
Introduction to Agriculture Insurance

Session 5 : Managing Agriculture Risks

Agriculture Insurance 2014
January 2014, Marrakech

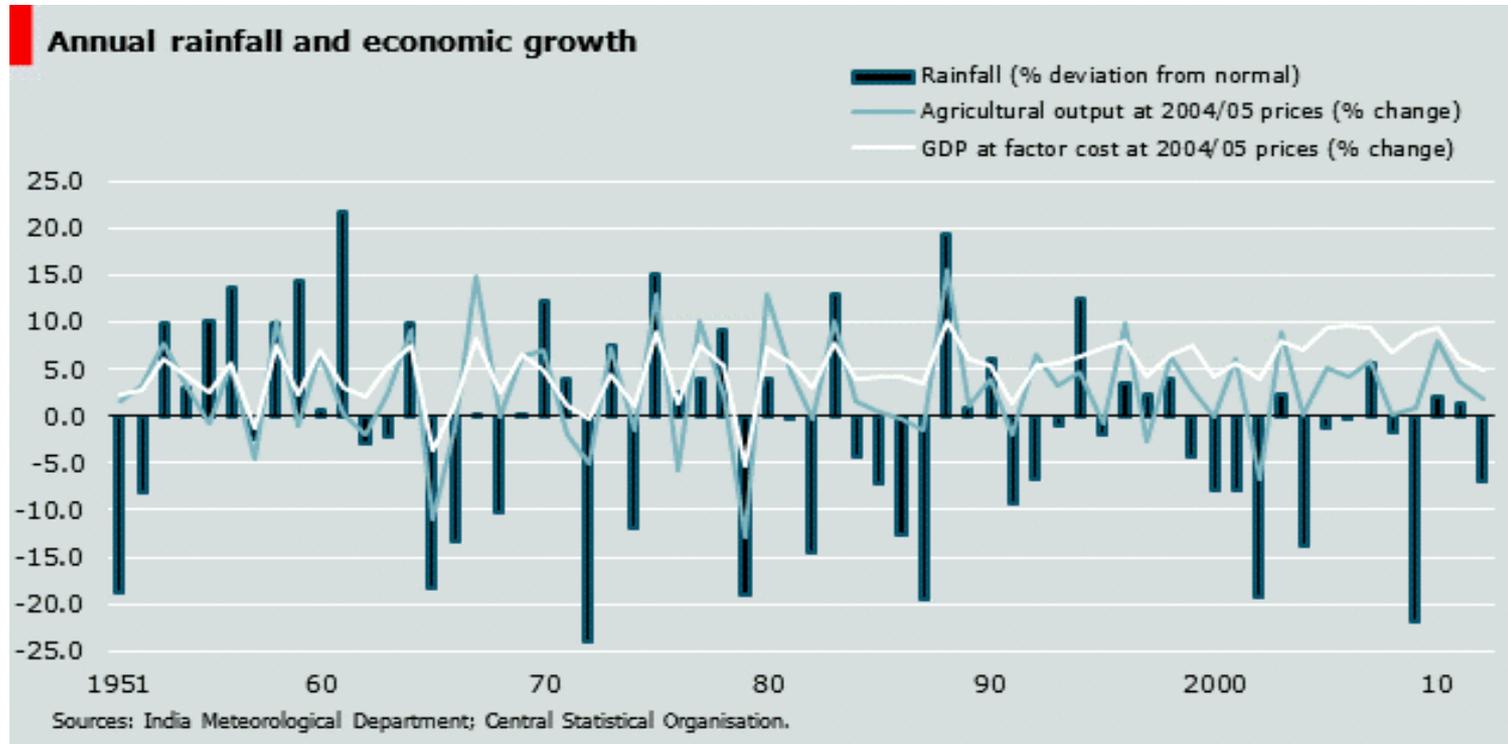
Managing Agricultural Risks: Perils

- ✓ Natural calamities
 - Drought
 - Hail
 - Flood
 - Frost
 - Disease
 - Cyclone
 - Etc.

