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World News Summary from AgroInsurance

February 2019



Dear Colleagues,

AgroInsurance International presents your monthly news summary, which highlights important issues on agricultural losses, risk events and recent trends in agricultural insurance worldwide.

We wish you a great day!

USA - Crop insurance update

Current RMA regulations allows farmers to combine all their acreage in one crop in one county, even if the acres are not contiguous into one unit, which makes insurance coverage cheaper and reduces risk. Now farmers will be able to add acreage in one additional county. Farmers will not, however, be able to combine acreage in two states, because states have different crop insurance regulations.

The new dairy insurance program is another key farm bill change that is in its infancy but has really taken off. The farm bill also requires RMA to expand programs for specialty crops and for veterans and beginning and underserved farmers and ranchers. The bill raised the fee for catastrophic policies from \$300 to \$655, but that fee will not go in effect until 2020 because the deadline for 2019 policies has passed.

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Australia - Cattle deaths: \$5 billion loss 'largely uninsured'

The Cattle Council of Australia says the full extent of losses is difficult to calculate, but feedback from affected properties suggests more than 500,000 animals have died. Overall costs associated with on-property losses, including livestock and infrastructure, are estimated at \$5 billion. Some 800 properties have been affected over 13.25 million hectares – an area twice the size of Tasmania.

Due to prohibitive insurance costs, it is not common for producers to have commercial breeding herds covered for losses arising from floods. The Insurance Council of Australia confirmed that “relatively few” primary producers choose to insure stock and fences for any type of loss, including flood. Flood cover may be offered as an extension or an opt-in for farm insurance by some insurers. Other farm insurers may exclude flood under all conditions.

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Cyprus - Cabinet approves new insurance system for farmers

The creation of a new insurance system for farmers that seeks to offer financial support to producers of all crops, as well as for sheep and goat farmers was approved by the cabinet. The new system, which will become operational within 2019, will replace the current Agriculture Insurance Organisation (OGA), whose duties will be transferred to the ministry of agriculture and current employees of the organisation will be appointed in the civil service.

The fund for the protection and insurance of agricultural production, which still requires approval by parliament, is a fund that both farmers and the state will contribute to. Farmers' representatives will participate in the management of the fund. The amount that will be contributed by each farmer will depend on the level of danger their products face in view of extreme weather conditions and natural disasters.

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Thailand - Rice insurance continues

The cabinet has approved a rice insurance scheme for the 2019 season worth 1.74 billion baht, aiming to cover 30 million rai of farmland. The scheme, operated by the Bank for Agriculture and Agricultural Cooperatives, covers six types of natural disaster – floods, drought, storms, cold, hail and fires. The scheme is scheduled to start from April 1, charging an insurance premium of 85 baht per rai, with the government subsidising 51 baht and farmers required to pay 34 baht.

The cabinet also approved 121.8 million baht for a maize insurance scheme this year, covering 3 million rai. Participating farmers will be charged an insurance premium of 59 baht per rai, with the government paying 35.40 baht per rai as a subsidy, and farmers paying 23.60 baht per rai. The cabinet also acknowledged that last year's rice insurance scheme was successful.

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Brazil - Govt could double budget to subsidize farm insurance next year

Brazil could double its budget for subsidizing farm insurance in 2020, the Agriculture Ministry's policy secretary said. The government could increase its budget to subsidize premiums for insurance against potential harvest losses to 1 billion reais (\$266.31 million). That compares to a 2019 budget of 440 million reais, which subsidizes insurance to cover an estimated 6.8 million hectares, or just under 10 percent of Brazil's total planted area.

Subsidy levels for farm loans and insurance for next year are under negotiation between the Agriculture Ministry, Economy Ministry and Central Bank, and specific numbers have yet to be agreed. The government has also agreed that subsidized financing for small- and medium-sized farms will be maintained, while large producers will be gradually weaned off subsidies.

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USA - Crop insurance industry celebrates record participation

More than 334 million acres of farmland were protected by crop insurance in 2018, a 20 million acre increase over 2017 and an all-time high. In addition, crop insurance came in \$2 billion under original federal budget projections for the year, according to the National Crop Insurance Services (NCIS). With more than 1.1 million crop insurance policies sold to farmers across the nation, the growing popularity of crop insurance was credited to the exceptional service provided by private-sector insurers.

Under the successful crop insurance model, farmers invested in their own protection by paying \$3.7 billion in premiums and shouldering a significant portion of losses through deductibles, NCIS said in a statement. The public-private partnership was further reinforced with the overwhelming passage of a bipartisan farm bill in December that strengthened crop insurance.

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Canada - Sask crop insurance coverage reaches new record for 2019

Agriculture Minister announced that coverage levels for 2019 will increase to a record average of \$230 per acre, up from \$216 per acre in 2018. Premiums per acre are to increase by just 20 cents, increasing to an average of \$8.61 per acre. Crop insurance claims in 2018 totalled \$300 million. The crop insurance program for 2019 will be changed in other ways, too.

A total of 55 new weather stations will be added across the province to improve the data available to producers. As a result of the change, most of Saskatchewan's agricultural land will be within 30 kilometres of an active weather station. Insured values on tame and native grazing land are increasing to assist producers, while a new Corn Rainfall Program will be available to forage and grain corn producers who face a lack of moisture on their acres.

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India - Swiss Re pilots satellite imaging for use in crop claim settlements

Global reinsurance company Swiss Re has piloted the use of satellite imaging in the claim settlement process of its crop insurance scheme. The use of satellite imaging can reportedly be used to quickly estimate the drought level or soil moisture content level in a given area. Head of CM P&C, India, Swiss Re, said this allows for the faster payment of claims to farmers and can even estimate future crop output.

Swiss Re stated that it had carried out a pilot project recently with the government of Maharashtra, a western state in India. Business Line states that the reinsurer services close to 10% of the crop insurance market in India.

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Germany - Launch of a parametric agriculture solution

Bermuda-based property and casualty insurer and reinsurer, Sompo International Holdings Ltd., has announced the introduction of a new innovative agriculture insurance product for the German market, in partnership with German insurer SV SparkassenVersicherung. The new solution, called SV ErnteIndex, has been tailored to the agricultural sector and offers parametric protection against crop losses caused by drought, heavy frost or prolonged wet weather.

The payment is based on a ten-year average crop yield index for the district in which the farm is situated, alongside yield and market price projections that are determined by the farmer at the time of purchase. Being structured to payout based on a parametric trigger means that it is much faster and simpler to assess a claim and subsequently payout when compared with more traditional insurance products.

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Nigeria - Planning for rainy season through agric insurance

Rainy season, across the world, is a blessing to farmers, as plants have enough water to keep them alive and give farmers good harvest. Africa, no doubt, has a deep culture rooted in farming as it was mainly the source of livelihood of our fore-fathers before the advent of civilisation. To this end, the continent has large fertile lands that favour farming, coupled with its predictable weather and consistent rainfall of which most countries in Europe cannot boast of.

Nigeria is not an exemption in this regard, even though farming is not as popular as it was in the olden days. Nigerian farmers always make adequate planning for this period, so that they can have bountiful harvests. Majorly, farming season in Nigeria is between April and October of every year, a cycle that is only altered once in a while because of global warming.

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