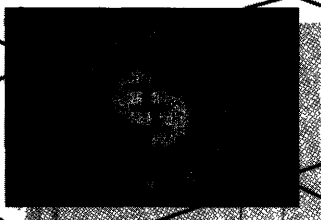


ECONOMIC AND SOCIAL
CONSULTATIVE ASSEMBLY

1993



Common System of Agricultural Insurance

EUROPEAN
COMMUNITIES



ECONOMIC AND
SOCIAL COMMITTEE

Brussels 1993

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INTRODUCTION

Agriculture has always been an economic activity particularly prone to unpredictable and uncontrollable losses. From the earliest days of agriculture farmers have worried about losing production as a result of adverse natural factors.

Despite major advances in the technical and economic areas of agriculture, most of these natural phenomena, especially climatic ones, which are the cause of major economic losses, are generally beyond the control of the individual farmer or of society.

All societies need systems or methods for mitigating the economic impact on agriculture of natural disasters. Farmers' livelihoods and quality of life depend on the existence of such systems. They may even affect a country's economic stability. Of all the systems for reducing economic losses, the only one so far offering a practical solution is agricultural insurance.

Insurance is a collective system for reducing the uncertainty of agricultural production by compensating for economic losses arising from bad harvests.

Insurance offers the farmer an opportunity to show solidarity with the whole agricultural sector, as a small contribution from each policyholder enables a fund to be set up to compensate farmers who have lost production.

The benefits of insurance for the development of the agricultural sector include the following:

- It is a financial instrument for the arable farmer and stock breeder, as compensation serves as an income stabilizer. Thus, a farmer who has suffered a loss receives an income in the form of compensation which enables him to continue in the productive cycle without getting into debt.
- It is an additional guarantee for obtaining loans. A stable annual income makes the farmer more creditworthy.
- It enables the farmer to specialize more without increasing the risk to the farm.
- It complements and backs up programmes to encourage production and productivity. When agricultural insurance operates in tandem with agricultural policy, it can facilitate the achievement of policy objectives.
- It is the fairest system of disaster compensation. Instead of having to resort to aid programmes, the farmer is insured and is entitled to compensation based on the extent of his losses.

Finally, the introduction of a system of agricultural insurance and disaster compensation in all the Member States would facilitate the integration of their agricultural sectors into a common system of defence against the adverse economic consequences of natural phenomena.

INFORMATION REPORT
of the
Section for Agriculture and Fisheries
on the
Common System of Agricultural Insurance

—————
Rapporteur: Mr MARGALEF MASIA
—————

The Section for Agriculture and Fisheries decided unanimously, at its 309th meeting held on 5 April 1990, to seek authorization from the Committee Bureau to draw up an Information Report on the Community agricultural insurance arrangements.

At its meeting of 24 April 1990, the Committee Bureau decided, in view of the complexity of this subject and the inadequacy of the available data, to ask the ESC's Division for Research to draw up a dossier on the matter.

On the basis of this dossier, and the Section's reaffirmation of its interest, on 17 December 1990 the Committee Bureau authorized the Section to draw up an Information Report.

At its meeting held on 7 December 1990, the Section for Agriculture and Fisheries had instructed a Study Group on Agricultural Insurance to prepare its work on the subject, pending authorization. Study Group members were:

Chairman:	Mr BENTO GONÇALVES
Rapporteur:	Mr MARGALEF MASIA
Members:	Mr DOS SANTOS Mr HOVGAARD JAKOBSEN Mr McGARRY Mr LAPPAS Mr LIVERANI Mr MANTOVANI Mr MURPHY Mr NOORDWAL Mr SCHNIEDERS Mr STRAUSS
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	Mr Hubert CLAASSENS Deputy Director Boerenbond Insurance of Belgium Spaanse Burchtlaan, 22 B - 3000 LEUVEN
	Mr Elio BISSI Honorary Chairman, UIMEC Via Salaria, 222 I - 00198 ROME
	Mr Georges Paul DUVAL Representative, GROUPAMA CENTRAL (Agricultural risks and natural disasters) 2, rue des Châlets F - 78500 SARTROUVILLE

The Study Group held five meetings: 20 February, 10 April, 5 June, 20/21 June (in Forlì, Italy) and 9 October 1991. Lastly, the Drafting Group met on 22 October 1991.

The Section for Agriculture and Fisheries discussed the Information Report on 9 January 1992 and adopted it unanimously.

I. INTRODUCTION

The current situation in each Member State concerning agricultural insurance and national arrangements to assist farmers affected by exceptional weather conditions has been analyzed as follows:

Firstly, the scope of Community action under the Treaty has been examined, together with Commission criteria on the question.

The various compensation systems for losses by natural causes in the agricultural sector are then described on a country-by-country basis, using the following sections:

- a) *National and/or natural disasters affecting agriculture.* Arrangements for offsetting exceptional losses caused by "uninsurable" events.
- b) *Agricultural insurance.* Various aspects of the agricultural insurance arrangements in each country.

Given the impracticability of analyzing all aspects of agricultural insurance, the document concentrates almost exclusively on crop insurance, which is the most closely comparable between the various countries.

Remaining aspects, such as forestry, livestock, aquacultural, agricultural machinery and tractor, or agricultural buildings and installations insurance, could be covered by a subsequent report.

National aid arrangements in favour of livestock or crop health and countering pest, disease and epizootic outbreaks similarly lie outside the document's scope.

The document's conclusions are followed by a short glossary of insurance terms in order to clarify the present document.

II. THE ROLE OF THE EUROPEAN COMMUNITY

The Community's primary role in the sphere of losses in agricultural production and investment through natural disasters or other unforeseeable events is purely to supervise national aid: while not totally ruling out direct intervention by the Commission, it is based on the principle that the initiative must come from Member States.

This main role of supervising Member State aid to farmers to offset losses caused by unforeseeable events is based on the EEC Treaty, which provides for two different approaches:

Article 92(2)(b) on making good the damage caused by natural disasters:

"The following shall be compatible with the common market: (...) (b) aid to make good the damage caused by natural disasters or exceptional occurrences."

Article 92(2)(b) states that national aid granted in response to losses caused by natural disasters or other extraordinary events is compatible with the common market. The first point which needs clarification is the definition of "natural disaster": while some events obviously fall into this category,

others are not so clear-cut. The Commission applies the criterion of intensity of loss for this purpose: in order to be considered extraordinary, the loss in agricultural production must be at least 30%, or 20% in disadvantaged regions. Similarly, where means of production (e.g. orchards, irrigation systems, etc.) are concerned, losses must be at least 10% in the first season and an accumulated 30% (or 20% in disadvantaged regions) over a number of years.

Article 92(3)(c), the general aim of which is to facilitate activities of interest to agriculture:

"The following may be considered to be compatible with the common market: (...) (c) aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest. (...)"

The Article is aimed in particular at State aids to encourage the prevention of pests or epizootic diseases, including the reparation of losses incurred. This can hardly come under the heading of natural disasters, for which reason the Commission considers this type of measure as State aid to facilitate the development of certain economic activities.

Many Member States have set up public schemes encouraging agricultural insurance, in order to reduce the economic impact on farms of loss of income caused by weather-related events.

State aid extends to the payment, from public funds, of part of the premium. The Commission sets upper limits for such payments, in accordance with three models:

- If the insurance policy covers losses caused by natural disasters, pests or epizootic diseases, which may be fully compensated by Member States, in accordance with Articles 92(2)(b) or 92(3)(c), the State contribution to the payment of premiums may never exceed 80%, the remaining 20% being for account of the farmer.
- The contribution percentage falls to 50% where the policy is mixed, covering other risks for which 100% State compensation is not available, in addition to the extraordinary risks which may be fully compensated by the State.
- Lastly, schemes to encourage agricultural insurance intended solely to cover extraordinary weather or health risks, which cannot be classified as natural disasters, are deemed "measures helpful to agricultural development" in line with Article 92(3)(c). In such cases, State aid must be degressive, with a maximum of 30% of the premium, and may not extend over more than 10 years.

III. NATIONAL INSURANCE SCHEMES COVERING FARMERS AGAINST LOSSES FROM NATURAL CAUSES

The situation in each of the twelve Member States, the various arrangements to deal with natural disasters, and agricultural insurance schemes are summarized below.

In the interests of compatibility, available data has been divided into two separate sections for each Member State. Section A describes national arrangements for coping with the effects of national and/or natural disasters in the agricultural sector: Section B examines how agricultural insurance, and official backing for it, work.

For the purposes of comparison, economic data from each of the Community countries is expressed in both national currency and ECU. The official exchange rate on 4 April 1991 has been used:

Belgian and Luxembourg Franc	42.3649
German Mark	2.05905
Netherlands Guilder	2.32033
Pound Sterling	0.692587
Danish Krone	7.90209
French Franc	6.97812
Italian Lira	1 531.59
Irish Punt	0.770801
Greek Drachma	222.854
Spanish peseta	127.428
Portuguese escudo	180.486

(National currency = ECU 1)

The Section has striven to obtain as much factual data as possible for each Member State. The descriptions of the insurance systems in the various Member States may be slightly imprecise as a result of difficulty in obtaining such information and its constantly changing nature.

This does not in any way affect the conclusions of the Information Report.

BELGIUM

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

Farmers are covered for natural disasters by the Disaster Fund, operating since 1976.

Basic legislation

Compensation for damage to private goods is based on the Law of 16 July 1976, which has been amended subsequently to extend the area of cover.

Geographical scope, risks and activities covered

The Fund operates throughout the national territory.

For the purposes of deciding on cover and compensation, risks are classified into two types:

- "Public disasters": Natural phenomena of exceptional character or unforeseeable strength causing serious damage: e.g. earthquakes, tidal waves, flooding, hurricane.
- "Agricultural disasters": natural disasters of exceptional intensity or type, or large-scale and unforeseen effects of harmful organisms causing major and widespread damage to land or crops, and diseases or poisoning causing major and widespread loss through death or slaughter of animals.

All types of crop, domestic animals and forestry restocking are among the areas covered, activities normally covered by insurance being specifically excluded.

For losses to be compensated by the Fund, the Government must declare a disaster by Royal Decree, defining the area affected and how the law is to be applied.

Bodies involved

In addition to the Disaster Fund, the provincial authorities and the Ministries of Agriculture and Public Works are involved: they issue payment orders to the Fund.

Loss valuation. Amount of compensation

Loss is valued in the light of actual damage, at the time of the event, to crops and animals.

Farmers must submit an application for aid to the provincial governor, including a loss valuation, within three months of the month of publication of the Royal Decree declaring a disaster. If discrepancies arise in valuation of losses, the farmer in question and the expert appointed by the authorities carry out a joint assessment. The farmer has one month to accept the amount of compensation. In the event of disagreement, arbitration machinery exists.

An excess of 2%, applies to valued losses.

