

Global Agriculture Insurance

Overview – Experience – Food for Thought

Dr. Erich Kasten
ARC – Agriculture Reinsurance Consultants
Switzerland



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Content of Presentation

- Facts & Figure
- Risks in Agriculture
- Overview Agriculture Insurance
- Role of Government
- Food for Thought

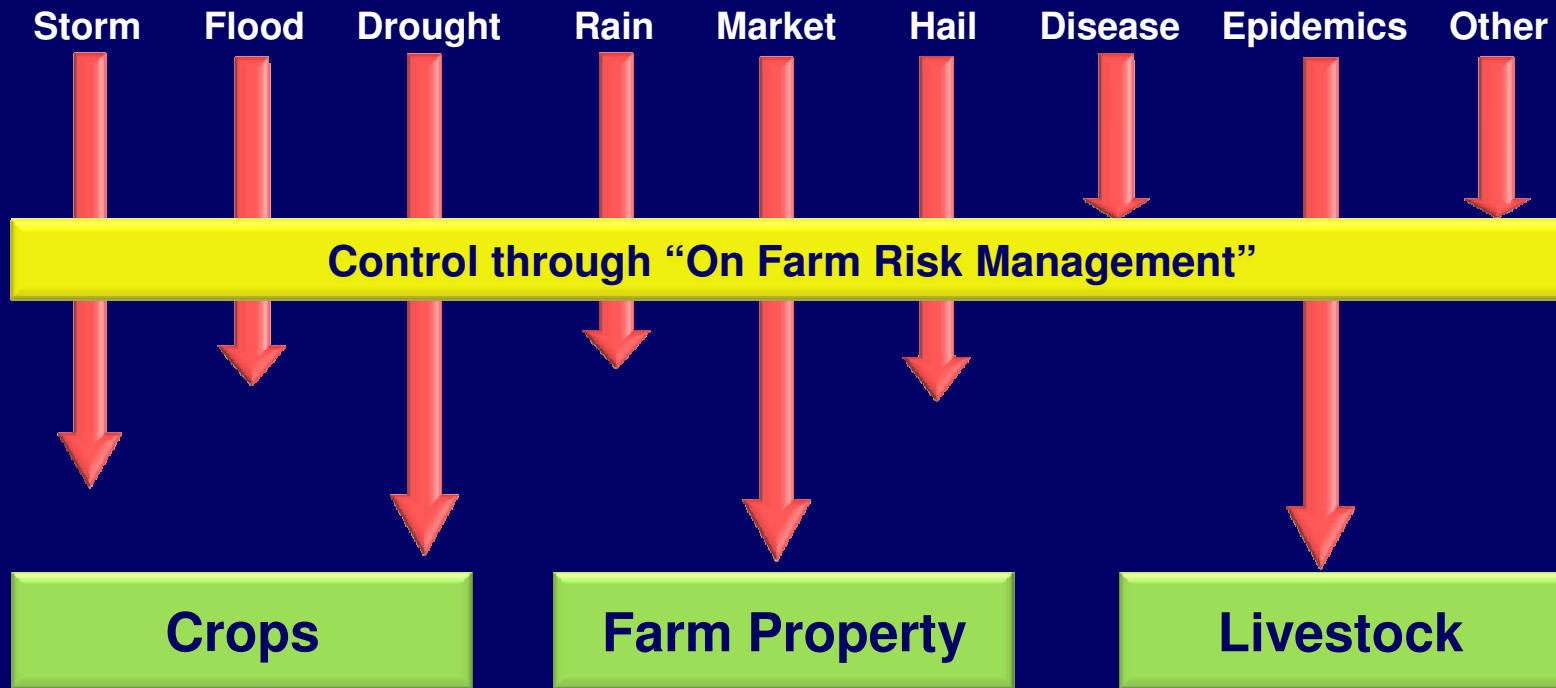


Agriculture Insurance Part of Agriculture Policy

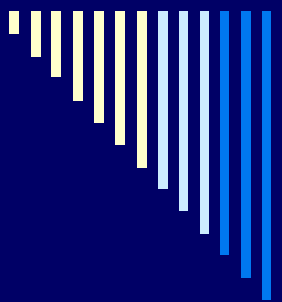
Holistic Agriculture Policy

Development & Sustainability

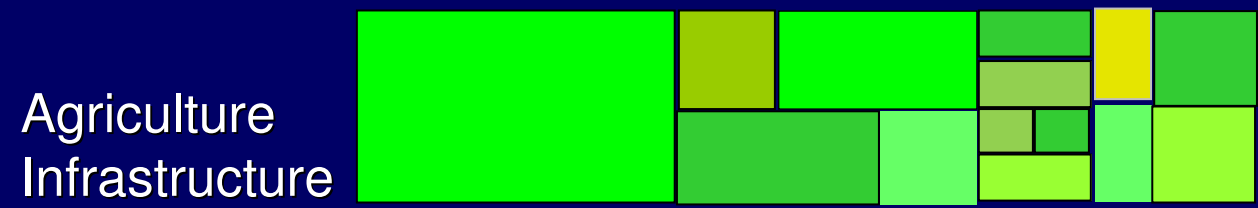
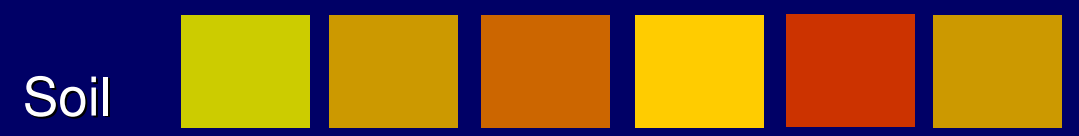
Risks in Agriculture



