

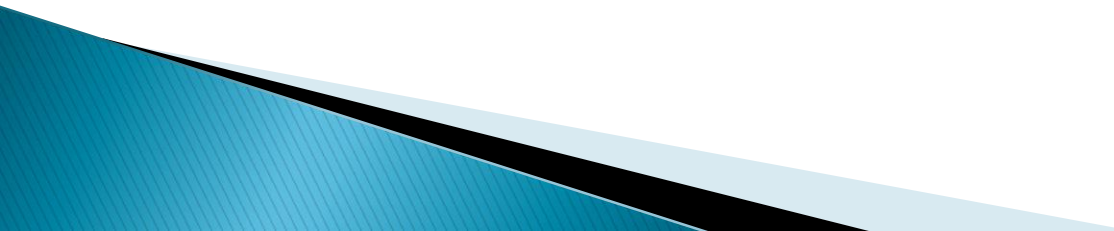
Current state and future prospects of crop insurance in Uzbekistan

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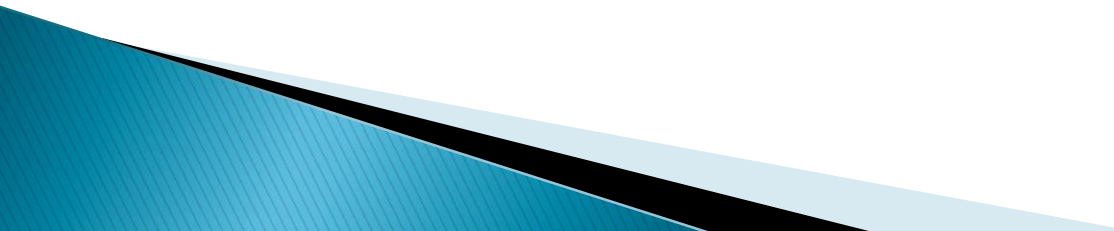
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24–26 November 2014, Halle (Saale)
Regional Economic Cooperation in Central Asia: Agricultural Production and Trade

Outline of the presentation

- I. The role of agroinsurance in enhancing agricultural production potentials;
 - II. The role of the state in the agroinsurance market of Uzbekistan;
 - III. Analysis of recent trends in crop insurance market of Uzbekistan and its current state;
 - IV. Future prospects of crop insurance in Uzbekistan.
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Distinctions of crop insurance

- **High levels of loss ratio.**
 - **Unevenness of occurrences across the time.**
 - **Exposedness to pure risks.**
 - **Complexity of risk appraisal.**
 - **Need for special training of personnel.**
 - **Growth of moral risk.**
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Three important functions of crop insurance

- **To diminish negative effects from sharp fluctuations in farmers incomes by offsetting losses.**
- **Facilitation of farmers access to credit markets.**
- **Increasing investment appeal of crop production.**

P.S. Two last circumstances are becoming more important due to increased commercialisation of crop production.

State support for crop insurance in Uzbekistan.

- In 1997 the state had created specialized insurance company “Uzagrosugurta”.
- According to the Article 9 of the Resolution of the Cabinet of Ministers of the R.Uz. from 06.03.1997 No. 125, Ministry of Finance of the R.Uz. annually has to provide assignment for repletion of its crop insurance reserves.
- From 1998 to 2001, total volume of budget assignments for the companies reached 2510,7 mln. sum, or 33% of total indemnities paid under crop insurance contracts.
- Due to the high risk profile of crop production in Uzbekistan and economic transformations in agricultural industry, for a decade SJIC “Uzagrosugurta” was a single company engaging in crop insurance

Replenishment of crop insurance reserves of the “Uzagrosugurta” from the state budget