If verified losses amount to more than 20 000 FB, the farmer is compensated under the following procedure:

- Direct aid. Losses are fully or partly compensated according to a sliding scale between 20 000 and 10 million FB.
- Subsidized loan. The difference between the loss and the above-mentioned compensation is made up with a subsidized loan.

Advances may be obtained where the compensation procedure is excessively slow.

Finance

The Disaster Fund consists of two funds from which compensation is drawn: the National Disaster Fund and the Agricultural Disaster Fund, which are financed by the Treasury and, where necessary, from the Ministry of Finance budget.

Economic data

No data for the 1988-90 period.

B) AGRICULTURAL INSURANCE

Introduction. General description

The agricultural insurance system is run by private insurance companies, with no State intervention.

Basic legislation

The insurance sector is governed by the Law of 16 June 1874 and the Law of 9 July 1975.

Geographical scope, risks and activities covered

The insurance system operates throughout the national territory.

The risks traditionally covered by outdoor and, where appropriate, indoor crop insurance are hail and fire.

Greenhouse insurance covers farmers against damage to covering material (glass), structures, equipment and crops caused by, among others, fire, storm, hail, snow pressure, lightning and any other event (except for flood or earthquake) originating outside the farm. Crops may also be insured against climatic alterations inside greenhouses.

Official bodies, insurance companies and other organizations

As indicated above, agricultural insurance is provided exclusively by private bodies.

State protection. Subsidies and reinsurance

There is no State funding.

Level of insurance

Available data on hail and fire insurance for outdoor crops reveals that insured production accounts for some 3% of the value of final agricultural production. Percentages for the various crop types are as follows:

Cereals	7.0%
Fruit	0.1%
Market garden vegetables	0.4%
Oleaginous crops	26.2%
Potatoes	0.9%
Beet	3.5%
Tabacco	0.6%

It is calculated that the area of crops insured against hail accounts for 10% of the total insurable crop area.

All outdoor crops are normally insured against fire. It is thought that more than 98% of relevant greenhouses in this sector are insured, although it is calculated that the crops insured account for no more than 25% of the insurable total.

Insurance conditions

Insurance is optional for farmers.

Cover

Policy-holders calculate the value for which outdoor crops are insured on the basis of yields.

Greenhouse crop insurance may vary between insurance companies. Insurance may be per square metre, according to yields and product value, or by loss of total income against an annual base.

Loss valuation and payment of claims

Losses are valued by experts appointed by the insurance companies. For hail (outdoor) insurance, compensation is calculated according to the value which would have attached to crops when ready for harvesting or use.

Losses caused by hail to outdoor crops are compensated on the basis of percentage of loss and area affected. Experts assess the percentage of loss at time of occurrence; this percentage is taken into account in valuating loss of yield. Compensation is obtained by multiplying the loss of yield by the insured value per unit of area. No excess is applied for most crops. Compensation is paid to policy-holders within 30 days of final valuation.

For greenhouse insurance, an index-linked excess of 5,000 FB remains for account of the policy-holder. Compensation is paid on the date on which the farm would otherwise have been paid for sale of crops (September or October).

Economic results

See tables below.

Table 1

Insurance results, Belgium - all insured production

(in millions of Belgian francs)

Item	1988	1989	1990*
Insured value	n.d.	n.d.	2 700
Basic premium	n.d.	n.d.	29
Compensation**	24	23	29

* Unconfirmed

** Includes compensation under hail and livestock insurance

n.d. No data

Table 2

Insurance results, Belgium - all insured production

(in millions of ecu)

Item	1988	1989	1990*
Insured value	n.d.	n.d.	63.7
Basic premium	n.d.	n.d.	0.7
Compensation**	0.6	0.5	0.7

* Unconfirmed

** Includes compensation under hail and livestock insurance

n.d. No data

Table 3

Insurance results, Belgium - by crop

(in millions of Belgian francs)

Crop	1988			1989			1990*		
	Insured value	Basic premium	Compensation	Insured value	Basic premium	Compensation	Insured value	Basic premium	Compensation
Cereals	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	966	8	n.d.
Potatoes	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	73	0.4	n.d.
Beet	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	363	4	n.d.
Fruit	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	8	0.5	n.d.
Oleaginous	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	69	1	n.d.
Tobacco	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	2	0.1	n.d.
Market garden	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	123	3	n.d.

* Unconfirmed

n.d.: No data

Table 4

Insurance results, Belgium - by crop

(in millions of ecu)

Crop	1988			1989			1990*		
	Insured value	Basic premium	Compensation	Insured value	Basic premium	Compensation	Insured value	Basic premium	Compensation
Cereals	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	22,8	0,19	n.d.
Potatoes	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	1,7	0,01	n.d.
Beet	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	8,6	0,10	n.d.
Fruit	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	0,2	0,01	n.d.
Oleaginous	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	1,6	0,03	n.d.
Tobacco	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	0,04	0,001	n.d.
Market garden	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	2,9	0,06	n.d.

* Unconfirmed

n.d.: No data

DENMARK

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

The Government may approve ad-hoc programmes for farmers in the event of exceptional weather conditions.

The way these programmes operate becomes clearer in the light of the procedure set up in 1987. Harvest yields in the late summer of 1987 were lower than expected because of unfavourable weather conditions. Farmers' organizations asked the Ministry of Agriculture to set up a subsidized loan programme for the farmers involved. The programme was approved by the Danish Parliament and the Commission, coming into force on 26 February 1988.

In 1991 the Folketing approved legislation providing compensation for flood damage. This legislation does not only apply to the agricultural sector. Compensation can be provided for flood damage in all sectors (including the private sector).

The West Coast of Jutland was hit by a series of floods over the past few years; as a result the public authorities instigated

the establishment of a special disaster fund which is empowered to pay out compensation in special cases; the scheme is not in receipt of public funds; it is financed by a slight increase in fire insurance premiums on all real estate throughout Denmark.

Basic legislation

Law No. 340 of 6 June 1991 on compensation for flood damage.

Fresh legislation must be drawn up in order to implement each individual ad hoc programme, as described above.

Geographical scope, risks and activities covered

The flood compensation legislation covers all buildings, contents and crops in Denmark. With regard to the above-mentioned ad hoc programmes, geographical scope etc. is defined individually in each programme.

Bodies involved

Administration of the flood compensation legislation is assigned to a Flood Damage Board appointed by the Danish Minister of Industry.

The insurance companies value the extent of damage, and submit claims to the Flood Damage Board. The secretariat of the Board is provided by the Danish Insurance Association.

As regards the above-mentioned ad hoc programmes related to farmers, the specific legislation lays down how the various bodies involved should operate.

Loss valuation. Amount of compensation

As mentioned, the losses are assessed by the insurance companies on behalf of the Flood Damage Board.

The flood damage legislation fixes deductions of 5% (minimum 5,000 DKK) for the private sector and 10% (minimum 10,000 DKK) for the business sectors. There is no maximum compensation.

The 1987 ad hoc programme stipulated that farmers showing a downturn of 25% in the 1987 harvest compared with the average for 1985 and 1986 could benefit.

State-guaranteed loans, administered by mortgage banks, were provided. Where losses were of 40% or more, a 5% reduction in interest rates on such loans was offered for a period of 3 years.

Finance

The flood damage arrangement is financed by an annual tax of DKK 10 on all fire insurance policies for property and contents (not motor vehicles).

Ad hoc programmes are financed from public funds.

Economic data

No information available for the 1988-90 period.

B) AGRICULTURAL INSURANCE

Introduction. General description

The agricultural insurance system is run by private companies, without State intervention.

Basic legislation

Danish insurance is regulated by the

- Act on Insurance Business
- Insurance Contract Law.

There is no special legislation related to agricultural insurance.

Geographical scope, risks and activities covered

The insurance system applies throughout the national territory.

The main risks traditionally covered are hail and fire.

Traditionally, outdoor production, particularly cereal crops was insured. Greenhouse crop insurance is beginning to appear.

Official bodies, insurance companies and other organizations

The insurance system is entirely run by private companies, as indicated above.

State protection. Subsidies and reinsurance

The level of subsidization is very low, and is of no general economic significance.

Level of insurance

According to the available information, the level of hail insurance is quite high, covering some 50% of agricultural production.

Insurance conditions

Insurance is optional for farmers.

Cover

No information available.

Loss valuation and payment of claims

Losses are valued by experts appointed by the insurance companies.

Compensation is calculated on the basis of production costs up to the time of the event and the sale price of crops.

Economic results

See tables below.

Table 1

Insurance results, Denmark - all insured production

(in millions of kroner)

Item	1988	1989	1990
Insured value	n.d.	n.d.	n.d.
Basic premium	n.d.	n.d.	n.d.
Compensation	n.d.	50	n.d.

n.d. No data

Table 2

Insurance results, Denmark - all insured production

(in millions of ecu)

Item	1988	1989	1990
Insured value	n.d.	n.d.	n.d.
Basic premium	n.d.	n.d.	n.d.
Compensation	n.d.	6.3	n.d.

n.d. No data

FEDERAL REPUBLIC OF GERMANY

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

There is no government-run aid system for farmers whose output is adversely affected by natural disasters.

Nevertheless, ad hoc programmes may be implemented in the event of exceptional weather conditions. The Federal Government is only involved in the event of natural disasters affecting the entire country: in other cases the *Länder* (regional) authorities may take action.

It is within the powers of the Federal Government to provide additional aid.

Basic legislation

None, since no overall aid system to the sector has been set up.

Fresh legislation must be drawn up for each ad hoc programme.

Geographical scope, risks and activities covered

Defined in each ad hoc aid programme.

Bodies involved

The specific legislation lays down how the various bodies involved should operate.

Loss valuation. Amount of compensation

The legislation governing specific cases states that farmers must have suffered a minimum level of loss in order to benefit from the aid measures, which include loans with interest rates subsidized by the authorities, moratoria on State loan repayments and direct aid to farmers.

Finance

The ad hoc programmes are financed from public funds.

Economic data

No data for the 1988-90 period.

B) AGRICULTURAL INSURANCE

Introduction. General description

Two agricultural insurance schemes, operating differently, exist in the Federal Republic. Firstly, the general system

throughout the country, based on private insurance companies, with no State role and secondly, special systems operating in certain *Länder*, promoted by the regional authorities.

Basic legislation

No data available.

Geographical scope, risks and activities covered

The general system exists throughout the Federal Republic. The special systems apply only to the *Länder* in question.

The general system covers risks arising from hail and storm. The special systems promote forest fire insurance in the Niedersachsen and Nordrhein-Westfalen *Länder* and hail insurance was promoted in Baden-Württemberg until 1986.

In principle, all crops can be insured against hail. Storm insurance may only be taken out for greenhouse horticultural crops.

Crop insurance covering all basic risks was compulsory in the former German Democratic Republic. The DWAG/alliance company's portfolio still includes many agricultural insurance policies against hail, frost and rain storm. However, new risks may not be insured, since no approved framework yet exists for these basic risks, apart from hail.

