

**Agricultural Insurance**  
**A Growing Class of Business Globally**  
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## Background

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- Farming is an inherently risky business
- Uncertain weather conditions, market shifts, and other events beyond a farmer's control affect farm yields and commodity prices, creating variability in farm revenue
- Crop insurance has developed in most of the major agricultural territories in the world
- Most programs are focused on yield insurance, however in recent years some countries have introduced revenue insurance

## Any solution that is developed needs to consider

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The strategic need of the key stakeholders which could include the:

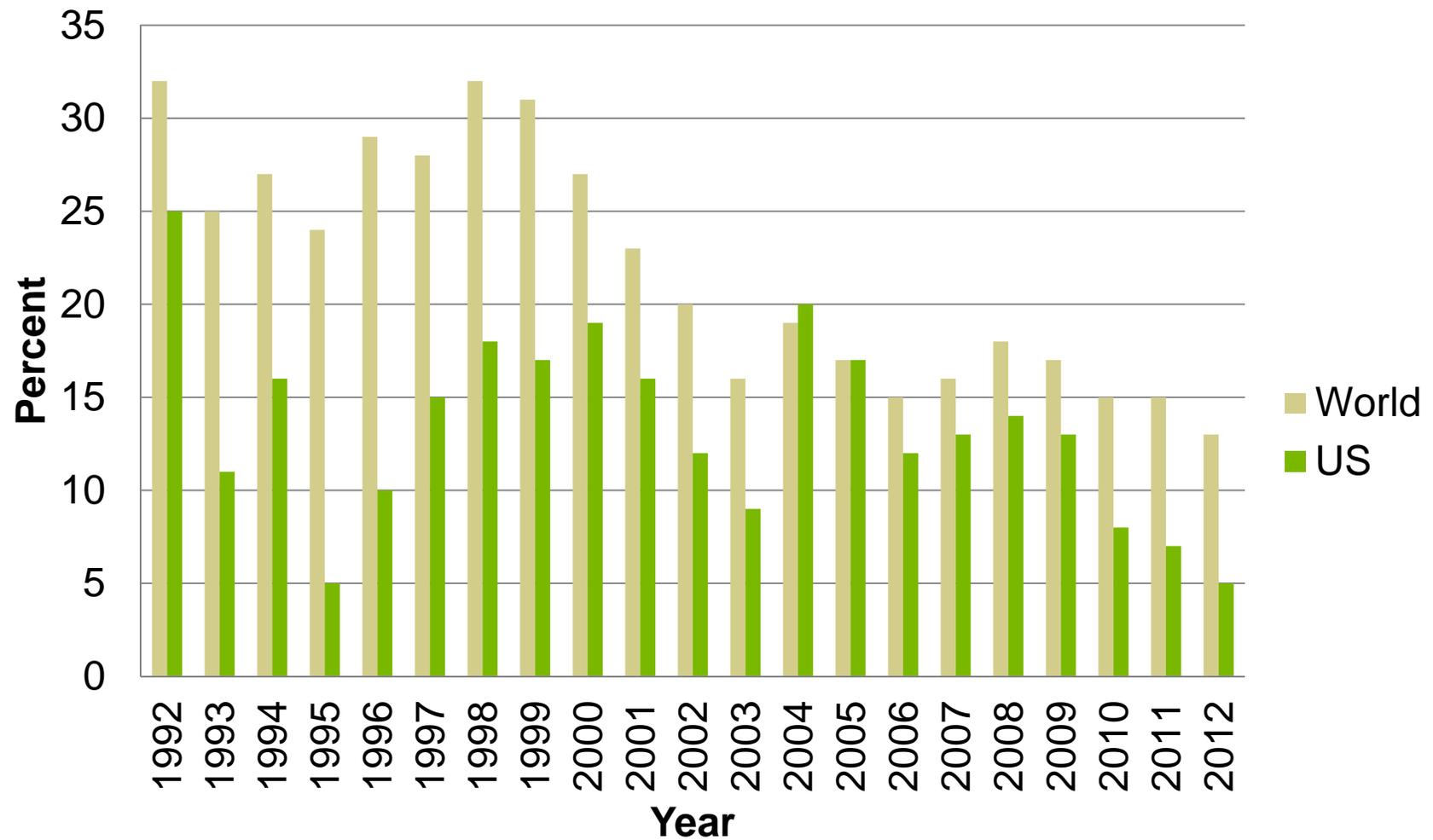
- Producer
- Processor
- Insurer
- Public
- Government

## Key factors driving the demand for insurance

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- Commodity prices
  - Increasing oil prices
  - Changing global dynamics
  - Bio fuels
- Increasing farmer premium subsidy
- Improving farming technology
- Attitude to risk
- Access to credit
- Significant weather events

## World and US stocks/to use



## Crop insurance products

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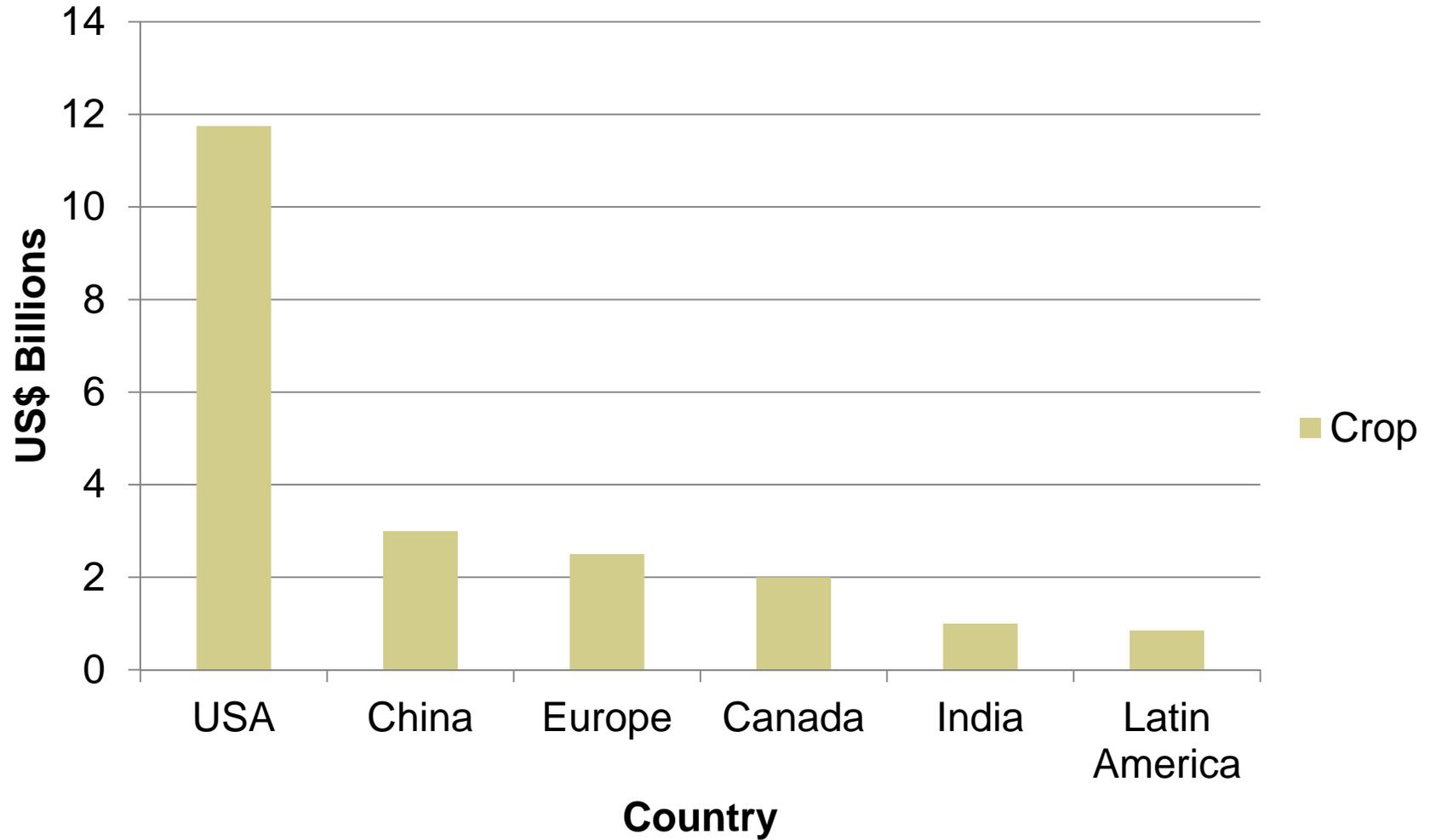
- Crop Hail
- Specified Peril
  - Excess moisture
  - Frost etc
- Multiple Peril Crop Insurance
  - Yield guarantee
- Crop Revenue Insurance
  - Yield and commodity price risk
- Indexed insurance
  - Area yield
  - Weather

