

STATUS OF THE UKRAINIAN AGRICULTURE INSURANCE MARKET: TOOL FOR BUSINESS CONTINUITY AND GROWTH

ECA AGRI-FINANCE PROJECT



WORLD BANK GROUP

IFC | International
Finance Corporation

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In partnership with:



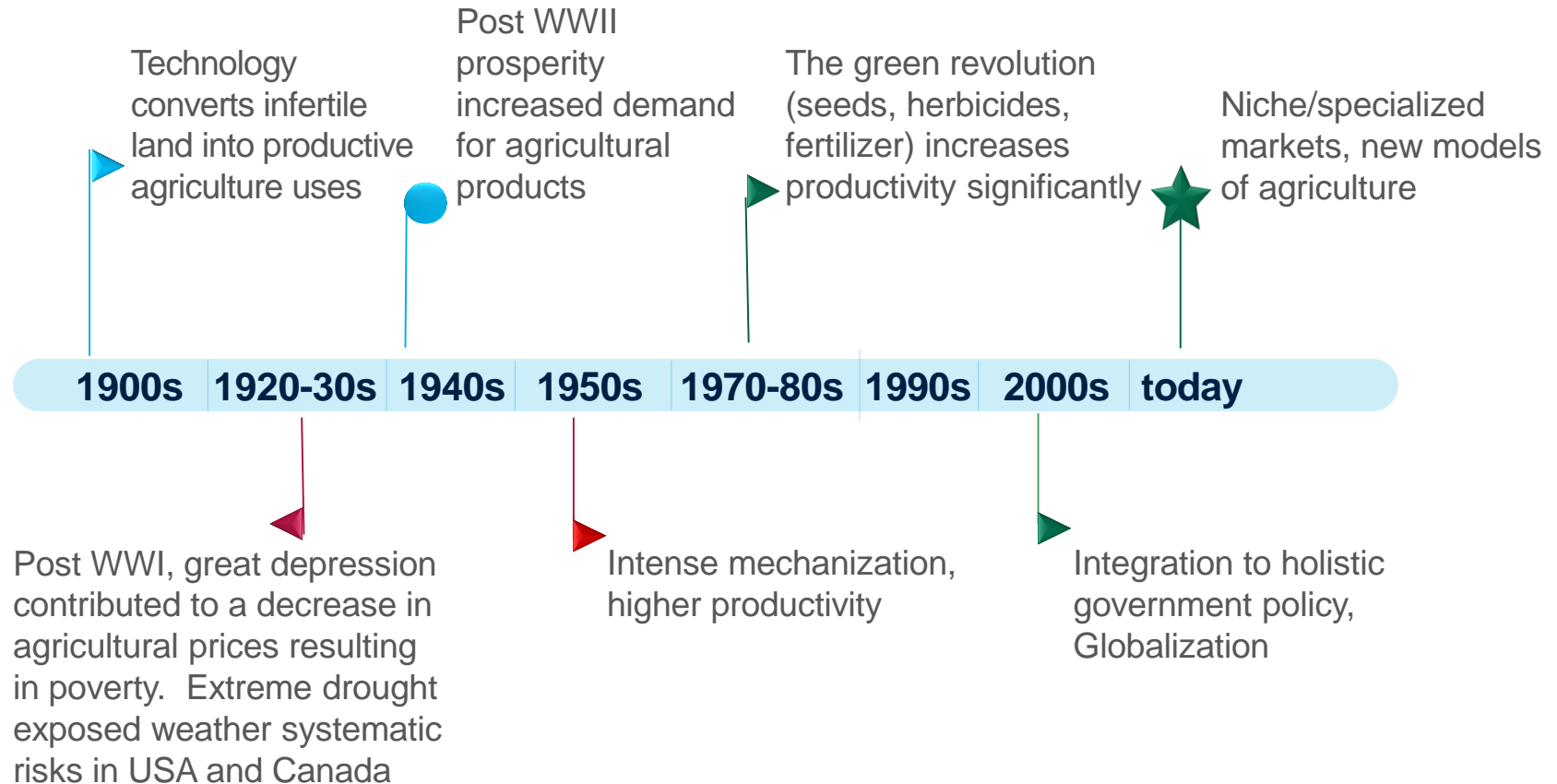
WHY AGRI-INSURANCE IS IMPORTANT?