Hail insurance premiums covering fruit crops are subsidized in Baden-Württemberg.

Official bodies, insurance companies and other organizations

As mentioned earlier, the general insurance system involves private insurance companies only.

The regional authorities lend public support to the special insurance schemes.

State protection. Subsidies and reinsurance

No State finance is available for the general system.

Subsidies are granted by the *Länder* when insurance under the special systems is taken out.

Level of insurance

Approximately 4.6 million hectares were insured in Germany (including the five new *Länder*) in 1991, representing insurance cover of almost 40% of land under cultivation. Insurance is generally evenly spread across the country. However, the risk of hail being greater in the South of Germany, more premiums are paid there than in the North.

Insurance conditions

Insurance is optional for farmers.

Cover

Under hail insurance, the quantitative amount of damage to insured crops is covered. The sum insured is calculated on the basis of expected yields.

Fruit and vegetable crops, potato and sugar beet are also partly insured against deterioration of quality.

Loss valuation and payment of claims

Losses are valued by assessors who are working farmers or wine producers, and who are almost all among those insured.

Claims are paid after harvest time. If losses are valued after this date, claims are paid within two weeks of valuation.

Economic results

See tables below.

Table 1

Insurance results, Germany - all insured production

(in millions of marks)

Item	1988	1989	1990
Insured value	16 220	16 537	17 805
Basic premium	221.0	221.0	238.0
Compensation	154.7	154.7	133.3

Table 2

Insurance results, Germany - all insured production

(in millions of ecu)

Item	1988	1989	1990
Insured value	n.d.	n.d.	n.d.
Basic premium	107.3	107.3	115.6
Compensation	75.1	75.1	64.7

n.d. No data

SPAIN

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

Losses caused by events classified by the Government as National Disasters are not covered by agricultural insurance.

Nevertheless, in recent years the Government has, on certain occasions, taken urgent steps to make good damage caused by violent rain storms and flood, enabling (i) compensation to be paid to farmers whose policies did not cover these risks and (ii) the cost of repairing infrastructure damage to be offset.

Basic legislation

Royal Decree 2329/1979 applies to National Disasters.

The appropriate Royal Decree-Laws or Royal Decrees apply to the urgent measures described above.

Geographical scope, risks and activities covered

The Government classifies events of extraordinary extent or scale as Natural Disasters, at the same time defining the disaster zone, risks covered and activities for which claims may be made.

When urgent measures have been taken, the legal instrument prepared for that purpose defines the zone affected, risks covered and claim conditions.

The Combined Agricultural Insurance Plans (Planos de Seguros Agrarios Combinados), which define the insured areas for the coming year, expressly state that the Government will not grant special aid for losses to insurable crops under risks covered by the Plans.

Bodies involved

A National Disaster is declared at the request of the Reinsurance Consortium (Consortio de Compensación de Seguros), subject to a prior report by the Ministry of Agriculture, Fisheries and Food.

Implementation of urgent measures adopted by the Government is entrusted to the Reinsurance Consortium.

Loss valuation. Amount of compensation

When a National Disaster is declared, the Government fixes the overall amount of aid to be granted to policy-holders who have suffered loss, drawn from reserves built up by the insurance companies and the Reinsurance Consortium. The amount of compensation to be received by individuals is calculated by deducting a previously-established percentage from the valued loss.

The Reinsurance Consortium has established procedures, based on appropriate insurance regulations, for the valuation of losses and payment of compensation where the Government has adopted urgent measures.

Finance

Accumulated reserves built up by insurance companies and the Reinsurance Consortium are used in National Disasters.

As indicated in the Introduction, where the Government provides other types of aid, the cost is borne by State funds.

Economic data

No National Disasters have been declared over the last three years.

The only aid granted has been under the urgent measures procedure, to farmers who have suffered loss through

violent rain storms and flood and whose insurance did not cover these risks. 1989 is the only one of the last three years in which this measure has been applied, providing aid totaling 3,000 million pesetas.

B) AGRICULTURAL INSURANCE

Introduction. General description

Virtually all insurance on agricultural production in Spain is currently arranged through the Combined Agricultural Insurance system, set up in 1978.

The main feature of the system is that business (subscription of policies, payment of claims) is managed by private insurance companies, while the insurance scheme is encouraged and backed by the State.

Basic legislation

Agricultural insurance in Spain is governed by the following legislation:

- Law 87/1978 of 28 December 1978, on Combined Agricultural Insurance,
- Royal Decree 2329/1979 of 14 September 1979, adopting the Regulations to implement the above Law.

Geographical scope, risks and activities covered

The scheme applies throughout the State.

Under current regulations, all natural risks may be covered by Combined Agricultural Insurance: a list of such risks has been drawn up, but provision has been made for the inclusion of further risks insofar as studies show that they can be covered. Risks are usually insured on a combined basis, insurance against them individually being the exception.

The types of cover provided by the Insurance Plans may currently be divided into two categories:

- *insurance for specific risks*, including 36 separate insurance arrangements for crops, covers loss caused by frost, hail, wind and/or rain, on either a combined or an individual basis for each crop;
- *comprehensive insurance*, covering all risks beyond farmers' control - 4 insurance arrangements of this type are included in the Plan.

Insurance cover can now be obtained for 57 different crops, of the following types: cereals, leguminous vegetables, market garden crops, protected crops (market garden vegetables, flowers), oleaginous crops, olives, vines, industrial crops, citrus, stone and top fruits, hazelnuts, nursery crops and bananas. As mentioned above, legislation allows for the inclusion of new types of crop.

Official bodies, insurance companies and other organizations

The following are responsible for managing and backing the insurance system:

- *State Agricultural Insurance Agency* (Entidad Estatal de Seguros Agrarios - ENESA). This body, attached to the Ministry of Agriculture, Fisheries and Food, carries out a coordinating and liaising role on behalf of the authorities, draws up the Agricultural Insurance Plan, defines the areas of agricultural activity to be covered and, together with the Directorate General of Insurance, lays down regulations for the distribution of subsidies, and grants them towards the cost of insurance to policy-holders.
Representatives of the Ministries of Agriculture, Fisheries and Food, and of Economic Affairs and Finance on the one hand, and representatives of farmers' associations on the other, jointly form ENESA's General Committee, one of its governing bodies.
- *Directorate General of Insurance* (Dirección General de Seguros). This department of the Ministry of Economic Affairs and Finance approves the conditions and rates for each area of insurance proposed by AGROSEGURO, subject to an ENESA report, and the ratio of coinsurance distribution between the insurance companies in AGROSEGURO.
- *Reinsurance Consortium*. The Consortium is a publicly-owned company which provides compulsory reinsurance for the agricultural insurance system - the form and amount of which is determined by the Ministry of Economic Affairs and Finance - and supervises expert valuations.
- *Association of Spanish Combined Agricultural Insurance Companies* (Agrupación Española de Entidades Aseguradoras de los Seguros Agrarios Combinados - AGROSEGURO), consisting of the various insurance companies involved in the agricultural insurance system and comprising a coinsurance, or pool, arrangement. It is responsible for the general management of the system, proposing conditions and rates, contracting policies, collecting premiums, valuing losses and paying compensation on behalf of the insurance companies.

State protection. Subsidies and reinsurance

ENESA subsidies are distributed in accordance with the amount of each farmer's insured capital and whether insurance has been taken out individually or collectively. Legislation fixes the State subsidy at between 20% and 50% of the total premium.

As indicated above, the Ministry of Economic Affairs and Finance establishes the reinsurance arrangements applicable to the insurance companies' coinsurance. The Consortium has a "Stabilization Fund" to offset differences in degrees of risk. The Fund is generally financed from a number of sources: a surcharge of between 20 and 50%, depending on the insurance area, on the cost of agricultural insurance and an appropriation of 5% of all subsidies granted by ENESA.

Level of insurance

1990 levels in the main areas of insurance, expressed as a percentage of total insurable production, were as follows:

STONE FRUITS	34 %
Apricot	45 %
Plum	21 %
Peach	34 %
TOP FRUITS	30 %
Apple	28 %
Pear	33 %
Table grapes	37 %
Wine grapes	22 %
Tobacco	98 %
Winter cereals	61 %
Citrus fruits	16 %
Spring cereals	12 %
Olives	2 %
Hops	18 %
Leguminous vegetables	8 %
Melon	28 %
Pepper	9 %
Tomato	13 %
Banana	12 %

Insurance conditions

Insurance is optional, although legislation provides for circumstances in which subscription might be declared compulsory.

Farmers and may take out insurance either individually, contacting the insurance companies' marketing network directly, or collectively, by joining a farmers' association or other body responsible for making arrangements with insurance companies.

Cover

The percentage of cover varies in accordance with the type of risk involved. The following criteria are applied:

- Cover of 100% is offered for insurance for specific risks of fire and, normally, hail; 80% for remaining insurable risks (frost, wind and rain). An excess of 10% of the loss is always payable by the policy-holder.
- Cover is normally 65% under comprehensive insurance for all risks, except for hail and rain where it is 100% but subject to an excess of 10% of the loss.

Loss valuation and payment of claims

Claims are valued by independent experts working for AGROSEGURO. Individual assessments are made for each policy-holder.

The way in which valuation is carried out varies according to the type of insurance, but the basic criteria are:

- Insurance for specific risks: calculation of production lost due to the event and, for crops where insurance covers impaired quality (including citrus and other fruit, vegetables and tobacco), loss of value.
- Comprehensive insurance: the reduction in yield for the entire farm affected is quantified, with reference to the maximum insurable yields as fixed by ENESA.
- In both cases, the price set by the farmer when taking out the policy is used to value lost production, the maximum ENESA prices being used as a reference.
- The cost of work not done because of the event may be subtracted from the final value put on the loss, except for the cost of harvesting.

Compensation must be paid to policy-holders within 60 days of completion of harvesting.

Economic results

See tables below.

