SPANISH AGRICULTURAL INSURANCE SYSTEM
1954-1972

LAW OF FARM INSURANCE (3rd DEC. 1953)

High claims ration in 1951 y 52.

Government transfer the management to the Ministry of Agriculture and CCS

- **RISKS:** HAIL
- **CROPS:** WHEAT, BARLEY, MAIZE, ETC. ...
- **TYPE:** MULTIANNUAL INSURANCE
- **POLICY HOLDER:** FARMERS
- **INSURED:** “VARIABLE PREMIUM” (Claim $\Delta$ premium 40%)
- **SUBSIDY:** NO. Indirect support via reinsurance from CCS
- **INSURANCE COMPANIES:** RISK DISTRIBUTION
1973-1979

NATIONAL INSURANCE FOR CEREALS

- RISKS: HAIL AND FIRE
- CROPS: WHEAT, BARLEY, MAIZE, ETC. ...
- POLICY HOLDER: NATIONAL SERVICE FOR AGRICULTURAL PRODUCTS (SENPA)
- INSURED: PROGRESSIVE COST
- INSURANCE COMPANIES: RISK DISTRIBUTION
“A Law on Agricultural Insurance which protect farmers from the consequences of catastrophic events will be presented in the Congress.”
WHAT DOES IT CONSIST OF?

IT CONSISTS OF A SYSTEM FOR COVERING DAMAGE CAUSED TO AGRICULTURAL PRODUCTIONS (CROPS AND LIVESTOCK) AND FORESTRY.

AS A RESULT OF:

✅ UNUSUAL CHANGES IN THE WEATHER CONDITIONS.

✅ DISEASES AND ACCIDENTS THAT INVOLVE:
   DEATH, OBLIGATORY SLAUGHTER, INCAPACITY AND EVEN LOSS OF A SPECIFIC FUNCTION OF THE ANIMAL.

✅ FOREST FIRES
SPANISH AGRICULTURAL INSURANCE SYSTEM

KEY POINTS OF THE SPANISH SYSTEM

☑ VOLUNTARY PARTICIPATION IN THE SYSTEM:
  - OF FARMERS: BY UNDERWRITING AN INSURANCE POLICY (non previous selection)
  - OF INSURANCE COMPANIES: BY JOINING AGROSEGURO.

☑ USE OF THE INSURANCE TECHNIQUE.

☑ JOINT INVOLVEMENT OF GOVERNMENT AND PRIVATE INSTITUTIONS.

☑ SUBSIDIES FROM CENTRAL GOVERNMENT AND AUTONOMOUS REGIONS.
IT IS RULED BY

LAW 87/1978 ON MULTIPERIL AGRICULTURAL INSURANCE.


THREE-YEAR AND ANNUAL PLANS APPROVED BY THE COUNCIL OF MINISTERS FOLLOWING THE PROPOSAL MINISTRY OF AGRICULTURE, FOOD AND ENVIRONMENT.
PRIVATE INSURANCE SECTOR

THE COINSURANCE POOL

- CURRENTLY 29 COMPANIES ARE INVOLVED (CCS INCLUDED)

- INTEGRATION IN THE POOL HAS VOLUNTARY KIND

- INSURANCE SUSCRIPTION THROUGH ITS COMMERCIAL NETWORK

- THE INSURANCE COMPANIES ASSUME THE RISK IN THE SAME PROPORTION AS THEY PARTICIPATE IN THE SHARE CAPITAL OF AGROSEGURO.
“ASSOCIATION OF ALL THOSE INSURANCE COMPANIES WILLING TO PARTICIPATE IN THE ANNUAL AGRICULTURAL INSURANCE PROGRAM”

