Catastrophic Agriculture Insurance

Submitted by: Peru
I. Legal Framework of Agricultural Insurance

28995 comprehensive law intended to guarantee fund for the countryside and agricultural insurance.

Law 29148 which establishes the implementation and operation of FOGASA

Supreme Decree Nº 019-2008-AG, which approved the operating regulations for agricultural insurance trust

Supreme Decree Nº 008-2009-AG approving the contract of trust between MINAGRI and COFIDE

Supreme Decree Nº002-2014-MINAGRI approves the new regulation of Agricultural Insurance and addendum Nº 901 contract trust.

Ministerial Resolution Nº 076-2014-MINAGRI approving the new texts of the general conditions and special agricultural insurance catastrophic crop insurance policies
II. Function of the Directorate General Agricultural

The Directorate General Agricultural - DGA is the body responsible for promoting sustainable productive and commercial development of agricultural products, access to national and international markets, financial services and insurance in coordination with sectors and institutions that apply; and promote a competitive national agricultural supply, value-added and sustainable, and physical healing - legal and formalization of land ownership, according to the National Agricultural Policy and current regulations. Hierarchically subordinate to the Vice Ministry of Agriculture and Irrigation Development and Infrastructure.

III. Technical Results Catastrophic Agricultural Insurance

<table>
<thead>
<tr>
<th>AGRICULTURAL COMMODITY</th>
<th>PARTIES</th>
<th>NET PREMIUM NO TAXES INCLUDED S/.</th>
<th>TOTAL INSURED VALUES S/.</th>
<th>DECREASE IN A BIA (%)</th>
<th>DISBURSED AMOUNTS (S/.</th>
<th>UNDERWRITING ABB (%)</th>
<th>LOSS RATIO (%)</th>
<th>NUMBER OF COMPENSATION PRODUCERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
<td>39,647,945.86</td>
<td>33,190,482.65</td>
<td>220,960,398.00</td>
<td>490,089.00</td>
<td>9,668,773.00</td>
<td>22,267.96</td>
<td>26.1%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
<td>39,975,679.29</td>
<td>33,396,041.29</td>
<td>238,391,222.00</td>
<td>432,072.00</td>
<td>23,843,586.00</td>
<td>45,722.00</td>
<td>71.6%</td>
</tr>
<tr>
<td>2011-2012</td>
<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
<td>39,992,950.01</td>
<td>33,883,171.90</td>
<td>241,926,716.20</td>
<td>395,188.00</td>
<td>19,779,019.00</td>
<td>16,193.60</td>
<td>26.9%</td>
</tr>
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<td>2012-2013</td>
<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
<td>39,009,700.00</td>
<td>33,052,646.10</td>
<td>238,503,186.00</td>
<td>314,061.00</td>
<td>19,419,536.00</td>
<td>20,839.80</td>
<td>35.9%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
<td>30,016,096.00</td>
<td>25,623,754.61</td>
<td>197,488,447.00</td>
<td>327,942.00</td>
<td>12,253,776.00</td>
<td>22,148.21</td>
<td>87.9%</td>
</tr>
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<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
<td>24,117,958.22</td>
<td>20,638,480.35</td>
<td>169,090,324.93</td>
<td>313,421.00</td>
<td>9,908,200.00</td>
<td>17,284.00</td>
<td>48.7%</td>
</tr>
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<td>2015-2016</td>
<td>Apurímac, Ayacucho, Cajamarca, Huancavelica, Huancayo, Puno</td>
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<td>25,623,754.61</td>
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</tr>
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Source: Technical Secretariat of FOGASA
* Preliminary results.
IV. Catastrophic Agricultural Insurance Coverage

2009-2010
2010-2011
2011-2012
2012-2013
2013-2014
2014-2015
2015-2016
2016-2017

Peruvian Government
FOGASA
SAC

100% of Premiums

Source: Technical Secretariat of FOGASA


<table>
<thead>
<tr>
<th>WINNING CONSORTIUM</th>
<th>REGION BENEFITED</th>
<th>AVERAGE AMOUNT OF PREMIUMS WITHDRAWN PER INSURED HECTARE</th>
<th>INSURED AREA</th>
<th>TOTAL SUM INSURED</th>
<th>COOP INSURED</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUMÁNICA</td>
<td>HUANACAYA</td>
<td>S/. 5,644,094</td>
<td>S/. 550.00</td>
<td>U.S. 4,421,068</td>
<td></td>
</tr>
<tr>
<td>CUSCO</td>
<td>CUSCO</td>
<td>S/. 5,006,122</td>
<td>S/. 550.00</td>
<td>U.S. 3,514,870</td>
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</tr>
<tr>
<td>HUANUCO</td>
<td>HUANUCO</td>
<td>S/. 4,013,329</td>
<td>S/. 550.00</td>
<td>U.S. 3,208,230</td>
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</tr>
<tr>
<td>CAYAMAVE</td>
<td>CAYAMAVE</td>
<td>S/. 4,997,203</td>
<td>S/. 550.00</td>
<td>U.S. 3,682,190</td>
<td></td>
</tr>
<tr>
<td>AYACUCHO</td>
<td>AYACUCHO</td>
<td>S/. 6,287,757</td>
<td>S/. 550.00</td>
<td>U.S. 4,513,430</td>
<td></td>
</tr>
<tr>
<td>PUNO</td>
<td>PUNO</td>
<td>S/. 9,490,813</td>
<td>S/. 550.00</td>
<td>U.S. 7,050,450</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>TOTAL</td>
<td>S/. 39,000,001</td>
<td>S/. 550.00</td>
<td>U.S. 29,362,920</td>
<td></td>
</tr>
</tbody>
</table>

Source: Technical Secretariat of FOGASA
VI. Catastrophic Agricultural Insurance Operation

How does it work?
Example
AGRICULTURAL CAMPAIGNS 2015-2016 y 2016-2017

What is the Catastrophic Agricultural Insurance – SAC?

