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## World News Summary from AgrolInsurance

January 2018



Dear Colleagues,

AgrolInsurance International presents your monthly news summary, which highlights important issues on agricultural losses, risk events and recent trends in agricultural insurance worldwide. We wish you a great day!

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### 2018 International Conference on “Agricultural Insurance, Reinsurance and Brokerage in CIS, Europe & Asia” - registration is open

AgrolInsurance International is happy to announce dates and place of the 4th International Conference “Agricultural Insurance, Reinsurance & Brokerage in CIS, Europe & Asia”. The next venue will be held on April 16-18, 2018 in Belgrade, Serbia, at the Hyatt Regency Hotel. Conference registration is open. Call for presentations will be open till February 28, 2018.

Conference sessions will focus on technical aspects of agricultural insurance, innovative approaches in agricultural insurance, portfolio management and use of technology for underwriting and loss adjustment. AgrolInsurance International team has successfully held three international Conferences in the past (2013 – in Ukraine, 2014 – in Turkey, and 2016 – in Georgia). Each of the past conferences were attended by representatives from more than 20 countries of Europe and Asia.

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## Canada - Improvements to AgrilInsurance for 2018

Federal Agriculture Minister and Manitoba Agriculture Minister announced good news for Manitoba farmers. Producers will continue to benefit from expanded, comprehensive coverage through AgrilInsurance. Currently, Manitoba has the highest amount of AgrilInsurance users, with over 8,400 farms, which is covering 70 different crops and over 90 percent of annual crop acres. The coverage for 2018 is quoted to be \$2.7 billion on 9.4 million acres in Manitoba, with the premium rate down seven percent.

There are some program changes for this year, which include: creating a permanent insurance area to protect more than 200,000 acres of soybeans grown in areas previously eligible for coverage only on a test basis, changing the soybean premium rate calculation to put more emphasis on actual losses, which will benefit producers and governments by lowering premiums.

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## USA - Few crop insurance changes for 2018

The USDA Risk Management Agency has released rates needed to calculate a 2018 crop insurance premium. The Revenue Protection rate changes suggest slightly higher corn premiums and lower soybean premiums. Given that 2018 projected prices and volatilities are trending lower than the February 2017 values, premiums in 2018 could be near or slightly lower than those of the previous year. As a result, premium changes likely will not influence 2018 crop insurance decisions or planting intentions.

Revenue Protection (RP) is the most popular type of crop insurance policy Iowa farmers select annually. Choosing Revenue Protection guarantees the insured a level of revenue, based on the new crop futures price average in February multiplied by farm's average yields – the annual production history. Insured farmers can buy coverage between 50% and 85% of the revenue guarantee.

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## Philippines - PCIC soon selling reinsurance, index-based products

The House Committee on Economic Affairs seeks to strengthen the Philippine Crop Insurance Corp. (PCIC) by expanding its coverage and allowing it to engage in index-based insurance and reinsurance. Such a mandate was also seen encouraging private insurers to offer index-based insurance as one of their products, as well. Index-based insurance is an innovative and technically sound approach to manage risks, especially for the poor and highly vulnerable farmers in the countryside.

The measure seeks to expand the type of crops that can be insured from rice only to include corn, high-value commercial crops, livestock, aquaculture and fishery, agro-forestry and forest plantations. It also requires farmers obtaining production loans for rice and other crops essential to food security to insure their crops with the PCIC. The plan is to offer weather index-based insurance, specifically for excessive or insufficient rainfall.

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## Indonesia - Shrimp farmers fully insured against crop failure

Shrimp farmers now enjoy full protection from the government against potential harvest failure caused by diseases, fungus or even natural disasters. Under a new insurance scheme worked out by the Financial Services Authority (OJK) and the Maritime Affairs and Fisheries Ministry, the government will pay for the entire premium, rather than just 80 percent, as in the past. Farmers can put in up to three claims a year for up to Rp 5 million per harvest cycle.

In the case of natural disasters, they can claim compensation for ponds amounting to a maximum of 50 percent of the losses. To submit their claims, they need to present invoices for the seeds and equipment they had bought for the affected harvest period. The insurance program covers more than 2,000 shrimp farmers managing a total of 3,300 hectares of ponds in 14 provinces. Their combined premium by the end of 2017 comes to Rp 1.4 billion (US\$111,170).

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## India - Crop insurance scheme likely to get allocation of Rs 130 bn

The government of India is likely to increase in Budget 2018 the allocation for the Pradhan Mantri Fasal Bima Yojana (PMFBY) to Rs 130 billion for 2018-19 from Rs 107.01 billion for the current financial year. Under the PMFBY, launched early 2016, farmers pay a very nominal premium and get a full claim for the crop damage. The budget expectation is that the allocation for the PMFBY would go up to Rs 130 billion for the next fiscal taking into account about 10 per cent likely increase in the sum insured.

For the current fiscal, the government had initially given a budget of Rs 90.0075 billion for the PMFBY. However, the additional requirement of Rs 17.01 billion was made through supplementary demands, taking the total allocation to Rs 107.01 billion for the scheme. Total crop insurance claim for 2016-17 crop year (July-June) is estimated to be Rs 155 billion. Already claims to the tune of Rs 133.61 billion have been reported, of which Rs 123.13 billion have been settled.

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## Canada - Small crop insurance payout in 2017

The final tally isn't in but total Manitoba crop insurance payouts in 2017 are currently estimated at around \$60 million. That shouldn't be a surprise given collectively farmers enjoyed above-average yields for many crops, even setting some new records. The Manitoba Agricultural Services Corporation (MASC) will release its 2017 yield data in Yield Manitoba, Feb. 15 as a supplement to the Manitoba Co-operator. The information will also be available online.

As a result MASC was able to add \$150 million to its reserve fund, bringing the total to about \$585 million. Crop insurance, also known as AgrilInvest, is meant to be actuarially sound. While there's a large surplus now, a major crop failure could easily wipe it out and more. While there were only 356 Excess Moisture Insurance (EMI) claims on 159,700 acres in 2017, most of them came from The Pas area. Hail claims were

down significantly too – just 1,860 resulting in \$16 million in payouts.

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## **Fiji - Crop and Livestock Council still working on an insurance program**

The Fiji Crop and Livestock Council is still working on an insurance program for farmers. Placing this product in the insurance market is very complex and requires the Fiji Crop and Livestock Council to have available sufficient data to convince the markets that their farmers' risk is correct. Fiji Crop and Livestock Council is working with Food and Agriculture Organization and government to make this work.

By the end of this year Fiji Crop and Livestock Council should be able to have an insurance product for farmers in place. Mandated by Government to represent the interests of nonsugar farmers in Fiji, the Fiji Crop and Livestock Council now has a membership of close to 30,000 farmers in Vanua Levu and Viti Levu.

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## **Philippines - 2 million farmers to get free crop insurance**

The Philippine Crop Insurance Corp. (PCIC) will extend P65.1 billion worth of free crop insurance coverage to more than 2 million farmers and fishermen this year to help them cope with the ill effects of climate change on farm production. The PCIC, an attached government-owned and -controlled corporation under the Department of Agriculture, is targeting to cover some 25 percent of the country's total number of farmers, pegged at 10 million.

The P65.01 billion worth of crop insurance to be provided by the PCIC this year is 30 percent higher than last year's P50.032 billion. The number of total farmers insured by year-end would be 32 percent higher than the 1.52 million farmers and fishermen registered beneficiaries in 2017. The value of crop insurance and number of farmers covered this year would be the "highest" in the PCIC's history.

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## **Africa - Livestock insurance gains ground**

Pastoralists live precarious lives with extreme weather, such as drought, posing a potentially fatal threat to livestock – often pastoralists' only asset and income source. To buffer livestock keepers from these risks, insurance schemes such as the Kenya Livestock Insurance Programme (KLIP), introduced by the government in July 2014, are starting to have an impact.

As a result, the World Bank and the International Livestock Research Institute (ILRI), which both helped to develop the programme, have received enquiries from countries – including Mauritania, Mali, Niger, Senegal, Somalia, South Africa, Uganda, Zambia and Zimbabwe – that are looking to introduce their own livestock insurance schemes. But, what do these countries need to bear in mind in order to develop their own sustainable livestock insurance scheme?

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