LEGAL FORM ➔ JOINT STOCK COMPANY

SHAREHOLDERS ➔ INSURANCE ENTITIES JOINED IN THE COINSURANCE GROUP

SAME PROPORTION OF RISK COVERAGE AND SHARE CAPITAL

IT’S A MANAGEMENT ENTITY
SPANISH INSURANCE FACTS

AGROSEGURO

MANAGEMENT ENTITY OF AGRICULTURAL INSURANCES IN SPAIN

MORE THAN 30 YEARS OF EXPERIENCE

COMPREHENSIVE MANAGEMENT OF THE INSURANCE CYCLE

ANALYSIS

DESIGN

INSURANCE POLICIES MANAGEMENT

DAMAGE VALUATION

INDEMNITIES PAYMENT

FEED BACK
MAIN FUNCTIONS OF AGROSEGURO

✓ REPRESENTATION OF ALL CO-INSURANCE ENTITIES

✓ PRODUCTS DESIGNING

✓ ELABORATION OF POLICY WORDING AND TARIFFS

✓ ASSESSMENT AND PAYMENT OF INDEMNITIES

✓ ACCOUNTING OF THE POOL
ORGANIZATION CHART OF AGROSEGURO

PRESIDENCY

- CONSULTANCY AND INTERNATIONAL RELATIONSHIPS
- INTERNAL AUDIT

GENERAL MANAGEMENT

- LEGAL DEPARTMENT
- REGIONAL BRANCHES

DEPARTMENT OF PRODUCTION AND COMMUNICATION

DEPARTMENT OF RESEARCH AND DEVELOPMENT

DEPARTMENT OF CLAIMS AND ASSESSMENTS

DEPARTMENT OF ADMINISTRATION AND ACCOUNTING

DEPARTMENT OF ORGANIZATION AND I.T. SYSTEMS
DEPT. OF RESEARCH AND DEVELOPMENT

TECHNICAL STAFF WORKING IN IT: AGRICULTURAL ENGINEERS, ACTUARIES, VETERINARIES AND BIOLOGISTS

RESPONSIBILITIES:

- Design of insurance products.

- To carry out actuarial studies on current insurance policies as well as preliminary analysis of new risks to be guaranteed and new insurance lines.

- To meet the complaints made by policy holders and insured.
CUSTOMER SERVICE

COMPLAINTS DEPARTMENT

- Registers and replies to complaints made by policy holders and insured.
- Studies and submits complaint resolution proposals to complaints committee.
- Transmits decision to policy holders and insured.
DEPT. OF CLAIMS MANAGEMENT AND ASSESSMENT

ASSESSMENT SERVICE

TECHNICAL STAFF WORKING IN THIS SERVICE: AGRICULTURAL ENGINEERS, BIOLOGISTS AND VETERINARIES

RESPONSIBILITIES:

- CONTROLLING AND SUPPORTING ADJUSTMENT WITH THE HELP OF SPECIALISED PERSONNEL.
- FORMULATING ADJUSTMENT RULES FOR DAMAGES TO DIFFERENT CROP TYPES.
- TRAINING ADJUSTERS.
- INVESTIGATING NEW ADJUSTMENT TECHNIQUES.
CLAIMS SERVICE

RECEPTION OF CLAIMS AND COMMUNICATION TO THE ASSESSMENTS DEPARTMENT

PAYMENTS OF INDEMNITIES
DEPT. OF CONSULTANCY AND INTERNATIONAL RELATIONSHIPS

RESPONSIBILITIES:

- SPREADING OF THE SPANISH AGRICULTURAL INSURANCE SYSTEM
  
  Attending international congresses and seminars and through the visit of international delegations from different countries either in Europe and in Latin America.

- MEMBERSHIP OF INTERNATIONAL ASSOCIATIONS
  
  International Association of Hail Insurers (IAHI), European Insurers Committee (CEA), Latin American Association for the Development of the Agricultural Insurance (ALASA), ...

- CONSULTANCY
REGIONAL BRANCHES

- Currently we have 13 branches, distributed along the whole country.
- They control and manage the adjusters network of its influence area (*)
- They are in charge of the administrative management of all issues related to claims
- They check that adjustments are carried out according the established rules.

