
AREA YIELD INDEX INSURANCE (EXPERIENCES AND CHALLENGES)

MACEDONIA

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AGRICULTURE SECTOR IN MACEDONIA - FACTS

The best prospect industry sector for the country.

In 2016:

7.7% of GDP accounted for agriculture and agribusiness.

16.6% of the total number of persons **employed**.

12.25% constituted agriculture, in total **export**.

Main export products: fresh and processed vegetables and fruits, tobacco and wine (bulk and bottled).

AGRICULTURE INSURANCE IN MACEDONIA

Agriculture is highly vulnerable to climate risks: **hail, flood and drought.**

The interest of farmers for insurance is insignificant.

Evident drop of insured farmers from 5% in 2014 to 2% in 2017.

Reason: post- disaster payments provided by the Government in amount of up to 100% of the loss.

**Offered
agriculture
insurance at the
market:**

**Indemnity agriculture
products**

Index based insurance
(only by ERe Insurance
partners)

AREA YIELD INDEX INSURANCE

- Agriculture insurance that offers **protection against all natural catastrophes and biological perils** that could influence on **reduction of crop yields**.
- **The specific of the product is that** the farmer insures the average municipal expected yield of the crop, not the individual yield. **The losses are measured as** the difference between the actual yields and the insured average yields in the indexed municipality.
- **Crops:** wine grapes, wheat, maize, barley, sunflower.
- **Expected yield:** 5 year average, SSO data.
- **Coverage:** 50-80% of the expected yield.

AREA YIELD INDEX INSURANCE

- **Cover period:** The entire vegetation period of the crop (from sowing to the harvesting).
- **Method of indemnification:** The SSO is obligated to publish the crop yield data no later than 25.12. in the year. After publishing them, if the real municipal yield is lower than the insured average municipal yield, the difference is paid (the farmer is compensated).
- The farmer or the farm holding has no obligation to prove that he/she has suffered any losses, nor the level of the losses incurred.
- The premium is 60% subsidised by MAFWE or up to 2.500 Euros per crop, per farmer/farm holding.

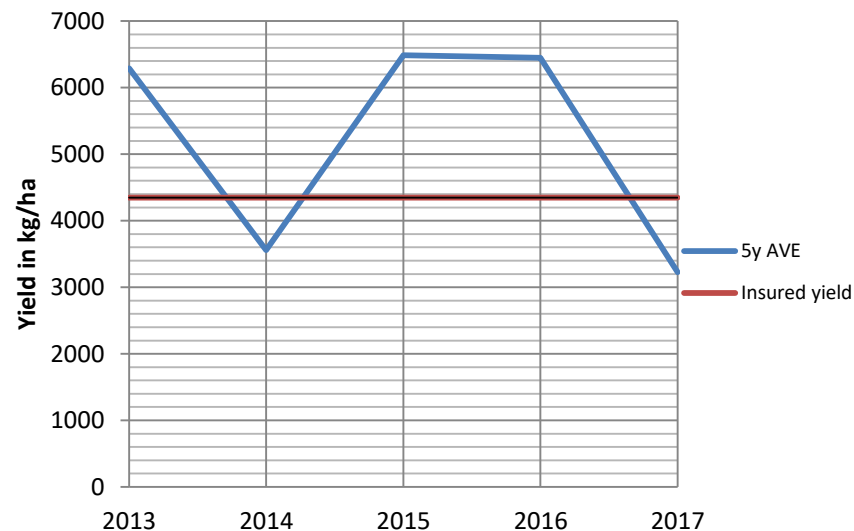
AYII VS. INDEMNITY PRODUCTS AT THE MACEDONIAN MARKET

Characteristics	AYII (index based insurance)	Indemnity based insurance
Risks:	all natural catastrophes, biological perils that could influence on reduction of crop yields	Basics risks + storm, spring frost + flood
Coverage:	All vegetation period	Only May – October (several months)
Based on:	Index based, based on municipal average yield	Individual, based on individual farm yield
Indemnification:	Automatic, no need of loss adjustment. Payout done after harvesting of the crop	Through loss adjustors after loss is reported

AYII EXAMPLE

Municipality Sveti Nikole	
WINE GRAPE	
Municipality expected yield in kg/ha	5.434

Coverage	70%	80%
Insured yield in kg/ha (% of the expected yield)	3.803,80	4.347,20
Value of the wine grape in EUR (source: MAFWE)	0,16	0,16
Insured area in ha	1	1
Sum insured per ha (Euro/ha)	618	707
Total sum insured in Euro/ha	618	707
Premium in EUR per ha	104	151



If we take the yield of Sveti Nikole for 2017, which according to the data of the SSO is reduced due to climatic event, i.e. 3.225 kg /ha, for 80% coverage the pay-out should be **184 Euros per ha (26% recorded decline of the yield)**.

AYII EXAMPLE CONT.

Municipality SVETI NIKOLE, WINE GRAPE, 80% coverage	
Premium in EUR per ha	151 Euros
Premium in EUR per ha net of subsidy (40% paid by the farmer)	60,4 Euros
Insured crop market value eur/ha	883 Euros
Insurance as percent (%) of insured crop market value	6,84%

Europa RE cooperate with four Insurance partners, out of which AYII sale is mainly provided through:



CROATIA[®]
осигурување/неживот

AYII SALE EXPERIENCE

FARMERS

- Most of the farmers do not perceive insurance as financial protection against climatic and biological risks. Still believe that the Government have to cover the losses.
- The potential is high, each year the awareness is increasing.
- Sceptic for the SSO data.
- Insure the crop area up till the amount of the premium subsidized by MAFWE.
- Do not fully understand the product.
- Big farmers or farm holdings expressed more interest and understand the product, however they do not accept the average municipal expected yields.

PROCEDURE

- Documents needed by the farmers are easy to be issued by MAFWE.
- Only Farmers that posses property list, or contract for cultivation of the land are eligible to buy coverage.
- Slow process of collection of the subsidized 60% of the premium by IP's.

AYII SALES CHALLENGES

- ✓ Raise awareness for agriculture insurance
- ✓ Limited number of crops covered with AYII
- ✓ Accuracy of the SSO data
- ✓ Swift payment of the 60% of the premium by MAFWE to IP's.

KEY CHALLENGES FOR AGRICULTURE INSURANCE IN MACEDONIA

- **Institutional:** Raise the awareness of the farmers for agriculture insurance
 - ***Promote market based agriculture insurance***
 - Decrease the post-disaster payments provided by the Government.
 - Link of the agriculture production subsidies with agriculture insurance.
 - Improve the process of payment of the 60% of the premium by the Government to the Insurance Companies
 - Increase of the crop portfolio (more crops to be insured with index based insurance).
 - ***Facilitating access to technical and financial assistance through development of agriculture pool***
 - Domestic insurers to implement common underwriting and loss assessment standards.
 - Improve the terms on which they accessed international agricultural reinsurance markets.
 - Link of the agriculture production subsidies with agriculture insurance.



THANK YOU FOR YOUR ATTENTION