- ✓ Market fluctuations

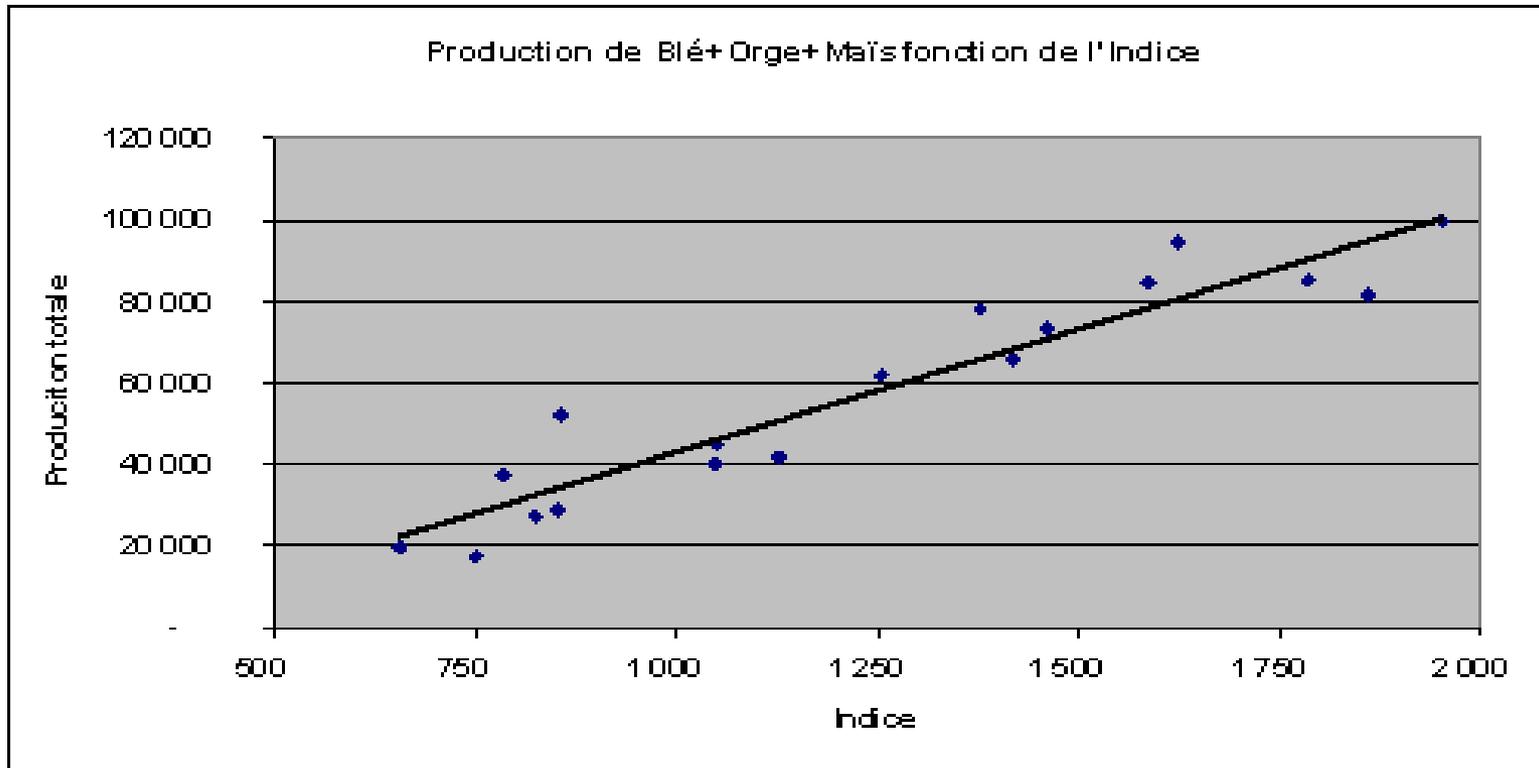
- ✓ Other

Managing Agricultural Risks: Monsoon in India



“Monsoon is the real finance minister of Indians”, Pranab Mukherjee

Managing Agricultural Risks: Rain and Grain in Morocco



« Au Maroc, gouverner c'est pleuvoir », Théodore Steeg

Managing Agricultural Risks: Solutions

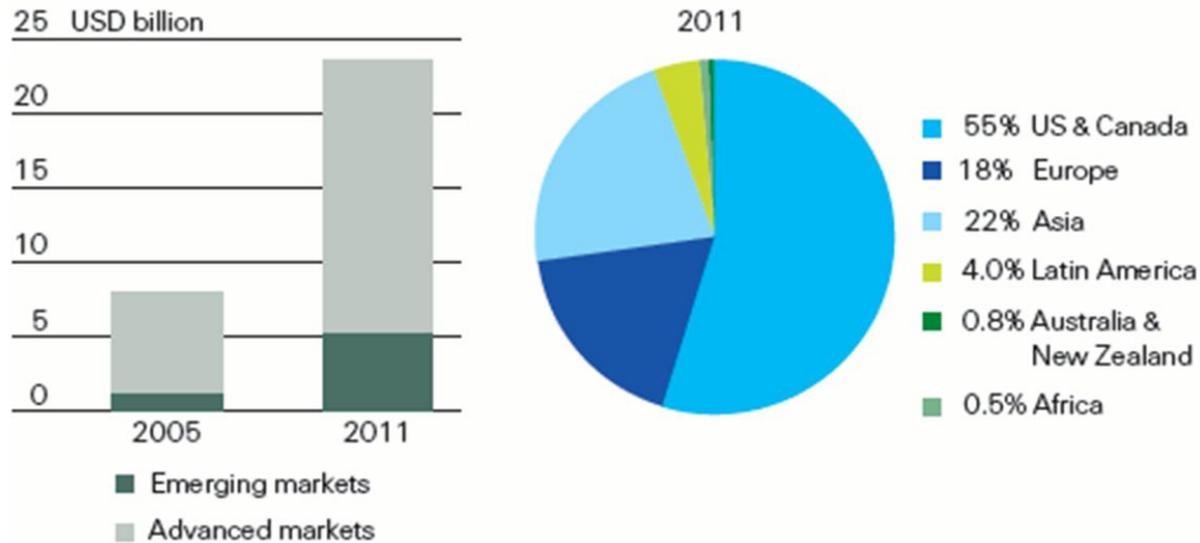
- ✓ Improved farming practice
 - Better seeds
 - Fertilizer
 - Machinery
 - Pesticide
 - Irrigation
 - Greenhouses
 - Etc.
- ✓ Improved Price Management
 - Access to new markets
 - Usage of financial instruments like options and futures
 - Better timing
- ✓ Insurance

Managing Agricultural Risks: Insurance

- ✓ Crop Insurance:
 - ✓ Named Peril: Hail since 19th century
 - ✓ Multi Peril Crop Insurance (MPCI): NAIS in India
 - ✓ Revenue Insurance: Yield * Price, FCIP in USA
 - ✓ Index Based Covers: WBCIS in India, NDVI in Mexico