(*) Agroseguro maintains a contractual relation with almost 350 independent crop adjusters and 120 vets.
COVERED RISKS

CROP RISKS

FORESTRY RISKS

LIVESTOCK RISKS

AQUACULTURE RISKS
CROP RISKS

FROST
HAIL
FLOODS
FIRE
EXCESS OF RAIN
DROUGHT
HOT OR VIOLENT WIND

RISK COVER IS ALWAYS COMBINED: ALL CROPS ARE COVERED AGAINST HAIL, FLOODS, EXCESS OF RAIN AND VIOLENT WIND.
DEATH, OBLIGATORY SLAUGHTER, AND INCAPACITY OR LOSS OF SPECIFIC FUNCTION OF THE ANIMAL CAUSED BY:

- ACCIDENT
- ILLNESS/DISEASE OR EPIDEMIC
- REMOVAL AND INCINERATION OF DEAD ANIMALS
# LIVESTOCK INSURANCE

<table>
<thead>
<tr>
<th>SPECIES</th>
<th>AVAILABLE INSURANCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOVINE *</td>
<td>FACTORY FARMING</td>
</tr>
<tr>
<td></td>
<td>HIGH VALUE STUD CATTLE</td>
</tr>
<tr>
<td></td>
<td>MEAT FARMS</td>
</tr>
<tr>
<td></td>
<td>BREEDING</td>
</tr>
<tr>
<td></td>
<td>BULLFIGHTING</td>
</tr>
<tr>
<td>SHEEPS AND GOATS *</td>
<td>SHEEPS AND GOATS</td>
</tr>
<tr>
<td>HORSES *</td>
<td>HORSES</td>
</tr>
<tr>
<td></td>
<td>SELECT RACE HORSES</td>
</tr>
<tr>
<td>POULTRY</td>
<td>POUlTRY FATTENING</td>
</tr>
<tr>
<td>PIGS</td>
<td>PIGS</td>
</tr>
<tr>
<td>BOVINE AND NON BOVINE</td>
<td>EXPENSES ARISING FROM THE REMOVAL AND INCINERATION OF DEAD ANIMALS</td>
</tr>
<tr>
<td>APICULTURE</td>
<td>DROUGHT AND FIRE IN APICULTURE</td>
</tr>
</tbody>
</table>

* DROUGHT IN PASTURES
### SPANISH INSURANCE FACTS

#### EVOLUTION OF MAIN FIGURES

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INSURED CAPITAL</strong></td>
<td>22,17</td>
<td>2.492,60</td>
<td>5.783,43</td>
<td>11.071,20</td>
<td>11.210,00</td>
</tr>
<tr>
<td><strong>NET PREMIUMS</strong></td>
<td>1,15</td>
<td>103,01</td>
<td>280,94</td>
<td>650,52</td>
<td>675,29</td>
</tr>
<tr>
<td><strong>SUBSIDIES</strong></td>
<td>0,59</td>
<td>74,29</td>
<td>178,16</td>
<td>405,82</td>
<td>392,54</td>
</tr>
<tr>
<td><strong>NUMBER OF POLICIES</strong></td>
<td>2.204</td>
<td>279.404</td>
<td>367.147</td>
<td>485.008</td>
<td>484.513</td>
</tr>
<tr>
<td><strong>CLAIMS</strong></td>
<td>0,23</td>
<td>135,62</td>
<td>163,40</td>
<td>554,01</td>
<td>800,25</td>
</tr>
</tbody>
</table>