Table 1

Insurance results, Spain - all insured production

(in millions of pesetas)

Item	1988	1989	1990*
Insured value	387 085	404 514	411 970
Insurance costs	15 262	19 634	22 779
Compensation	10 754	18 389	21 335

* Unconfirmed

Table 2

Insurance results, Spain - all insured production

(in millions of ecu)

Item	1988	1989	1990*
Insured value	3 037.7	3 174.5	3 223.0
Insurance cost	119.8	154.1	178.8
Compensation	84.4	144.3	167.4

* Unconfirmed

Table 3

Insurance results, Spain - by crop

(in millions of pesetas)

Crop	1988			1989			1990*		
	Insured value	Insurance cost	Compensation	Insured value	Insurance cost	Compensation	Insured value	Insurance cost	Compensation
Cereals	312 655	8 150	5 315	299 297	8 621	13 273	272 486	8 685	10 000
Fruit	11 967	1 713	1 361	16 640	2 325	1 740	31 023	3 848	4 620
Citrus fruit	6 148	927	312	17 753	2 334	281	16 505	2 431	669
Tobacco	9 059	631	1 051	10 256	751	232	11 643	840	379
Market garden + flowers	20 847	1 394	899	23 969	1 723	848	33 018	1 824	924
Vines	15 610	1 852	1 491	27 766	3 378	1 764	36 948	4 586	4 485
Others	10 799	594	325	8 833	502	251	10 347	565	258

* Unconfirmed

Table 4

Insurance results, Spain - by crop

(in millions of ecu)

Crop	1988			1989			1990*		
	Insured value	Insurance cost	Compensation	Insured value	Insurance cost	Compensation	Insured value	Insurance cost	Compensation
Cereals	2 453,6	64,0	41,7	2 348,8	67,7	104,2	2 138,4	68,2	78,5
Fruit	93,9	13,4	10,7	130,6	18,2	13,7	243,5	30,2	36,3
Citrus fruit	48,2	7,3	2,4	139,3	18,3	2,2	129,5	19,1	5,3
Tobacco	71,1	5,0	8,2	80,5	5,9	1,8	91,4	6,6	3,0
Market garden + flowers	163,6	10,9	7,1	188,1	13,5	6,7	259,1	14,3	7,3
Vines	122,5	14,5	11,7	271,9	26,5	13,8	290,0	36,0	35,2
Others	84,7	4,7	2,6	69,3	3,9	2,0	81,2	4,4	2,0

* Unconfirmed

FRANCE

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

N.B.: The French system for dealing with disasters in the agricultural sector is described below as it operates at present. These arrangements are currently under review.

Introduction

Agricultural insurance in France was historically limited to fire and storm damage to buildings and their contents, death of livestock and hail damage. To fill the gap represented by other risks, special arrangements for agricultural disasters were introduced. Since the promulgation of Law 706/1964 and subsequent legislation, France is arguably the EC Member State with the most highly-developed agricultural insurance system.

In addition to the system set up by the 1964 Law, described below, two other schemes offer support to farmers affected by disasters:

— Soft loans granted by the Crédit Agricole to offset exceptional losses representing at least 12% of gross output on an individual farm and 25% of the crop affected. Only professional farmers registered as such under their sickness benefit scheme (AMEXA) may benefit, provided that they hold a policy for insurable risks and their taxable non-farm income does not exceed FF 60.000. A Decree declaring the area affected to be a disaster zone must be issued before the procedure can be applied.

— The third scheme, which may be applied in conjunction with the others, is known as the "Farmers' Crisis System", introduced in 1981 through the "Cresson procedure". Under this scheme, loans are granted to farmers to meet their financial commitments under a number of particular circumstances, which include extreme weather conditions.

One-off emergency aid may also be granted in specific cases.

Basic legislation

Law 706/1964 of 10 July 1964 governs insurance against natural disasters. The National Agricultural Disaster Fund (FNGCA) was set up by the Law, and compensates farmers for uninsurable loss.

A special system of cover was set up in 1982, under the Law of 13 July of that year, concerning compensation for victims of natural disasters. The new Law affects agricultural buildings and their contents, crops and livestock generally remaining within the ambit of the 1964 system.

Geographical scope, risks and activities covered

The insurance system is applicable to areas declared as disaster zones. All farms within such zones may benefit, subject to the following conditions:

- Losses must exceed an absolute minimum set by a joint Decree from the appropriate ministries.
- Yield losses on individual farms must exceed minimum percentages both for the crops affected (currently 27%) and overall output (currently 14%).
- Farmers affected must show that the main activities on their farms are insured against at least one of the risks generally accepted as insurable in the region.

Bodies involved

The main bodies involved in the development, management and supervision of the disaster compensation system are:

- *The Ministries of Economic and Financial Affairs and Agriculture and Forestry.* As explained below, they decide on whether a disaster should be declared, the amount of aid and the conditions under which it may be applied for.
- *The National Agricultural Disaster Committee (CNCA),* comprising representatives of the Government, farmers and insurance companies. It issues its opinion on the nature of the agricultural disaster, suggests the compensation rates to be paid by the Fund and reports to the above-mentioned Ministries. It is only empowered to make proposals.
- *The Departmental and Local Valuation Committees.* Government, farmers' and insurance company representatives sit on these Committees, which value losses arising from events for which compensation may be made.
- *The Central Reinsurance Fund,* which manages and supervises Fund finances.

Loss valuation. Amount of compensation

The procedure, which begins when the loss is incurred and is completed when compensation is paid, lasts about 10 months and is divided into the following stages:

1. Declaration of disaster

When the event has occurred, the Prefect sets up an investigating group to report to him on the extent and nature of damage. The Departmental Valuation Committee is then summoned, and draws up a report on the agricultural aspects of the disaster. In the light of the report, the Prefect may apply to the Ministries of Economic and Financial Affairs and of Agriculture and Forestry. They in turn request the National

Agricultural Disaster Committee to prepare a report. When the Committee has read the report, the two Ministries issue a joint disaster decree, specifying affected areas, the period of time involved, crops and goods for which aid is available and specifying eligibility conditions.

2. Preparation and processing of claims

Once the Decree has been issued, claims must be submitted to the local municipal authorities with supporting documents. The Local Committee informs the Departmental Committee of claims received and forwards them to the regional office of the Ministry of Agriculture, where claims are sorted and a provisional valuation of losses is made. The Departmental Valuation Committee advises the Prefect on granting of aid. The Prefect subsequently submits a report on the decisions made to the two Ministries and to the National Committee.

3. Compensation

The National Agricultural Disaster Committee decides on compensation percentages and credits for each Department, and makes a recommendation to the appropriate Minister. The Minister issues an Order releasing the credit required from the National Fund, on behalf of the Central Reinsurance Fund. The Prefect, assisted by the Departmental Committee, allots the appropriate amount of compensation to each claim.

The compensation for each claim may under no circumstances exceed 75% of total loss or, if insured, of the total insured value. The average amount of compensation granted is approximately 30% of the amount of eligible loss.

Finance

In principle, 50% of National Agricultural Disaster Fund funding is from State credits, the remainder being made up by farmers' contributions, provided, in 1990, by the following surcharges: 13% on premiums for fire insurance, 7% on premiums for other agricultural insurance, and 5% on premiums for farmers' vehicle insurance.

Economic data

Compensation over the last three years for agricultural disasters, paid out by the National Agricultural Disaster Fund, was as follows:

1988	240 million FF
1989	1,500 million FF
1990 (estimate)	1,500 million FF

B) AGRICULTURAL INSURANCE

Introduction. General description

There is a strong cooperative element in French agricultural insurance: two-thirds of the market in insurable risks is represented by farmers' mutual associations. The remainder is covered by insurance companies.

Basic legislation

The only specific legislation applying to agricultural insurance is represented by the relevant aspects of Law 706/1964.

Geographical scope, risks and activities covered

The agricultural insurance system is applicable throughout the national territory.

In France, different types of insurance exist for the various crops and risks covered:

- Insurance against hail damage to crops: applies to all crops.
- Insurance against storm damage: applies only to rape, maize and sunflower, covering risks arising from rain, hail and wind.
- Multi-risk insurance: applies exclusively to tobacco crops, covering damage arising from weather conditions (hail, frost, wind, rain, etc.) and epidemics.

Official bodies, insurance companies and other organizations

The following are involved in agricultural insurance:

- The Ministries of Economic and Financial Affairs and of Agriculture and Forestry, which set the percentage to which farmers' insurance costs may be subsidized.
- The National Agricultural Disaster Fund, which provides the resources for insurance subsidies.
- Farmers' cooperatives and the insurance companies, which deal with insurance subscriptions and management and pay out compensation.

State protection. Subsidies and reinsurance

Each year, a joint Decree from the Ministries of Economic and Financial Affairs and Agriculture and Forestry sets the subsidization percentages applicable to subscriptions to hail and storm insurance policies by farmers. The hail insurance subsidy was withdrawn in 1991, while the crop storm insurance subsidy has been retained.

The finance for this operation was provided by the National Agricultural Disaster Fund. Some 130 million FF were allotted to this area in 1990. The 1990 subsidization rates ranged from 10 to 34%, depending on the crops and rate of excess applicable. These percentages may be increased by up to 10% in Départements where funding is available from the Regional Councils.

Reinsurance arrangements are made exclusively with private insurance groups.

Level of insurance

According to the information available, levels are approximately:

— Crop insurance against hail	50%
— Storm insurance (rape, maize, sunflower)	8%
— Multi-risk insurance (tobacco)	80%

Insurance conditions

Insurance is optional for farmers, although there are a number of incentives, in addition to subsidies:

- At least one insurance policy must be held in order to be eligible for National Agricultural Disaster Fund compensation under the disaster system.
- Farmers holding hail policies may receive increased compensation from the National Agricultural Disaster Fund.

Cover

Cover is 100% of the value of insured production, although an excess is applicable, the level of which varies depending on the risk or crop in question. The normal excess for hail insurance is 10%, but in other cases can vary between 5 and 30% depending on the type of crop insured.

Loss valuation and payment of compensation

Losses are assessed individually for each policy-holder by experts appointed by the insurance companies.

Once the amount to be compensated has been calculated, the corresponding sum is paid to the policyholder immediately, often on the same day as the valuation.

Economic results

See tables below.

Table 1

Insurance results, France - all insured production

(in millions of francs)

Item	1988	1989	1990
Insured value*	69 240	71 250	73 800
Premiums	1 463	1 503	1 566
Compensation	989	1 247	953

* Estimate

Table 2

Insurance results, France - all insured production

(in millions of ecu)

Item	1988	1989	1990
Insured value*	9 922.4	10 210.5	10 575.9
Premiums	209.7	215.4	224.4
Compensation	141.7	178.7	

* Estimate

Table 3

Insurance results, France - by crop

(in millions of francs)

Crop	1988			1989			1990		
	Insured value*	Premiums	Compensation	Insured value*	Premiums	Compensation	Insured value*	Premiums	Compensation
Hail, all crops	65 000	1 360	950	67 000	1 400	1 150	69 000	1 450	889
Storm, all crops	3 400	60	21	3 400	60	22	3 900	70	4
Comprehensive cover, tobacco	840	43	18	850	43	75	900	46	60

* Estimate

Table 4

Insurance results, France - by crop

(in millions of ecu)

Crop	1988			1989			1990*		
	Insured value*	Premiums	Compensation	Insured value*	Premiums	Compensation	Insured value*	Premiums	Compensation
Hail, all crops	9 314.8	194.9	136.1	9 601.4	200.6	164.8	9 888.1	207.3	
Storm, all crops	487.2	8.6	3.0	487.2	8.6	3.2	558.9	10.0	0.6
Comprehensive cover, tobacco	120.4	6.2	2.6	121.8	6.2	10.7	128.9	6.6	8.6

* Estimate

GREECE

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE
Introduction

There is no government-run aid system for farmers whose output is adversely affected by natural disasters.

