance programs, the CCIS is a scheme linked to short-term credit and is based on a "homogeneous area" approach. Farming credits include agricultural insurance programs, so crop failures do not cause losses to farmers and lenders. After applying PCIS which is a voluntary agricultural insurance scheme, CCIS is a mandatory agricultural insurance. This approach is also used in Indonesia. Law No. 19 of 2013 agricultural insurance participants have the opportunity to obtain credit from banks for agricultural land.

The amount of CCIS agricultural insurance premium set by the government of India. Half the premium value is paid by the central and regional governments. Premium and claims for premium payment expenses are shared between the Central Government and Local Government with a ratio of 2 to 1. The premium payments under the burden-sharing scheme are common.

But the most prominent thing seen in the application of agricultural insurance is the contribution of the Central and Regional Government on premium payments. This is a form of government participation to provide protection to farmers. Not only Governments in developing countries like India are making efforts to protect farmers, governments in developed countries such as the United States have already established agricultural insurance since 1938 when the United States was hit by a very severe financial crisis.

The United States implements agricultural insurance, which was originally intended for wheat and grains, then expanded to all agricultural products (including plantations). The United States includes current environmental issues, climate change, as one of the risks borne by agricultural insurance companies. The problem is, first, how to determine the failure of the harvest caused by climate change, with the many forms of adverse impacts of climate change? Secondly, if climate change strikes and has an impact, in the form of crop failure on all agricultural land in the region, then is the agricultural insurance company able to compensate? Governments should get the ability of agricultural insurance companies to pay large farmers' claims, if climate change, for example, causes crop failure. The government can set a minimum limit of capital of companies engaged in the field of agricultural insurance. In ASEAN, a foreign insurance company that operates must be owned by a local person in the form of a Joint Venture company.

Insurance is one of the industries that get strict regulation and supervision in ASEAN member countries. Health insurance, motor vehicle insurance, becomes mandatory for all Indonesian citizens and motor vehicle buyers. Not so with agriculture. Agricultural insurance in Indonesia is still in the rule of law. Implementation still has not happened. Farmers still bear the loss of crop failure due to natural disasters, as well as pests. The harvest failures have an impact on the availability of food. Insurance can increase awareness or awareness about environmental impacts on agriculture.

The purpose of providing agricultural insurance is for the sustainability of agricultural production and to protect the agricultural sector from the risk of uncertainty caused by various causes such as natural disasters, pest attacks, climate change, and market price changes. Agricultural insurance is very important for the local population, because, in general, there is a correlation between agricultural insurance and environmental damage that supports the policy that insurance premiums do not reflect social costs or profits (follow) agricultural insurance. In short, agricultural insurance deals with the protection of the agricultural business from natural losses and price fluctuations that affect revenue.

### **C. The Necessity of Agricultural Insurance In Indonesia**

There are many fertile centers of agriculture throughout Indonesia, but are in disaster prone areas. Indonesia can duplicate health and education insurance for Indonesian citizens for agricultural lands. Agricultural insurance can protect farmers from crop failure due to earthquakes, landslides, floods, pest attacks and from everything else. Agricultural insurance becomes a strategic legal instrument to protect the interests of farmers and provide hope after the disaster struck.

Insurance in Indonesia generally includes loss and life. The Financial Services Authority noted 76 public insurers and 52 life insurance companies, 5 reinsurance companies, two social insurance companies and three compulsory insurance companies. Of all these companies there is only one who becomes the organizer of agricultural insurance, PT Jasa Asuransi Indonesia (Jasindo), a State-Owned Enterprises (SOEs). PT Jasindo is engaged in managing agricultural insurance along with Insurance Company Raya, Bumida and Tripakarta.

In terms of assets, by the end of 2016, national insurance will manage public funds to reach Rp. 968,920,000,000,000.00 (nine hundred sixty eight trillion nine hundred twenty billion rupiah), up 13.53 percent compared to the year 2015 which amounted to Rp. 853,430,000,000,000.00 (eight hundred fifty three trillion four hundred thirty billion rupiah). Of course, the value of national insurance assets will increase if the existing insurance company or insurance company outside it becomes the organizer of agricultural insurance. If referring to 2015 data the Government provides a total premium of Rp.150,000,000,000.00 (one hundred and fifty billion rupiahs) to protect 1 million hectares of land from the total agricultural land of 14,100,000.00 (fourteen million one hundred thousand) hectares. If all agricultural land is covered through agricultural insurance, the claim of payment to be provided amounts to Rp. 2,115,000,000,000.00 (two trillion one hundred and fifteen billion rupiah). The total premium paid by farmers is Rp.507,600,000,000.00 (five hundred seven billion six hundred million rupiah).

