



XVII Congreso Internacional ALASA 2022

 **alasa**
Asociación Latinoamericana para
el desarrollo del Seguro Agropecuario



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President AIAG

Reacciones del mercado Europeo ante los efectos del cambio climático

European market responses to the effects of climate change

INTERNATIONAL ASSOCIATION OF AGRICULTURAL PRODUCTION INSURERS INTERNATIONALE VEREINIGUNG DER VERSICHERER DER LANDWIRTSCHAFTLICHEN PRODUKTION

The AIAG was founded in 1951 in Paris. Currently more than 100 member companies from 30 countries belong to the Association.



AIAG provides a unique international exchange platform for agricultural production insurers.

- We organize international Congresses every two years for the worldwide exchange of experiences as well as for the study and analysis of current problems.
- We organize Loss adjusters' seminars to promote the international exchange of experience of damage assessment.
- We ensure a regular exchange of experience about Livestock insurance with a dedicated working group.
- We organize Study tours to learn about new crop insurance systems.
- We establish good relationships and connections between our members.
- We maintain contact with other crop insurance associations in order to inform members about other insurance systems.
- We monitor the development of agricultural insurance markets, technological developments and the general conditions for agricultural production.

AIAG Official web site: <http://www.aiag-iahi.org/>

ASSOCIATION INTERNATIONALE DES ASSUREURS DE LA PRODUCTION AGRICOLE
ASSOCIAZIONE INTERNAZIONALE DEGLI ASSICURATORI DELLA PRODUZIONE AGRICOLA

A view from Europe

1. The European agriculture
 - The European crop insurance market
 - The European subsidy schemes
2. Evolution of the European Union agricultural policy
3. Climate change in Europe
 - An example: the 2021 spring frost
4. Risks and opportunities
 - Possible answers and paths
5. Analysis of two current developments in France and Italy
6. Conclusion

European agriculture structure - **Statistics**

Agricultural surface (EU, 2019): **180.5 million ha**

The six **largest countries**:

1. France 29 million ha
2. Spain 24 million ha
3. Germany 17 million ha
4. UK 17 million ha
5. Poland 14 million Ha
6. Italy 13 million Ha

The **main categories of land use**:

- a. Arable land 105.6 million Ha
- b. Grassland 62.2 million Ha
- c. Permanent crops 12.1 million Ha

Number of farms (2016) : 10.5 million

Average surface : 16 ha

Value of the agricultural production (production costs)

in billion EUR	2019
EU	4'498
France	778
Germany	585
Italy	582
Spain	518
UK	308
Netherlands	291
Poland	259