Nevertheless, the Government may introduce ad-hoc programmes providing direct aid for farmers in the event of exceptional weather conditions.

Basic legislation

None, since no overall aid system to the sector has been set up.

Fresh legislation must be drawn up in order to implement each individual ad hoc programme.

Geographical scope, risks and activities covered

Defined in each ad-hoc programme.

Bodies involved

The specific legislation lays down how the various bodies involved should operate.

Loss valuation. Amount of compensation

No information is available on arrangements for loss valuation or on the standard amount of compensation paid.

Finance

State aid is drawn from the national budget.

Economic data

No data for 1988-1990.

B) AGRICULTURAL INSURANCE**Introduction. General description**

Substantial State involvement in operations and management is a feature of the Greek system.

Hail insurance was first organized in 1925. Up until 1961, a number of private insurance companies provided cover for hail and frost, but only on a limited scale.

In 1961, the Agricultural Insurance Organization (Organismos Georgikon Asfaliseon - OGA) was set up under the Ministry for Health, Social Welfare and Social Security, providing combined crop cover for farms. Despite the modifications made to the system, as indicated below, it remains broadly the same.

In addition to the public agricultural insurance system, a number of insurance companies provide extra cover up to the total value of insured activities.

Basic legislation

Law 4.169/1961 governs the terms, conditions and scope of crop insurance. It has been amended and expanded several times over recent years.

Law 1.790/1988 amended the earlier system, hiving off OGA's crop and agricultural goods insurance activities from its remaining welfare and social security role. Its agricultural insurance activities were transferred to the new Greek Agricultural Insurance organization (Ellinikes Georgikes Asfaliseis - ELGA).

Geographical scope, risks and activities covered

The insurance system operates throughout Greece.

Until 1988, the public agricultural insurance system provided combined cover against frost, hail, wind and flood. ELGA immediately extended this cover to loss caused by heatwave (drought) and persistent non-seasonal rainfall. New risks may also be included.

Optional insurance supplementing the public system, provided by insurance companies, only covers hail damage to insured crops.

Virtually all crops are now insured, with some restrictions on cover for some specific crops and on the acreage which may be insured.

Official bodies, insurance companies and other organizations

The following bodies are responsible for managing the insurance system:

- *OGA*, attached to the Ministry for Health, Social Welfare and Social Security, ran the system until 1988. It is now responsible for farmers' social security and pensions.
- *ELGA*, set up in 1988, is a publicly-owned corporation monitored by the Ministry for Agriculture and has taken over the tasks carried out by OGA until 1988. Under Law 1.790/1988, its responsibilities include: supply of all types of agricultural insurance to farmers, research into the risks affecting agricultural activities, compulsory insurance arrangements for a range of risks and active risk prevention.
- *Ministry for Economic Affairs*. Collects premiums from farmers and channels State funds to the sector.
- *Ministry for Agriculture*. It participates in the drafting and adoption of legislation on agricultural insurance.
- *Insurance companies*. They supplement the cover provided under the public system. One of the main companies in this field is the Greek General Insurance Company (AGROTIKI), Shareholders include the Agricultural Bank of Greece (ATE), with a roughly 80% holding, and a number of cooperatives.

State protection. Subsidies and reinsurance

The cost of insurance to farmers is not directly subsidized by the public system because it is funded under direct State control.

The compensation paid by ELGA is drawn from the following sources:

- a 1.25%, levy on loans from the Agricultural Bank of Greece;
- a percentage contribution from policy-holders, based on the wholesale value of their produce: 2% for crops and 1% for livestock.
- State subsidies.

The cost of supplementary insurance from insurance companies is not subsidized from public funds.

Level of insurance

The public agricultural insurance system, being compulsory, covers the entire agricultural sector.

No data is available to assess the level of optional supplementary insurance.

Insurance conditions

This is difficult to specify, since all natural and legal persons who either own or run farms, together with all activities pertaining to them, have to be compulsorily insured, irrespective of whether agriculture is the principal activity of the persons concerned.

Subscription to supplementary insurance is clearly optional.

Cover

Risks may be divided into two groups, corresponding to the percentage of cover set under the public agricultural insurance system:

- for hail, frost, storm and flood risks, losses must be of at least 20% for compensation to be paid. When this figure is exceeded, compensation is calculated by deducting 15% from the actual loss: 88% of the remaining amount is compensated. When a 100% loss is incurred, 74.8% compensation is paid;
- for heatwave and cloudburst risks, losses must be of at least 25% for compensation to be paid. When this figure is exceeded, compensation is calculated by deducting 25% from the actual loss: 88% of the remaining amount is compensated. When a 100% loss is incurred, 66% compensation is paid.

The value of activities not covered under the public system may be insured under supplementary hail policies from insurance companies.

Loss valuation and payment of claims

Losses are valued by assessors appointed by ELGA or the insurance companies, as appropriate.

No information is available on payouts under supplementary insurance.

Economic results

No information on the public system for 1988-1990.

Data on supplementary insurance is provided by AGROTIKI results:

	Millions of Drachmas		Millions of ecu	
	1987	1988	1987	1988
Premiums for hail insurance	308.8	308.5	1.4	1.4
Compensation paid	169.8	231.4	0.8	1.0

IRELAND**A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE****Introduction**

The Government may institute direct aid measures for farmers who suffer serious losses because of weather conditions.

Basic legislation

None.

Geographical scope, risks and activities covered

The measures mentioned may apply anywhere in the State.

The experience of recent years is that aid has only been granted to offset losses caused by flood or storm damage.

Bodies involved

The Government implements the direct aid system.

Loss valuation. Amount of compensation

No information available.

Finance

State aid is financed from the national budget.

Economic data

No information for 1988-1990.

B) AGRICULTURAL INSURANCE**Introduction. General description**

The system is run by private companies, without any State funding.

Basic legislation

There is no specific relevant legislation.

Geographical scope, risks and activities covered

The insurance system applies throughout the State.

Insurance companies only provide cover for standing crops against fire and lightning risks.

Official bodies, insurance companies and other organizations

The insurance system is entirely run by private companies, as indicated above.

State protection. Subsidies and reinsurance

No State funding is available.

Level of insurance

No information available.

Insurance conditions

Insurance is optional for farmers.

Cover

Cover is 100% of the value of the insured crop.

Loss valuation and payment of claims

Losses are valued by assessors appointed by the insurance companies.

No information is available on payouts.

Economic results

No data for 1988-1990.

ITALY

N.B.: The Italian Parliament is currently examining a bill which would partly amend the existing arrangements, described below.

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE**Introduction**

A National Agricultural Solidarity Fund, set up in 1970, provides insurance cover for farmers against natural disasters.

Basic legislation

Natural disaster measures are governed by:

- Law 364/1970 of 25 May 1970, setting up the National Agricultural Solidarity Fund.
- Law 590/1981 of 15 October 1981, increasing financial contributions to the Fund and amending certain operating criteria.

Geographical scope, risks and activities covered

The Fund operates throughout the country.

The Fund's purpose is to enable the authorities to take the appropriate steps to counter damage caused by natural disasters or exceptionally bad weather affecting agricultural structures or farm finances, provided that the loss to farms is of no less than 35% of total gross production, excluding livestock.

Fund compensation for damage caused by natural disaster is contingent on the Ministry for Agriculture and Forestry declaring a state of disaster or exceptionally adverse weather conditions within 30 days of aid being requested by the regions affected, having first verified the damage caused.

The Fund may be used in connection with all types of risk and activity: farmers belonging to associations may even claim assistance for damage to insured activities, provided that insurance payments and the Fund contribution do not exceed the amount of the loss.

Bodies involved

In addition to the National Agricultural Solidarity Fund, the Ministries for Agriculture and Forestry and the Treasury are involved: the former managing and supervising the Fund and the latter providing the budgetary resources it requires.

Loss valuation. Amount of compensation

Loss is assessed in the light of actual damage to production.

Farmers affected must submit a claim, with supporting documents, within 30 days of publication of the Decree granting the aid. The Decree lays down the minimum amount of loss that must be incurred by individual farmers in order to be eligible for aid.

Under Law 590/1981, the following steps may be paid for by the Fund:

- a) Immediate response:
 - payment of subsidies proportional to loss incurred
 - advance on statutory aid payments.
- b) Reconstitution of working capital which cannot be recovered as a result of the event.
- c) Provision of floating capital.
- d) Reconstruction or restoration of structures.
- e) Compensation for produce which must be distilled as a result of the disaster.

This aid may be supplemented by assistance from the provincial authorities.

Finance

Disbursements from the Fund are made up by the Ministry for the Treasury, subject to a ceiling of 400,000 million lire.

Economic data

Data for 1988-1990 refers to the provision, under Decree-Law 367/1990 of December 1990, for assistance in the application of urgent measures to offset exceptional losses caused by drought in 1989-1990. Aid payments under this provision totalled 650,000 million lire.

B) AGRICULTURAL INSURANCE

Introduction. General description

Agricultural insurance in Italy is run by private insurance companies, but with a strong public-sector system of financial aid.

Besides this type of subsidized insurance, Italy has schemes not subsidized by the local or national authorities and covering crops of all kinds.

Basic legislation

- Law 364/1970 of 25 May 1970, setting up the National Agricultural Solidarity Fund and providing for the establishment of farmers' associations to take active and passive measures to protect crops against hail, hard frost and hoar frost. These associations were empowered to arrange crop insurance against hail through authorized companies belonging to a syndicate set up for the purpose.
- Law 590/1981 of 15 October 1981, introducing a number of amendments to the law governing the system, enabling companies belonging to the syndicate to offer cover against hail as well as hard hoar frost, and creating machinery to determine which activities may be insured, as well as insurance conditions and premiums.

Geographical scope, risks and activities covered

The insurance system operates throughout the country.

Hail is almost the only risk currently covered. Insurance companies are carrying out small-scale experiments with frost insurance for vines, fruitcrops and artichokes in certain regions.

Each year the Ministry for Agriculture and Forestry decides which crops may be insured through the farmers' associations. Authorization was granted in respect of 33 in 1989 (20 of them ligneous crops: stone and top fruits, dried fruit, vines and nursery crops, the remainder consisting of market garden crops, tobacco, maize and legume vegetables).

Insurance companies offer non-subsidized cover for all types of crop, particularly winter grain, against hail.

Official bodies, insurance companies and other organizations

- *The Ministry for Agriculture and Forestry*, with a number of insurance management responsibilities, such as determining, annually, which activities may be insured under special terms, and supervision of the farmers' associations.
- *The Ministry for Industry, Trade and Crafts*, which before 31 January of each year approves, in agreement with the Ministry for Agriculture and Forestry, the policy conditions and premiums submitted by the insurance syndicate, as agreed between itself and the farmers' associations.
- *The Italian National Insurance Institute (INA)*, which reinsures the risks accepted by the companies and supervises the operations of the Italian Special Agricultural Risks Consortium (CIRAS).
- *The Italian Special Agricultural Risks Consortium (CIRAS)*, a sub-body of the INA, where it is based, harmonizes and coordinates the activities of companies in the insurance syndicate. CIRAS also proposes the insurance conditions and premiums.
- *Farmers' associations*: composed of natural or legal persons entering into partnership for the purpose of crop protection. All farmers within an association's jurisdiction may join. They agree insurance policy conditions and premiums.

