
DISASTER RISK FINANCE (DRF) – AGRICULTURE INSURANCE SYSTEM AS A RISK POOLING MODEL IN N. MACEDONIA

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PENETRATION AND DENSITY OF INSURANCE

Penetration – gross written premium as a percentage of GDP

North Macedonia	1.52%
World	7.07%
EU	8.28%
SEE EUROPE	2.79%

Density – gross written premium per person (EUR)

North Macedonia	78
World	442
EU	2,135
SEE EUROPE	209

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- The interest among people for financial protection of their properties, business, yields is low.
 - The population is not ready to pay in order to be financially protected from future disaster.

N. MACEDONIA - AGRICULTURE SECTOR - OVERVIEW

AGRICULTURE SECTOR IN N. MACEDONIA - FACTS

The industry that holds lots of promise...

In 2020:

8% of GDP was produced by agriculture and agribusiness.

16.6% of jobs were in agriculture.

12.25% of total country exports were from agriculture.

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

AGRICULTURE INSURANCE IN N. MACEDONIA

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

The interest of farmers in insurance is insignificant.

AGRICULTURE INSURANCE IN N. MACEDONIA - FIGURES

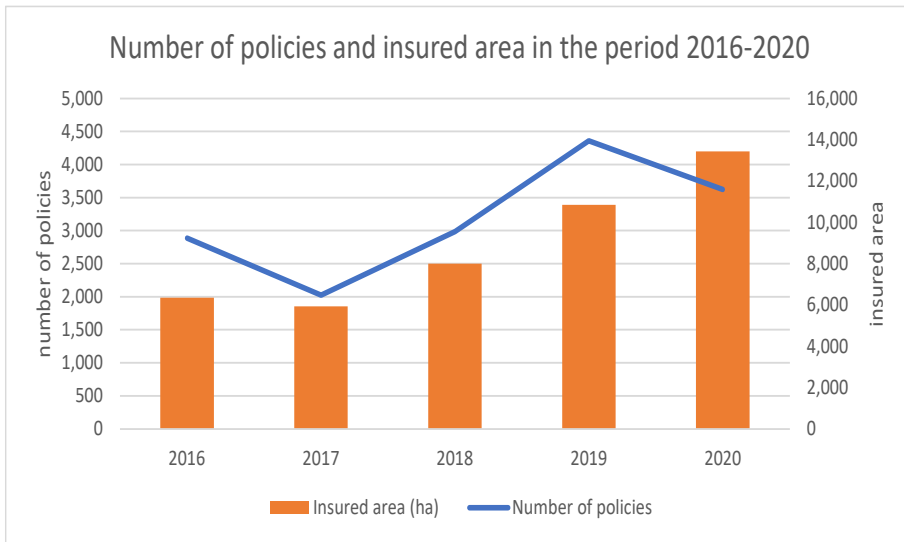
- Agriculture insurance penetration reached its pick of 3.5% of registered farmers in 2015, but evident drop was recorded in 2017. Since then, the number of insured farms remained stagnant despite a 60% premium subsidy or up to EUR 2.500 per farmer.
- 2020 – only 2% of the registered farmers were insured.

Agriculture insurance	2020	2019	2018	2017	2016
Insurance contracts	3,751	3,803	3,493	2,243	4,024
Premium (in '000 EUR)	7,846	6,287	4,244	2,557	2,857
Claims (in '000 EUR)	5,152	3,293	3,567	1,686	2,319