Million Euros, except number of policies

(*) Provisional data
<table>
<thead>
<tr>
<th>SECTORS</th>
<th>SEASON 2011 (t)</th>
<th>EVOLUTION: IMPLEMENTATION % (Insured Prod / Insurable Prod.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Insurable Production</td>
<td>Insured Production</td>
</tr>
<tr>
<td>Agro-energetic and fodder crops: herbaceous crops, woodland crops and straw for these purposes.</td>
<td>23,714.068</td>
<td>550.055</td>
</tr>
<tr>
<td>Persimmon and other fruit trees: persimmon, kumquat, medlar, blackthorn, pomegranate, fig, chestnut and jujube trees</td>
<td>287.556</td>
<td>134.584</td>
</tr>
<tr>
<td>Cherry, cherry</td>
<td>96.567</td>
<td>40.074</td>
</tr>
<tr>
<td>Citrus fruits: orange, tangerine, lemon, lime and grapefruit</td>
<td>6,182.547</td>
<td>3,018.287</td>
</tr>
<tr>
<td>Fruit trees: apricot, plum, apple, peach, quince and pear</td>
<td>2,736.216</td>
<td>2,303.284</td>
</tr>
<tr>
<td>Nuts: carob, almond, hazelnut, walnut and pistachio</td>
<td>319.401</td>
<td>19.126</td>
</tr>
<tr>
<td>Extensive herbaceous rice, winter and spring cereals, pulses and oilseeds</td>
<td>21,165.161</td>
<td>15,480.567</td>
</tr>
<tr>
<td>Open field vegetables: open field vegetables</td>
<td>12,040.288</td>
<td>4,153.810</td>
</tr>
<tr>
<td>Greenhouse vegetables: greenhouse vegetables</td>
<td>3,190.985</td>
<td>815.975</td>
</tr>
<tr>
<td>Olive trees: table and oil olives</td>
<td>7,107.300</td>
<td>677.009</td>
</tr>
<tr>
<td>Psa and cooperatives: persimmon and other fruit trees, citrus fruits, extensive herbaceous crops, fruit trees, nuts, greenhouse vegetables, olive trees, banana, wine grape</td>
<td>8,918.762</td>
<td>122.512</td>
</tr>
<tr>
<td>Banana, banana</td>
<td>312.599</td>
<td>312.599</td>
</tr>
<tr>
<td>Industrial productions: cotton, textile hemp, textile flax, hop, sugar beet, tobacco and all other industrial crops</td>
<td>3,995.407</td>
<td>699.074</td>
</tr>
<tr>
<td>Tropical and subtropical productions: avocado, custard apple tree, prickly pear, lychee, mango, date palm, papaya and pineapple</td>
<td>120.633</td>
<td>40.947</td>
</tr>
<tr>
<td>Table grape: table grape</td>
<td>257.067</td>
<td>165.188</td>
</tr>
<tr>
<td>Wine grape: wine grape</td>
<td>5,574.800</td>
<td>2,120.735</td>
</tr>
<tr>
<td>Aquaculture: red sea bream, valencian mussel, treagre, gethead bream, sea bass, broccoli mussel, turbot and trout</td>
<td>61.000</td>
<td>22.500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SEASON 2011 (ha)</th>
<th>Insurable Area</th>
<th>Insured Area</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle: cattle</td>
<td>6,075</td>
<td>1,270</td>
<td>20.90</td>
<td>23.72</td>
</tr>
<tr>
<td>Sheep/goats</td>
<td>19,718</td>
<td>1,740</td>
<td>8.83</td>
<td>8.79</td>
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<tr>
<td>Drought on pasture land: goat, horse, sheep and cattle</td>
<td>25,838</td>
<td>1,446</td>
<td>5.60</td>
<td>5.79</td>
</tr>
<tr>
<td>All other livestock: bee, poultry, rabbit, horse, snail and pig</td>
<td>203,936</td>
<td>23,319</td>
<td>11.43</td>
<td>5.00</td>
</tr>
<tr>
<td>Collection and disposal of dead farm animals: poultry, goat, deer, rabbit, horse, sheep, pig and cattle</td>
<td>264,002</td>
<td>242,620</td>
<td>91.56</td>
<td>95.81</td>
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<thead>
<tr>
<th>SEASON 2011</th>
<th>Insured Animals</th>
<th>Insured Animals (thousands)</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry: forest surface area</td>
<td>13,165.576</td>
<td>81,472</td>
<td>0.63</td>
<td>1.24</td>
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agroseguro
RESULTS