State protection. Subsidies and reinsurance

Every year, following consultation, the Ministry for Agriculture and Forestry calculates the subsidy on a proportional basis. This subsidy contributes towards the funding of the farmers' associations, being paid into their social funds. The social fund draws upon the following resources:

- a contribution of at least 2% (rising to 15% in some provinces) of the declared output of association members
- the above-mentioned State subsidy, set at one half of total expenditure
- further public- or private-sector aid.

The cost of insurance premiums is shared 50/50 between the State and farmers, except in certain provinces where the local authorities provide a further 10% subsidy.

The risks covered by the insurance companies must be fully reinsured with the INA. CIRAS, in its capacity as agent for such companies, sets out reinsurance conditions in conjunction with the INA.

Level of insurance

1990 levels across the country in the main areas of insurance, expressed as a percentage of total insurable production, were as follows:

TOTAL, FRUIT	40%
Apricot	9%
Plum	1%
Peach	48%
Cherry	17%
Apple	46%
Pear	35%
Kiwi	22%
Soya	29%
Citrus fruit	2%
Spring grain	26%
Olives	1%
Rice	78%
Tomato	37%
Tobacco	37%
Grape	28%

Insurance conditions

Insurance is optional for farmers. Subsidized and non-subsidized insurance are available under different conditions.

Farmers must belong to an association to take out subsidized insurance, since the associations deal directly with the insurance syndicate. Farmers contact insurance salesmen directly for non-subsidized policies.

Cover

Insurance normally covers the amount of production lost under the risk covered, although loss of value of insured crops - mostly fruit and market garden vegetables, caused by the risk, and calculated on the basis of pre-set depreciation tables - can be covered.

Cover is 100%. Policy-holders must pay an excess, up to a maximum of 10% depending on the crop, for hail damage claims, this figure rising to 30% for frost.

Loss valuation and payment of claims

Losses are valued by independent assessors appointed by the insurance syndicate, a separate valuation being made for each policy-holder.

Compensation is paid directly to policy-holders during the last 20 days of each year.

Economic results

See tables below.

Table 1

Insurance results, Italy - all insured production

(in millions of lire)

Item	1988	1989	1990*
Insured value	4 638 181	4 934 978	5 582 287
Total premiums	397 123	416 889	500 747
Compensation	277 222	401 022	155 230

* Unconfirmed

Table 2

Insurance results, Italy - all insured production*(in millions of ecu)*

Item	1988	1989	1990
Insured value	3 028	3 221	3 644
Total premiums*	259	272	327
Compensation	181	262	101

* including valuation, administrative and registration costs.

Table 3

Insurance results, Italy - by crop*(in millions of lire)*

Crop	1988			1989			1990		
	Insured value	Total premiums*	Compensation	Insured value	Total premiums*	Compensation	Insured value	Total premiums*	Compensation
Grapes	1 121 087	93 615	52 148	1 285 270	102 745	111 209	1 517 256	130 155	47 884
Fruit	1 058 386	165 023	142 090	1 032 750	161 420	145 412	1 233 325	193 138	63 770
Cereals	1 603 030	70 415	42 946	1 539 767	68 198	47 057	1 582 645	70 087	10 919
Olives	17 683	838	705	23 184	1 143	1 667	27 305	1 349	535
Tobacco	186 133	19 294	9 168	214 212	21 161	41 079	288 280	33 273	13 397
Tomatoes	211 873	12 845	16 875	372 922	25 515	23 111	425 789	33 295	10 275
Cucurbits	41 006	4 731	1 783	70 235	8 134	9 162	86 789	10 243	1 625
Others	398 983	30 363	11 507	396 638	28 572	22 325	420 898	29 207	6 826
	4 638 181	397 124	277 222	4 934 978	416 889	401 022	5 582 287	500 747	155 230

* including valuation, administrative and registration costs.

Table 4

Insurance results, Italy - by crop*(in millions of ecu)*

Crop	1988			1989			1990		
	Insured value	Total premiums*	Compensation	Insured value	Total premiums*	Compensation	Insured value	Total premiums*	Compensation
Grapes	732	61	34	839	67	73	990	85	31
Fruit	691	108	93	674	105	95	805	126	42
Cereals	1 046	46	28	1 005	45	31	1 033	46	7
Olives	12			15		1	18		
Tobacco	121	13	6	140	14	27	188	22	9
Tomatoes	138	8	11	243	17	15	278	22	7
Cucurbits	27	3	1	46	5	6	57	7	1
Others	260	20	8	259	19	15	275	19	4
	3 028	259	181	3 221	272	262	3 644	327	101

* including valuation, administrative and registration costs.

LUXEMBOURG

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

A Vinegrowers' Solidarity Fund has been set up to take emergency measures in the event of disasters affecting the grape-producing sector.

Basic legislation

None.

Geographical scope, risks and activities covered

The Fund compensates damage in respect of non-insurable risks to vineyards throughout the Grand Duchy.

Bodies involved

Information unavailable.

Loss valuation. Amount of compensation

Information unavailable.

Finance

The Fund is State-financed.

Economic data

No information for 1988-1990.

B) AGRICULTURAL INSURANCE

Introduction. General description

The system is operated by private insurance companies, with public-sector support.

Basic legislation

Information unavailable.

Geographical scope, risks and activities covered

The scheme applies throughout Luxembourg, providing direct cover against the hail damage risks to agricultural production.

No information is available in respect of non-insurable activities.

Official bodies, insurance companies and other organizations

Insurance may be taken out exclusively with private companies.

The State subsidizes the cost of premiums to farmers.

State protection. Subsidies and reinsurance

The above-mentioned State subsidies may not exceed 50% of the cost of the premium for insurance on vines and 25% for other types of production.

Level of insurance

Information unavailable.

Insurance conditions

Insurance is optional for farmers.

Cover

Information unavailable.

Loss valuation and payment of claims

Loss is valued by assessors appointed by the insurance companies.

No information is available on payouts.

Economic results

Information unavailable for 1988-1990.

NETHERLANDS

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

A National Disaster Fund provides aid for all economic activities hit by disasters. There is no scheme directly covering damage to crops. Social Security also provides some assistance to the self-employed. As in other Community countries, neither of these types of aid is geared specifically to farming.

The Fund helps self-employed persons whose businesses get into financial difficulties, under the following arrangements:

- a) Special direct financial aid.
- b) Non-repayable grants, paid in 12 monthly instalments, to cover overheads or paid as a lump sum to provide working capital.
- c) Repayable loans, either interest-free and paid in 12 monthly instalments to cover overheads, or interest-bearing and paid as a lump sum to provide working capital.

The type of assistance granted depends on the financial condition of the business in question.

Basic legislation

None.

Geographical scope, risks and activities covered

The Fund covers the entire country. Since it embraces all self-employed persons, no specific conditions concerning the type of production have been laid down.

Once a specific area has been declared a disaster zone, the Government provides aid to help local inhabitants to return to their homes and normal activities to resume.

No information is available on which risks (insurable or non-insurable) are covered by the Fund.

Bodies involved - Loss valuation - Amount of compensation - Finance - Economic data

Since there is no specific aid for agricultural areas affected, no comments can be made on bodies involved, loss valuation, amount of compensation or economic and financial data. In the event of a national disaster, the area is declared a disaster zone and aid is organized on an ad-hoc basis.

B) AGRICULTURAL INSURANCE

Introduction. General description

The system was originally based on private insurance companies.

Basic legislation

Since no aid exists, there is no governing legislation.

Geographical scope, risks and activities covered

Certain agricultural risks may be covered by private insurance companies, mostly for hail risks to orchards and outdoor crops. Some crops may also be insured against storm damage. Greenhouses may also be insured against hail, storm, fire, malfunction of equipment, etc. Both types of insurance (greenhouses and crops) are provided by private insurance companies, which may assume mutual, cooperative or limited liability form.

Official bodies, insurance companies and other organizations

Only private companies insure crops and greenhouses against hail and storm risks. "Hagelunie" provides insurance against damage to outdoor crops from hail and storm, but wider cover is available for greenhouses: hail, storm, fire, malfunction of equipment, etc.

State protection. Subsidies and reinsurance

The State does not provide funds for payment of compensation. Nevertheless one company, OFH, did between 1979 and 1989 receive a modest subsidy of Hfl. 550,000 to encourage fruit growers to take out hail insurance.

Level of insurance

Loss of income is not insured. Crops are insured for a specified value. Most greenhouses are insured; and most orchards are insured against hail damage.

Insurance conditions

Insurance is optional for farmers.

Cover

Hail insurance covers qualitative and quantitative losses to crops. The insured value is calculated on the basis of the expected yield.

Loss valuation and payment of compensation

Losses are valued by experts, almost always farmers, appointed by the insurance companies. Compensation is usually paid at harvest time.

Economic results

Total premiums for all sectors (hail damage to outdoor crops and greenhouses) amounted in 1990 to some Hfl. 95,500.

PORTUGAL

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

The conditions governing agricultural insurance state that losses caused by flood, torrents, bursting of banks or landslide are excluded.

There is no comprehensive standing Government system of assistance for farmers who suffer loss through natural disasters, with its own funds or fixed criteria for allocation of fixed amounts of aid.

Nevertheless, Decree-Law 82/1977 of 5 March 1977 provides for ad-hoc programmes to be adopted in the event of exceptional weather conditions. The programmes, implemented at the request of those affected and subject to approval by the Ministry for Agriculture, Forestry and Food, provide direct subsidies for policyholders.

Basic legislation

None, since no overall aid system has been set up.

Fresh legislation must be drawn up in order to implement ad hoc programmes under Decree-Law 82/1977.

Geographical scope, risks and activities covered

Defined in each ad-hoc programme. The Decree-Law simply states that loss must be attributable to severe and exceptional weather conditions.

Bodies involved

As established by Decree-Law 82/1977, the Ministry for Agriculture, Forestry and Food is responsible for granting aid to farmers, subject to a favourable report from the appropriate bodies.

Loss valuation. Amount of compensation

The legislation governing the ad-hoc programmes lays down the minimum conditions which farmers must meet in order to qualify for aid, which usually consists of direct subsidies.

Finance

The ad-hoc programmes are financed from public funds.

Economic data

No information for 1988-1990 period.

B) AGRICULTURAL INSURANCE

Introduction. General description

A scheme to promote crop insurance was set up in 1979, in addition to various private-sector agricultural insurance options. New legal arrangements for crop insurance were introduced in 1990.

Although private insurance companies are responsible for managing the system, the State makes a sizeable financial contribution through the Crop Insurance Compensation Fund, as explained in 5.B. below.