European Agro Insurance Market – Premium size

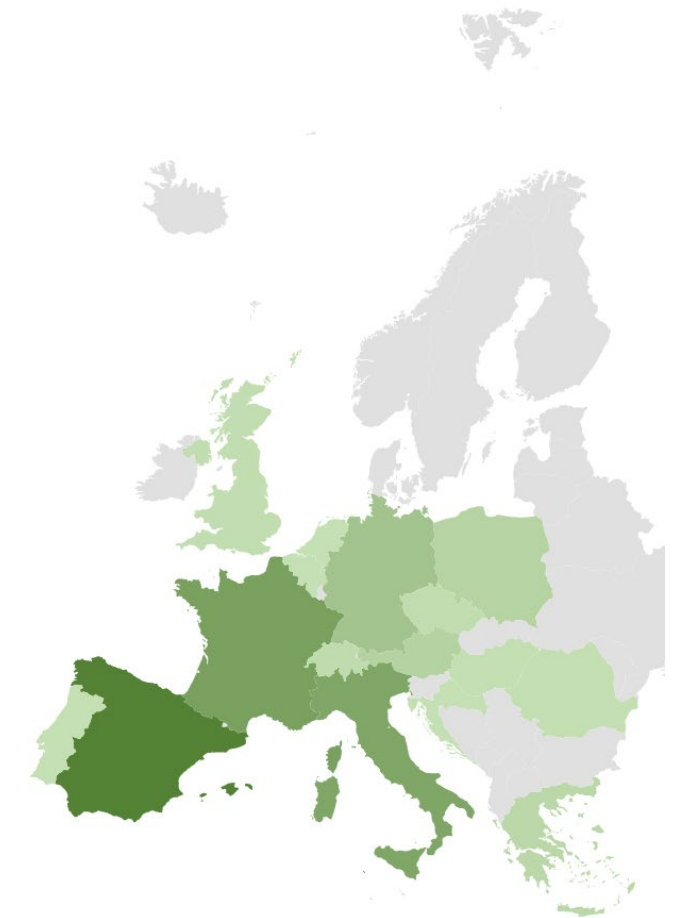
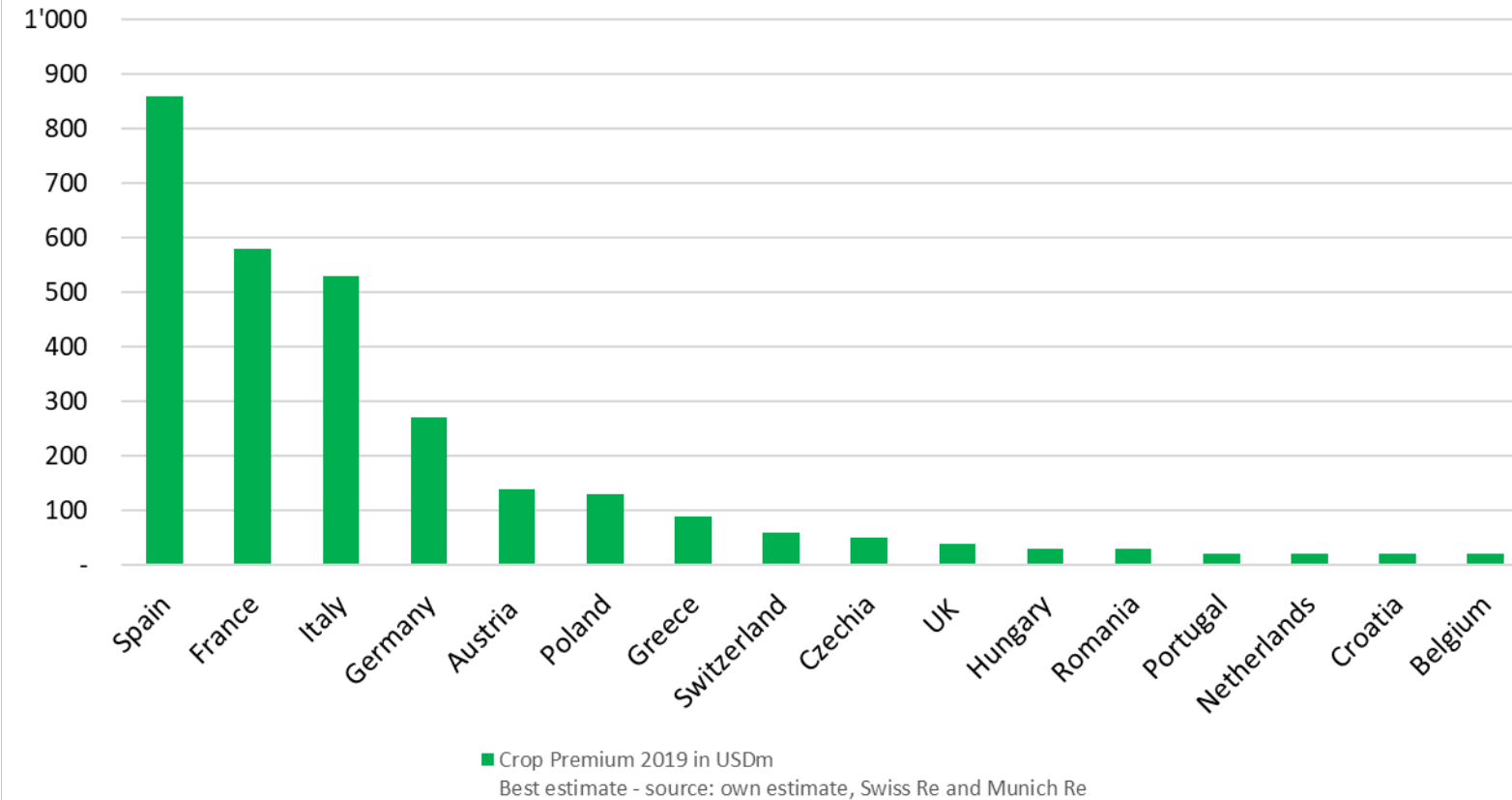
European Market 2019