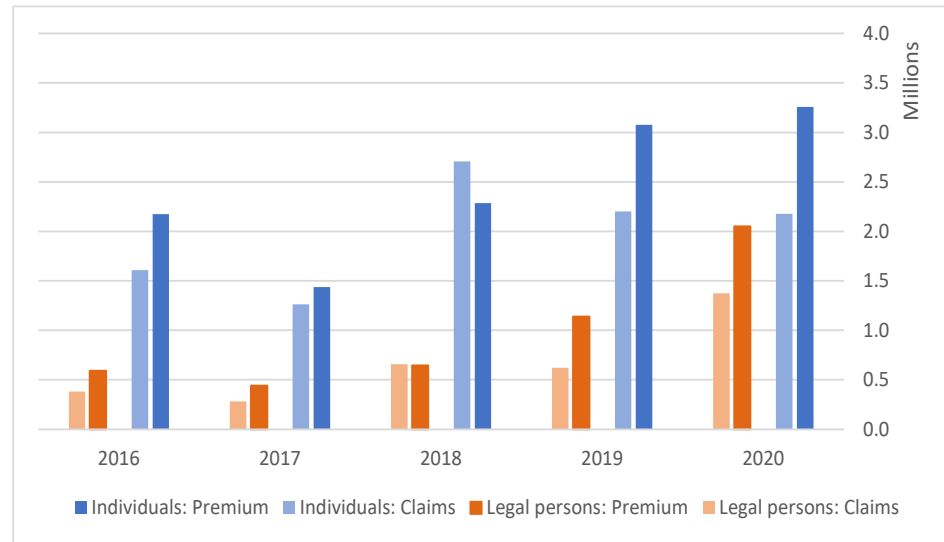
Source: ISA

Year	No of policies	Registered Farmers (source: MAFWE)	Insured farmers in %
2014	3,704	150,000	2
2015	5,021	145,000	3.5
2016	4,024	150,000	3
2017	2,243	160,000	1
2018	3,493	169,431	2
2019	3,803	170,000	2.2
2020	3,751	165,000	2

AGRICULTURE INSURANCE IN N. MACEDONIA - FIGURES



Premiums and claims on the market for period 2016-2020 (in EUR)



*Average farm size -2.8ha

AGRICULTURE INSURANCE IN N. MACEDONIA: MAIN CHALLENGES

**Farmers are dissatisfied with the claim management process.
Expensive insurance coverage with high deductibles.**

**Insurance companies avoid insuring farmers with high risk. (i.e. Resen area).
Do not cover all relevant risks.
Late subsidy payments.**

Government post- disaster payments of up to 100% of the loss.

DISASTER RISK FINANCE AND INSURANCE PROGRAM



Objective: To ensure that the farmers are financially protected in the event of a disaster.

- tailored financial protection strategy that increase the ability of national and local government and agricultural producers, including the low-income rural population to respond more quickly and resiliently to disasters.
- inclusion of the farmers in the system through their participation in risk management and financial protection.

AGRICULTURE INSURANCE SYSTEM

AGRICULTURE INSURANCE SYSTEM

- On October 28, 2020, the Government of N. Macedonia adopted a decision for establishment of a risk pooling system in the country, assigning the Ministry of Agriculture, Forestry, and Water Economy as leading institution in the process of the establishment.
- The main objective of the Government was to gradually replace the traditional ad- hoc post disaster relief programs with introduction of nation-wide agricultural insurance system.

