



INSURANCE
SUPERVISION
AGENCY

Republic of Macedonia
Република Македонија

IIF 2015- Property Insurance in a Stormy Era



Agriculture insurance in Macedonia

MUNICH, JUNE 2015

Economic Indicators- Macedonia

GDP GROWTH(%)



EXPORT (billion €)



FDI BY YEAR (million €)



INFLATION

Low inflation: <2% annually over the last 13 years
2013: 2.8%; 2014 : - 0.3%

CURRENCY

Macedonian Denar pegged to the DM/€
for the last 20 years (€1= MKD 61.6)

INTEREST RATES (APRIL 2015)

Loans: 6.9 p.a. Deposits: 2.2 p.a.
12 months T-bills: 1.7 p.a.

CREDIT RATINGS 2014

Standard & Poor's: BB- (Stable)
Fitch: BB+ (Stable)

BUDGET DEFICIT & STATE DEBT

Budget Deficit, 2014: 3.9 % of GDP
State Debt, 2014: 35.7 % of GDP

Agriculture sector in Macedonia



● Geographical location	Southeast Europe-Balkan
● Climate	Continental/Mediterranean
● Total area	25.713 km ² ; (41% of the total is agricultural area/ 1/3 is classified as farmland)
● Share of the primary agriculture including the sectors of Hunting and Forestry in GDP	9,40%
● Workforce in the agricultural sector	167.992 (18%)
● Number of agricultural holdings	170.885
● Total share of agricultural products and food	
Import	19%
Export	13%

Agriculture vs. Climate changes



- The Macedonian agricultural sector as one of the most essential sectors in the national economy, is high sensitivity to the climate changes.
- Vulnerability of a big part of the rural population and their incomes for life also are arise from the climatic changes.
- Macedonia is characterized by great climatic variability, proven by:
 - increase of the middle temperature,
 - decrease in humidity,
 - extreme weather changes (draught, hot flashes and forest fires).
- One of the means for management of risks is the **agriculture insurance**, a product that enables indemnification and protection of the yield.

Natural disasters in Macedonia



- Republic of Macedonia is to a huge extent sensitive to natural disasters (especially earthquakes and floods) and climate change.
- **Main natural disaster in Macedonia:**
 - The 1995 flood in Macedonia caused damage 77 times greater than the allocated budget for dealing with such crises.
 - The 1963 earthquake in Skopje (6.1 on the Richter Scale) resulted in devastating consequences, leaving more than 130 000 people homeless and making total economic damage estimated at \$1 billion at that time. In the event of a similar natural disaster in the present circumstances and level of development, the damages could reach around EUR 3 billion, of which the households alone would suffer damages of over EUR 1 billion.
 - Droughts in Macedonia in 1969, 1992, 1993, 1994, 2003, 2004, 2007, and 2012.

Risks of natural catastrophes- projections



Projections for climate changes

- Temperature increase by 1.9 degrees by 2050.
- Shortage average precipitation -5%.
 - Summer periods -17%.
- Increased use of pesticides and diseases of crops, shortages of water and food.

Macedonia:

- The probability to occur earthquake within 50 years is 10%
 - economic damages that can exceed **3 billion euros**
- Flood likely to occur once in 250 years
 - Total economic losses can reach about **900 million euros**
 - Households- approximately **250 million euros**.
- Extreme droughts could be repeated every 3-4 years
 - occurring on more than **40%** of territory of Macedonia.

Insurance market profile- Macedonia



- 15 Insurance undertakings (11 non-life; 4 life)
- 30 Insurance brokerage companies
- 10 Insurance agencies
- 2 Banks which acts as insurance agency

- Insurance penetration- 1.45% in 2014, GWP in % of GDP (2013:1.44%)
- Insurance density 60 EUR/capita in 2014 (2013: 57 EUR)

Agriculture insurance in Macedonia



Market profile:

- 6 out of 11 insurance companies for nonlife insurance perform business in agriculture insurance line of business.
 - Until 2013 only 4 insurance undertakings offering products for agricultural insurance, and in 2014 two companies began selling policies for agricultural insurance.
- **Reasons for the insufficient development:**
 - Supply side: Insurance companies in Macedonia are not very interesting to offer agricultural insurance (Reasons: lack the knowledge and capacity to assess the degree of risk exposure and offer a product that will be acceptable for both side).
 - Demand side: Lack of interest for agricultural insurance due to the lack of awareness of the majority of farmers for the needs and benefits from the insurance.