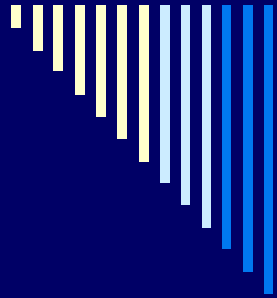
Agriculture Risks are only partially controllable



Risks are Country specific

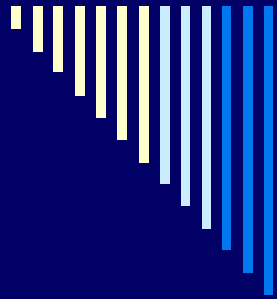


Country specific Risks require local insurance solutions



Main Crop Insurance Products

- Crop Hail (*single peril*)
 - Windstorm/Cyclone/Frost (*single peril*)
 - Crop Hail Plus (*named perils*)
-
- Multi Peril Crop Insurance (MPCI)
 - Crop Revenue Insurance (CRI)
-
- Parametric Crop Insurance Products
(*Index Products e. g. Weather, Yield, etc.*)



Main Livestock Insurance Products

- All Risk Mortality (ARM)
- Specified Perils (Accidents)
- Transport
- Epidemics
- Business Interruption

Agriculture Insurance

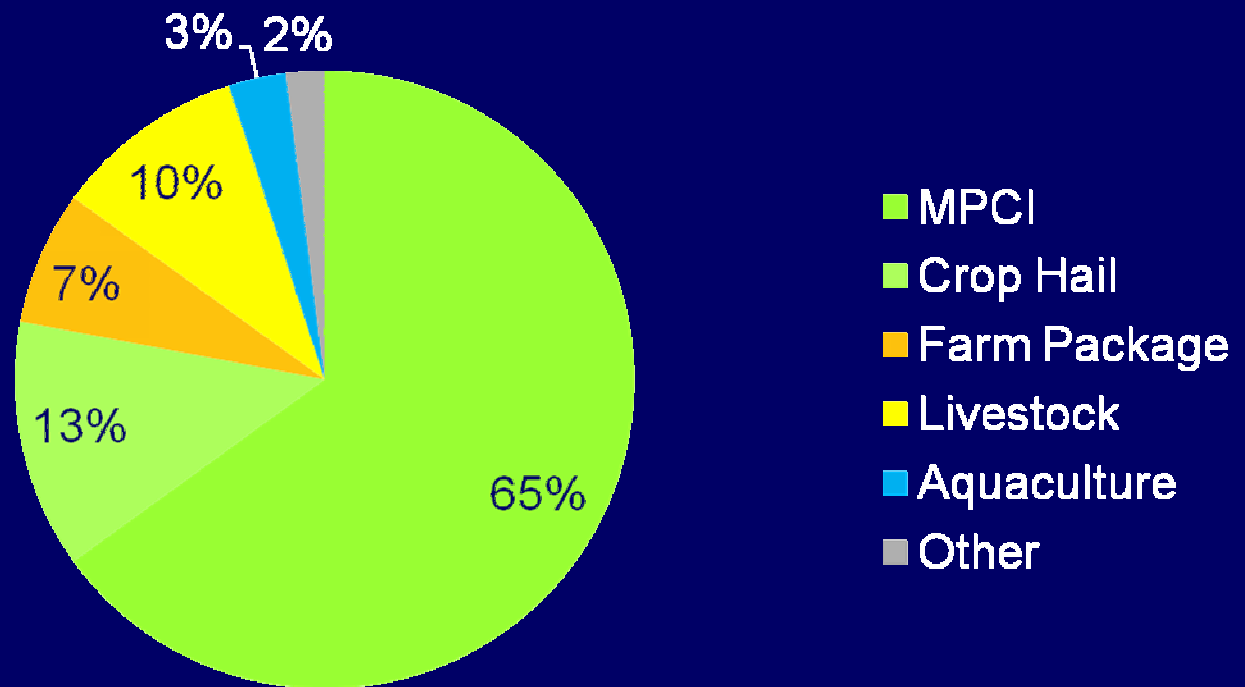


Global Market est. at \$ 14 billion in 2008

Source: ARC Market Survey 2009

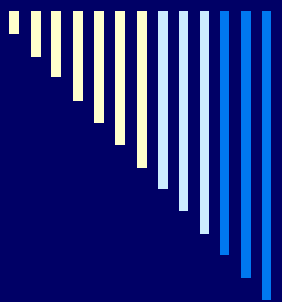
Agriculture Insurance

Products



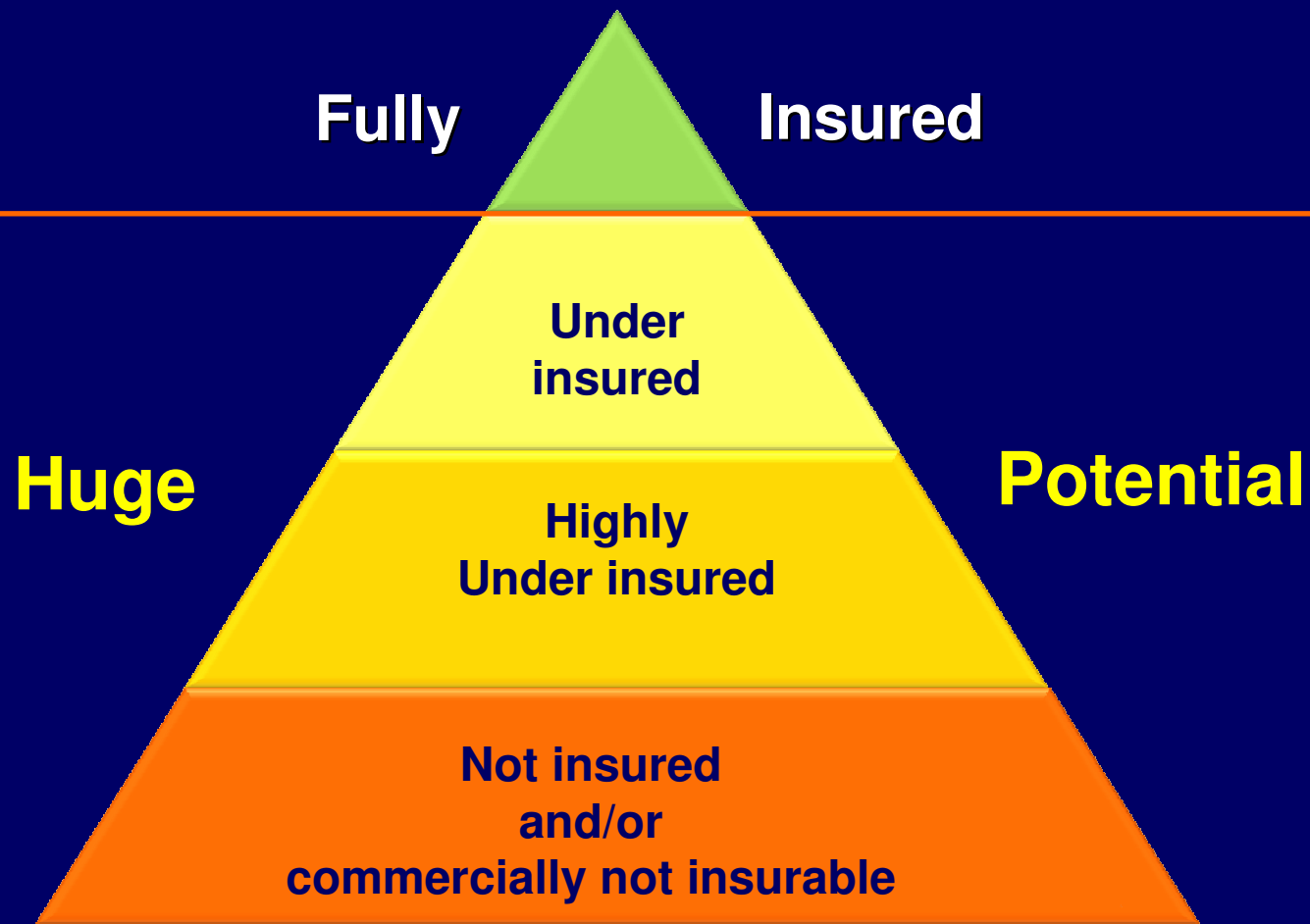
Global Market estimated USD 14 billion in 2008

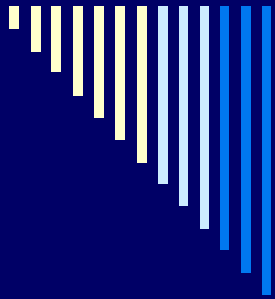
Source: ARC Market Survey 2009



Market Penetration

Agriculture Insurance





Global Agriculture Industry

Insurance & Production Subsidies

Global Agriculture
Insurance Subsidies
6 billion USD in 2008



Agriculture Production
Subsidies OECD Countries

Source: OECD 2006

USD 1 Billion per Day

**Agriculture Subsidies
OECD Countries
USD 360 Billion
annually**



Multi Peril Crop Insurance (MPCI)