MAIN CHARACTERISTICS OF THE AGRICULTURE INSURANCE SYSTEM

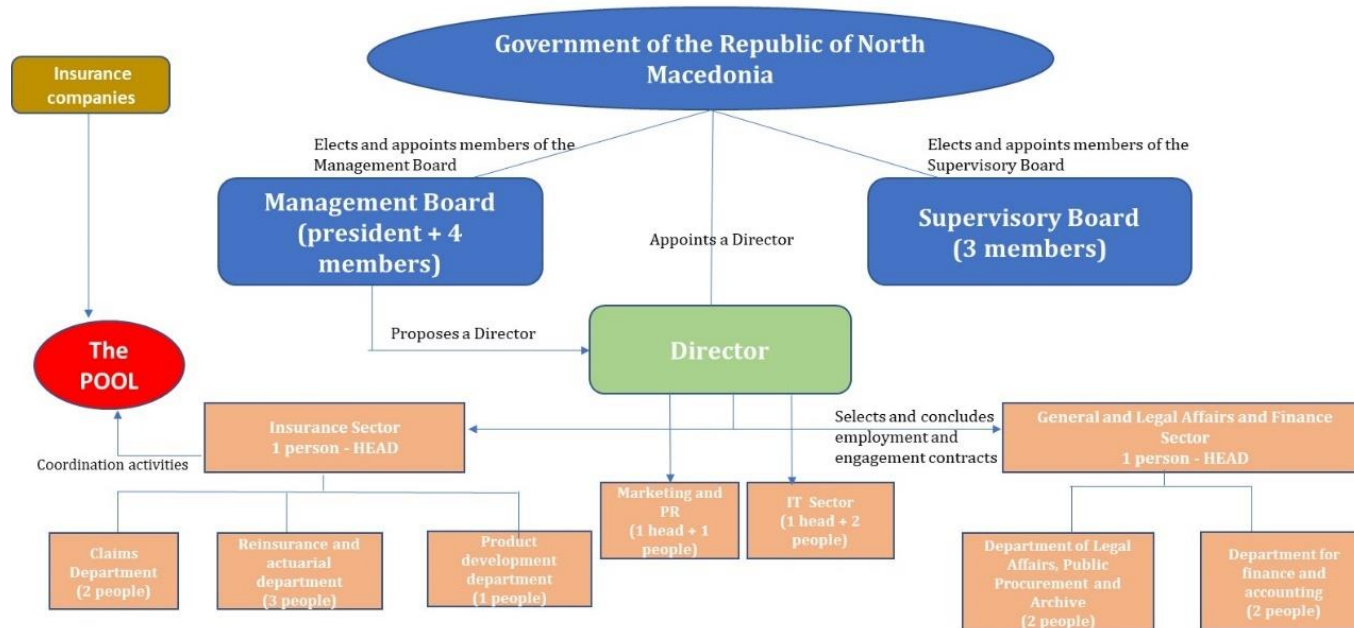
Comprehensive weather risk pooling solution for the Macedonian farmers, the most economically vulnerable part of the population.

(a model is similar to TARSIM in Turkey).

- ✓ The system will be established based on the Law for Mandatory Agriculture Insurance.
- ✓ Mandatory insurance for all registered farmers that apply for production subsidies.
- ✓ Government subsidizes 20% of the premium.
- ✓ On top of it the minimum farmer contribution is regulated as 30% of the premium, based on which the minimum coverage that the farmer may obtain is set on 50%.
- ✓ Insurance companies will join the system on voluntary basis.
- ✓ Risks: basic risks (hail, fire, and lightning) and spring frost (only for fruits).
- ✓ Streamlined, innovative and affordable insurance products for crop and livestock will be developed.
- ✓ Cost efficient and swift claims management.
- ✓ Public system (FUND) where certain operations, mainly the management of distribution channels will be transferred through long term contractual arrangements to the Insurance Pool.