Countries > 20 USDm

European Market 2019

Countries > 20 USDm

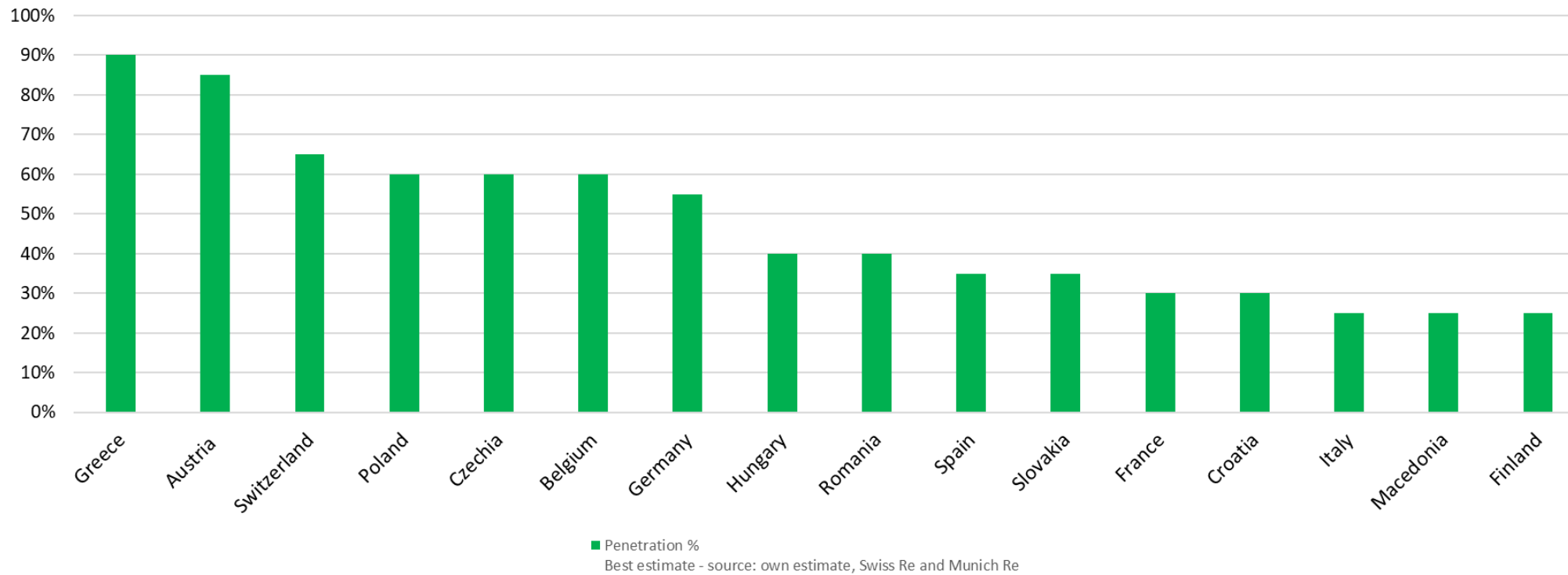
Crop Premium 2019 in USDm
Best estimate - source: own estimate, Swiss Re and Munich Re



European Agro Insurance Market - **Market penetration**

European Market 2019

Penetration rate in %



European Agro Insurance Market - **Subsidy schemes**



Mainly **two financing models:**

1. EU plus national funding (e.g. France, Italy)
2. National financing only (e.g. Austria, Spain)

Different Public-Private Partnership Systems (PPP):

1. Free competitive market with low level of public control but premium subsidies
2. Free competitive market with premium subsidies, public reinsurance and determinations of terms and conditions by the public sector
3. Monopolistic coinsurance pools with Public Reinsurance

Subsidy level between 50% - 70%

Deductible 20% - 30%

Mainly MPCl insurance products.

Some few countries only hail or little number of named peril.

Green = subsidies; Red = no subsidies
Ref Vereinigte Hagel

Evolution EU Policy – Actual und future challenges

Objectives, Challenges
[new common agricultural policy]



