

The winding road towards sustainable growth in Agriculture insurance in Central and Eastern Europe

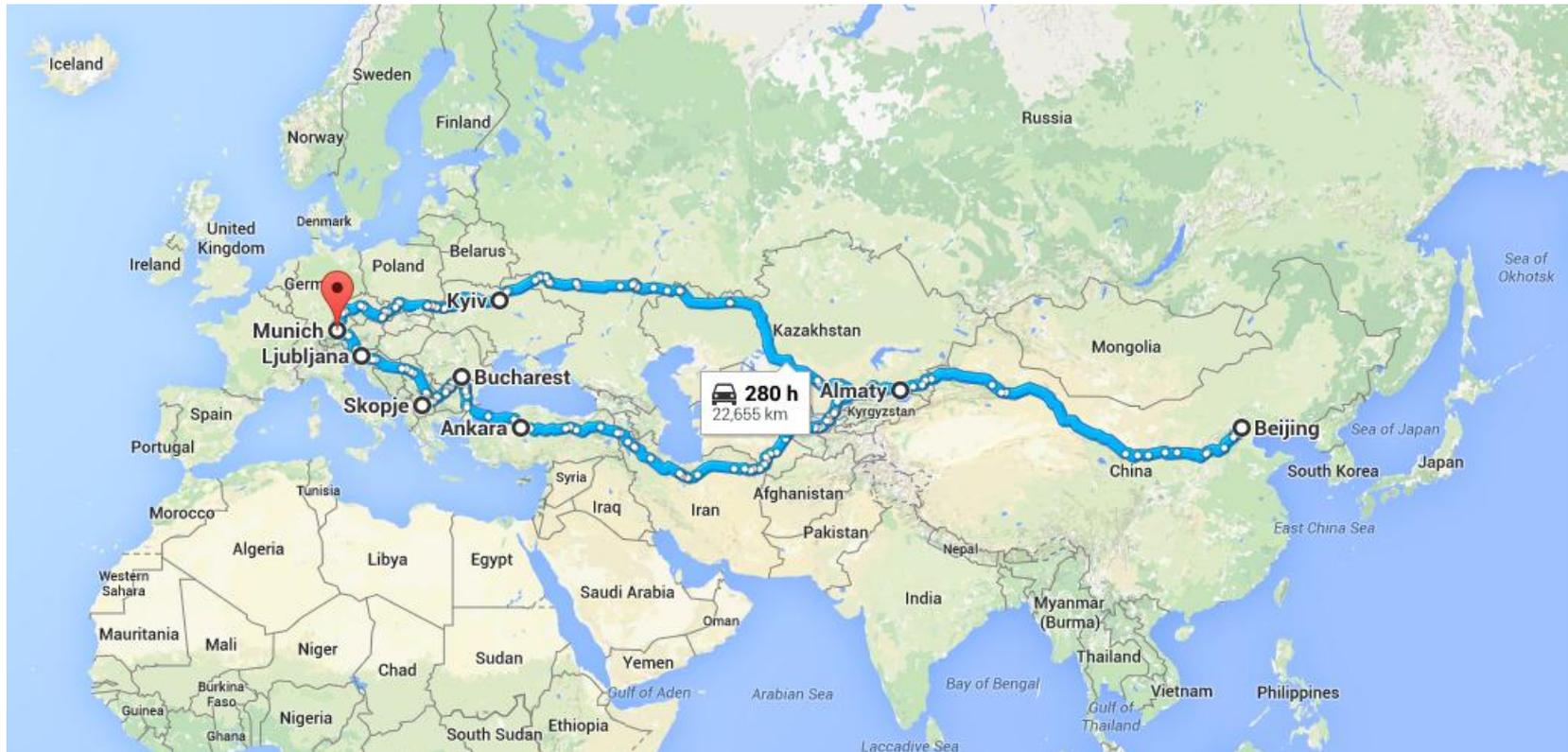


Swiss Re Global Agriculture Reinsurance Team:

- Dedicated team
- 6 offices (Zürich, Beijing, Singapore, Mumbai, Sao Paolo, Mexico City)
- ~30 Agriculture Reinsurance Specialist
- Close cooperation with clients
- Close cooperation with governments
- 1 Product innovation centre



Today's Road Trip



Prerequisites to join the road trip:

- Management buy-in
- Alignment of interest
- Risk inspection knowledge
- Underwriting/ Risk selection skills
- Loss adjustment expertise
- Administrative (IT) capability
- Sales network
- Capacity management (diversification)
- Local experience in Agriculture

