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World News Summary from AgrolInsurance

July 2018



Dear Colleagues,

AgrolInsurance 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!

Armenia - Agricultural insurance to be introduced in the country

On July 17, 2018, the Minister of Agriculture of Armenia, Arthur Khachatryan, held a meeting with the head of EU delegation to Armenia, Petr Svitalski. During the meeting the Minister said that in the coming years government assistance for small farmers to be increased. The mechanisms for subsidizing agricultural production have been already developed.

During the meeting, the parties also discussed a number of issues related to agricultural insurance. The Minister informed that starting 2019 a pilot agricultural insurance program is planned to be implemented in Armavir, Ararat and Shirak regions in Armenia. AgrolInsurance International LLC, in consortium with Swiss Re, is providing Technical Assistance in insurance product development and establishment of the loss adjustment system, standard operation procedures and guidelines for the Government of Armenia.

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Australia - Insurance remains a riddle for many farmers

Despite the constant threat of drought, wind, frost or disease slashing their income, only 13 per cent of grain growers are considering multi-peril crop insurance. Only one per cent of NSW winter crop producers took up multi-peril crop insurance, but about 75 per cent were covered by named peril insurance. A lack of understanding of the available policies and their perceived high cost contributed to a low uptake among grain farmers.

Multi-peril crop insurance covers a range of perils in a single policy, including ones excluded from named peril insurance, including drought, excess rainfall, wind and wildlife damage. Pricing for MPCPI products varies depending on location, level of cover and the amount of risk understanding the underwriter has. The tendency for farmers with the most risk to seek MCPI more is a barrier to more widespread use of MCPE.

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Cambodia - Crop insurance in the spotlight

Cambodia's first workshop on training crop insurance advisers was held on July 4. The workshop sought to train insurers, NGOs and government officials on crop insurance and equip them with the skills they need to efficiently convey to farmers how insurance works and what are its benefits. Secretary of State at the Ministry of Agriculture said crop insurance can contribute to poverty reduction, and can minimise the economic damage caused by droughts, floods and climate change.

Forte Micro Insurance started offering crop insurance in 2014 in the provinces of Kampong Thom, Siem Reap, Battambang, Pursat and Banteay Meanchey, and now about 100 farmers have taken out policies with them. Its insurance products mostly target rice in the rainy season. The company insures farmers against droughts and floods. Forte Micro Insurance is planning on expanding beyond rice in the near future. On average, farmers tend to insure 2.5 hectares of paddy field.

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Peru - Agricultural insurance policies for farmers

In Peru, three-quarters of the population works in the agriculture, and around sixty per cent of rural dwellers are poor. They are especially vulnerable to crop failure caused by storms, drought or flooding. These extremes of weather are occurring with increasing frequency and intensity, which is further exacerbating the situation in the country. An initiative from the Peruvian Ministry of Agriculture is providing a remedy: since 2014, it has been setting up a risk transfer system with agricultural insurance products.

The initial success of the project is already apparent: more than 280,000 small-scale farmers are now insured, almost double the number at the start of the project. In addition, public-sector staff and private-sector insurance companies are being trained to respond quickly in disaster situations, so that the money reaches the farmers without delay. Banks are promoting the expansion of agricultural insurance products; planting loans are only approved if a corresponding insurance policy is taken out.

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Kenya - Study confirms the solidity of the Kenya Livestock Insurance Program

Pastoral communities in northern Kenya keep livestock as their main economic activity. Every 3-5 years, however, huge numbers of cows, goats, sheep and camels die of starvation and lack of water because of severe drought. In the period between 2008 and 2011 this cost the country's economy more than USD 12 billion overall, with 70% of that amount attributed to livestock losses. Thousands of pastoralists lost their livelihoods, which in turn increased their dependence on government and donor relief programs.

In response to their plight, the Kenyan government launched the Kenya Livestock Insurance Program (KLIP) in 2015 and has since continued to invest, thereby helping the pastoralists to cope better with the effects of drought on their livestock. After a successful start KLIP was then extended to cover six more counties and a total of 18,000 pastoralists representing over 80,000 beneficiaries.