If referring to BPS data which records the Indonesian population working in the agricultural sector reached 39,680,000 (thirty nine million six hundred and eighty) persons per February 2017 with an area of 8,114,829.00 hectares of rice fields. The amount includes 31.86 percent of the total working population. If half of the total number of farmers recorded by BPS, about 20 million farmers, it will be found the figure of Rp 72,000,000,000.00 (seventy two billion rupiah). The figure is close to the government projection if it is multiplied by all farmers.

In terms of business, the number of farmers is a potential market (captive market) for agricultural insurance. Farmers are a niche in the insurance market that has not been explored, although the law on agricultural insurance has been in existence since 2013. In terms of policy, insurance is a form of protection provided by the state through the Central Government and Local Government to farmers, as well as a strategy to build food availability .

The agricultural insurance program is well positioned to promote food security that mitigates the adverse effects of climate change. Climate change is one of the causes of crop failure. Developed countries like the United States and developing countries like India share the same view of the importance of the agricultural industry, so insurance is a strategic means of protection for farmers from crop failure. Culturally, the Indonesian people have gotong royong value and help each other. Agricultural insurance can be a manifestation of these values. Asumtif, agricultural insurance will be very easy to apply and successfully done in Indonesia with mutual values mutual assistance and mutual help.

Farms throughout Indonesia are in a series of volcanoes, vulnerable to earthquakes, potentially damaged by landslides and flash floods precisely to get insurance protection. Farmland is fertile and well managed, but failed to harvest due to the impact of volcanic eruptions such as in Sinabung, North Sumatra. Sinabung is one of agriculture center which become vegetable supplier for North Sumatra region which experiencing crop failure due to eruption of Sinabung.

Farmers who follow agricultural insurance, such as in India, can apply for credit to the bank. That is, farms proposed to obtain credit from banks by farmers have a guarantee. However, are banks able and willing to provide credit that exceeds the maximum value of claims? Given the banking sector and insurance is regulated and supervised very strictly. It takes Government policy that supports banking and insurance to plunge into the agricultural sector. Given the risks and uncertainties so high diidap agricultural sector.

Agricultural insurance not only provides benefits to farmers and farmland protection from all the risks and uncertainties that can happen at any time, but also as a form of reinforcement to the sustainability of national agricultural production. The provisions of the legislation and its implementing regulations have been in place. Implementation of agricultural insurance does not seem to run optimally as mandated by the Agricultural Insurance Law.

The government, in this case the Ministry of Agriculture, has also appointed Asuransi Jasa Indonesia Inc. (Jasindo) as the manager of agricultural insurance in Indonesia. PT. Jasindo works in a consortium to manage agricultural insurance. The government proactively socializes to farmers in Indonesia for the implementation of agricultural insurance. The Government may order all Regional Heads and their ranks to plunge and encourage farmers to participate. PT Jasindo must open an office or counter or design a system of premium payment and claim submission that is simple and easy to do farmers.

The economic viability of agricultural insurance is strongly influenced by the successful creation of a conducive institutional system to minimize moral hazard and adverse selection. Indonesian peasants are not all capable of thinking in the modern framework, perhaps most are still within the scope of traditional and culturally-tied thinking.

#### **4. Conclusions and Recommendations**

There are several things that can be conveyed as conclusions. First, agricultural insurance is something that can be done by the Government, Private and Farmers. Second, the provisions of the law have contained the substance of agricultural insurance as regulated in general in the world. Including including climate change as one of the causes of crop failure. Third, agricultural insurance is a form of protection provided by the Government to farmers. Fourth, agricultural insurance becomes a means or strategic instrument of the Government to secure food availability. Fifth, agricultural insurance has not been explored optimally. There is a large potential asset that can be managed by the insurance sector

In the implementation of agricultural insurance, there are several things that can be used as material for thought and recommendations. First, the Indonesian Government needs to conduct more intensive socialization to farmers about agricultural insurance. The effort was intended to attract as many farmers as possible to insure their farmland. At the same time, the Government should encourage private insurance companies to pay as much attention to life and loss insurance. The government should consider how to provide significant farmer protection. Considering the claim of insurance payment is nothing compared to the losses experienced by farmers.

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