- Farmer can increase his or her capacity to repay loans, by obtaining coverage on weather-related loss of yield
- Improve producers' access to credit and reduce the probability of farm business failures (bankruptcy)
- Viable agricultural insurance system can also help the government ensure stability for the agricultural sector and boost access to finance

Crop insurance is a well-established way to mitigate weather risks associated with agricultural production



DEVELOPMENT OF AGRICULTURE - HISTORY



The agriculture insurance system developed as agriculture became a significant business and therefore, needed risk mitigation to sustain growth



CREATION OF AN ENABLING ENVIRONMENT

By working with Government stakeholders to:

- Ensure a robust legislative framework
- Ensure a strong market regulatory framework
- Develop a strategy for agriculture insurance
- Improve/build Government agri-insurance oversight capacity

Creation of an enabling environment is critical for sustainable agricultural insurance system development and operation



BUILDING IN-HOUSE CAPACITY

The Project **builds in-house capacity** by providing technical support and training for key stakeholders (Government, Regulator, Insurance Market, and Farmers) in:

- Designing new insurance products
- Organizing information to obtain better priced and good quality reinsurance
- Developing loss-adjustment standards and methodologies
- Delivering high quality advisory services

In-house capacity development enables the stakeholders to respond to market needs



ESTABLISH THE AGRICULTURE INSURANCE SYSTEM

Establish the data system which is the foundation to develop the agricultural insurance products and pricing to cover the real weather risks:

Data is the critical element for product design:

- Historical yield data
- Weather data
- Alternative sources (satellite, gridded data, field data)

Informational System – consolidates contract flow, surveying and loss adjustment registry and creates a transparent platform for well priced re-insurance

Good data and systems enables proper pricing of risk and reinsurance



INCREASING PUBLIC AWARENESS AND THE PARTICIPATION OF FARMERS

The Project conducts an [awareness campaign](#) to farmers and other interested parties (banks, MFIs, input suppliers) in the form of:

- Regional training and workshops
- Communications through media (articles, radio, TV)
- Training for trainers (use the existing extension services capacity)

With increased awareness, we have increased participation in the insurance market



UKRAINE AGRI-INSURANCE 2018 RESULTS

The Project aims to increase access to finance to agriculture while mitigating risks with instruments as agriculture insurance

TRADITIONAL INSURANCE

1205 POLICIES ISSUED

1500 FARMERS
REACHED

\$ 238 M USD
SUM INSURED

973,708 ha
LAND INSURED

26 PAYOUTS (\$ 204 K USD)* -
preliminary data

The Project developed a pilot with



syngenta



that in 2 years grew up from 4 regions and 2 crops to a program that in 2018 cover whole Ukraine and 4 crops

- regions: all Ukraine
- crops: winter wheat, corn, sunflower and soy

INDEX INSURANCE

795 POLICY ISSUED

1000 FARMERS
reached

\$ 17 M USD
SUM INSURED

420,000 ha
LAND INSURED

168 PAYOUTS (\$ 1.1 M USD)

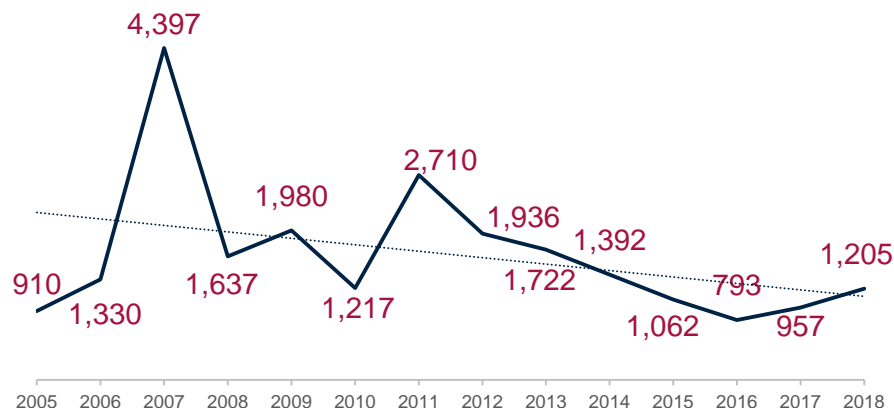
The Project developed a pilot with **syngenta** that in 3 year grew up from 3 regions and 2 crops to a program that in 2018 cover 14 regions and 7 crops

- regions: Kharkiv, Kirovograd, Dnipropetrovsk, Donetsk, Luhansk, Zaporizha, Odesa, Kherson, Mykolaiv, Poltava, Cherkasy, Vinnitsa, Zhytomyr and Kuiv
- crops: winter and spring wheat and barley, corn, sunflower and soy

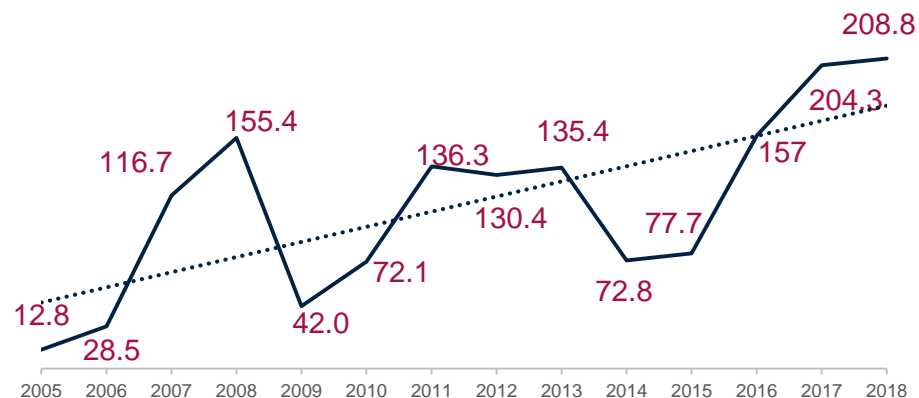


UKRAINE MARKET TRENDS IN 2005-2018

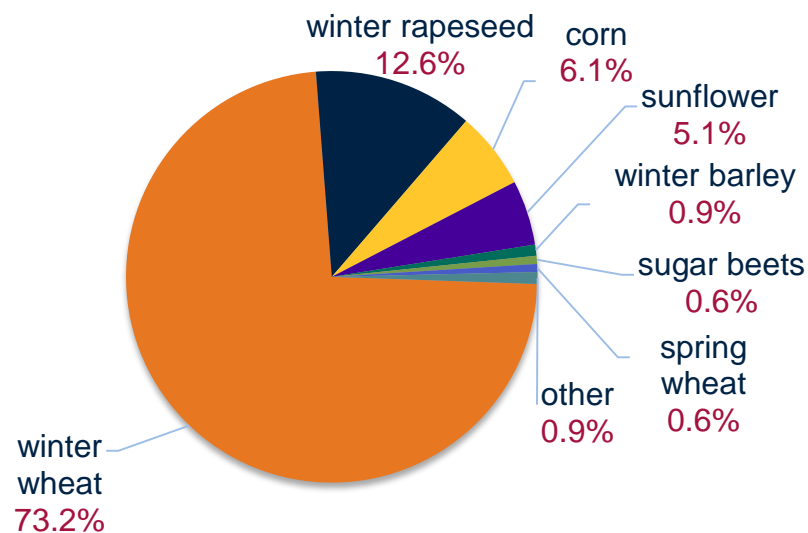
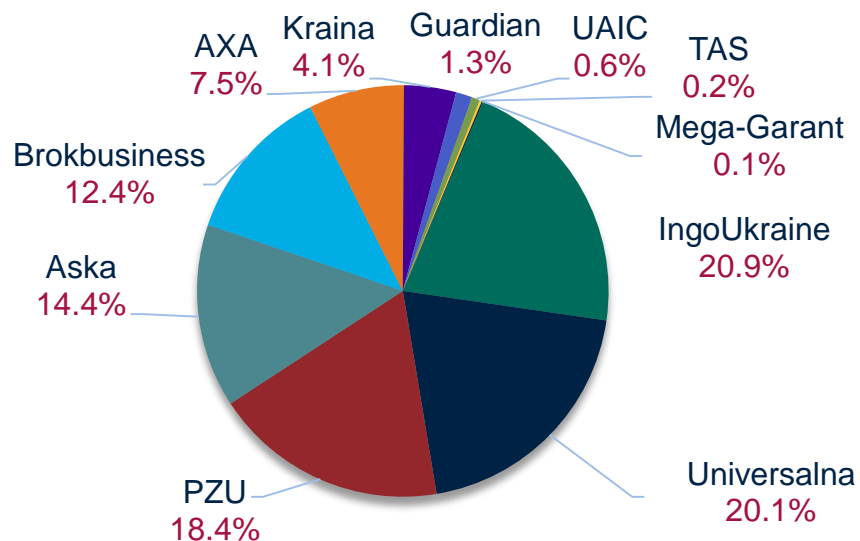
DYNAMICS OF THE NUMBER OF CONTRACTS