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USA - Montana Livestock Board went \$8K over budget in kill claims

Montana officials say the payments to ranchers for livestock killed by certain wild predators exceeded budget but were not as high as projected. The Livestock Loss Board paid out \$8,000 in claims over its \$200,000 budget, dipping into cash reserves to cover last year's bills. Board executive director says the board feared worse after the state Legislature added mountain lions to the list but did not increase the budget last year.

The board has reimbursed livestock owners for 40 animals killed by big cats since October. It is considered that mountain lions more often kill sheep and goats, which are less expensive than cattle. The U.S. Department of Agriculture's Wildlife Services had estimated for mountain lion kills to cost more than \$61,000 in 2016.

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India - Crop insurance scheme benefits companies more than farmers

It is yet to be seen how much the Government's crop insurance scheme has benefitted farmers, but one section that has definitely hit the jackpot is the insurance industry, which collectively earned around 85 per cent profit during the 2017-18 kharif season. According to the Agriculture Ministry's data, all 17 insurance companies empanelled under the Pradhan Mantri Fasal Bima Yojana registered a margin of ₹15,029 crore as they paid out claims of a mere ₹2,767 crore against the ₹17,796 crore collected as premium.

Similarly, these companies have earned over 96 per cent profit under another crop insurance scheme – Restructured Weather-Based Insurance Scheme (RWBCIS) – during kharif 2017-18 as they received ₹1,694 crore as premium and paid out just ₹ 69.93 crore as claim compensation. During the last kharif (2016-17) season, the insurance companies had earned 44 per cent profit as they received ₹15,735 crore while they

incurred expenditure of ₹8,862 crore in claims made by the farmers.

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Bangladesh - Evidence on agricultural intensification and index insurance demand from a randomized evaluation

Most observers might not think of Bangladesh as being particularly prone to droughts, droughts are observed to cause significant damage to an estimated 2.32 million hectares of the transplanted aman (monsoon-season rice) crop each year, with serious nationwide droughts occurring roughly once every five years. The widespread increase in the availability and use of irrigation in recent years allowed farmers to mitigate the impact of drought on production, but the use of irrigation to do so is costly.

Such rainfall deficiencies can ultimately result in significant increases in the costs of production, in addition to any residual impacts on yields. These risks associated with production costs and farm profits may be masked in any index that is solely focused on yields, despite the fact that profit risks may be the most salient to farmers making decisions about costly and risky inputs.

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USA - Nearly \$2 billion available for eligible producers affected by 2017 hurricanes and wildfires

Agriculture Secretary announced that agricultural producers affected by hurricanes and wildfires in 2017 now may apply for assistance to help recover and rebuild their farming operations. Signup began July 16 and continues through Nov. 16. Additional payments will be issued, if funds remain available, later in the year. The program, known as the 2017 Wildfires and Hurricanes Indemnity Program (2017 WHIP) was authorized by Congress earlier this year by the Bipartisan Budget Act of 2018.

Eligible crops, trees, bushes or vines, located in a county declared in a Presidential Emergency Disaster Declaration or Secretarial Disaster Designation as a primary county are eligible for assistance if the producer suffered a loss as a result of a 2017 hurricane. Also, losses located in a county not designated as a primary county may be eligible if the producer provides documentation showing that the loss was due to a hurricane or wildfire in 2017.

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South America - New parametric reef insurance & resilience product to be developed

New initiative to develop a parametric insurance product to protect and enhance the resilience of coral reefs and the communities that rely on them is being developed by Willis Towers Watson through its Global Ecosystem Resilience Facility and the Mesoamerican Reef Fund. An agreement has been reached that will

see the pair working on an insurance and risk transfer model for coral reefs specifically for the four countries of the MAR Region; Mexico, Belize, Guatemala and Honduras.

The project will see a parametric insurance model for reefs developed with the specific goals of supporting early response and restoration after climate, weather and catastrophe events. The aim is to reduce long-term damage to coral reefs and speed up their recovery, while improving their resilience and creating a natural capital value in the Mesoamerican Reefs. The parametric reef insurance product is set to be developed and implemented at roughly seven locations across the four countries.

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