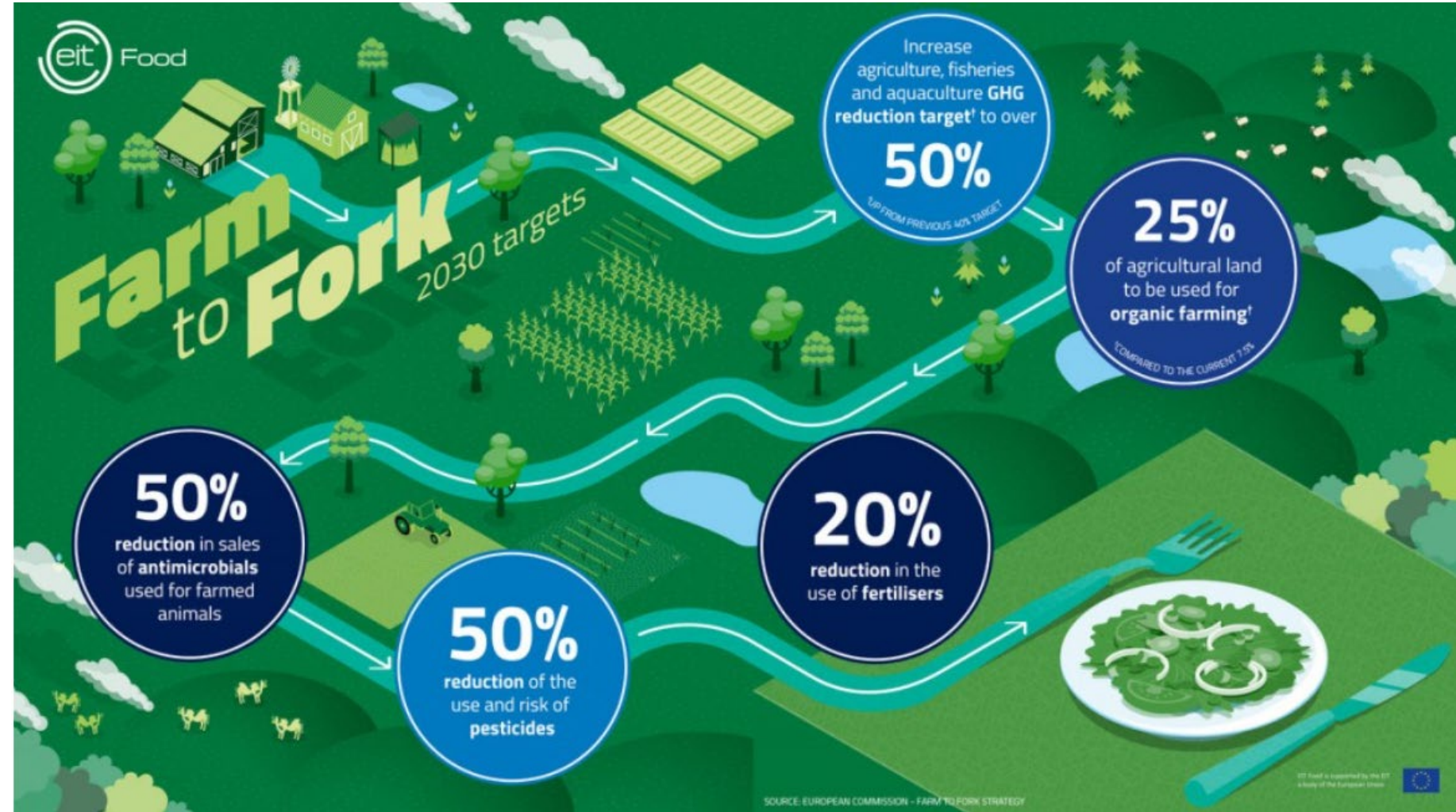
Farm2Fork is aiming to make food systems fair, healthy and environmentally-friendly
[European Green Deal]



Ref EU.Ec

Evolution EU-Policy – Actual und future Challenges

Farm2Fork - Green Deal:
Sustainable Food Production



Ref European Environment Agency (EEA)

Climate change in Europe - **Facts and challenges**

SIXTH ASSESSMENT REPORT

Working Group II – Impacts, Adaptation and Vulnerability

ipcc
INTERGOVERNMENTAL PANEL ON climate change



HEAT, DROUGHT

SPRING FROST

**HEAVY
PRECIPITATION**

Fact sheet - Europe

Key Risk 2: Heat and drought stress on crops

Substantive agricultural production losses are projected for most European areas over the 21st century, which will not be offset by gains in Northern Europe (*high confidence*). While irrigation is an effective adaptation option for agriculture, the ability to adapt using irrigation will be increasingly limited by water availability, especially in response to GWL above 3°C (*high confidence*). {ES-Ch13}


European Environment Agency



- ➔ The number of frost days in Europe has decreased, especially in northern Europe. This trend is set to continue in the future.
- ➔ Despite an overall decrease in frost days, the risk of frost damage faced by fruit and vegetable producers could increase because of an earlier start to the growing season.

More frequent heavy precipitation

Heavy precipitation events are likely to become significantly more frequent and intense in the future compared to today. This is the case for all seasons, but particularly for winter. Rare extreme events such as 100-year precipitation events will be markedly more intense.

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

National Centre for Climate Services NCCS

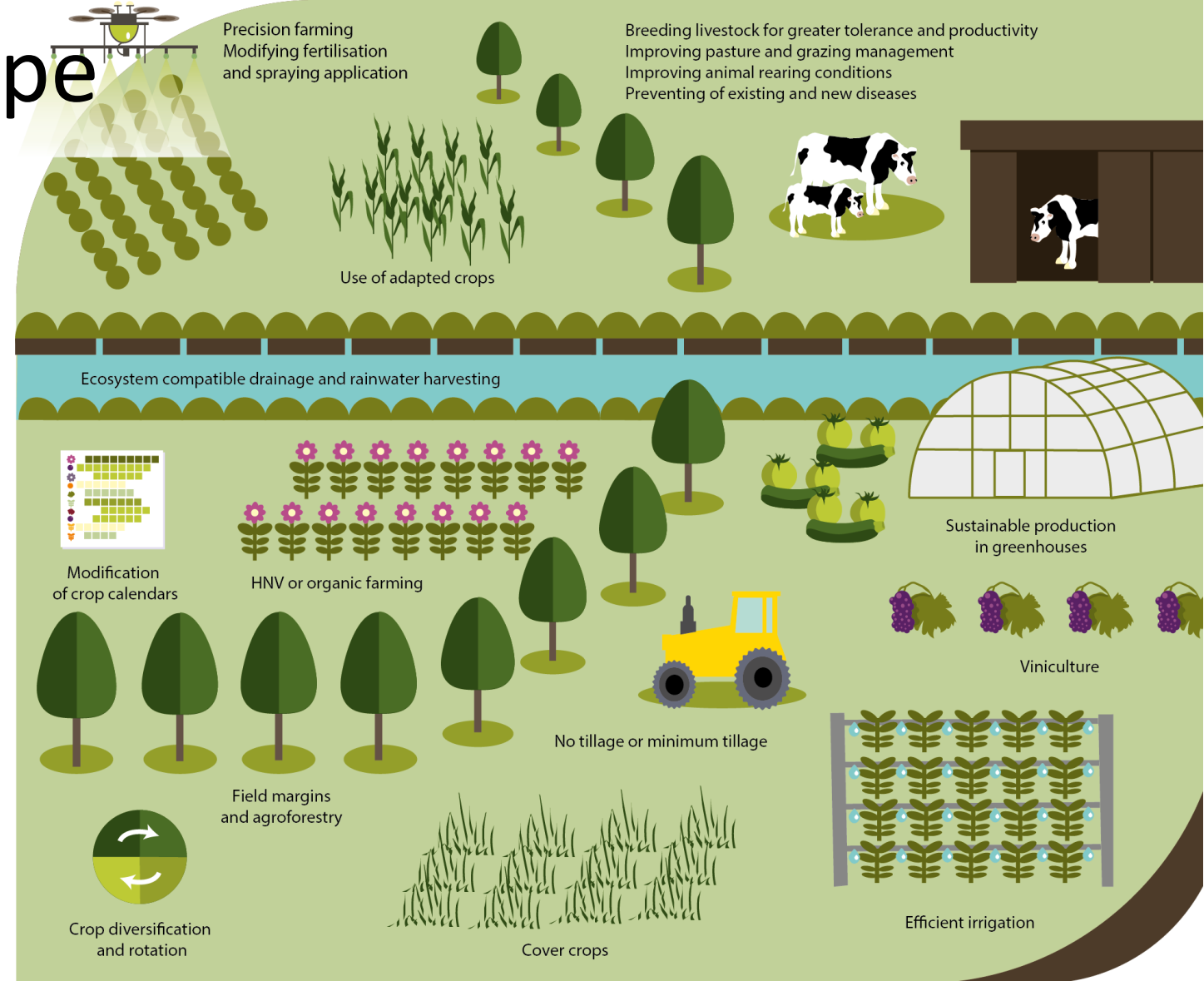
Climate change in Europe

Facts and challenges

ADAPTATION

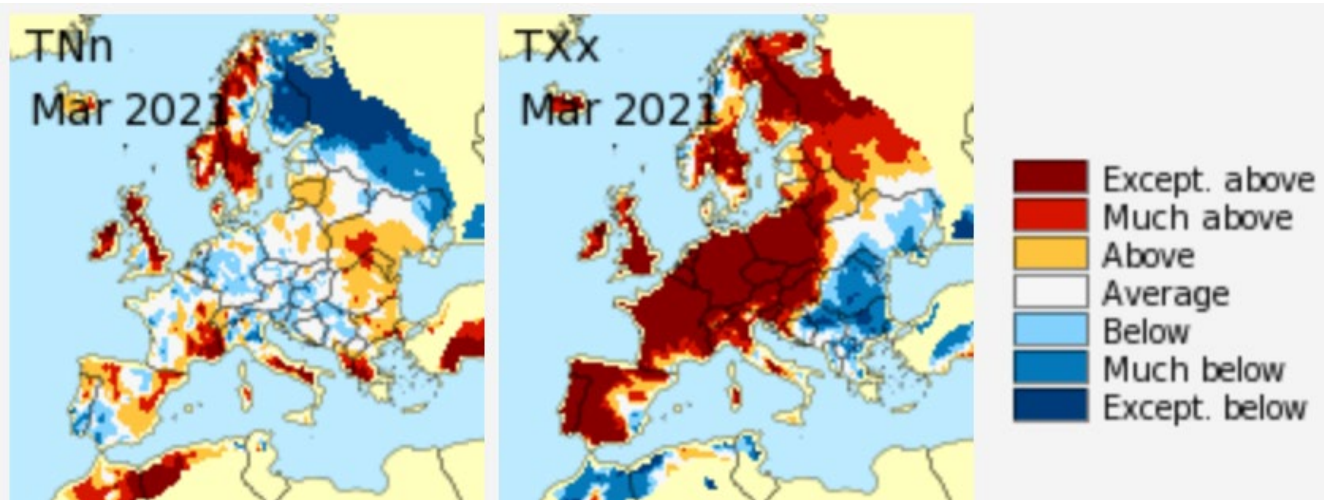
PREVENTION

MITIGATION



Ref European Environment Agency (EEA)

Climate change in Europe – Spring frost 2021



Late frost caused 3-4 billion EUR losses in the agricultural sector

Figure 7: Areas with exceptionally low temperatures of the coldest night (TNN, left), and exceptionally warm temperatures of the warmest day (TXx, right) in March 2021 (Based on E-OBS)

Ref Copernicus

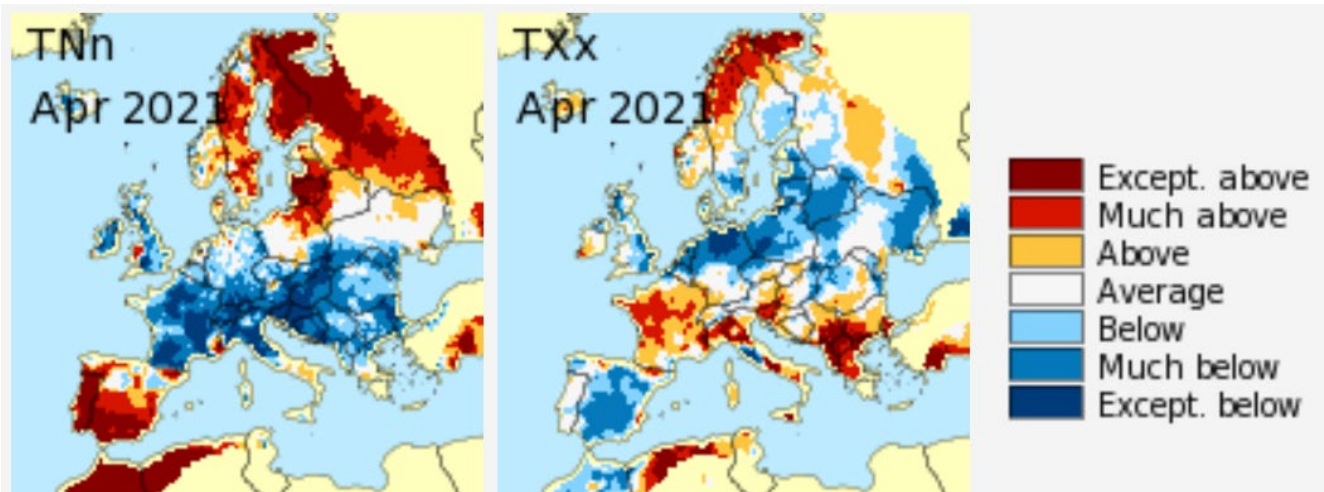


Figure 8: Areas with exceptionally low temperatures of the coldest night (TNN, left), and exceptionally warm temperatures of the warmest day (TXx, right) in April 2021 (Based on E-OBS)

Climate change in Europe – Spring frost 2021

La probabilité de gelées printanières causant des dommages agricoles a augmenté de près de 60 % en France



DR
CEA

Le réchauffement des températures hivernales a avancé la saison de croissance des plantes, rendant alors les cultures plus vulnérables au gel. Entre le 6 et le 8 avril 2021, un épisode de gel tardif et intense a endommagé l'agriculture française. Cet épisode de gel a touché en particulier les vignobles avec presque 2 milliards d'euros de pertes selon les premières évaluations. Cette vague de froid faisait suite à des températures record en mars dernier.

Ondata di gelo sul Centro-Nord: danni ai vigneti e alle piantagioni di frutta e verdura



Duro colpo all'economia agricola. Il Piemonte chiede lo stato di calamità naturale

La Repubblica



BP, Côte de Beaune



20 minutes, Occitanie

Risks and opportunities

Risks and opportunities:

- (risk) Acceleration of climate warming and increase of systemic risks*.
The size of the continent, and even more of the individual countries make risk diversification of systemic risks difficult.
(opportunity). Increase demand for crop insurance as a consequence of accelerating climate warming.
- (risk/opportunity) Role definition and task sharing within PPP and balancing act between regulation and complexity of PPP.
- (risk/opportunity) Adaptation of agriculture and implementation of prevention, mitigation measures.

* **Frequency damage**
Regular occurrence, usually rather local/regional
Examples: Hail, storm, heavy rain, local flooding, landslides, etc.

Catastrophic damage
Large-scale occurrence, risks of accumulation with high damage potential
→ systemic risks increasing with global warming
Examples: Drought, spring frost, very important floods and/or excess of water



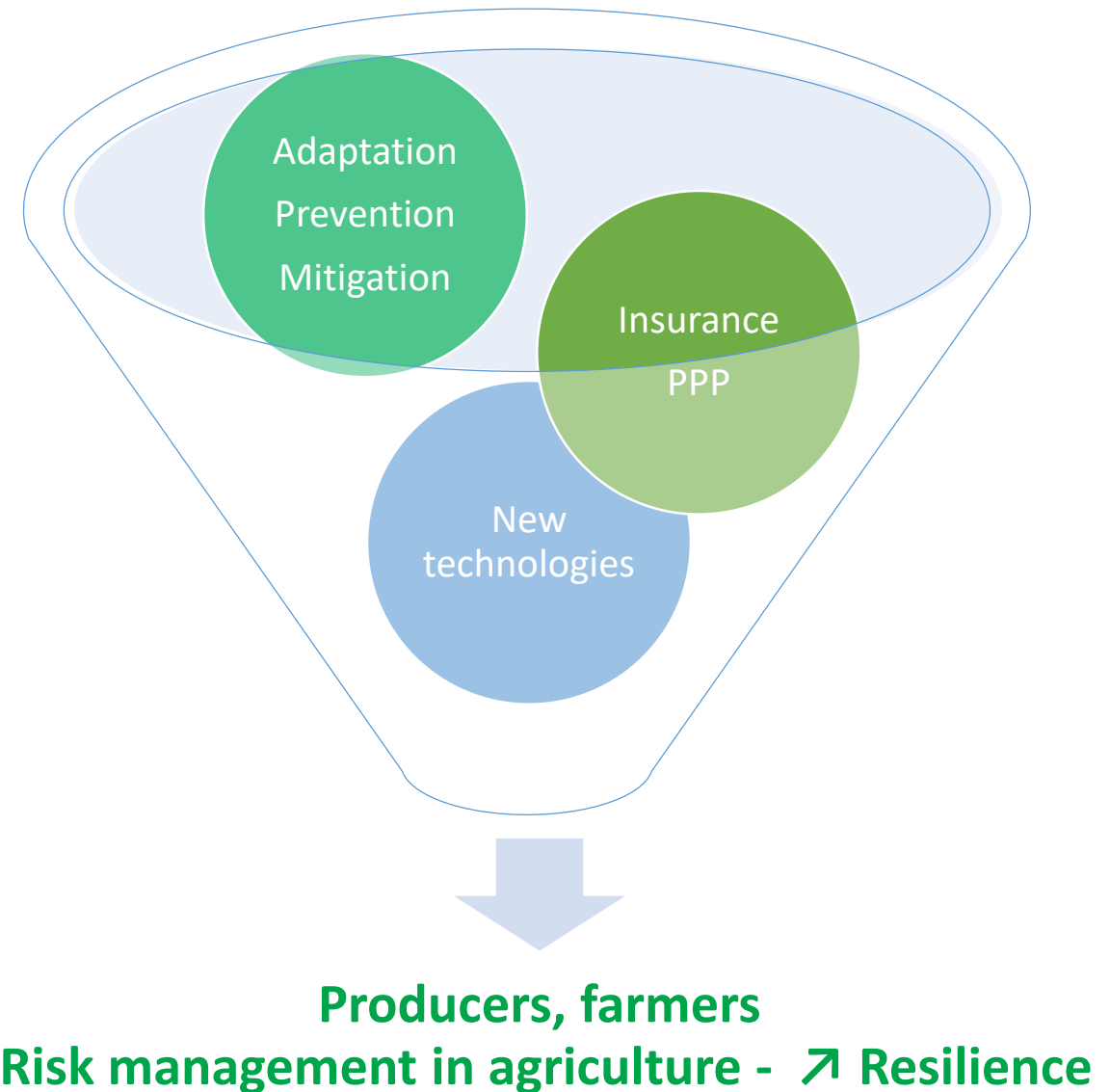
Possible answers and paths

Answers and paths for insurers:

- Increase the use of new technologies for risk assessment and loss estimation as well as gains in quality and efficiency.
- Support the adaptation prevention and mitigation measures.
- Actively participate to PPP schemes.

In the sense of combining the advantages of the private sector, efficient, flexible and competitive, and of the state, which can allow funds to stabilize the agriculture and finally maintain agricultural production and guarantee food security.

- To act self-responsibly.



France: Current developments

March 2, 2022: New law on better distribution of crop insurance and reform of risk management tools in agriculture accepted (implementation scheduled January 1, 2023)

Reform of the crop insurance in the face of increasing number of meteorological hazards linked to climate change (repeated droughts, late frosts, hail, etc.). The objective is to better cover farmers against these risks and, by the same token, to preserve the farms and the food sovereignty of France.

The aim is to make weather risk coverage more accessible (only 30% of agricultural land in France is currently insured).

A **three-tiered risk coverage system** is planned:

- for low-intensity risks, coverage by the farmer (deductible, e.g. 20%-30%);
- for medium-intensity risks (e.g. from deductible up to 50% loss), State subsidized (e.g. 65-70%) crop insurance contract;
- for catastrophic risks (e.g. over 50% loss), a direct guarantee by a national risk fund (FNGRA). Less favorable direct guarantee for catastrophic risks (reduced by half) for farmers without a crop insurance policy.