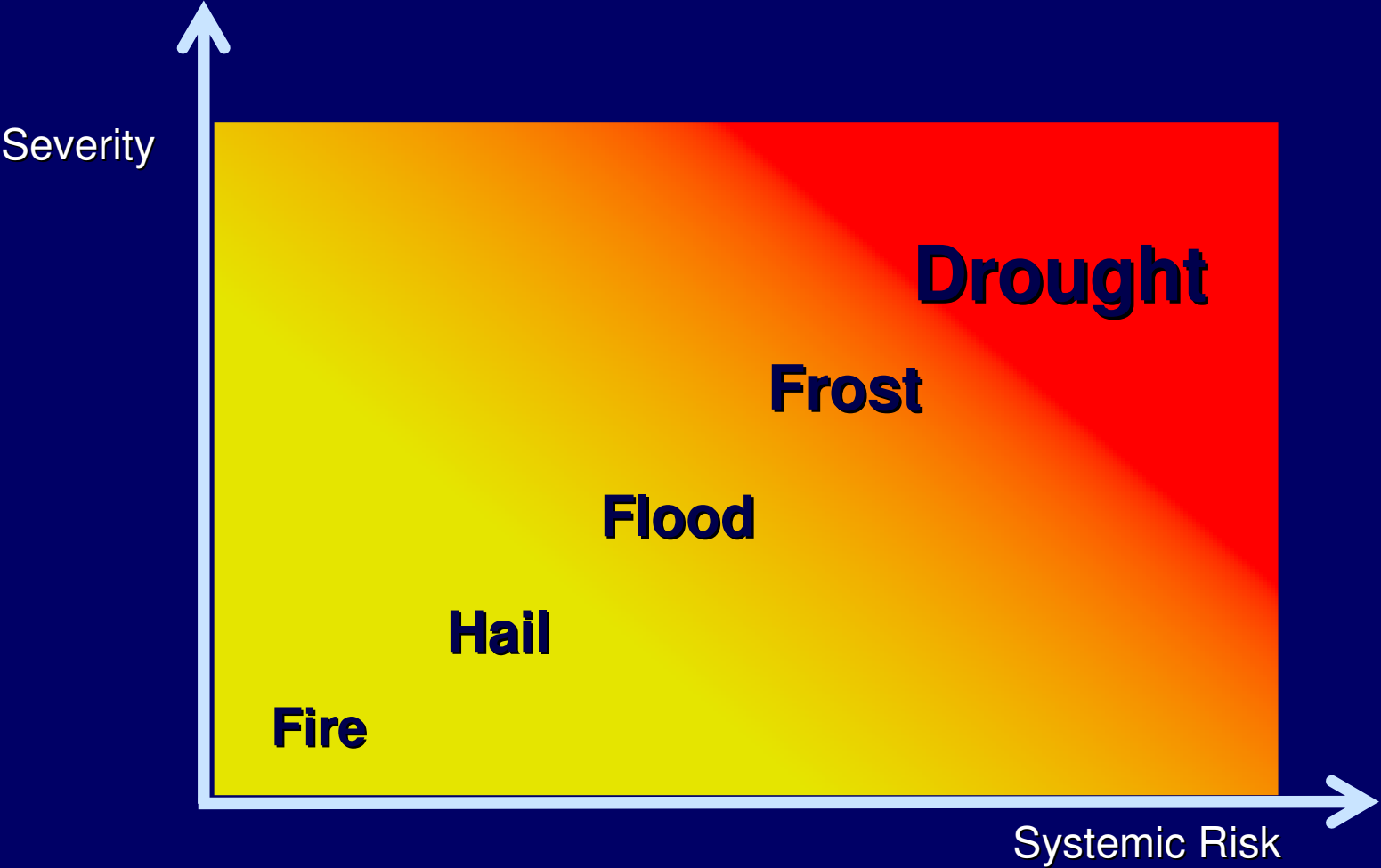
Traditional Crop Insurance

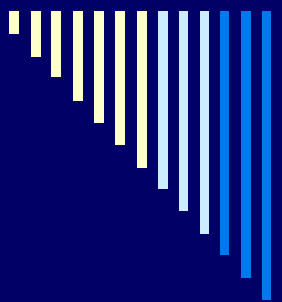
- Individual Farm Cover
- Data quality problem
- Asymmetric risk information
- High premium and high transaction cost
- Adverse selection and moral hazard problems
- Low market penetration