## Crop insurance around the world

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- Country specific
- Majority of solutions are supported by government
  - Concern regarding food security
  - Ability to budget for future loss
  - High cost to the producer
- Key challenges to the development & sustainability of any program:
  - Quality of data
  - Cost to the producer
  - Infrastructure
  - Technical expertise, now and in the future
  - Cost to the tax payer

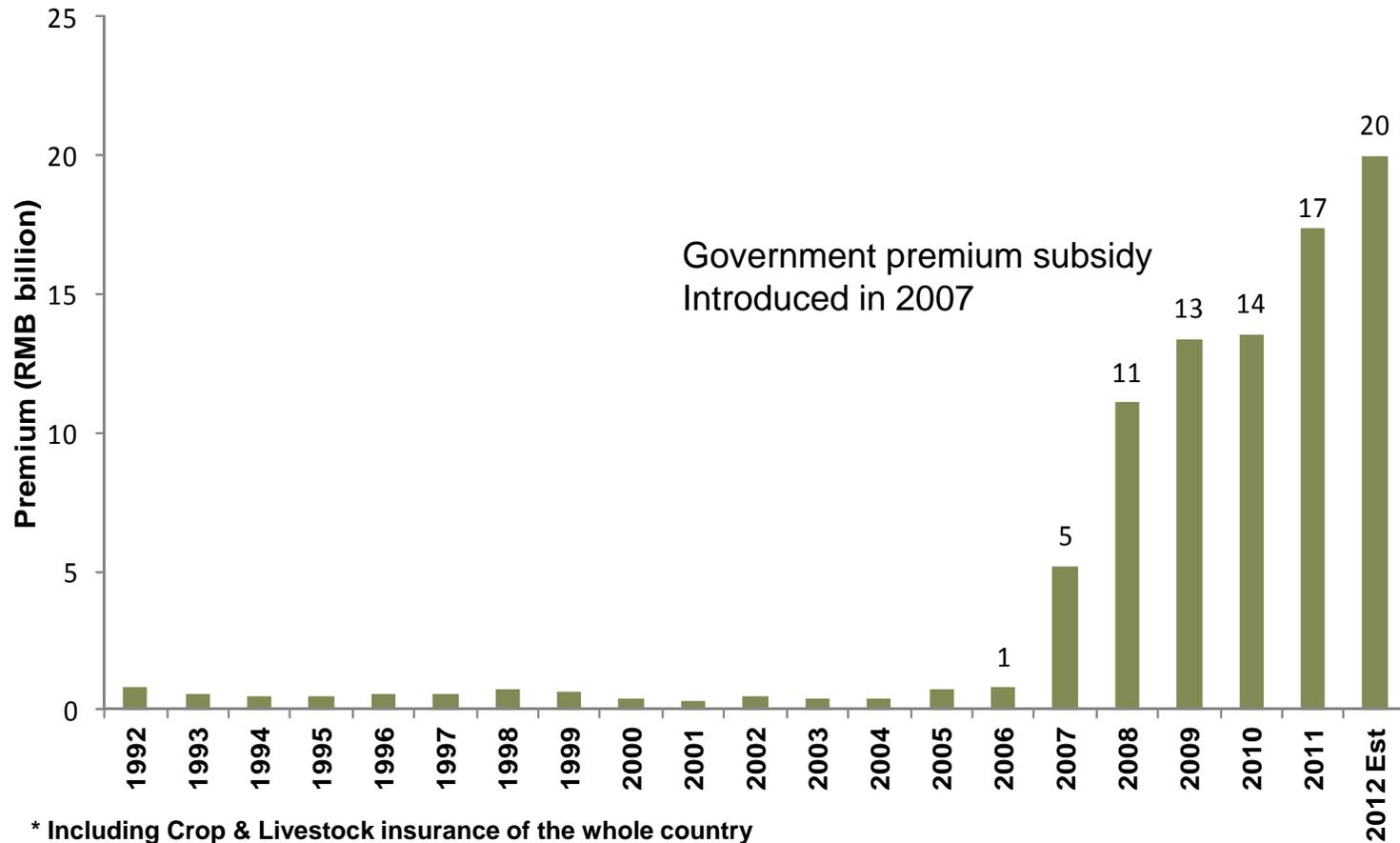
# Global premium incomes



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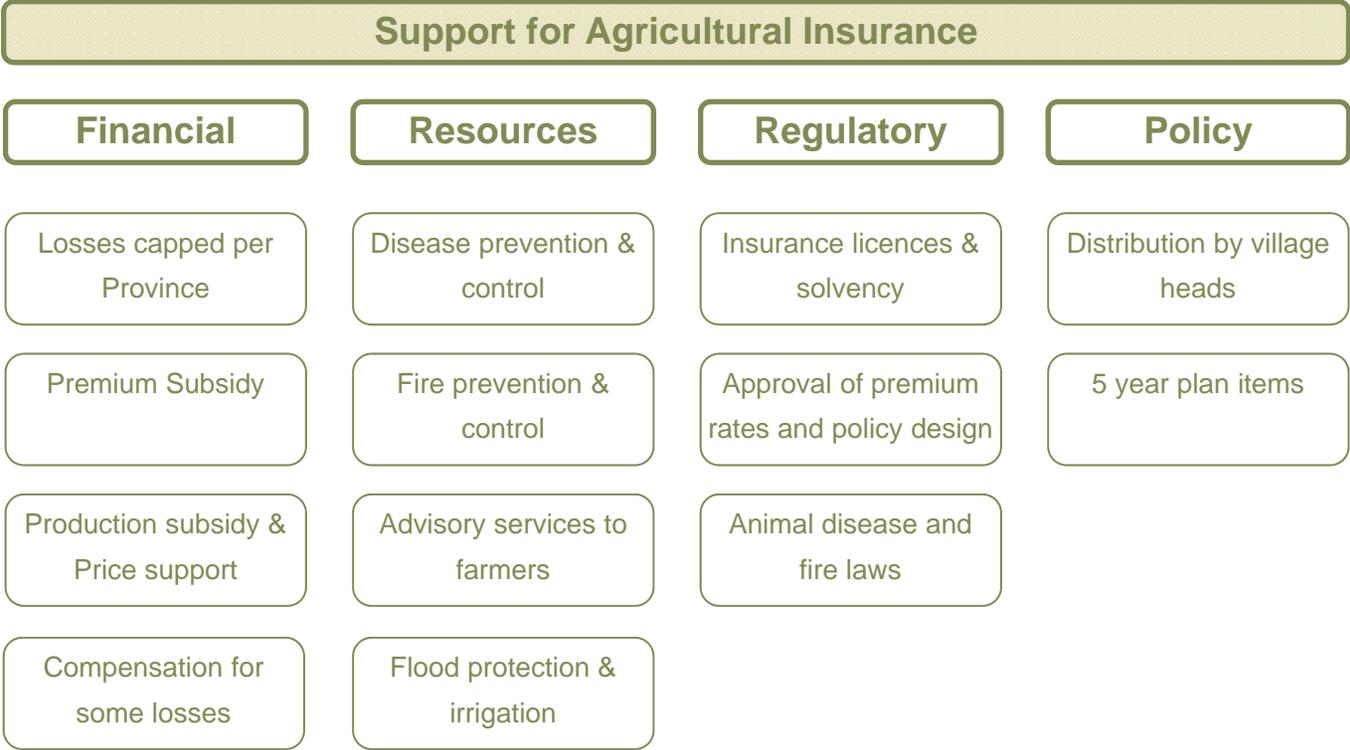
# Chinese Agricultural Insurance

# Agricultural market premium volume development



Agricultural insurance resumed in 1982

# Government support



2011 financial support for agriculture USD 156 billion

# Subsidy mechanism

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- Subsidies are paid by various combinations of the Central Government, Provincial Government and City/County Government
- Once there is a Central Government subsidy in place, Provincial and local Governments tend to follow

|                   | Central Government | Provincial Government | Total      |
|-------------------|--------------------|-----------------------|------------|
| Crops             | 35% to 40%         | 25%                   | 60% to 65% |
| Breeding Sow      | 50%                | 30%                   | 80%        |
| Dairy Cattle      | 35% to 40%         | 25% to 30%            | 60% to 70% |
| Commercial Forest | 30%                | 45%                   | 75%        |