Basic legislation

The system was set up by Decree-Law 395/1979 of 21 September 1979 and has been further developed by Resolutions 144/1980, 66/1984 and 69/1984.

The new statutory arrangements for agricultural insurance are contained in Decree-Law 283/90 of 18 September, Ministerial Order 918/90 of 28 September, Ministerial Order 202-A/91 of 12 March and Ministerial Order 232-A/91 of 21 March.

Geographical scope, risks and activities covered

The agricultural insurance system is applicable throughout the Portuguese mainland, with provision for extension to the Madeira and Azores autonomous regions.

Risks currently covered fall into the following groups:

- basic cover: includes fire, lightning, explosion and hail risks. This cover is compulsory in all insurance contracts;
- additional cover: includes tornado, cloudburst, frost and snow risks. It may be taken out separately or jointly;
- other cover: other risks may be insured by agreement between policy-holders and insurers.

51 different crops may now be insured, among the following types of production: cereals, legumes, market garden crops, protected crops (market garden and flower crops), oleaginous plants, olives, vines, industrial crops (tobacco and hops), citrus, stone and top fruits, dried fruits and others (fig and kiwi). Provision has been made for the inclusion of new crops.

Official bodies, insurance companies and other organizations

- *The Portuguese Institute of Insurance*: attached to the Ministry for Economic Affairs, it is responsible for drawing up general and specific policy conditions, registering the premiums proposed by insurance companies, compiling statistics and carrying out surveys.
- *The Crop Insurance Compensation Fund*, linked to the National Insurance Institute. Its basic responsibilities are to compensate insurance companies for very high claims, to pay State subsidies to policy-holders, and to carry out technical studies and disseminate results.
- *The Ministry of Agriculture, Forestry and Food*, providing technical support to the Fund and insurance companies in classifying crops and risks, and drawing up rules for the distribution of subsidies jointly with the Ministry for Economic Affairs.
- *Insurance companies*, who provide crop insurance and fix prices freely. Companies must be authorized to operate.

State protection. Subsidies and reinsurance

In order to qualify for subsidies from the Compensation Fund, insured crops must meet a number of prior technical and agricultural requirements. Subsidy percentages vary in accordance with the price, whether farmers operate in a disadvantaged region, are young or belong to a cooperative or mutual society, or whether insurance is taken out by farmers' associations. Current legislation states that no policy may receive a subsidy of more than 50%, except stone and top fruits and walnuts, where the subsidy may rise to 60% of premiums.

The reinsurance arrangements under the Crop Insurance Compensation Fund offset 90% of the claims paid out by each insurance company, which exceed total basic premiums by more than 150%, on an annual basis.

The Fund provides no subsidy or compensation for insured risks other than those included under basic or supplementary cover as described above.

The Compensation Fund is basically financed by State funds and a 10% surcharge on the cost of agricultural insurance.

Companies are free not to contribute to the Compensation Fund, themselves assuming the risks reinsured by the Fund, or concluding reinsurance arrangements with other companies.

Policies taken out directly, without intermediaries, must compulsorily contribute to the Fund.

Level of insurance

The level of insurance in 1988, for the main crops insured, was, as a percentage of total production:

Cereals	59%
Fruit	17%
Vines	7%
Others	2%

Insurance conditions

Insurance is optional for farmers and may be taken out directly with insurance companies or through brokers. In order for policies to be valid, applications must be approved by the insurance company.

Cover

Cover is 80% for all risks covered. Losses must exceed 5% of insured value and total more than ESC 10,000 for compensation to be paid.

Loss valuation and payment of compensation

Losses are valued by independent assessors appointed by the insurance company, with separate valuations for each policy-holder.

Valuation takes account of final yield and the value of insured produce in the area: the cost of work not carried out because of the damage is excluded.

Compensation is paid before the normal date on which the produce would have been marketed.

Economic results

See tables below. These results reflect the situation before the new system, under Decree-Law 283/90, came into effect in 1991.

Table 1

Insurance results, Portugal - all insured production

(in millions of escudos)

Item	1987	1988	1989
Insured value	54 395	49 212	n.d.
Premiums	938	899	n.d.
Compensation	968	2 543	2 959

n.d. No data

Table 2

Insurance results, Portugal - all insured production

(in millions of ecu)

Item	1987	1988	1989
Insured value	301.4	272.7	n.d.
Premiums	5.2	5.0	n.d.
Compensation	5.4	14.1	16.4

n.d. No data

Table 3

Insurance results, Portugal - by crop

(in millions of escudos)

Crop	1987			1988			1989		
	Insured value	Premiums	Compensation	Insured value	Premiums	Compensation	Insured value	Premiums	Compensation
Cereals	46 018	502	322	39 271	421	1 592	n.d.	n.d.	1 627
Top fruits	2 774	222	363	2 953	240	351	n.d.	n.d.	557
Grapes	3 373	123	178	3 839	137	381	n.d.	n.d.	524
Others	2 230	91	105	3 150	102	219	n.d.	n.d.	251

n.d. No data

Table 4

Insurance results, Portugal - by crop

(in millions of ecu)

Crop	1987			1988			1989		
	Insured value	Premiums	Compensation	Insured value	Premiums	Compensation	Insured value	Premiums	Compensation
Cereals	255.0	2.8	1.8	217.6	2.3	8.8	n.d.	n.d.	9.0
Top fruits	14.5	1.2	2.0	16.4	1.3	1.9	n.d.	n.d.	3.1
Grapes	18.7	0.7	1.0	21.3	0.8	2.1	n.d.	n.d.	2.9
Others	12.4	0.5	0.6	17.5	0.6	1.2	n.d.	n.d.	1.4

n.d. No data

UNITED KINGDOM

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Introduction

There is no State-backed aid system for farmers whose output is adversely affected by weather conditions. Farmers are expected to accept weather risks, particularly where these are insurable.

Nevertheless, the Government may assist farmers directly in the event of exceptional losses due to natural disasters.

Basic legislation

None.

Geographical scope, risks and activities covered

The Government may compensate farmers suffering exceptional losses anywhere in the UK.

Such compensation has been paid on a number of occasions, such as the East Coast Floods of 1953 and the storms of 1987: between 1989 and 1991 £1.2 million were paid out to replace storm-damaged orchards, fences and windbreaks. Similarly, in March 1990 N. Wales farmers received £150,000 to enable them to add chalk to fields contaminated by sea water.

Bodies involved

Disaster assistance to farmers is organized by the UK Agriculture Departments.

Loss valuation. Amount of compensation

See above.

Finance

State aid is drawn from public funds.

Economic data

See above.

B) AGRICULTURAL INSURANCE

Introduction. General description

The system is operated exclusively by private insurance companies or mutual societies (such as the NFU Mutual) with no State funding.

Basic legislation

There is no specific legislation for agricultural insurance. It is governed by general insurance legislation.

Geographical scope, risks and activities covered

The system applies throughout the UK.

The insurance companies cover the most common risks, such as adverse weather conditions, fire and pests. In addition, individual arrangements are considered where demand from the sector justifies it. Consequently, virtually all agricultural risks may be insured against.

All types of production may be insured.

Official bodies, insurance companies and other organizations

As indicated above, the system is operated solely by private insurance companies.

State protection. Subsidies and reinsurance

There is no State funding.

Level of insurance

Information unavailable.

Insurance conditions

Insurance is optional for farmers.

Cover

Information unavailable.

Loss valuation and payment of compensation

Losses are valued by assessors appointed by the insurance companies.

No information available on payment of claims.

Economic results

The following table sets out estimated net premiums received from farmers obtained by subtracting sums paid out in response to farmers' claims from total premiums:

Insurance	1988	1989	1990
General (a)	15.7	36.9	- 9.9
Livestock (b)	7.5	7.4	7.2
Land ownership (c)	7.3	7.2	7.2

(in £ millions)

(a) Fire, third person liability, hail and storm damage.

(b) Insurance against epidemic, and poultry-health scheme.

(c) Insurance taken out by owners of land and farm buildings.

CONCLUSIONS

The following conclusions may be drawn from the above information:

A) NATIONAL AND/OR NATURAL DISASTERS AFFECTING AGRICULTURE

Success in agriculture is highly uncertain, since farming is inextricably linked with weather conditions. The investment required is therefore highly vulnerable.

The agricultural sector is the most seriously affected by natural disasters. Farmers, particularly in disadvantaged parts of the EC, often do not have the financial resources needed to absorb the impact of such disasters, and may be put out of business.

All EC Member States have arrangements for assisting farmers affected by exceptional natural disasters. In some countries these take the form of pre-determined compensation schemes with their own tailor-made funds, while in others, special lines are drawn from the national budget for this purpose.

B) AGRICULTURAL INSURANCE

Agricultural insurance is an effective agricultural policy instrument, making a significant contribution to the achievement of the following objectives:

- stabilization of agricultural income, compensating farmers for losses caused by adverse weather conditions, and enabling the rural population to remain on the land;

- the further expansion of agricultural insurance could help persuade farmers to abandon surplus crops and take up deficit crops;
- increased financial solvency for farmers, enabling them to invest more and improve production methods;
- in certain circumstances, wider use of agricultural insurance could help foster a cooperative approach to farming and the introduction of modern farm management criteria.

Agricultural insurance does not operate according to common principles throughout the Community. Disparities are evident in the way the various systems are operated and in terms of which risks may be insured, type of cover, funding, etc.

The survey of agricultural insurance arrangements in each Member State reveals that there are two main groups: those whose system is basically run by private insurance companies (Denmark, Germany, Ireland, Netherlands and the United Kingdom); and those where significant support is provided by the public authorities (Spain, France, Greece, Italy, Luxembourg and Portugal), such support being greatest in the Southern countries.