Expensive & considerable handling problems

Not viable without Government support

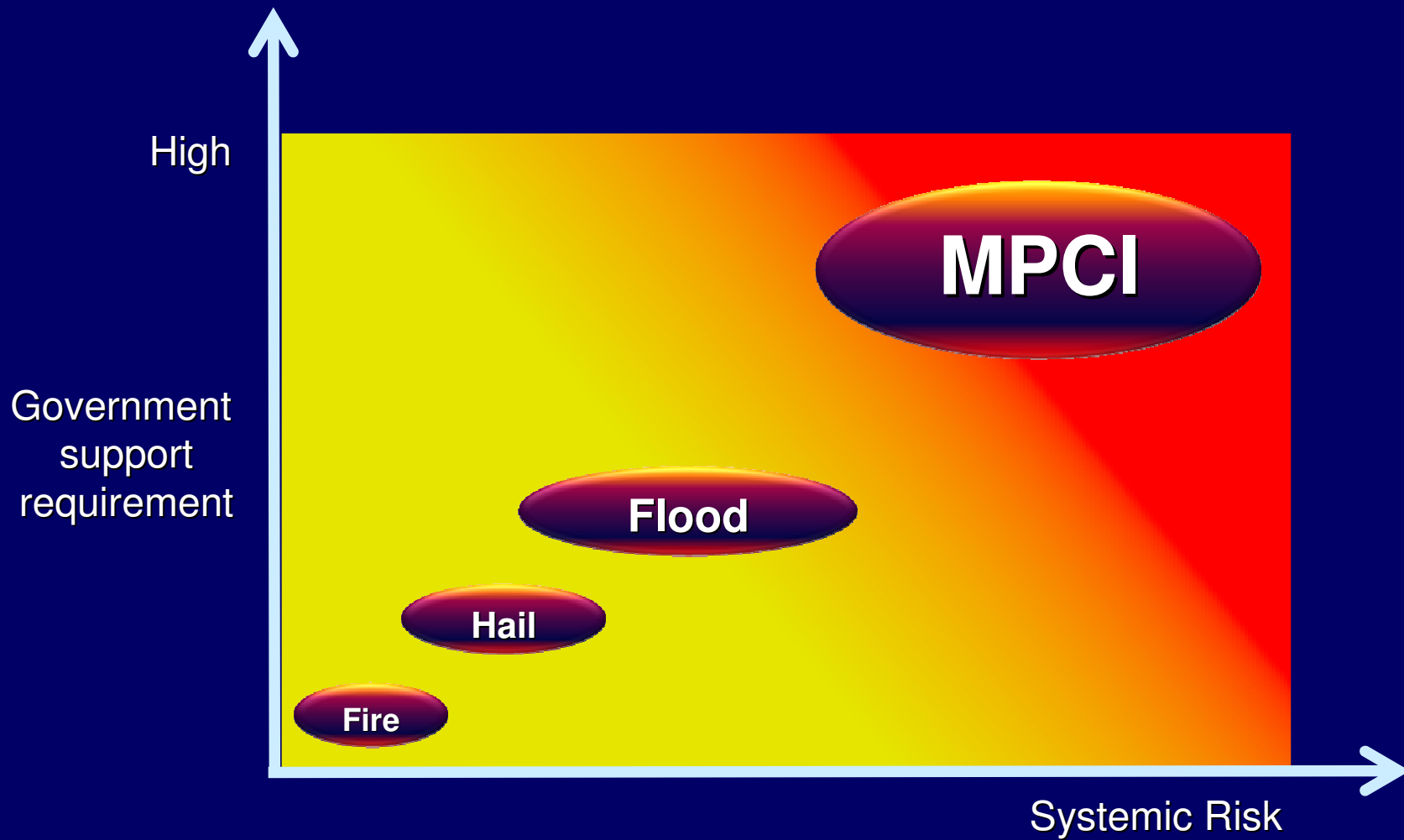
Crop Risks - Systemic Risk & Severity



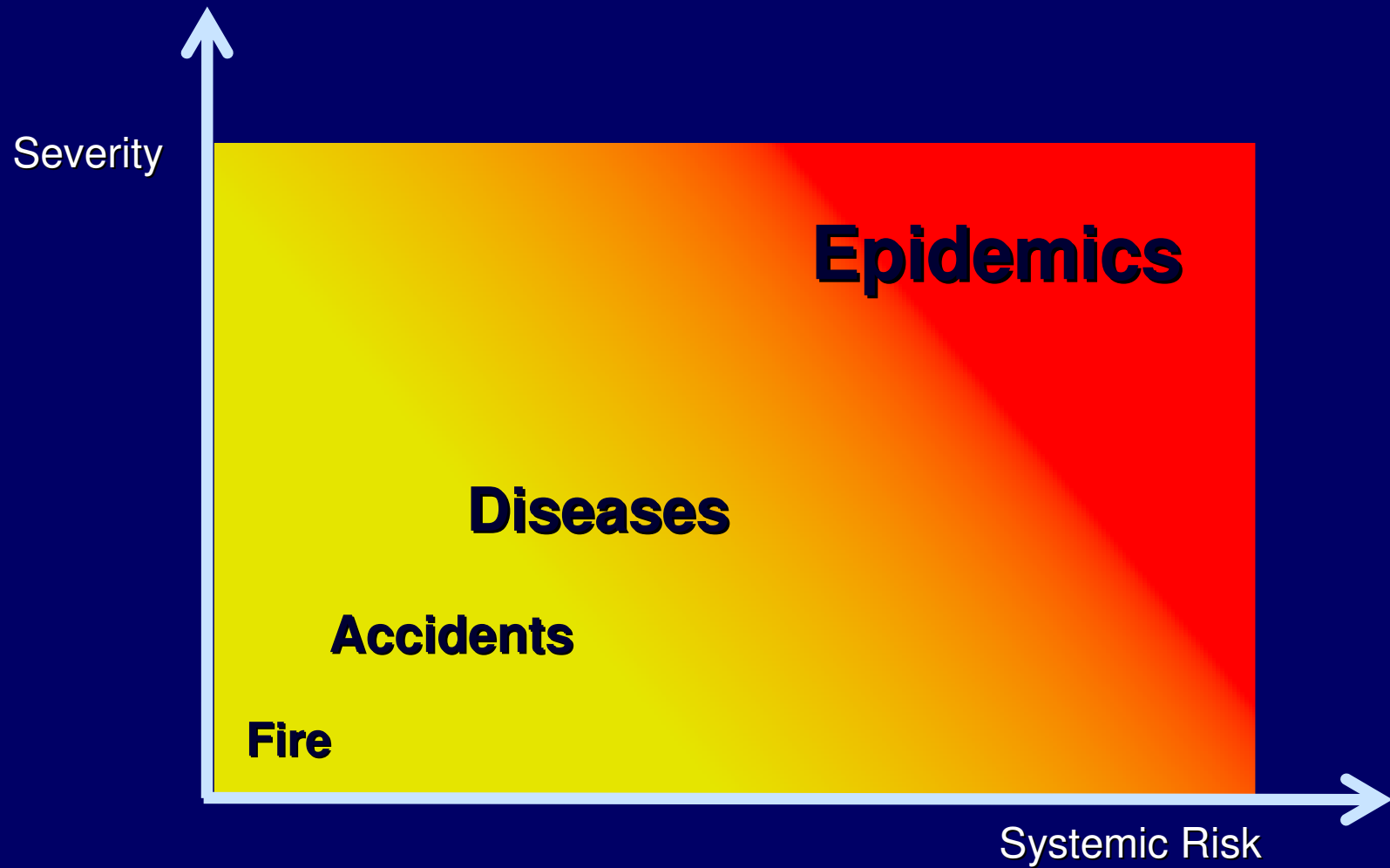