Agriculture insurance in Macedonia



	Share in GWP- property insurance	Share in total nonlife GWP
Crop insurance	5,48%	1,12%
Fire	0,18%	0,04%
Flood	0,00%	0,00%
Hail and frost	5,30%	1,09%
Other property insurance	22,83%	4,67%
Fire	14,04%	2,87%
Earthquake	4,58%	0,94%
Flood	2,32%	0,48%
Hail and frost	1,89%	0,39%

Development of agricultural insurance



- In the past years, agriculture insurance has positive relative growth, due to:
 - The measures of the Government of R. of Macedonia for subsidizing 60% of agriculture insurance premium;
 - Promotional and educational activities for familiarizing the public about agriculture insurance, taken by Insurance supervision agency, Agency for promoting the development of agriculture and Agency for Financial Support in Agriculture and Rural Development.

Agriculture insurance- subsidies



- The measure for financial support for insurance in primary agricultural production of major risks in the amount of 60% of the value of the insurance policy.
- Funds from this program in the amount of 20,000,000 MKD (325.301 EUR) will be used to help the insurance premiums according to defined crops with the following maximum surface per user:
 - a) 10 ha of vine and fruit plantations;
 - b) 2 hectares of horticultural crops;
 - c) 2 hectares of tobacco;
 - d) up to 20 hectares of crops and
 - e) up to 100 beehives.
- The amount of subsidy will not exceed 60% of the cost of the insurance premium for compensation of damage to the primary agricultural production occurred as a result of adverse climatic event, but not more than 200,000 MKD (3.253 EUR) per farm.

Promotional activities- ISA

- Participation in regular meetings for farmers organized by the Agency for promoting the development of agriculture;
- ISA issued flyers and brochures for agricultural insurance;
- Conducting presentations to farmers, emphasizing the benefits of agricultural insurance;
- Participation in various TV and radio programs, related to agriculture.



Types of agriculture insurance products



- Crop insurance
- Livestock insurance
- Agriculture yield index insurance (AYII)

Crop insurance

- Subject to insurance cover are:

- crops and fruit,
- meadow grasses,
- herbs,
- ornamental plants,
- fruit,
- vine and forest seedlings,
- young orchards and vineyards before entering the race,
- young forest plants and
- plaiting willows and reeds vineyards.

Basic risks	Additionally risks
Hail	Spring ice
Fire	Flood
Thunder	Storm

Livestock insurance



- **Animals that can be insured?**

- Equidae;
- Cattle;
- Pigs;
- Minor commodity (sheep and goats);
- Feathery animals;
- Small carnivorous animals (cats and dogs);
- Bees;
- Fish;
- Exotic animals.

- **Covered risks**

- Death due to accident or illness;
- Emergency slaughter;
- Health care expenses (if agreed as an additional coverage);
- Emasculation.

Agriculture yield index insurance



- Area Yield Index Insurance (AYII) designed and supported by Europa Re, was launched in September 2014 in Macedonia.
- AYII is designed to protect farmers from the loss of crop yields due to adverse weather events and biological risks.
- AYII has proven to be an excellent form of coverage for systemic or covariate risks such as drought, frost, windstorm, continuous excess rain damage, high temperatures and catastrophe flood which have huge impact over a broader area (e.g. at the municipality level). Tailored for specific crops, this insurance product provides protection to farmers against extreme weather events that affect crop yields.
- AYII is a multiple-peril loss of crop yield policy that insures against all climatic, naturally occurring and biological perils - it is an "all risks" loss of yield policy.