Premiums and claims evolution

Accumulated ratio: 92.01%
ECONOMY OF SCALE

EVOLUTION OF COMMERCIAL PREMIUMS AND INTERNAL COSTS

NET PREMIUMS
% INTERNAL COSTS/NET PREMIUM
RESULTS

AGRICULTURAL CLAIMS DISTRIBUTION 2011

Distribution of Claims by Risk

2011

- Persistent rain - Fixed: 2.80%
- Absence of setting: 4.64%
- Flooding: 1.91%
- Rain: 3.90%
- Wind: 3.47%
- Drought: 4.52%
- Frost: 22.08%
- Fire: 0.58%
- Hall: 41.16%
- Others: 14.91%

Distribution of Claims by Risk
(Except Removal of Dead Animals)

2011

- Drought in pastures: 4.95%
- Death of calves during birth: 33.17%
- Accidents: 27.44%
- Surgical operations refunds: 7.17%
- Dehorning: 5.27%
- B.S.E. and B.R.S.: 5.97%
- Mastsitis: 6.45%
- Births: 6.22%
MAIN CLIMATIC EVENTS IN 2012

FROST
Fruit trees, citrus fruits and vegetables.
INDEMNITIES:
151 Mill Euros

DROUGHT
Pastures, herbaceous crops and olive trees.
INDEMNITIES:
212 Mill Euros
MAIN CLIMATIC EVENTS IN 2012

ABSENCE OF SETTING
- Fruit trees
- INDEMNITIES:
  - 35 Mill Euros

HAIL
- Fruit trees, citrus fruits.
- INDEMNITIES:
  - 68 Mill Euros

RAIN-FLOOD-WIND
- Banana, Citrus fruits, vegetables.
- INDEMNITIES:
  - 11 Mill Euros
ADVANTAGES OF THE SYSTEM FOR THE PUBLIC ADMINISTRATION

- It allows the public administration to establish in advance the budget addressed to subsidize part of the premium to be paid by the producers.

- The government reduces both the economic and the political cost since the criteria for indemnities distribution are contractually assumed by all the parties.

- It avoids duplicities by the public administrations in the handling of damages caused by climatic events.

- If the endowment of aids is necessary, only the policy holders will receive these exceptional aids.
ADVANTAGES OF THE SYSTEM FOR THE INSURER

- ALLOWS INSURERS THE ACCESS TO A NEW INSURANCE MARKET.

- INSURERS CAN COMMERCIALISE OTHER TYPES OF INSURANCES TO AGRICULTURAL PRODUCERS.

- COINSURANCE POOL ALLOWS TO SHARE ADMINISTRATION COSTS (EFICIENCY) AND ASSUME CATASTROPHIC RISKS CHARACTERISED BY A HIGH LEVEL OF LOSSES WHEN THEY OCCURS AND THAT WOULD BE IMPOSSIBLE TO COVER INDIVIDUALLY.
ADVANTAGES OF COINSURANCE

POOL SOLVENCY
Capability to face great risk accumulation (catastrophic risks)

STANDARDIZED STATISTICAL INFORMATION
Geographic, risks, crops, varieties,...

COMMERCIAL NETWORK DISTRIBUTION
Reaching any part of the country

HOMOGENEOUS DAMAGE VALUATION
Training of the adjustment network. Distribution and mobility
Adjustment rules are public and part of the contract
ADVANTAGES OF THE SYSTEM FOR THE PRODUCERS

- The farmer receives an indemnity proportional to the damage suffered.
- Indemnity is paid out to the holder within approximately 60 days after harvesting and the adjustment have been made.
- The farmer can invest more in his land as he is better protected against unpredictable weather conditions.
- His solvency rating improves with regard to access to the financial system.
¡Thank you very much!

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