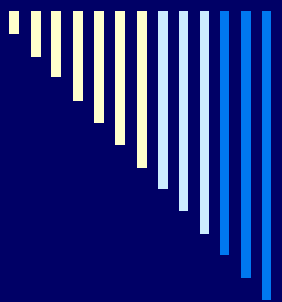
Crop Insurance Products

Government support requirement



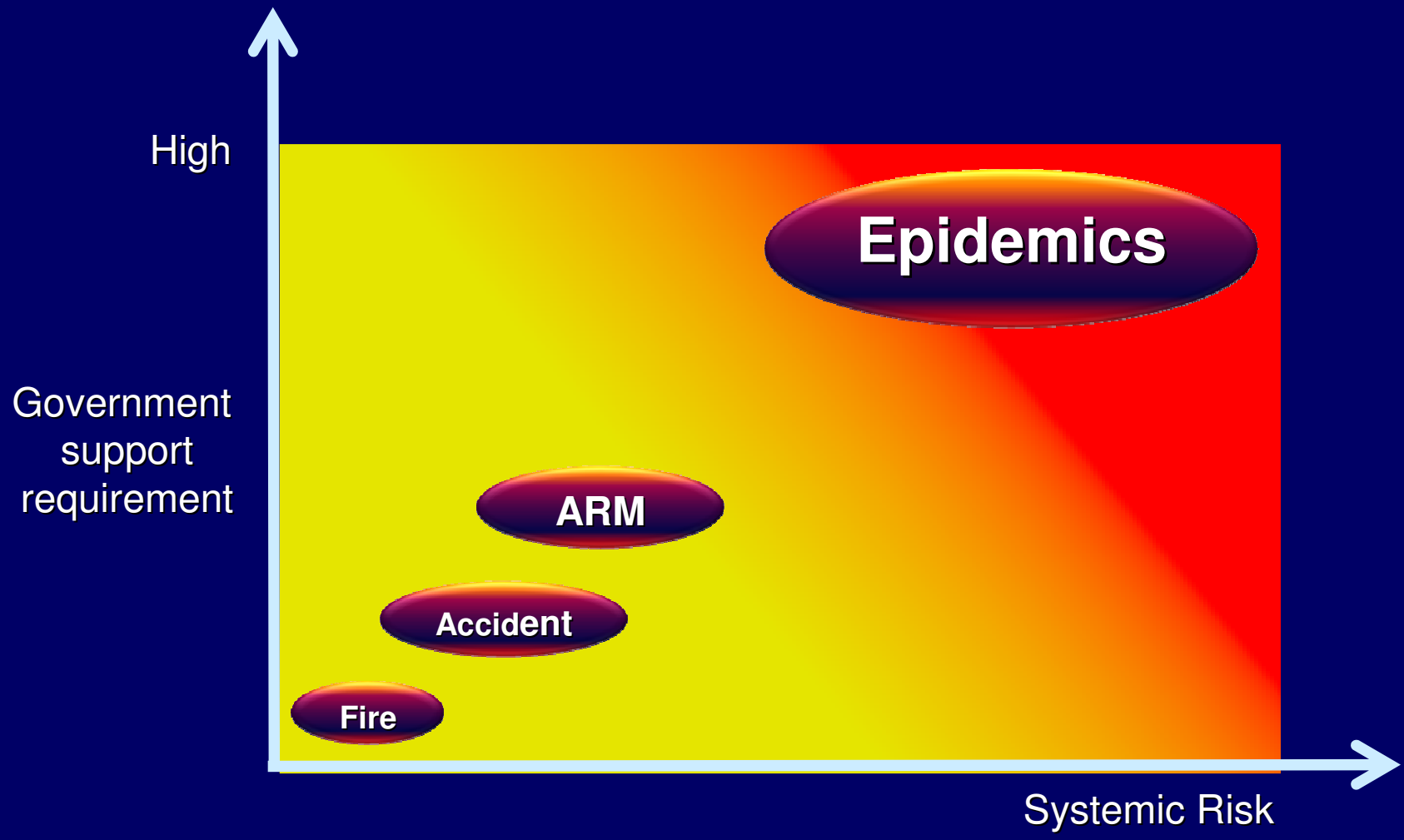
Livestock Risks - Systemic Risk & Severity