## Market penetration : area insured

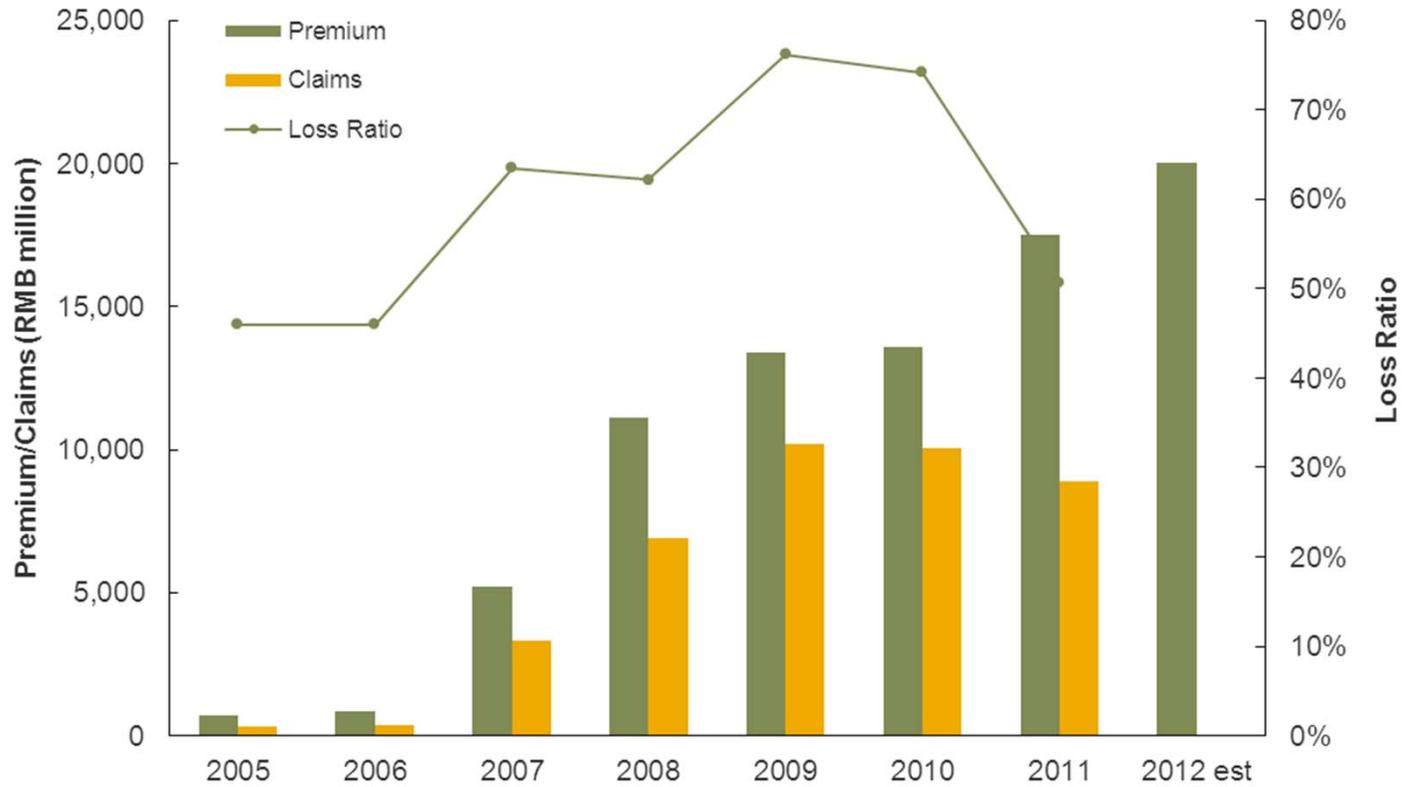
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| Subject      | Total Sown Area (mu) /<br>Amount (head)<br>of 2010 | Insured Area (mu) /<br>Amount (head)<br>of 2011 | % Insured |
|--------------|--|---|-----------|
| Crop         | 2,410,122,203                                      | 787,000,000                                     | 33%       |
| Forest       | 2,931,783,000                                      | 920,000,000                                     | 31%       |
| Pig & Cattle | 1,237,728,750                                      | 730,000,000                                     | 59%       |

Source: China Statistical Yearbook, CIRC

US crop market penetration 85%+

# China market update : premium & claims



## Summary

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- Crop and livestock insurance is becoming an important tool to manage agricultural risk globally
- Government support is critical if a national insurance program is to be, effective, affordable and sustainable
- Most national agricultural insurance programs are still developing and in light of this, market penetration is relatively low