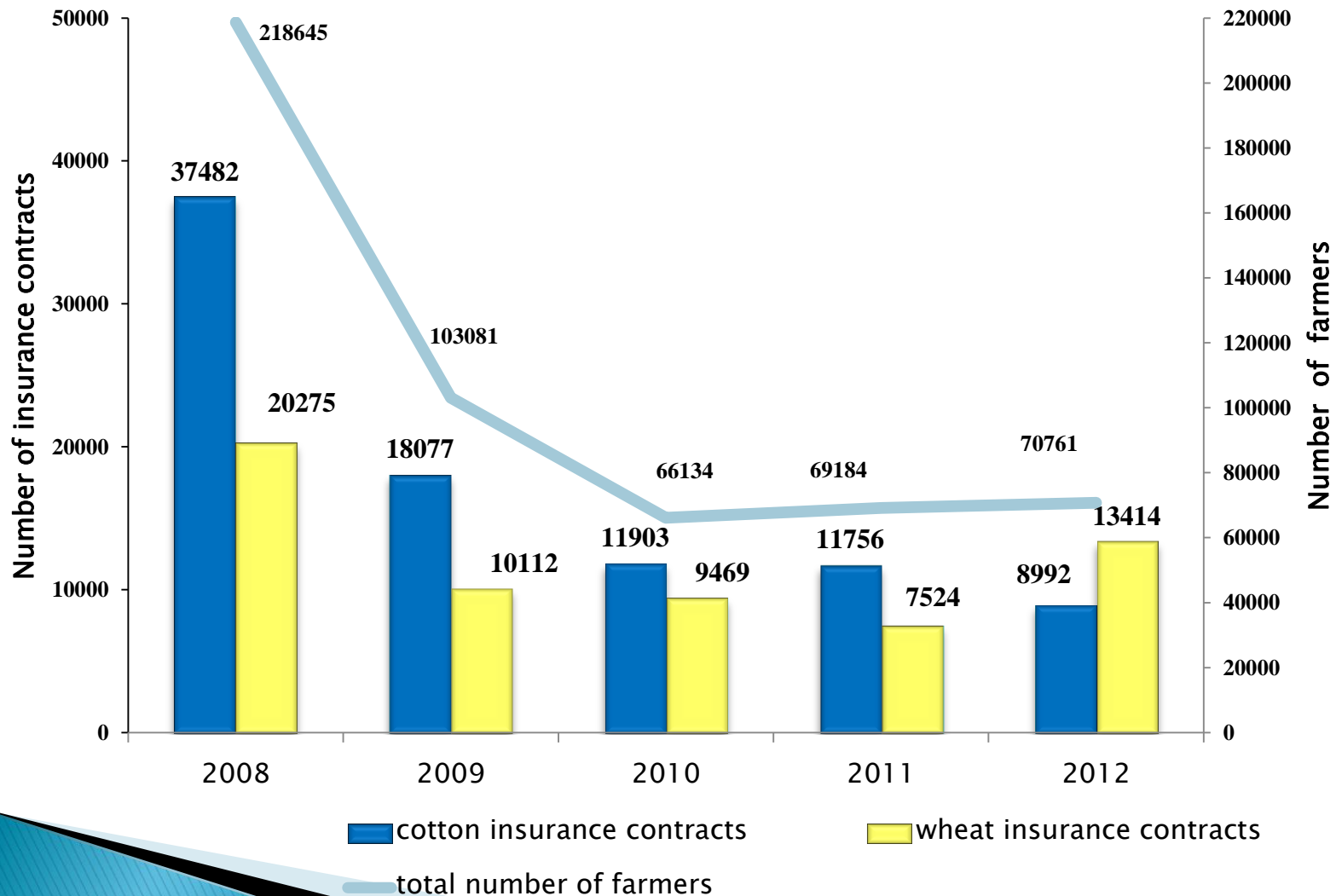
#	Periods	1997 y	1998 y	1999 y	2000 y	2001 y
	Indicators					
1	Volume of insurance indemnities for crop insurance (mln. UZ. sum)	196,1	996,9	1180,4	2458,6	2859,8
2	Budget assignments for replenishment of crop insurance reserves (mln. UZ. sum)	-	350,0	350,0	313,5	1497,2
3	Share of budget assignments in indemnities for crop insurance (%)	-	35,1	29,7	12,8	52,4

➤ However, since 2002 replenishment of insurance reserves of SJIC “Uzagrosugurta” happens without attraction of budgetary assignments and only at the expense of profit of the company.

Dinamics of Agroinsurance market development in Uzbekistan

Market Indicators	2003	2004	2005	2006	2007	2008*	2009**	2010	2011	2012
Volume of insurance premiums under the agroinsurance contracts (mln. sum)	2904,7	3187,4	3419,3	3857,6	5374,8	7274	6754,6	5640	6405,4	8840,8
Share of agroinsurance premiums in total premiums collected in the market, %	10,7	9,7	8	7,8	7,3	8,3	4,6	3,2	2,9	3,1
Volume of insurance liabilities under the agroinsurance contracts (mln. sum)	296900	354779	188470	226047	329331	290200	256400	291300	455600	628300
Share of liabilities under agroinsurance contracts in total liabilities accepted by insurers in the market, %	6,4	1,9	1	1	1,1	0,8	0,5	0,4	0,5	0,6
Volume of indemnities under the agroinsurance contracts (mln. sum)	629,9	1022,3	762,5	1433	1980,2	2740	3217	1898	1846	2948
Share of indemnities paid under agroinsurance contracts in total indemnities, %	23,1	24,8	15,9	20,7	22,7	17,7	15,5	6,9	4,1	6,4
Loss ratio under agroinsurance contracts, %	21,7	32,1	22,3	37,1	36,8	37,7	47,6	33,7	28,8	33,3