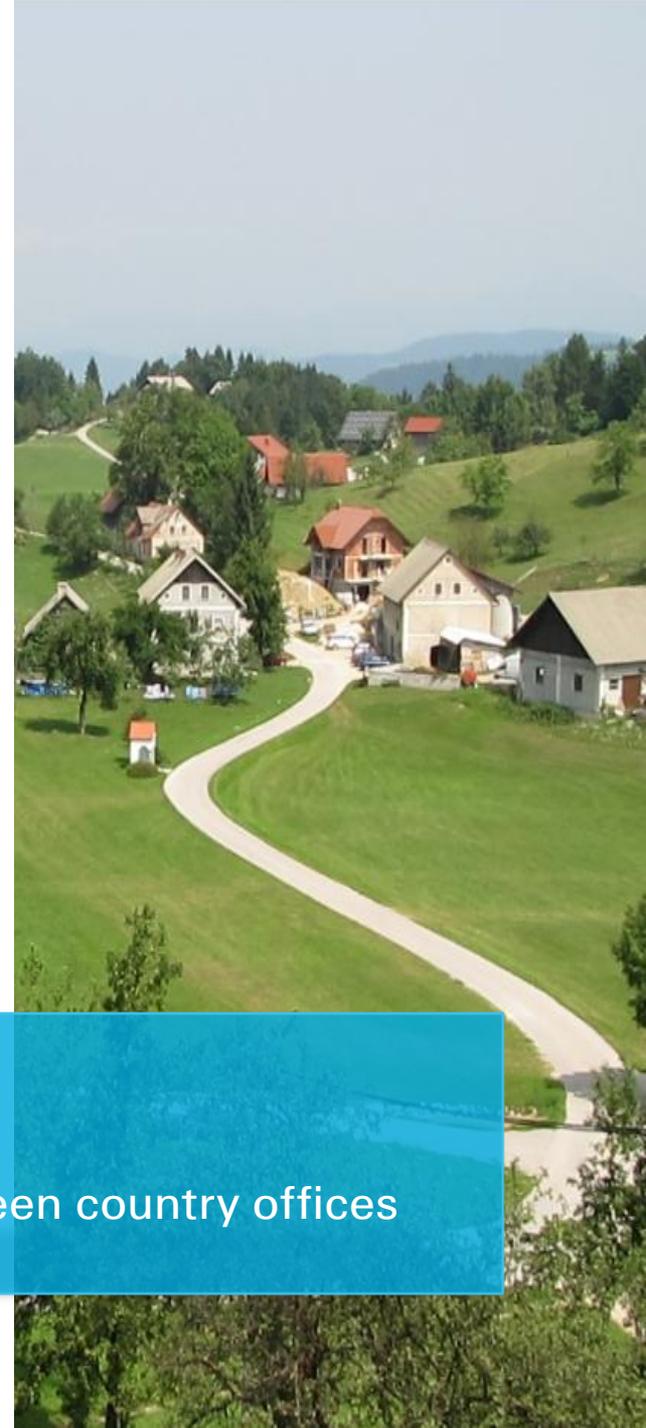


Slovenia and others

- Unprofitable years (2000 – 2009)
- Turn around (2010 – 2014)
 - Good cooperation
 - Better diversified portfolio
 - Improved loss adjustment & knowledge
 - Improved products (rates, deductibles)
- Growth into new markets (2012-2015)
 - Losses in new markets
 - Little cooperation between country offices

LESSON LEARNED

- It needs cooperation & overarching strategy between country offices



Romania

- Fierce competition on hail product
- Low prices and high loss ratio's
- Non-differentiated product offering
- Drought and freeze are the main risk for farmers
- These main risks are not covered
- EU subsidy do not lead to strong growth

LESSON LEARNED

- It needs innovative products that meet the needs of the farmers



Turkey

- PPP since 2006 (TARSIM)
- Sound legislation
- Effective organization
- Well diversified /balanced portfolio
- High penetration (16%)
- Good protection for farmers (but no drought cover)
- Fierce competition between reinsurers

LESSON LEARNED

- If agriculture insurance is set up well cost for reinsurance goes down
(Also Spain, France, Italy, Germany)



Kazakhstan

- Drought is a major Cat risk
- PPP since 2005 (FFSA) (source: world bank report 2011)
 - Little diversified portfolio
 - Based on Loss subsidies
 - Limited protection for farmers
 - Operational challenges due to size of country
 - No risk selection
 - No reinsurance
- Non-agriculture insurance in Kazakhstan show more positive developments

LESSON LEARNED

- PPP can also hinder innovative companies and products



China

- Large growth 2008 – 2013
- Good protection for farmers (but no flood or drought cover)
- Well diversified /balanced portfolio
- Large government involvement
 - Premium subsidies, Loss cap, Original terms and rates, Loss assessment
- Fierce competition on the reinsurance side
- China Agro Reinsurance Pool was set up in 2014.
- Minimum 50% of Agro reinsurance has to be ceded to the pool. China Re is the pool leader with major shares.

LESSON LEARNED

- Large dependencies on government policies are also a big uncertainty



Ukraine

- So far no state subsidies in place
- A lively competition between local insurance companies
- Development of local experts
- Agriculture in Ukraine is on a growth track
- Last 10 years have not shown worst weather extremes
- Growth blocked by political uncertainty
- The future will tell if the developments are sustainable

LESSON LEARNED

- Only in years with large losses the quality of agriculture (re) insurance is tested



What did we learn on our road trip:

- Achieving sustainable results in CEE and CIS
Agriculture insurance is **not easy**
- There is historical reluctance to buy insurance
 - It needs products that **meet the needs** of the farmers
 - **Trust and understanding** of the farmers needs to increase
- Cooperating with the **trustful partners** with the right spirit, expertise and network is key
- Only in bad years agriculture (re) insurance is tested
- In the years ahead achieving growth will **continue** to be an fascinating trip
- Мы верим в наш успех!





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