Agriculture Insurance

Government

- Direct subsidies
- Insurance premium subsidies

Expertise on improving the subsidy scheme

Europa Re

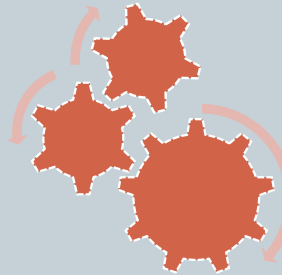
New user friendly and affordable products
Know how

Insurance companies

- Basic Insurance protection
- Specialized Insurance protection

Awareness
Education
Development of distribution channels
New Insurance Products

Improved market mechanism



Farmers

As result:

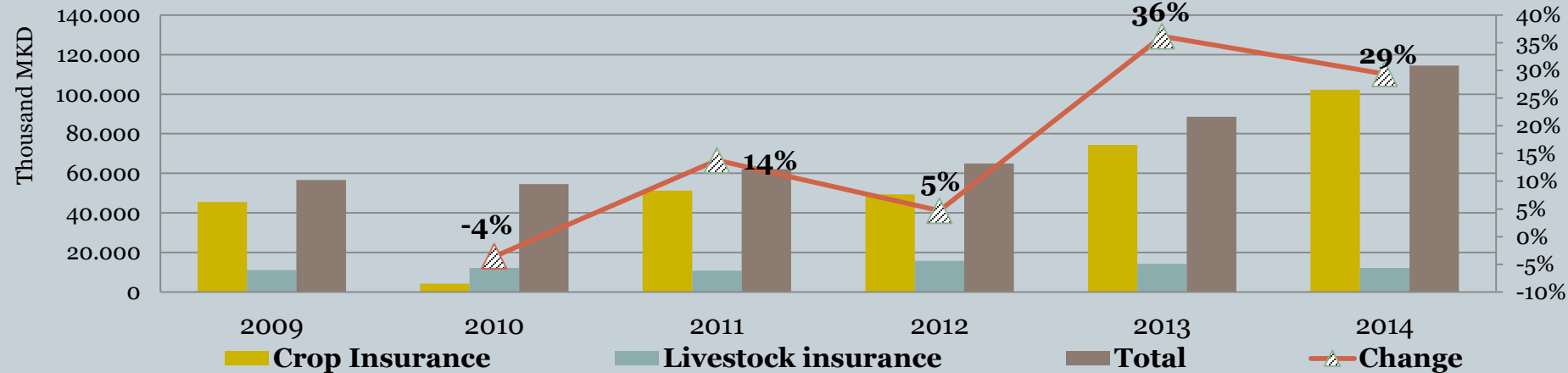
- **Farmers' profit and assets are better protected**
- Higher incentive to produce

Outcome

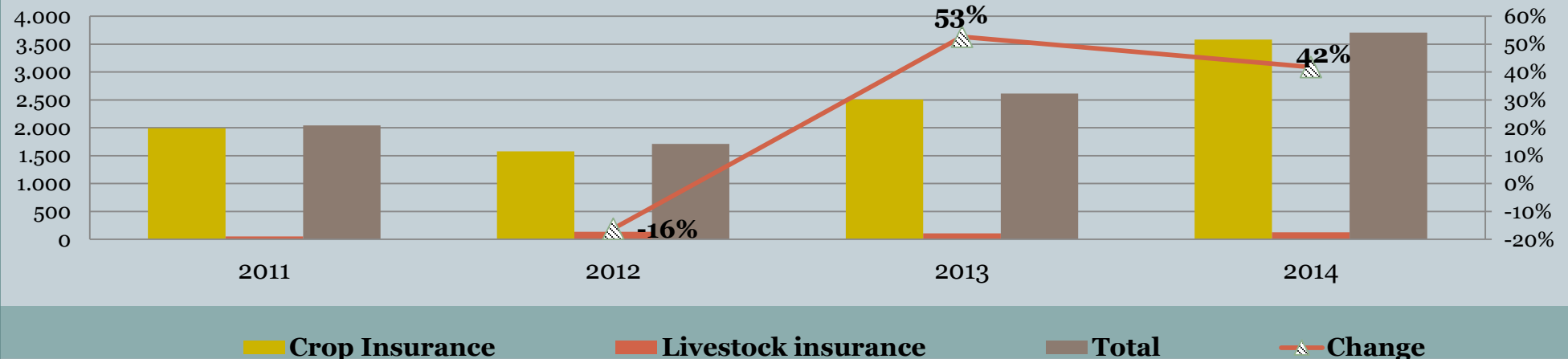
- Increased production
- Increased income
- Higher contribution to economy

Agriculture insurance in Macedonia- Trends

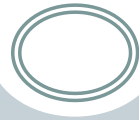
GWP- agriculture insurance



Number of contracts concluded- Agriculture insurance



Thank You !



Mr. Zoran Stojanovski, Executive member of Council of experts

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