Dinamics of crop insurance coverage among farmers during 2008–2012 years



Allocation of cotton acreage and insured area accross regions

- ▶ Cotton is an important crop in Uzbekistan
- ▶ 26–47.4 % of arable land in regions is allocated to cotton
- ▶ Extreme differences in demand for insurance among regions
- ▶ Insurance coverage level for cotton cultivating areas varies from just about 3 to 60 % depending on the region

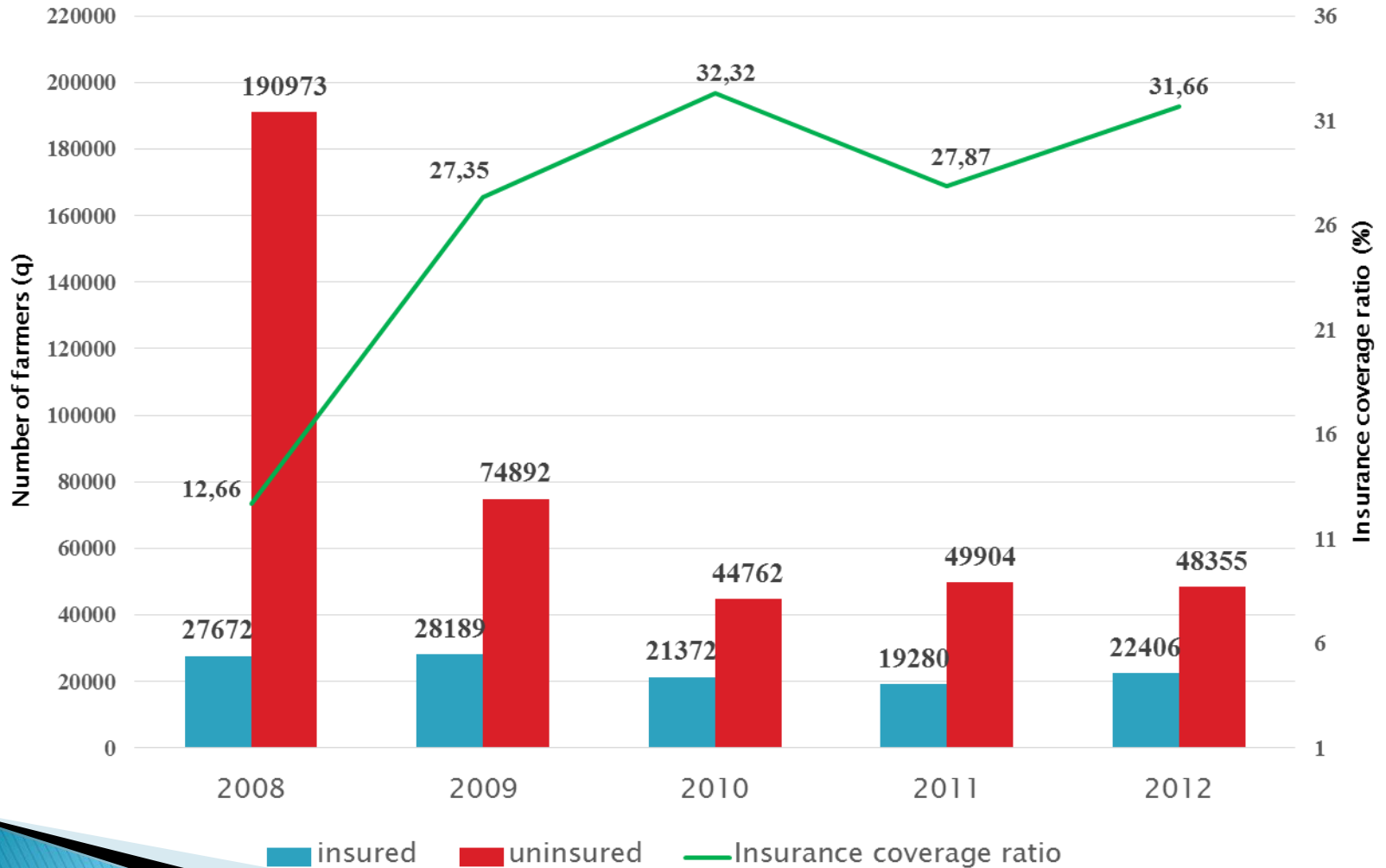


Share of wheat in crop portfolio and insured percentage

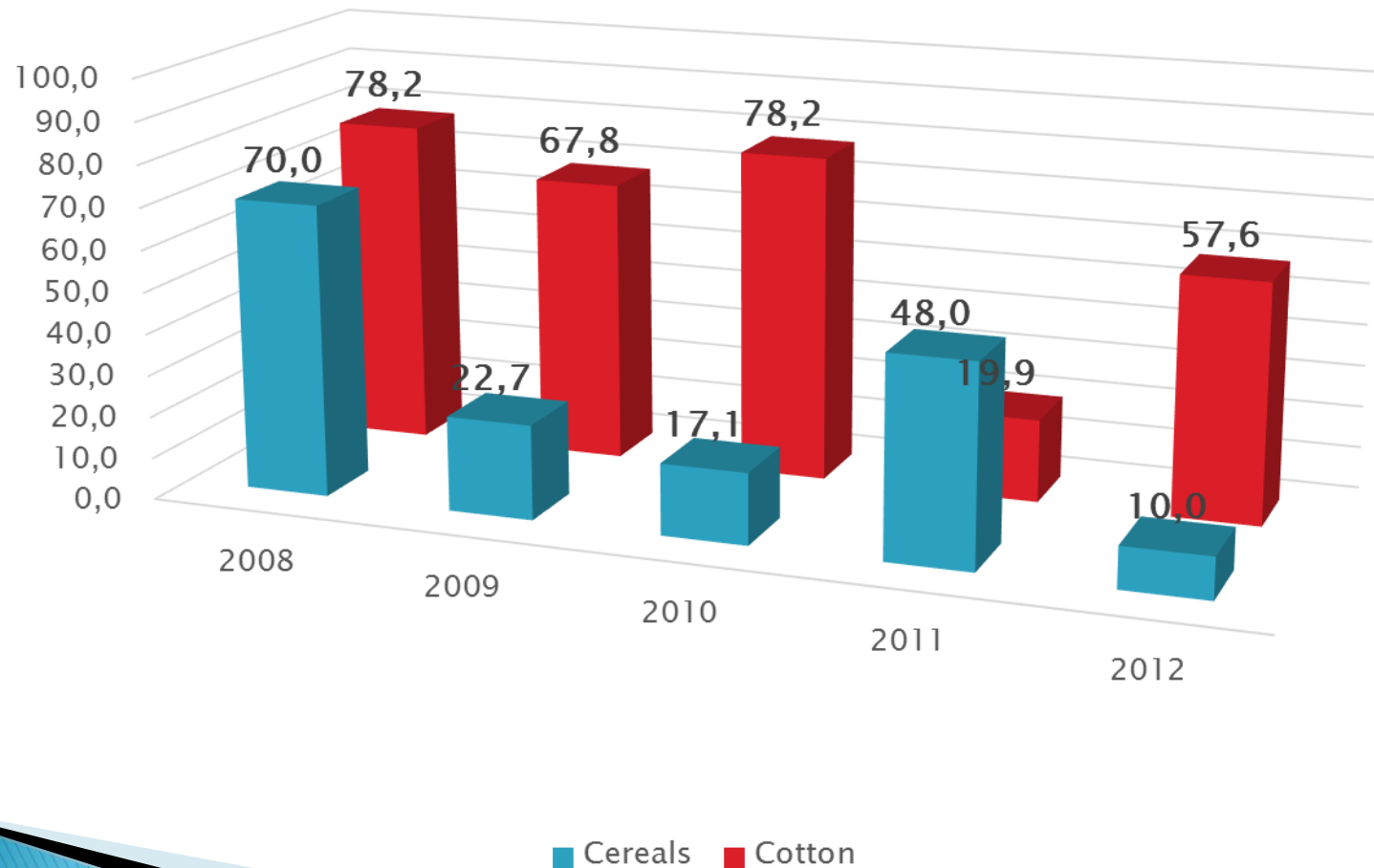
- ