

40

Agricultural Insurance System
years



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40 years of the Agricultural Insurance System
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1978-2018



The current Combined Agricultural Insurance System in Spain was created via Law 87/1978, of 28 December. It was the first act on agriculture implemented after the approval of the Spanish Constitution. Therefore, just like the Spanish Constitution, it celebrates its 40th anniversary.

This act, developed as a result of the Moncloa Pacts, is still in force and establishes the framework for public-private collaboration between the Spanish Government and private insurers concerning the implementation of the Combined Agricultural Insurance System. Furthermore, it determines the distribution of duties between the bodies and institutions involved in its implementation.

The first Combined Agricultural Insurance Plan, which covered the production of wine grapes, tobacco, apples, citrus fruits and winter grains against the damage caused mainly by hail and frost. Nowadays, the system allows to cover almost all types of agricultural products against the damage caused by natural disasters and adverse weather conditions, animal diseases and crop pests, the removal and disposal of fallen stock on farms, as well as the damage caused by protected species.

Throughout these four decades, the current Spanish Agricultural Insurance System has become the best tool for managing the above-mentioned risks, substantially contributing to the support of incomes across the agricultural sector. I believe the time has come to acknowledge the effort by the public and private bodies and institutions involved in its implementation and the trust the agricultural production sector has vested in it. Without the collaboration and savoir faire of all the stakeholders, this insurance system, which has become an international benchmark, would not be possible.

This publication presents a brief description of the main elements and indicators that define the current System, as well as the main future challenges, such as moving towards the universalisation of this insurance to reach a larger number of farm owners, as well as the role of the Agricultural Insurance in adapting agriculture to climate change by providing greater resilience to agricultural holdings.

For the Spanish Ministry of Agriculture, Fisheries and Food, the Agricultural Insurance is still a fundamental axis of the national agrarian policy, which contributes to maintaining the incomes of the holdings when their production is affected by natural disasters and which, undoubtedly, brings increased competitiveness to the agricultural sector to tackle the challenges it faces nowadays.

I hope that the content of this publication will be useful for everyone interested in the Agricultural Insurance policy and, especially, for the owners of our agricultural holdings.

María Dolores Ocaña Madrid

*Assistant Secretary for Agriculture, Fisheries and Food and
Chairwoman of ENESA.*



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1. Insurance as a risk management tool

The Final Agricultural Production in Spain is close to €50,000 M, i.e., 2.5% of the Spanish GDP. If we consider the value of the whole agri-food chain, it represents 5% of the Spanish GDP. The food industry processes approximately 70% of production, and the trade balance in the agri-food sector in Spain is positive, with exports over €50,000 M. Moreover, the economic value of agricultural production should not only be measured in terms of its impact in the GDP, but also as a mean of creating job. Beyond its economic aspects, the agricultural sector also contributes to stabilising the population in rural areas and preserving the ecosystems.

The agricultural sector represents an economic activity with a high level of exposure to risk, given that production takes place, in most sectors, in open air, depending on environmental factors which are difficult to control. This explains the need to use risk management tools on farms.

There is a wide range of risks which affect the agricultural sector. Severe weather phenomena such as natural disasters or similar events can give rise to the direct loss of crops and animals, or to indirect losses due to price fluctuations as a result of a change in the availability of production and raw materials. Furthermore,

climate change means increased uncertainty concerning this type of risk, given that the frequency of these severe weather phenomena is expected to increase, modify the distribution of rainfall and result in higher temperatures, among other consequences.

Agriculture, livestock, aquaculture and forestry holdings are also exposed to health risks due to animal diseases and pests which may jeopardise their economic feasibility. Given the current context of greater economic liberalisation, these types of risks are increased. Moreover, there are environmental and financial risks which may also have a negative impact on the preservation of agricultural holdings.

Producers may assume multiple risk management strategies to minimise the impact of these risks by adopting agronomic measures such as using drought-tolerant crops, implementing changes to cultivation cycles, using native crops, or even reducing livestock density. They can also apply preventive measures such as anti-hail nets or become members of an Association that protects livestock health. Likewise, they may also opt for financial strategies such as diversifying their revenue sources and transferring part of the risk they assume on their farms to a third

party. Transferring the risk to private insurers is the very essence of the Agricultural Insurance.

In Spain, there is a consensus in considering the Agricultural Insurance as the best tool to manage the risks arising from weather conditions and other natural risks, which contributes to maintaining the agricultural income and, especially, the feasibility of the agricultural sector and, as a result, the whole agri-food chain.



2. Spanish Combined Agricultural Insurance Act 87/1978. Legal framework and general features of the Combined Agricultural Insurance System

Spanish Act 87/1978, of 28 December, on the Combined Agricultural Insurance System, endorsed by all political parties, agricultural organisations and insurance companies, is the cornerstone of the consolidated Agricultural Insurance System. This act is supplemented by way of its implementing regulations, and the legislation on private insurance which also applies to the System.

Moreover, it should be stressed that subsidies to take out agricultural, livestock and forestry insurance policies are State aid that are compatible with the internal EU market by virtue of the provisions of the *European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020*. Subsidies to take out aquaculture insurance policies are also considered as State aid, in accordance with the provisions of Commission Regulation (EU) No 1388/2014, of 16 December 2014, declaring certain categories of aid to companies active in the production, processing and marketing of fishery and aquaculture products compatible with

the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

The System is designed as a public-private scheme, aimed at contributing to the stability of farm revenues, by protecting them against weather conditions and other natural risks. The fundamentals and general characteristics of the system are as follows:

- **Voluntary nature:** farmers, livestock breeders, owners of forestry holdings and fish farmers are free to participate or not.
- **The damage caused by insurable risks cannot be subsidised via extraordinary aid.**
- The System covers the risks of damage caused by adverse climatic events, accidents, pests and diseases affecting production, plantation or facilities.
- **The System consists of a mixed partnership between public institutions and insurance companies under a co-insurance system,** making the most of the specialisation of all

stakeholders. The model was designed to harness the experience and solvency of each of the stakeholders. The definition of their competences is essential to guarantee the feasibility and implementation of the System.

- **The insurance is based on the strict application of the insurance technique.**
- Insured parties must include in their policies all the plots they own in Spain that they use during the production process, in order to disperse risk.
- Insurers cannot reject a policy requested by a producer that meets the requirements established in the policy.
- The State gives **direct subsidies for policies to be paid** at the time they are taken out. Autonomous communities supplement the State aid.
- In order to receive the aid, holders must meet various technical (minimum crop conditions) and administrative (being up to date with tax and social security obligations) requirements.
- The economic solvency of the System is protected by way of two mechanisms. Firstly, the reinsurance provided via the Insurance Compensation Consortium, which compensates the

excess of claims, and secondly, the creation of a pool of insurance companies that assume the risk under a co-insurance system managed by the company Spanish Association of Combined Agricultural Insurance Companies (AGROSEGURO).

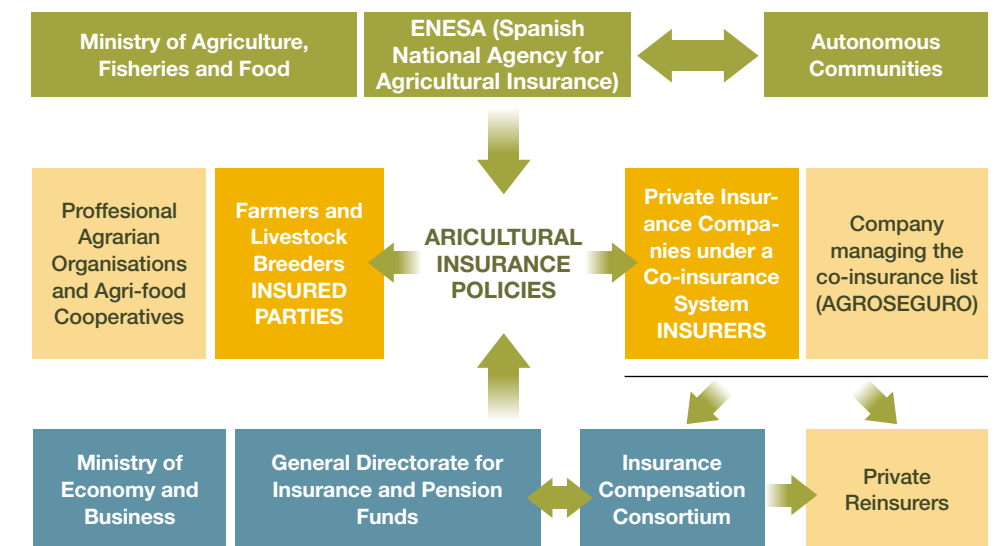
- Insured parties are represented in the implementation of the System by way of Professional Agrarian Organisations and Agri-food Cooperatives.
- **Efficiency and agility in the adjustment and payment of compensation in the event of a loss.** Compensation payments are usually received within 30 days after the completion of the adjustment process, although according to the regulations it is 60 days in agricultural lines and 40 in livestock lines.
- **Dynamism of the System.** The insurance is subject to a process of improvement and ongoing renewal. As a result, the proposals made by insurance companies concerning the contractual conditions and rates of the insurance policies, especially those of the production sector, are discussed every year at ENESA, with all institutions and organisations involved.

3. Structure of the Spanish Agricultural Insurance System

The structure of the Spanish Agricultural Insurance System is based on a mixed public-private system, where the specialisation of each of the stakeholders is an essential requirement. Public institutions are represented by the Ministry of Agriculture, Fisheries and Food, by way of the National Agency for Agricultural Insur-

ance, the Ministry of Economy and Business, and the Regional Departments of autonomous communities, while private stakeholders are represented by Professional Agrarian Organisations, Agri-food Cooperatives and the insurer sector, through AGROSEGURO, which represent the private part.

Flow chart of the organisation of the Spanish Agricultural Insurance System





4. The public sector in the Combined Agricultural Insurance System: composition and duties

SPANISH MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

The **Entidad Estatal de Seguros Agrarios O.A.** (ENESA, the Spanish National Agency for Agricultural Insurance), is an Independent Body associated with the Ministry of Agriculture, Fisheries and Food, chaired by the Assistant Secretary of the Department. ENESA acts as the coordination and liaison Body in charge of the implementation of the Combined Agricultural Insurance System.

The main duties of the ENESA consist of preparing the **Annual Agricultural Insurance Plan** to be submitted for approval by the Government, **granting subsidies** to farmers, livestock breeders, fish farmers and owners of forestry holdings, applied as direct deductions from the insurance policy price, and **collaborating and coordinating with autonomous communities** in terms of the Agricultural Insurance.

Moreover, ENESA has other specified duties:

- To establish the technical requirements crops should meet, the insurable tech-

nical conditions of cultivation, the insurable yield, prices in terms of insurance and the subscription deadlines of insurance policies.

- To inform about the proposals for special conditions and rates prepared for each insurance line by Spanish Association of Combined Agricultural Insurance Companies (AGROSEGURO).
- To supervise, within the agricultural scope, the development and implementation of Insurance Plans.
- To perform the technical-financial feasibility studies to consider the inclusion of productions and risks in the Annual Agricultural Insurance Plan.
- To promote and inform about Agricultural Insurance, advising farmers and livestock breeders on all related matters.
- To act as a fair arbitrator in all matters submitted to arbitration by insured parties and insurers.

The highest governing body of ENESA is the **General Committee**, where all stakeholders involved in the Combined Agricultural Insurance System are represented. The Committee is the forum to discuss and decide on aspects relating to the duties assigned to the body. In practice, it results in Working

and Regulatory Groups to review all the insurance lines that make up the Annual Plan.

The **Coordination Committee with Autonomous Communities** has as main purpose to ensure cooperation and coordination between administrations in terms of Agricultural Insurance.

SPANISH MINISTRY OF ECONOMY AND BUSINESS

The **Spanish General Directorate for Insurance and Pension Funds** is a governing body of the Ministry of Economy and Business, mainly in charge of approving the percentage of co-insurance distribution among the companies included in AGROSEGURO on an annual basis, preparing the regulations of loss adjustment with ENESA, informing about the Combined Agricultural Insurance Plan and supervising the insurance activity, as well as all classes of insurance. Moreover, this body proposes to the Ministry of Economy and Business the rules that the Insurance Compensation Consortium should meet in terms of reinsurance.

The **Insurance Compensation Consortium** is a public corporate institution,

associated with the Ministry, subject to private legislation, which primarily acts as the public reinsurer of the system. It also controls the adjustment of declared losses and assumes the percentage of co-insurance not covered by the insurance companies.

AUTONOMOUS COMMUNITIES

The Regional Agriculture Departments of the autonomous communities participate in the development of the Combined Agricultural Insurance System by collaborating and cooperating with the Ministry of Agriculture, Fisheries and Food, both in the preparation of the Annual Agricultural Insurance Plan and in the award of subsidies to cover the cost of the insurance, thus supplementing the aid granted by ENESA.

These Departments chair the Territorial Agrarian Insurance Committees created within each Autonomous Community, with territorial representatives of the entities and institutions involved in the System. Their purpose is to gather and analyse the proposals to improve Agricultural Insurance in the corresponding communities.

5. The private sector in the Combined Agricultural Insurance System: composition and duties

SPANISH ASSOCIATION OF COMBINED AGRICULTURAL INSURANCE COMPANIES (AGROSEGURO)

This body is made up of the insurance companies that offer agricultural insurances, in a way that all of them cover all the risks covered by the System. To that effect, a co-insurance list is set up with the share percentages corresponding to each of the insurance companies.

It controls and processes insurance statements, issues receipts to policyholders, manages the collection of payments, and receives claim statements from insured persons, carrying out the adjustment and valuation arrangements and the payment of claims on behalf of co-insurers. Likewise, it also performs technical, statistical and actuarial research surveys concerning the preparation of the rates applied to insurance lines and establishes the conditions of the insurance policy.

PROFESSIONAL AGRARIAN ORGANISATIONS AND AGRICULTURAL FOOD COOPERATIVES

These organisations are part of ENESA's General Committee, where they represent the Spanish agricultural sector, and are actively involved in the development and implementation of the System. They present their proposals regarding the insurance within the General Committee and collaborate in designing and planning insurance policies. They act as holders of collective policies and may also act as insurers by way of mutual insurance companies. Considering that the insurance is constantly evolving, and that it is voluntary, they support and encourage the Agricultural Insurance System, in order to inform agricultural producers about the new features of the system, while making them aware of the importance of ensuring their production.

PRIVATE REINSURERS

Private reinsurers have a dual purpose in the Spanish Agricultural Insurance System: reinsuring the Insurance Compensation Consortium (public reinsurer of the model) and the insurance companies included in the list of AGROSEGURO.





6. Types of insurance and insurable risks

The development of the Spanish Agricultural Insurance System has resulted in the evolution of the initial covers for combined risks or multi-risks into the current insurance for holdings within the agricultural, livestock and aquaculture sector. Furthermore, there are index insurance policies, based on the indirect estimation of drought risk for the insurance line for compensation of loss of pastures and the beekeeping insurance.

AGRICULTURAL SECTOR

Insurable risks

- There are three type of guarantees for **agricultural production**: guarantees for production, for planting and for holdings. Risks that may be insured in the guarantee for production are as follows: hail, frost, rain, flooding-torrential rain, persistent rain, wind, hurricane force wind, fire, snow, wildlife, lack of germination, fruit deformation, virus, heat stress, hollowed out watermelons, other named perils and adverse weather phenomena. Guarantees for planting and for holdings cover all sorts of weather risks.
- There are two types of guarantees for **forest productions**: guarantees for

reforestation and for regeneration. The insurable risks are fire, flooding-torrential rain, snow and hurricane force wind.

Insurance models

1. Farm insurance

Most insurance lines respond to the so-called growing modular model, which consists of multiple insurance models that offer the insured person the possibility of opting for the module that best suits their needs. Insurance modules cover the same risks, but differ in the cover level, according to the chosen module.

Module 1: its cover level was designed to deal with very serious damage that results in losses of more than 30% of the production insured in the entire holding.

Module 2: some of the main risks for each product and exceptional damage are compensated for the losses they cause in each of the plots, and the remaining risks are compensated for the damage they cause in the entire holding.

Module 3: all risks are compensated for the losses they cause in each plot.

The insured person, upon subscribing the policy, must opt for a single module for

all products of the same class within their holding.

2. Basic insurance policy with additional guarantees

This insurance model is based on a central cover against catastrophic damage, where the insured person may include additional guarantees depending on their needs.

3. Combined (Module P)

The farm insurance and basic insurance policies coexist with the so-called Module P (a “traditional” combined insurance), which offers coverage for each plot for named damage. This model excludes ‘other adverse weather phenomena’ from the risks covered by the policy.

LIVESTOCK SECTOR

Insurable livestock risks (they vary according to the given line, species and system)

- Adverse weather phenomena (fire, flooding, lightning, drought, heat stress, hurricane force wind, torrential rain, snow, etc.), attacks by wild animals or feral dogs, accidents, mass deaths, unproductive period due to mass deaths, mortality due to multiple causes, diseases, including major diseases subject to official control that affect each species (such as the foot-and-mouth disease, BSE, scrapie, African horse sickness, West Nile fever, classical swine fever, Aujeszky’s disease, avian influenza, Newcastle disease, salmonellosis, etc.), or other non-epizootic

diseases (anthrax, bovine respiratory disease, actinomycosis and actinobacillosis, mastitis, flatulence, etc.), poisoning, loss of milk quality, mastitis outbreak, calving and death of offspring, reduction in prolificacy, official livestock sanitation, loss of pastureland, expenses arising from the removal and disposal of fallen stock in the holding.

Insurable aquaculture risks (they vary according to the given line or species)

- Chemical contamination and blooms or proliferation of microorganisms, oil spills, red tide, storms, impact of vessels and drifting items, lightning, fire, explosions, hurricane force wind, exceptional temperature changes, loss of salinity due to torrential rain, marine predators, diseases, flooding, flash floods or river overflows.

Types of insurance policies:

- **Farm insurance policies for livestock and aquaculture production:** they include a large number of insurable risks, offering farmers, according to the nature of their holding, the possibility of opting for the additional guarantees they may require, in addition to a basic package that features the main risks which, due to their severity, may jeopardise the feasibility of their holding. On a voluntary basis, and based on the type of livestock, holding or man-

agement system, inter alia, livestock breeders are given the possibility to cover accidents, diseases or even the disposal of fallen stock in their holding.

- **Index insurance policies:** they include the insurance line for compensation of loss of pastures and the beekeeping insurance, to cover drought risk. These insurance policies allow to indirectly estimate the damage covered by these lines for all holdings located in each of the defined regions. To that effect, a vegetation index based on satellite measurements is used to measure

the quantity, quality and vigour of the vegetation present on the surface. This surface refers to the use of pastureland or fallows, for the insurance for compensation of loss of pastures, and to the vegetation areas used for beekeeping, for the beekeeping insurance.

- **Insurance to cover the expenses resulting from the removal and disposal of fallen livestock in the holding:** farmers may opt for subscribing the policy as an independent line or as a line included in farm insurance policies as an additional guarantee.





7. Agricultural Insurance. 40 years of history

The main milestones implemented in the Agricultural Insurance System over its various stages, which have turned it into an international benchmark, are detailed below.

DECADE 1978 - 1987. START

Once the Act on Agricultural Insurance was approved in December 1978, the Combined Agricultural Insurance System started its development with the creation of ENESA in 1979. The first decade of the history was defined by its gradual development, as insurable products and guaranteed risks increased every year.

The first Agricultural Insurance Plan was approved in 1980. It included five insurance lines to protect the production of wine grapes, tobacco and apples against

hail damage, and the production of citrus fruits and cereals against damage caused by hail and frost.

Regarding the livestock sector, a direct risk insurance for **beef cattle** was implemented in the Plan in 1981. In 1983, an African swine fever insurance was introduced for pigs, to strengthen the measures adopted by the Ministry to eradicate this disease.

In agricultural production, some of the major milestones include the experimental implementation of the comprehensive insurance for winter grains, which would be applied across the national territory in 1983. Regarding the insurance for fruit trees, apricot was incorporated in 1981 as an insurable production, and plum, peach and pear were included in 1985.



The combined frost and hail insurance for wine grapes was featured as a comprehensive insurance in the Rioja Designation of Origin and on the island of Lanzarote, thus protecting production against any uncontrollable natural risk.

Two relevant facts affected the whole System during the decade. Firstly, given the increase in insurable products, adjustments had to be regulated. As a result, the **General Adjustment Standard** to adjust the damage caused to agricultural production, which led to the subsequent implementation of specific adjustment rules for each insurance line. These rules were an essential cornerstone to set out the foundations that govern the process by way of which adjusters value the damage caused after a loss. Secondly, the

Reinsurance of the Agricultural System, dependent on the **Insurance Compensation Consortium**, associated with the Ministry of Economy, was modified in 1987. It was implemented the differentiation of insurance policies into two groups: viable and experimental insurance lines, thus establishing different risk compensation systems for reinsurance purposes. This reinsurance model has been one of the keys that encouraged the significant evolution which the Agricultural Insurance System experienced over the following years.

The Agricultural Insurance was publicised with slogans such as **'FARMERS, DON'T TAKE UNNECESSARY RISKS'** and **'ENESA GRANTS THE AGRICULTURAL INSURANCE'**.

In 1985, guaranteed agricultural production amounted to 15.9 million tonnes, with an area of 4.9 million hectares.

Did you know that in 1985 the insured area of wine grapes covered 226,500 hectares (14% of the cultivated area) and the insured production was 1.2 million tonnes (25% of the production)?

Outdoor tomato and pepper crops were the first horticultural products to be covered by the insurance in 1982 against the damage caused by frost, hail, wind and rain. In 1985, the guaranteed production of vegetables was 678,000 tonnes (8.84% of total production).



DECADE 1988 – 1997. PERIOD OF EXPANSION

Over the second decade of the Agricultural Insurance System, the Annual Plans included new productions such as rapeseed, sunflower, vineyard nurseries, sheep, trout farms and marine aquaculture, with sea bream, sea bass and turbot.

Regarding **insurable risks**, while over the first decade of the system combined damage insurance policies were mainly focused on hail and frost in agricultural production, the system over the second decade added fire, hurricane force wind, and the guarantee against damage caused by physiological alterations in the Bobal grape variety.

In order to extend insurable products, the **vegetable insurance** was promoted by creating a line called ‘general agricultural rate’, where products were insured with-

out specific insurance lines (except for rice) against hail, fire and catastrophic risks. Moreover, the **cross-crop policy** was implemented for **extensive herbaceous crops**.

Livestock insurance also evolved. In addition to including new species, the design of the existing beef, sheep and pig cattle insurance lines was improved.

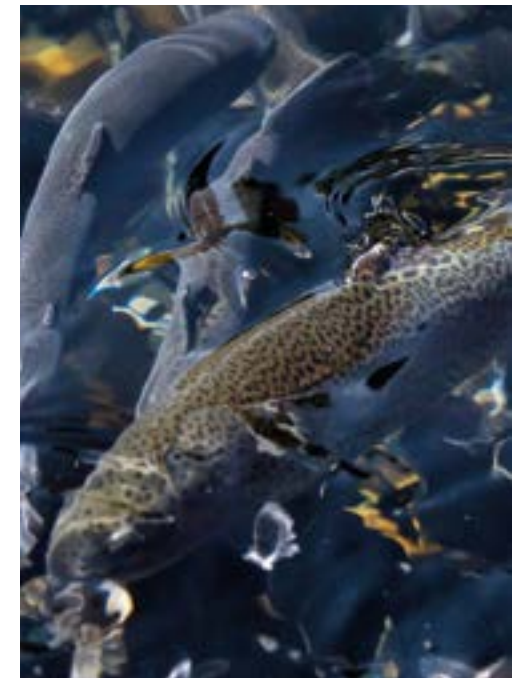
In 1988, the **Autonomous Communities** of Aragón, the Canary Islands and Castile-La Mancha began to fund the insurance, complementing the aid granted by ENESA.

In 1996, the criteria to grant aids were modified to favour professional farmers, priority farms and associations of producers. Likewise, autonomous communities gained relevance as a result of the creation of the Territorial Agrarian Insurance Committees in each community.

The function of promotion and dissemination of the Agricultural Insurance became fundamental. In order to foster this task, ENESA funded agricultural associations and cooperatives to collaborate with ENESA in this task.

Some of the most significant slogans of ENESA were **‘GUARANTEED HARVEST’**, **‘INSURE YOUR HARVEST TODAY TO GUARANTEE YOUR FUTURE’** and **‘LET’S KEEP OUR COUNTRYSIDE SAFE’**.

Do you know what was the first aquaculture production able to be insured? Trout farms, in 1995.



**DECADE 1998 – 2007.
CONSOLIDATION**

Over the third decade of the System, the existing lines were consolidated and improved, enhancing insurance by way of cross-crop policies (citrus fruits and vegetables) and multi-annual policies (banana and fruit trees). Nevertheless, these types of insurance policies quickly evolved towards new and more ambitious subscription methods, such as insurance policies for fruit farms, for cherry farms in Cáceres, yields insurance for almond, olive, extensive herbaceous crops, wine grapes, beets and apricots in Murcia, and collective policies for bananas and tomatoes in the Canary Islands.

Regarding new insurable risks, coverage of the risk of fire in all insurable products became a general trend over this decade, and the risk of flooding and persistent rain was also included as an exceptional

risk in all combined agricultural insurance policies. Additional guarantees were implemented to the insurance policies to cover risks such as the lack of fruit in fruit farms, senescence in citrus fruits, drop for cherries in Cáceres, tomato stress in the Canary Islands, heat stress for table grapes and the lack of germination in the yield insurance for extensive herbaceous crops.

Livestock insurance policies included significant advances, as new insurance lines were introduced for the horse meat cattle, select horse breeds, meat chickens, egg laying chickens, beef cattle for meat, bullfighting and of high genetic value, in addition to those used for breeding and rearing.

In 2001, an insurance policy to cover losses caused by drought in pastureland was added to the system, along with another policy to cover the removal and disposal of fallen livestock in farms.

In order to spread the word about the new features implemented in each Plan, ENE-SA promotes the Agricultural Insurance every year by way of the graphic material it publishes and distributes. It is worth mentioning the slogans **'HARVESTING PEACE OF MIND ONLY DEPENDS ON YOU', 'AGRICULTURAL INSURANCE. PROTECT YOUR INCOME', 'ENHANCED SAFETY AND GREATER GUARANTEE OF REVENUES FOR THE SPANISH COUNTRYSIDE'** and **'DO AS THEY HAVE, PROTECT YOUR PRODUCTION. GET INSURED'**.

The capital insured through the Agricultural Insurance in 1998 amounted to 4,354 million Euro.

In 2001, Bovine Spongiform Encephalopathy was included as an insurable risk, and an insurance policy was introduced to cover the costs of the removal and disposal of fallen livestock in farms.



**DECADE 2008 – 2018.
IMPROVEMENT. CHANGE
IN THE STRUCTURE OF THE
COMBINED AGRICULTURAL
INSURANCE SYSTEM**

The fourth decade of the Agricultural Insurance System was determined by the improvement of the insurance lines that it is made up of. One of the main milestones is the change in the structure of insurance lines via the implementation of the so-called **modular model** for agricultural and forestry lines, from 2011 to 2012. This model consists of several types of agricultural insurance policies that offer insured persons the possibility of choosing that which best suits their needs. Thus, these modules basically cover the same risks, with a different level of coverage by way of (modules).

Thus, nowadays all lines have a **Module 1**, which allows to cover catastrophic damage that cause losses over 30% of the pro-

duction insured in the entire holding, and that may perceive the maximum subsidy percentage defined by the European Union regulations, that is, **65% of the cost of the policy**. The change in the structure in livestock and aquaculture insurance policies was implemented in 2016. As a result, insurance lines feature a basic guarantee to which additional guarantees may be added for farmers to take out the insurance modality that best suits their needs.

The **Act on Agricultural Insurance** has been modified twice over the last decade. Thanks to the first modification, from 2010 policies allow to cover holdings. This has allowed to cover the damage caused to holdings and **production** elements present in holdings in agricultural lines. Later, in 2015, the process to grant direct subsidies to the Agricultural Insurance System was recognised.

In order to encourage the use of the System, the possibility of paying the policies in

instalments has been established in collaboration with Spanish Association of Combined Agricultural Insurance Companies (AGROSEGURO) and Sociedad Anónima Estatal de Caución Agraria (SAECA) from 2015, which features a new additional aid for all insured persons who pay the agricultural policy in instalments by way of the SAECA guarantee.

It is safe to say that nearly all agricultural products are covered by the Combined

Agricultural Insurance System and that the main risks which cannot be controlled by the production sector, especially weather phenomena, are insurable.

In order to spread the word about the new features included in each Plan, ENESA has carried out promotional campaigns. It is worth mentioning the slogans **'HARVESTING YOUR PEACE OF MIND'** and **'PROTECT YOUR FUTURE'**.

The cover against the damage caused by wildlife was progressively introduced in all eligible lines in 2008.

In 2016, the Ministry of Agriculture, Fisheries and Food carried out a prospective study on the Agricultural Insurance about the outlook for 2025.



AN INTERNATIONAL BENCHMARK. INTERNATIONAL CONFERENCES

- **‘RISK PROTECTION SYSTEMS IN 21st CENTURY AGRICULTURE’.** (Madrid, 2, 3 and 4 June 1999)

In 1999, the Ministry of Agriculture, Fisheries and Food held the International Seminar ‘Risk Protection Systems in 21st century Agriculture’, aimed at encouraging the development of guarantee systems in the agricultural sector to contribute to the stabilisation of farmers’ revenues in the event of unfavourable weather conditions.

- **‘AGRICULTURAL INSURANCE AND REVENUE GUARANTEE’** (Madrid, 13 and 14 May 2002)

As part of the Spanish Presidency of the European Union and with the aim of promoting risk management policies, for the European agricultural sector to gain competitiveness, and improve its adaptation to the new conditions of production and food security, the Ministry of Agriculture, Fisheries and Food, through ENESA, held in 2002 the International Conference ‘Agricultural Insurance and Revenue Guarantee’. The most important conclusion of the Conference was the need to further develop Agricultural Insurance Systems within the European Union, as the best tool to manage risks that affect the agricultural activity.

- **‘MANAGING RISKS THROUGH THE AGRICULTURAL INSURANCE SYSTEM’** (Madrid, 15, 16 and 17 November 2006)

During this Conference, the current situation and future prospects were discussed regarding the Insurance Systems of the participating countries, analysing the differences between the risks they covered and protection levels, as well as the participation of the public sector in the planning and development of the corresponding models.

- **‘AGRICULTURAL INSURANCE: RISK AND CRISIS MANAGEMENT’** (Madrid, 15, 16 and 17 March 2010)

This Conference, which was part of the activities carried out due to the Spanish Presidency of the Council of the European Union, was aimed, inter alia, at presenting the new developments in risk management in the countries of the European Union.

Features relating to covering risks and crises arising from weather events and other natural phenomena were discussed, along with the status of zoo-sanitary risks, the so-called income insurance policies and other tools to compensate the consequences of market risks.





8. Main results of the Agricultural Insurance after 40 years of history

The Spanish Agricultural Insurance System has reached a high level of development, as it is reflected by the behaviour of the main indicators of the sector, becoming a valuable tool for risk management in agricultural holdings. Nowadays, **the system allows to cover almost all sorts of agricultural products** against the damage caused by natural disasters, events of an exceptional nature, and adverse weather conditions that may be linked to natural disasters, animal diseases and crop pests, the removal and disposal of fallen livestock, as well as the damage caused by protected species.

During the first five years of the Spanish Agricultural Insurance System, the **insured capital** amounted to around 1,800 million Euro. In 2018, it is estimated that it exceeds even 14,000 million Euro, which means that it will have multiplied by almost three in the last twenty years.

For 2018, the **insurance cost** is estimated to be around 800 million Euro, and **ENESA's subsidies** around 230 million Euro. It should also be noted that all Autonomous Communities grant subsidies additionally to the ENESA ones.

The insurance **implementation level** in the said sectors is another parameter

which allows to analyse the evolution of the insurance. In the case of agricultural insurance, the implementation of the insurance for fruit farms stands out, with 83% of the cultivated production, extensive herbaceous crops represent 79% and that of wine grapes represent almost 70%. The attached graphs demonstrate the situation of the main parameters.

In conclusion, it can be affirmed that the Spanish Combined Agricultural Insurance System has become a fundamental axis of the national agrarian policy and an international benchmark in the field of risk management. The reasons for the success of this System are summarised below:

- This system was strongly supported by political consensus in 1978.
- Public State support through direct aid, supplemented with that of autonomous communities, to reduce the cost of policies and encourage their use. This support has encouraged the development of the System since it was created. As a result, the system has acquired its own dynamics, which have increased the rate of insured capital beyond the increase in subsidies.
- The System is based on the principle that risks and products that

may be insured are not ancillary, and therefore no extraordinary grants are authorised.

- Collaboration between public authorities and the insurance industry under a public-private System where they achieve more efficiency than if they operated separately, favouring synergy.
- The implementation of the insurance technique to define covers and the corresponding rates.

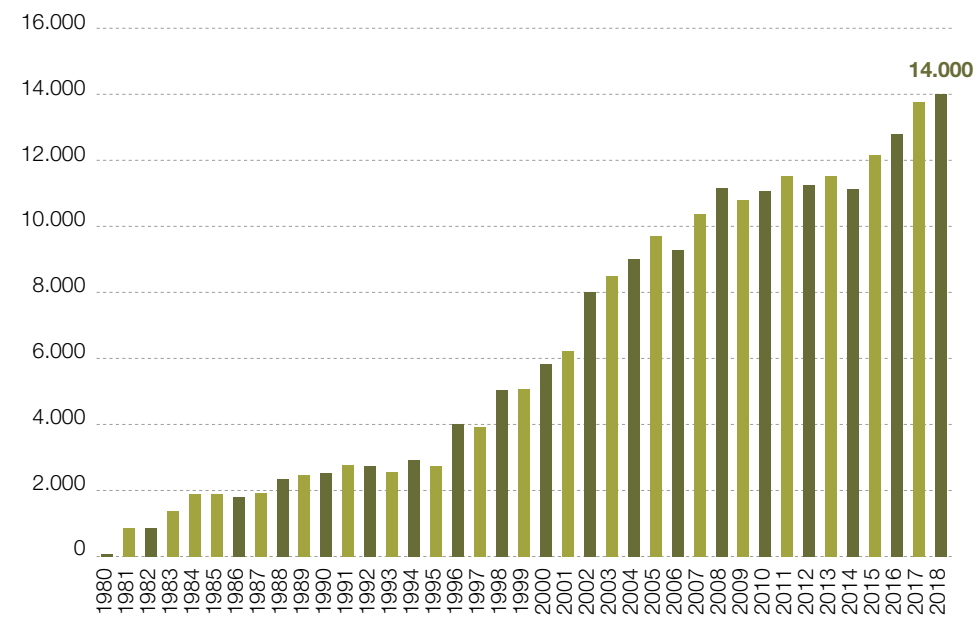
- The existence of a public reinsurer, i.e., the Insurance Compensation Consortium.
- The participatory-democratic nature that enables the creation, development and modification of the insurance lines in line with the reality of production in the Spanish agricultural system through the participation of Professional Agrarian Organisations and Agri-food Cooperatives.
- The constant review and improvement of insurance lines to adapt them to the changing needs of farms.

- The professionalisation of the agricultural sector, which has vested its trust in the Combined Agricultural Insurance System, in 2017 reaching an all-time high of insured capital (more

than 13,700 million Euro, when the Total Agricultural Production is over 50,000 million Euro), and the estimate for 2018 is approximately 14,000 million Euro.

Evolution of the insured capital from 1980 to 2018

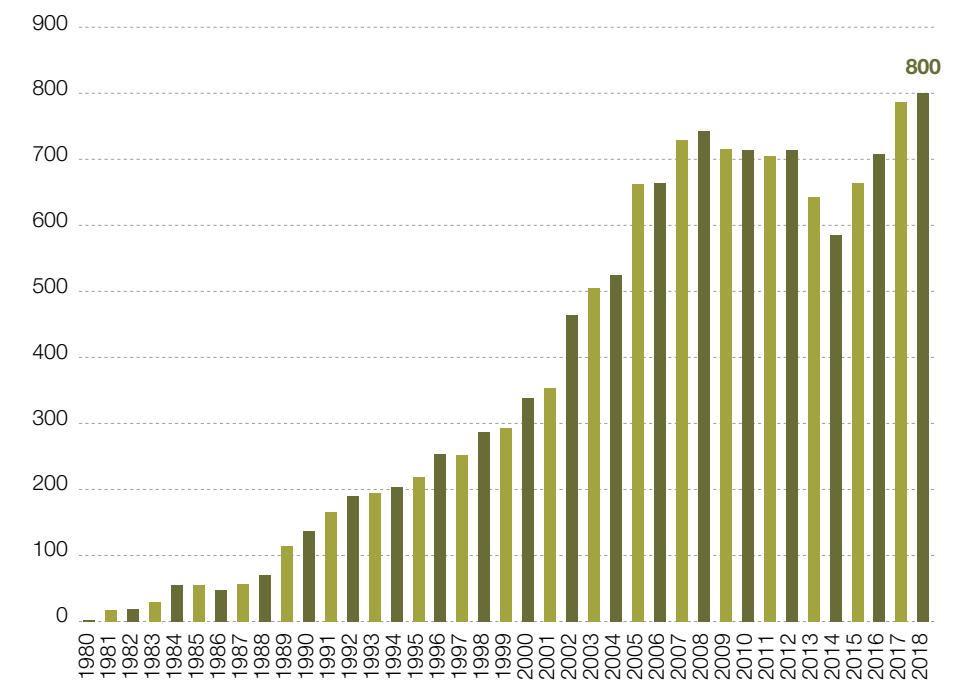
(in Million €)



Made by ENESA. Source: Agroseguro

Evolution of the net cost of the insurance from 1980 to 2018

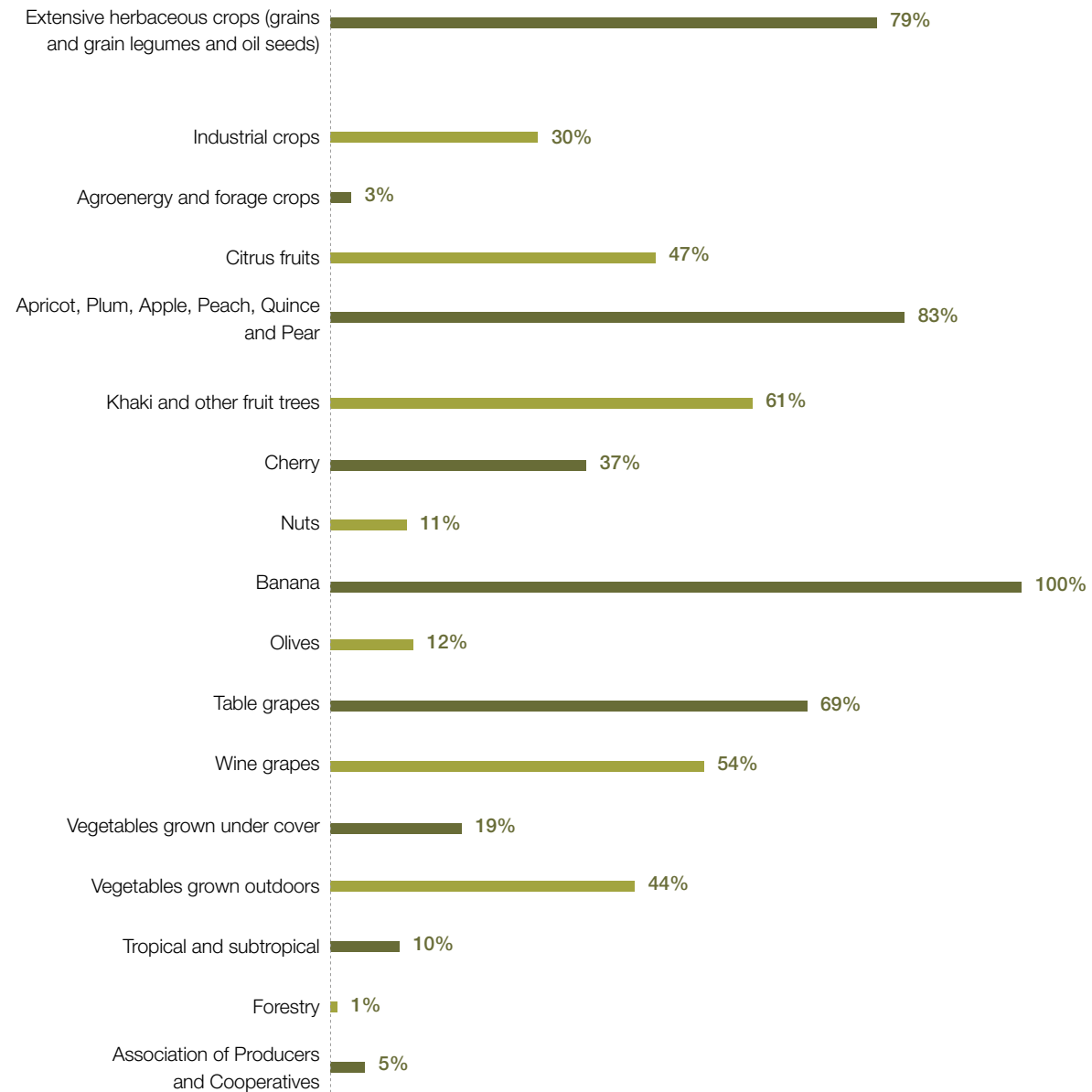
(in Million €)



Made by ENESA. Source: Agroseguro

Implementation in the agricultural sector

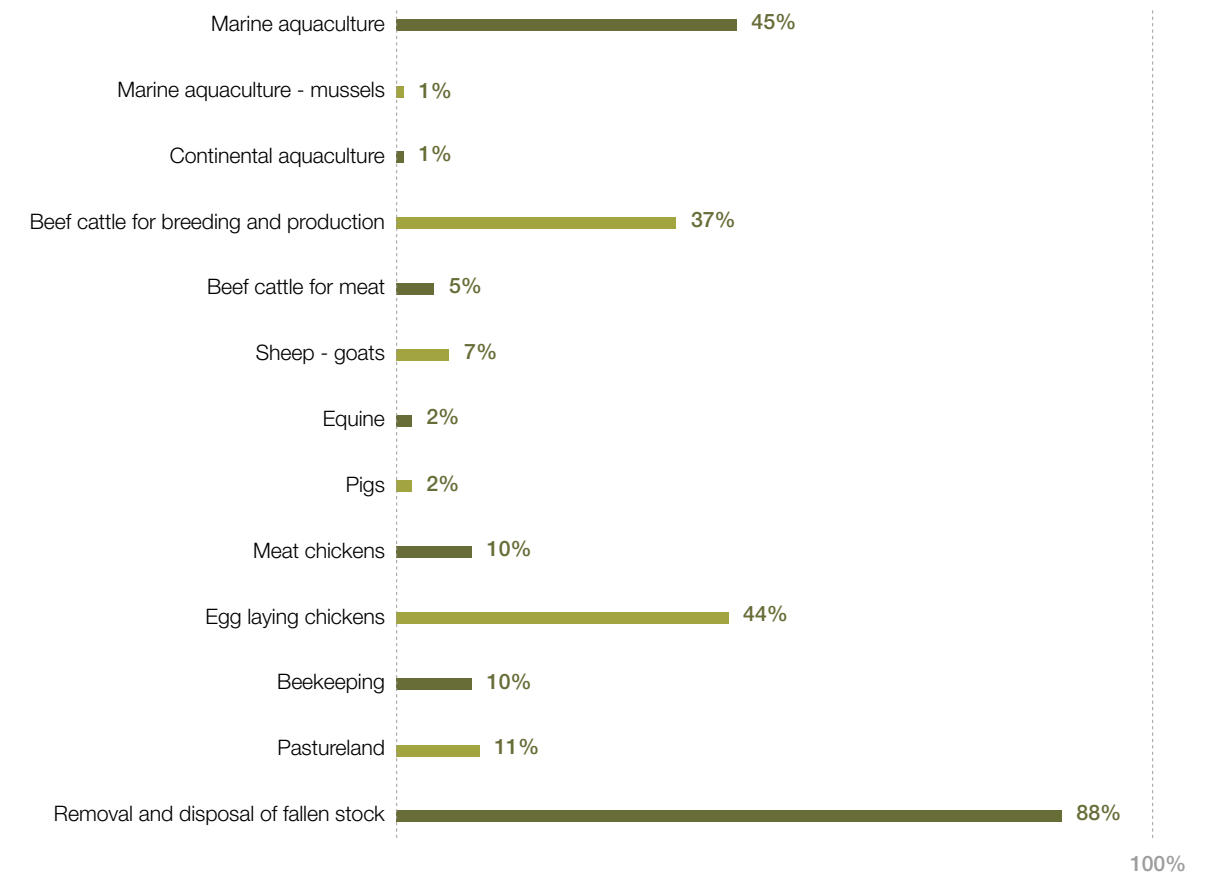
(% insured/insurable production)



Made by ENESA. Source: Agroseguro

Implementation of the livestock and aquaculture sector

(% animal number insured/insurable)

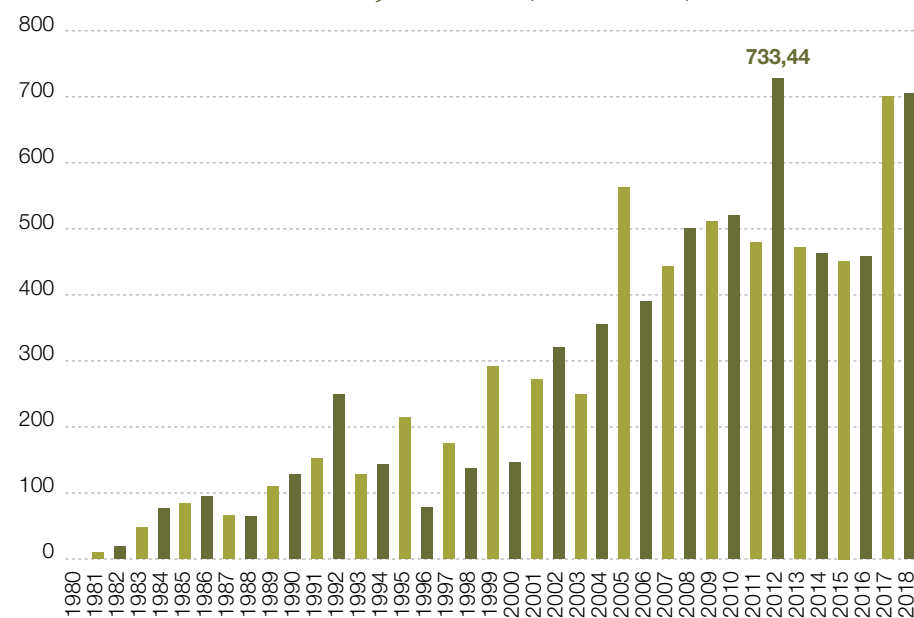


Made by ENESA.



Evolution of compensations of the Agricultural Insurance

from 1980 to 2018 (in Million €)



Made by ENESA. Source: Agroseguro



9. Agricultural Insurance System: what the future holds

Ever since the System was created, one of its main purposes was to universalise the protection of the agricultural sector by way of the insurance. A long period is required to reach a satisfactory implementation level, which is why the implementation of the policies developed over the first years is higher than that of the policies which were created afterwards. As a result, the improvement in the implementation of the insurance is still one of the main challenges for all insurance lines, especially for certain strategic sectors such as the olive and sheep-goat sectors, with very low penetration rates compared to other sectors such as fruits or extensive arable crops.

Further encouragement of the Agricultural Insurance will be required to improve the implementation of the System. Insurance lines should also be reviewed and improved to adapt them to the needs of holdings and, therefore, to the requirements of the sector.

If we take into account the duties entrusted to ENESA, not only will it continue to analyse potential new risks to be included, but it will also be able to raise awareness about the rate of losses, for instance, by analysing the results of the system throughout its history, in collaboration with insurance companies, it will

be possible, for example, to improve the knowledge of the accident rate. One of the functions of the Entity is to accompany a very dynamic sector, which R&D&I as a continuous source of improvement, so new commercial varieties are incorporated and yields are increased, which translates into continuous adaptations by insurance.

Parallel to the development of new technologies, the Agricultural Insurance will advance, for example, in the use of artificial satellites of higher resolution and drones in the field of remote sensing. Likewise, the consolidation of the system allows for new challenges to be tackled in the future. One of the main challenges the agricultural production sector will face in the years to come will be overcoming the effects of climate change and their consequences on the income of holdings.

The agricultural insurance system is a sound financial tool to tackle losses caused by the surge of risks associated with climate change. It increases the capacity for economic recovery of producers and the resilience of holdings. Likewise, increased risks may pose a challenge to the solvency of insurance companies to keep premiums stable, in an affordable range for the producer, which is an essential requirement to improve the implementation

of the insurance. Therefore, ensuring the sustainability of the system from this perspective will also be challenging for insurance companies, in addition to the rest of the members of the System.

At an international level, ENESA will continue to offer its institutional consultancy services to the delegations of other countries which may be interested in the Spanish Agricultural Insurance System.

To sum up, the Ministry of Agriculture, Fisheries and Food will continue to work to improve this System, through ENESA, with the collaboration of all stakeholders, in order to continue to provide the agricultural sector with an extraordinarily effective tool which supports its profitability, stability and strength to face future challenges.



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