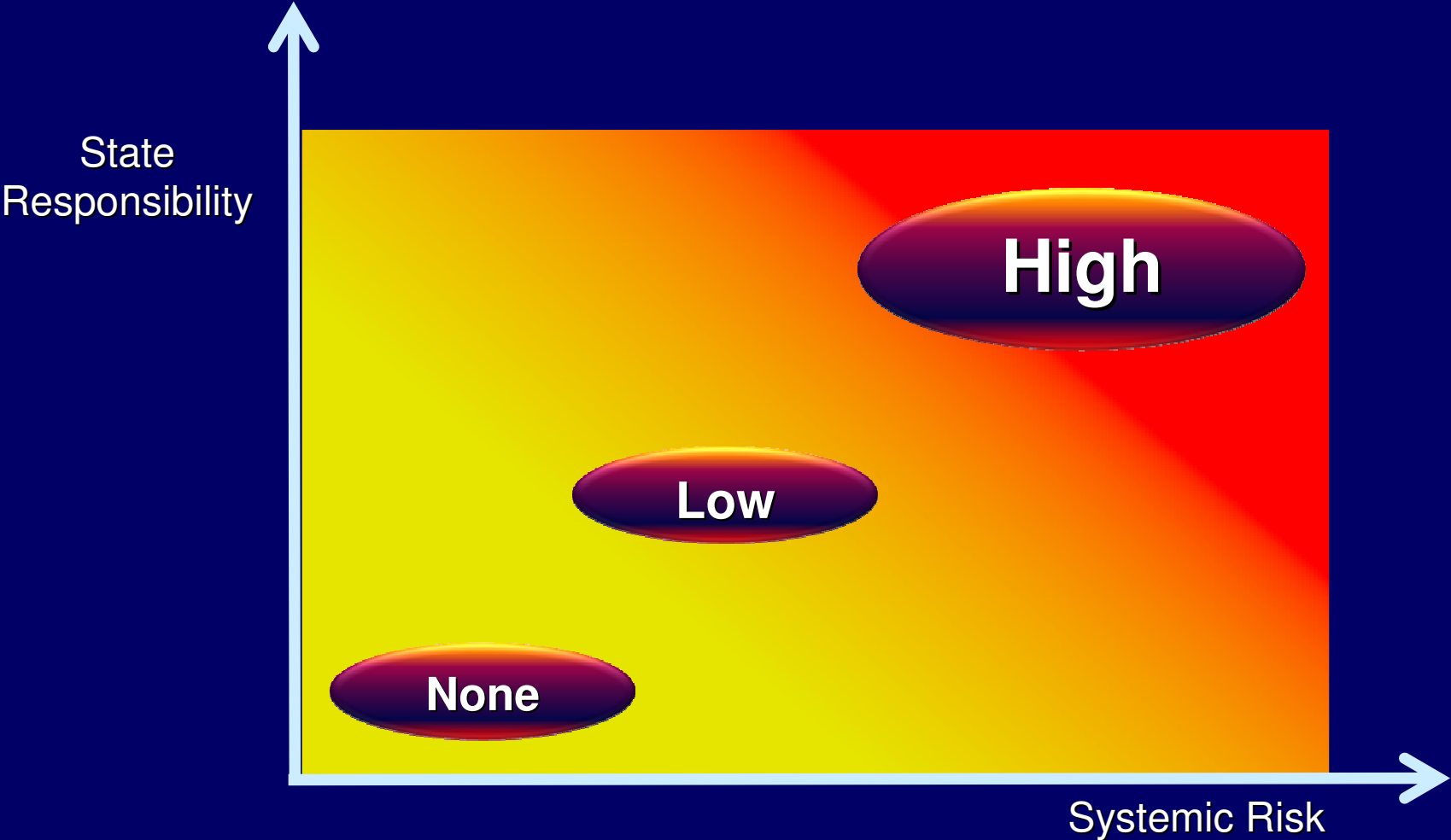


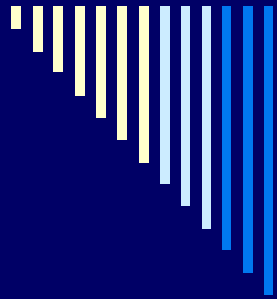
Livestock Insurance Products

Government support requirement



Systemic Risk & State Responsibility

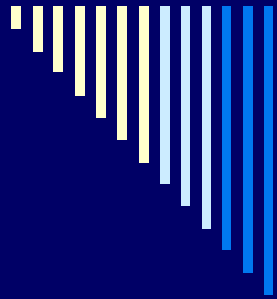




Recommendation

Improved Crop Insurance Products

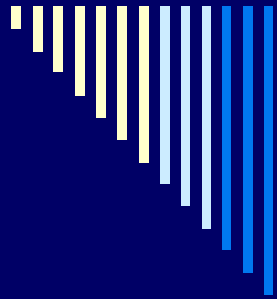
- Cover large and catastrophe risks
- Have a sound actuarial data base
- Overcome moral hazard and antiselection
- Allow low transaction cost
- Available at relative low premium rates
- Stimulate high insurance participation
- Parametric insurance products (yield, weather, etc.)
- Government supported (systemic risks)