- Support of the Ministry of Agriculture and Irrigation producers of scarce resources.
- It covers Catastrophic climate risks affecting everything or almost everything sown.
- Catastrophic loss is the dame to crops insured in a statistical sector (Office of Agricultural Statistics).

Important!!!!: This insurance does not cover production cost.

Term of the policy: 01/08/15 al 31/07/17 – Two Agricultural campaigns
**That risks are covered?**

The risks covered by the SAC are climatic and biological origin:

- **Risks of climatic nature:**
  1) Drought, 2) Low temperatures, 3) high temperatures, 4) hail, 5) excess moisture, 6) flood, 7) frost, 8) strong winds, 9) avalanche, 10) lack of the floor to harvest.

- **Risks of biological nature:**
  11) Diseases, 12) Pest and predators

- **Other risk:**
  13) Fire.

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**Sequence report a notice of loss**

**Paso 1:** The catastrophic event occurred, notify the Agency or Land Office.

**Paso 2:** The Agency or Land Office reports the catastrophe via email to the insurance Company chosen for the agricultural season.

**Paso 3:** The insurance company will send personnel to perform the evaluation and adjustment respective field.

**Paso 4:** If the report indicates adjustment catastrophic loss, the insurance Company will pay the farmer S/550 soles per insured the insured crop hectare.
AND HOW DETERMINED catastrophic loss?

Assessment of Catastrophic Agricultural Insurance Claims

Evaluation Methodology Catastrophic Agricultural Insurance Claims (11 random batches)

11 points are evaluated and the average yield is obtained; and if it is equal to or less than 45% of the historical average yield of Statisical Sector, it is determined that catastrophic loss of the insured crop.

Source: Image GoogleEarth.
**Evaluation Methodology Catastrophic Agricultural Insurance Claims (11 random batches)**

**Example:** Surface Insured Angasmarca Statical Sector – Department of Huánuco:
- 100 hectares of potatoes.
- Historical average potato yield 12,000 Kg/ha
- Potato yield protected in the policy: 5,400 Kg/ha (45%)

After performing field evaluation we have:
- Estimated average potato yield (Average 11 points): **5,000 Kg/ha**
So:

✓ The estimated yield of potatoes is less than that protected in the policy:

   5,000 Kg/ha < 5,400 Kg/ha ...It is a catastrophic loss

✓ Therefore the compensation shall be equal to:

   Indemnizaciom = S/. 550 x 100 ha

   = 55,000 Soles

...And what if the estimated yield is 5,800 Kg/Ha?

✓ The estimated yield is higher than that is protected in the policy:

   5,800 Kg/ha > 5,400 Kg/ha ...It is not a catastrophic loss

   Therefore no compensation.
The Ministry of Agriculture and Irrigation together with GIZ Ferman Cooperation, through the climate, Agro and Rik Transfer Agreement – CAT has developed a System of Risk Transfer in Peru, which is a specialized risk management and protection instrument for different segments of farmers in our country to extreme weather events.

VII. Development of a Risk Transfer System

Institutionality:
Create institutional and regulatory conditions for the development of a risk transfer system – STRS.

Information System:
Create a geo-referenced system of agricultural management information available to the responsible authorities and the sector.

Management Risk Transfer System:
Strengthen the capabilities of the technical staff of the management unit STRS and decision makers.
VIII. National Agricultural Politics – DS Nº 002-2016-MINAGRI

Politic axis: Financing and Agricultural Insurance.

Objective:
Strengthen and expand the credit markets and agricultural insurance for small and medium farmers nationwide.

Strategic Guideliness:
Improve and extend coverage Catastrophic Agricultural Insurance (SAC) to manage high climatic risk of farmers and most vulnerable to climate change and recurring natural phenomena areas.

Implement a public – private system of agricultural risk transfer on the basis of a specific regulatory framework, a reliable information system insurable risks for the development of agricultural insurance market, giving priority to small and medium agriculture.

Plan risk management and adaptation to climate change in agriculture 2012-2021 (PLANGRACC)

EXECUTING AGENCY
- Ministry of Agriculture and Irrigation (MINAGRI), through the Directorate General of Agricultural Environmental Affairs (DGAAA).
- Technical and financial support from FAO.

OBJECTIVE
Reduce climate risk, vulnerabilities and negative effect of climate change in the agricultural sector, through strategies, policies and actions lineament agreed with the regions.
STRATEGIC AXES STRATEGIC GOALS AND ACTIONS OF PLANGRAAC

• Strategic axis 2. Preparation and emergency response weather events.

• General Objective 2: Prepare the rural population to deal with emergencies in agricultura and reduce the negative impact of extreme weather events.

• Lineament policy: Strengthen risk transfer mechanisms such as insurance.

• Priorities:
  1. Early Warning System
  2. Agricultural Insurance
  3. Land preparation for response
  4. Health surveillance and control of pest and diseases.

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THANK YOU VERY MUCH