- ✓ Forestry
- ✓ Livestock
- ✓ Aquaculture
- ✓ Greenhouses

Managing Agricultural Risks: Agriculture Insurance Premium



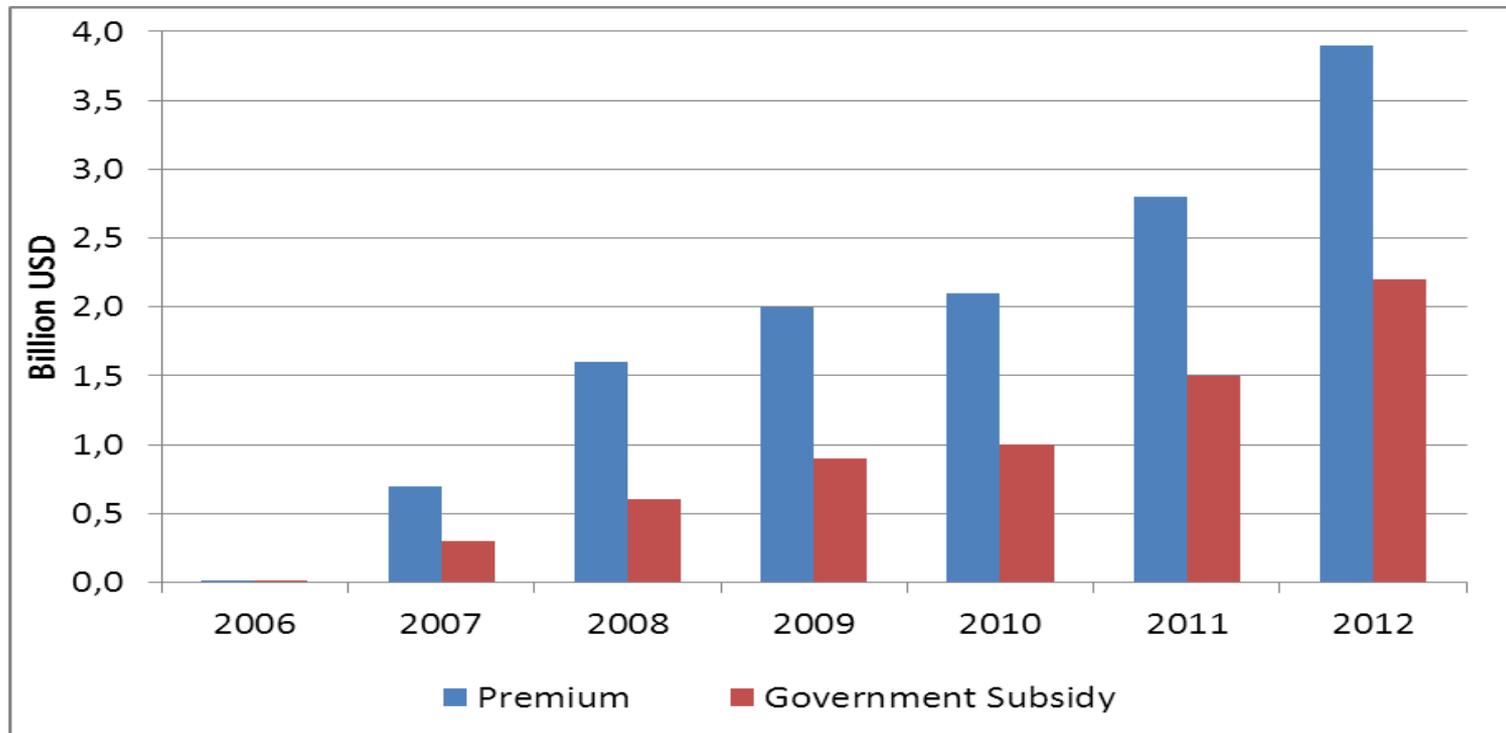
Sources: The World Bank; Swiss Re Economic Research & Consulting

- ✓ Emerging Markets Adopting Agriculture Insurance
- ✓ Commodity Price Increase

Managing Agricultural Risks: China Agriculture Insurance

- ✓ Crops, Livestock, Forestry
- ✓ No price component
- ✓ A state agency (CIRC) controls the design, rating and allocation of counties to insurance companies
- ✓ Same wordings and rating for all insurance companies
- ✓ Distributed by 21 companies (90% share for Top 5)
- ✓ Total Premium Subsidy by the government above 50% (from 35% to 90%)
- ✓ Many free loss caps from Central/Provincial Governments
- ✓ \$4,9 billions premium for 2013
- ✓ \$8 billions premium target for 2017