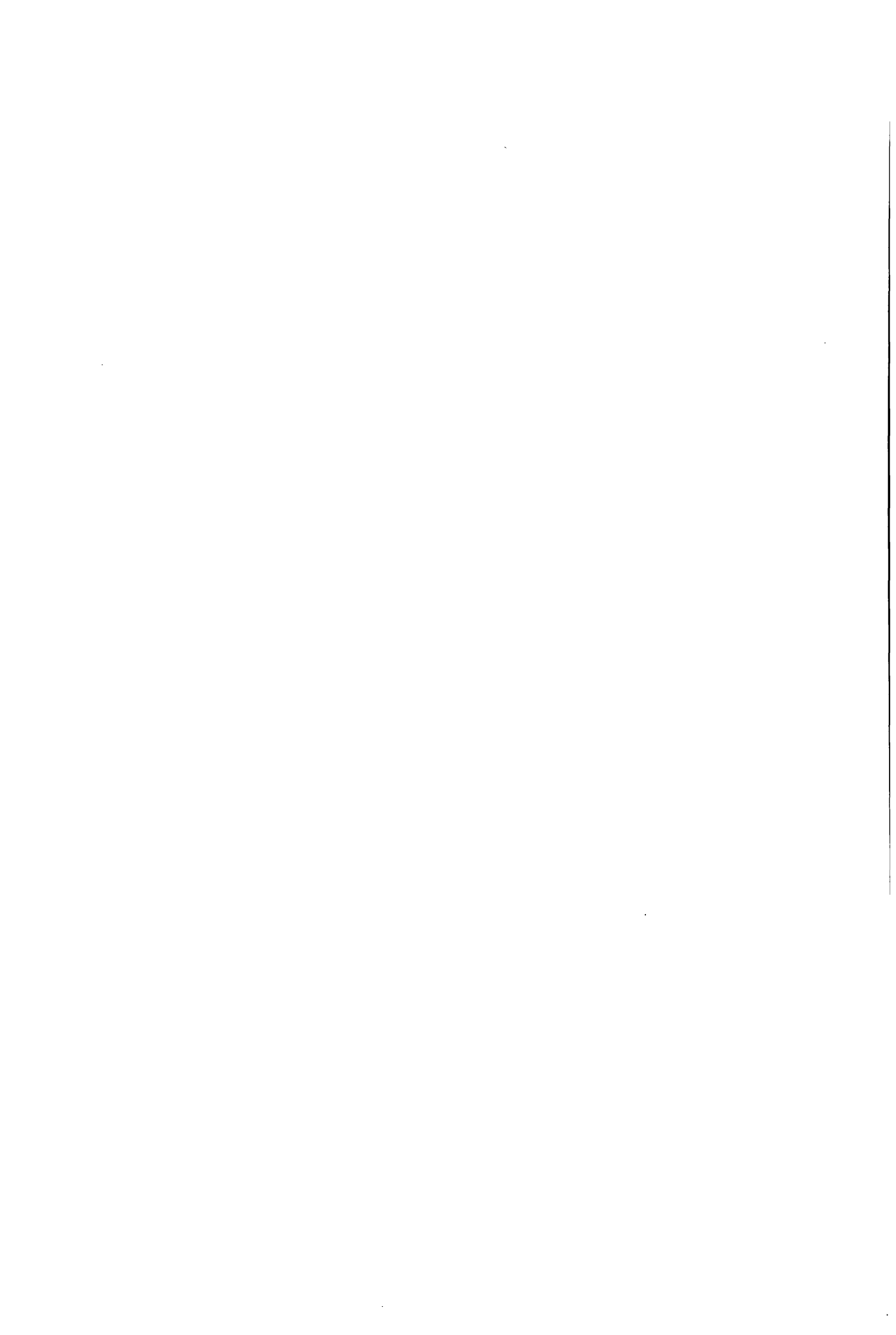
It is felt that helping farmers to take out agricultural insurance, in order to offset the effects of natural disasters, would offer considerable advantages over other aid systems, since:

- farmers would automatically receive fair compensation for actual loss of production;
- compensation for loss of production would be dissociated from current political circumstances, thereby removing any uncertainty as to whether compensation will be paid and at what level;
- the authorities could make advance budgetary provision for assistance to farmers thus affected.

GLOSSARY OF TERMS USED IN AGRICULTURAL INSURANCE

BASIC OR RISK PREMIUM	That part of the total premium or insurance cost which is exclusively intended to cover the probability of the insured risk occurring.
INSURANCE COST	Obtained by adding handling and administrative costs, plus any taxes, to the basic or risk premium.
PRODUCTION VALUE	Obtained by multiplying the declared production of each unit of land by the unit price determined by the policyholder.
INSURED CAPITAL, INSURED SUM OR INSURED VALUE	Value attributed by the policyholder to the assets covered by the policy: it corresponds to the maximum amount which the insurer would have to pay out in the event of a loss. A percentage of cover specified in the special conditions is applied to the production value: the resulting amount is the insured capital or sum.
COVER	The percentage of the insured value, fixed by the insurer, up to which the latter will assume the cost of any loss.
EXCESS	The amount to which the policyholder must meet any loss from his own resources. Excesses are normally established by insurers as an economic incentive for policy-holders to avoid or lessen the impact of losses. Excesses may be divided into two types: i) The policyholder must bear a fixed amount or percentage of each total recoverable loss. ii) A fixed amount or percentage is set: if the loss is less than this, the policyholder must bear the full cost; if greater, the insurer will pay out the amount above this level.
COMPENSATION	The amount which the insurance company must, under the terms of the contract, pay out in the event of a loss.

OWN-INITIATIVE OPINION
of the
Economic and Social Committee
on a
Common System of Agricultural Insurance



On 24 March 1992 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to draw up an Opinion on a

Common System of Agricultural Insurance.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 10 September 1992. The Rapporteur was Mr MARGALEF MASIA.

At its 299th Plenary Session (meeting of 23 September 1992), the Economic and Social Committee adopted the following Opinion unanimously:

1. Background and objectives

In the light of the findings contained in the Information Report of the Section for Agriculture and Fisheries on the Common System of Agricultural Insurance, submitted at the Economic and Social Committee's Plenary Session of 29 January 1992, which analyzed the current situation and the operation of national compensation systems for losses caused by natural phenomena in the agricultural sector.

Taking into consideration that in the documents of the Negotiating Group on Agriculture of the multilateral trade negotiations of the Uruguay Round of GATT, State aid to promote agricultural insurance is regarded as not subject to the commitment to a gradual and substantial reduction of such aid. In this connection it should be pointed out that in the various documents submitted by the parties to the GATT agricultural negotiations, the following national aids are regarded as "permitted policies":

- income support policies not connected with production;
- assistance in the event of disaster entailing *bona fide loss of production, including disaster subsidies, crop insurance, disaster relief, etc.*

Taking into account point 6.4.4. of the ESC's Own-initiative Opinion on the Communication from the Commission to the Council on the Development and Future of the CAP¹, where it is stated that:

One way of protecting farmers' incomes would be to establish a Community Agricultural Insurance Scheme which would receive financial support from the EC budget and would not distort GATT agreements. Such schemes have proved to be effective in countries both inside and outside the EC (e.g. Canada) where they already operate

Bearing in mind the need to establish a uniform framework within which both the Member States and the Community can take steps to protect farmers against exceptional occurrences and inclement weather conditions, in accordance with the Working Document on Competition Conditions in Agriculture (VI/5934/86-FR).

The Committee has drawn up proposals aimed at establishing common systems to provide farmers with protection against exceptional occurrences and natural disasters and at

introducing a Community Agricultural Insurance Scheme. These proposals are set out below.

The Committee recommends that when the time comes to put forward concrete proposals the Commission ensures that consultations are held with representatives of existing insurance companies and with national and Community farmers' representatives.

The following must be taken into account when a Community Agricultural Insurance Scheme is started up:

The different nature of the insurance schemes in the Member States (private schemes, State schemes, mixed schemes).

The competition rules of Articles 86-92 of the EEC Treaty.

The harmonization of rules on insurance in the single market.

Regional differences caused by differences in climate, growing conditions and development in the Member States.

2. Compensation for farmers against losses caused by exceptional phenomena or occurrences

The following measures could be adopted to compensate farmers for losses caused by exceptional phenomena or other exceptional occurrences not covered by agricultural insurance.

Establishment of a system of cover

The Member States could guarantee, through appropriate measures, that farmers were compensated for losses caused on their farms by "agricultural disasters".

For this purpose "agricultural disaster" would mean the losses caused by exceptional phenomena and would be defined according to the nature of the risk and scale of loss in line with the following criteria:

"Agricultural disaster according to nature of risk". Losses, irrespective of their extent, caused by specific risks, such as earthquakes, floods, avalanches, landslides, nuclear disasters, typhoons and cyclonic winds would be regarded as agricultural disasters.

"Agricultural disaster according to scale or importance of loss". Losses caused by other risks, such as frost, wind, hurricanes, rain, drought, plagues and diseases, etc. would be regarded as agricultural disasters provided the losses were of a certain scale or importance and provided that these risks were not insurable.

A minimum threshold for the losses suffered and minimum size for the area affected would have to be established for the accident to qualify as an "agricultural disaster".

Financing of cover systems

Such systems of cover against losses caused by exceptional occurrences would be financed by the Member State and the

1. OJ No. C 40 of 17 February 1992, page 63.

Community on the basis of discussions in the Council of Ministers which, acting on a proposal by the Commission, would fix the percentages and conditions.

3. Agricultural Insurance

The following measures are proposed:

Promotion of agricultural insurance

The Member States and the Community would encourage farmers to take out agricultural insurance compensating them for production losses caused by exceptional natural phenomena.

National agricultural insurance schemes or programmes

The national agricultural insurance schemes or programmes to be developed in each Member State would abide by the following guidelines:

In accordance with Articles 86-92 of the EEC Treaty, the Member States would be able to grant subsidies for agricultural insurance schemes or programmes.

The insurance companies would be free to compete with each other and would operate in accordance with the specific rules of each country.

Community Agricultural Insurance Scheme

In addition to national agricultural insurance schemes or programmes, the Commission is urged to establish, in conjunction with the agricultural insurance associations and farmers associations, a supplementary Community Agricultural Insurance Scheme with the following features:

Under this Scheme the products to be insured would be specified.

The risks against which these products were to be covered would be specified.

The Scheme would apply throughout the Community.

Insurance under this Scheme would be optional for farmers.

Management of the Scheme in each Member State would be the responsibility of the insurance companies; they would be free to compete with each other and would operate under the relevant national rules.

In view of the particular features of the risks to be covered, co-insurance agreements could be drawn up between these companies for operations in each Member State.

The competent authorities in each Member State would be responsible for supervising the operations of the insurance companies.

Under the Community Agricultural Insurance Scheme a system of subsidies would be set up to encourage farmers to take out insurance.

The total cost of the subsidies resulting from the application of the Scheme would be met in equal parts by the Member State and the Community. The Member State would be able to supplement the subsidies referred to in the preceding paragraph, provided that this was so decided by the Council of Ministers, acting on a proposal by the Commission and taking into account any particular characteristics of the individual Member States which might justify such additional subsidies.

In view of the special features of the climatic and natural risks affecting the agricultural sector, the Member States will at all events have to ensure that when the Community Scheme is introduced, the viability of national agricultural insurance and re-insurance systems is safeguarded.

In each Member State applying the Scheme a public organization or organizations would be set up with responsibility for studying and drawing up the insurance conditions, guarantees and premiums, working out the statistical bases and supervising the system of subsidies.

4. Preventive measures

Community farm improvement programmes (Regulation 2328/91) would include the setting-up of individual or joint schemes for protection against adverse climatic conditions, especially preventive measures against frost, hail and wind, the purpose being to protect farming activity. These measures would be eligible for aid.

European Communities - Economic and Social Committee

Common System of Agricultural Insurance

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The present brochure deals with the Information Report of the Section for Agriculture and Fisheries of the Economic and Social Committee as well as an Own-initiative Opinion on the Common System of Agricultural Insurance.

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