DYNAMICS IN AMOUNT OF COLLECTED PREMIUMS, MILLION UAH



DISTRIBUTION BY THE SIZE OF COVERED ACREAGE



UKRAINE AGRI-INSURANCE 2018 UNDERWRITING YEAR

Crop	Number of contracts	Acreage, hectares	Sum insured, UAH	Insurance premiums, UAH	Average premium rate	Premium ratio, UAH/ha
Winter wheat	615	712,877	3,821,157,051	134,159,132	3.5%	188
Winter rape	307	122,243	727,681,937	22,410,870	3.1%	183
Corn	114	59,082	1,042,828,212	21,185,341	2.0%	359
Sunflower	76	50,152	552,193,758	9,101,497	1.6%	181
Winter barley	41	8,509	44,393,022	1,362,291	3.1%	160
Winter rye	13	2,547	13,950,132	495,008	3.5%	194
Spring wheat	8	6,089	76,649,306	2,338,370	3.1%	384
Pea	6	2,557	36,052,990	1,658,887	4.6%	649
Winter garlic	6	1,059	8,349,470	413,299	4.9%	390
Sugar beet	5	6,224	189,544,048	13,506,637	7.1%	2,170
Spring barley	5	512	4,394,962	84,241	1.9%	165
Vegetables/orchards	4	167	25,310,121	905,371	3.6%	5,418
Winter pea	2	222	1,965,283	92,347	4.7%	415
Oat	1	207	978,075	31,298	3.2%	151
Vineyard	1	1,130	95,842,082	843,410	0.9%	746
Roses	1	131	32,826,000	190,391	0.6%	1,453
Total/average	1,205	973,708	6,674,116,449	208,778,391	3.1%	214

In 2018 there are new crops that have not been insured earlier: winter pea, winter garlic and roses



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CHALLENGES AND OPPORTUNITIES OF THE MARKET

CHALLENGES

- Low insurance uptake
- Data quality and access
- Awareness of stakeholders
- Poor trust of institutions

OPPORTUNITIES

- Client interest
- Market is interested in index insurance
- Innovative product development
- Agri-insurance oversight RMO
(creating the environment to ensure products are of value to farmers)

A holistic/systematic approach will lead to success of agricultural insurance

WHAT IS YET TO BE DONE IN AGRICULTURE INSURANCE

Key activities and things to be improved:

1. BUILD TRUST IN THE SYSTEM - Launch and promote heuristic web-based platform to help farmers with selection of insurance provider
2. CLEAN UP THE SYSTEM - Government to pass the Law “On Agriculture Insurance”
3. ADVOCATE FOR THE FARMER - RMO development – knowledge transfer and capacity building
4. DEVELOP INTEGRITY AND TRUST IN THE MARKET - Promote assuring good quality insurance products



THANK YOU!

QUESTIONS?