Managing Agricultural Risks: China Agriculture Insurance

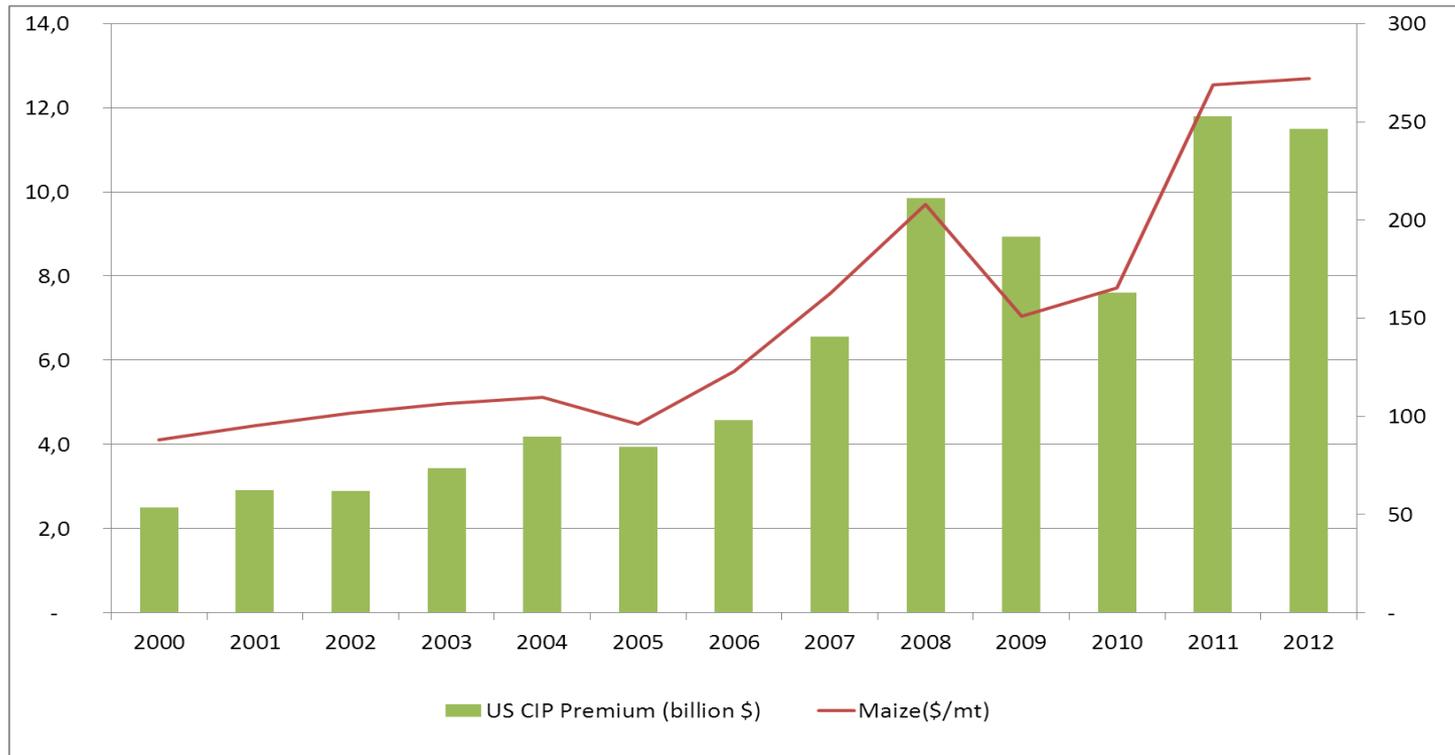


- ✓ Premium Increased 450% from 2007 (was almost nil before)
- ✓ China become second biggest market in just 6 years

Managing Agricultural Risks: US Fed Crop Ins Program

- ✓ Possibility to insure yield and revenue
- ✓ Voluntary subscription by farmers
- ✓ Same wordings and rating for all insurance companies
- ✓ Distributed by 18 private companies in competition
- ✓ A state owned company, (FCIC) is in charge of policies design, rating, loss adjustment methodologies....
- ✓ Premium Subsidy by the government from 38 to 100%
- ✓ Distinct funds of reinsurance supported by the federal gvt
- ✓ US\$ 11,5 milliards premium for 2012

Managing Agricultural Risks: US Fed Crop Ins Program



- ✓ Commodity price increase: increased demand, biofuel, etc.
- ✓ Revenue insurance is more about price than yield

Thank you