A **one-stop shop-system** (insurance companies) is planned to simplify procedures for insured and non insured farmers.

The law also empowers the government to complete the system by the creation of a **pool of insurers** (Spanish model).

For the financing of these measures, an **annual budget of up to 600 million euros** is planned.

Italy: Current developments

From 2023 Italy will start with a new national mutual fund called AgriCAT, which will provide basis compensation to all producers for damage caused by catastrophic events (frost, flood, drought).

The cost of participation for farmers is covered for 70% by the contribution of the rural development policy and for the remaining 30% by a levy applied to direct payments. In this way Italy wants to **pursue multiple objectives**:

- to ensure a basic coverage to all farmers, for events for which the national solidarity fund often get involved;
- to encourage conditions of balance for the existing system of subsidized insurance;
- to spread the knowledge and use of risk coverage practices, trying to correct the excessive territorial concentration.

The project took shape with the 2022 budget law, with the allocation of 50 million euros to the Ministry of agriculture, to start an experimental phase of the new mutualistic tool (in form of a fund and not an insurance) and then to **implement it fully in 2023**.

10 provinces and 11 crops have been selected in order to test the mechanisms for farmers to join, the methods of combination with existing subsidized policies and other risk management tools, the identification of the areas affected by the events to be covered, the surveys for damage assessment and, finally, the calculation of compensation.

This 2022 phase of the process is, however, only simulated: the damage and the contribution theoretically to be paid are quantified, but the actual payment of aid is not carried out. To arrive at this, it is necessary to wait until 2023.

Conclusion

- ✓ **Climate warming** and increasing systemic risks are **reality**.
- ✓ Building a more **resilient** and **sustainable** agriculture is a **necessity** (adaptation, prevention and mitigation) and clearly also being able to **feed** the world's growing population.
- ✓ Agricultural **insurance** sector **remains a key instrument** of risk management.
- ✓ The increasing desire to give all access to a minimum level of risk cover and the climate warming (reflections on insurability) are correlated with a **greater commitment of the public sector** (state).
- ✓ **New technologies** can improve the farmer's work and the prevention, but also enable qualitative and efficient progress in the insurance industry.

¡Gracias!