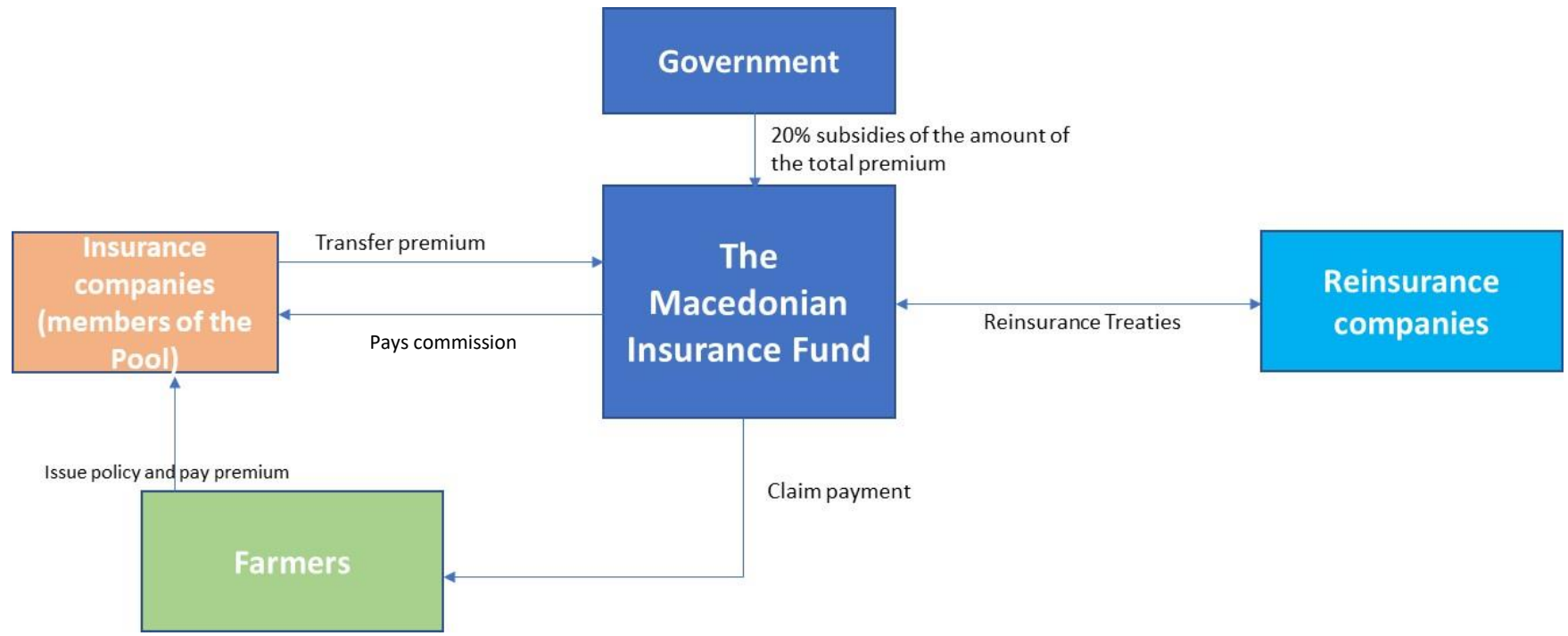
AGRICULTURE INSURANCE FUND

Organizational Structure of the Fund



- Agricultural Insurance Fund will have an operational structure of its own and will be subject to the minimum capital and solvency requirements as defined by the Law for Insurance Supervision.
- The Fund will be collecting the premium from the insurance policies and bearing all the insurance risk. A regulated fixed commission will be paid to the insurance companies that joined the System and sell policies on its behalf.

AGRICULTURE INSURANCE FUND - RISK TRANSFER MECHANISM



THE STATUS

Law for Compulsory Agriculture Insurance is prepared

On 07.12.2021 is uploaded on the Unique Electronic Register of Regulations of the Republic of N. Macedonia

Envisaged the Law to be enacted by mid June 2022

The system to be operational starting January 2023

Law on Mandatory Insurance in Agriculture

I. GENERAL PROVISIONS

Subject

Article 1

This law shall regulate the establishment, status, responsibilities, governance and management, financing, reinsurance, work oversight, as well as other issues related to the work of the Agricultural Insurance Fund, the agriculture insurance entity, the types of risks subject to agricultural insurance, insurance premiums, loss assessment methods.

Objectives

Article 2

The objectives of this Law are:

- The establishment of an insurance system that will provide an efficient, swift, and cost-effective approach to the protection of persons working in agriculture against the risks caused by natural disasters and other adverse events;
- Efficient payment of claims on one hand and protection of the Budget of the Republic of North Macedonia through fair and timely payment of premium based compensations.

Meaning of the premiums

Article 3

Certain terms used in this Law shall have the following meaning:

1. Agriculture (agricultural sector) is an industry branch of the national economy including primary agricultural production
2. Agricultural activity is an economic activity that includes growing of annual plants, growing of perennial plants, growing of plants for seeds and seeding materials, growing of animals and poultry, mixed agriculture activity and ancillary agriculture activities
3. Agricultural sectors are plant production, livestock, and fishing;
4. Risks are natural disasters caused by certain adverse climate events that may occur in the future.
5. Adverse climate event is an event established based on data about the type, the duration, and the affected area, by the National Hydrometeorological Service of a commission for assessing damages caused by adverse climate events formed in accordance with this law.
6. The subject of insurance is sowed areas, fruit, livestock unit, bee family, and fishery.
7. Insurance premiums is the price of insurance, i.e., a monetary amount that the insurance contract holder pays to the insurer based on a signed contract for insurance and it comprises a technical premium and a fixed allowance.
8. The sum insured is the amount for which the subject of insurance is insured.



THANK YOU FOR YOUR ATTENTION