Recommendation

Livestock Insurance

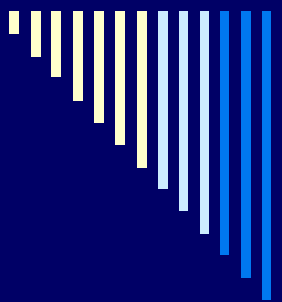
- Commercial Livestock ARM Policies need to have deductibles > expected mortality
- Individual animal insurance only for smallholder - *social insurance program*
- Insurance of Epizootic diseases with Government assistance
(*veterinary services, disease control and premium subsidy*)



Recommendation

Government Support

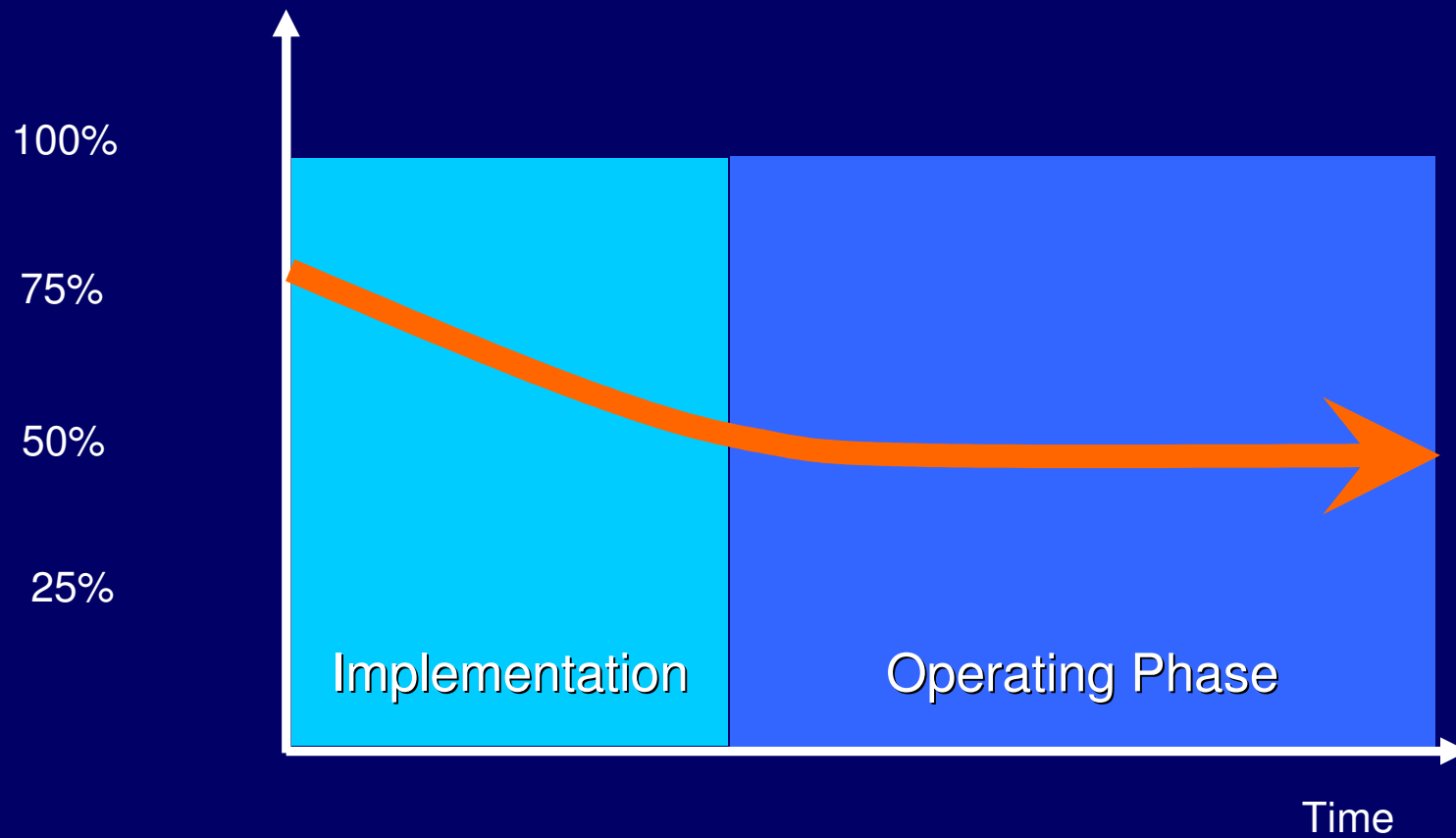
- Research & Development support
- Premium subsidy for systemic risks only
- Premium subsidy as fixed amount per ha
- Premium subsidy limit per farm (social component)
- Parametric insurance products (yield, weather, etc.)
- Catastrophe reinsurance capacity

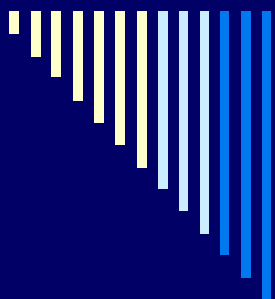


Recommendation

Government Premium Subsidy

For aggregate Losses > 50% of expected Yield & Epidemics





Thank you for your attention



Dr. Erich Kasten
Agriculture Reinsurance Consultants GmbH
Switzerland
dr.e.kasten@bluewin.ch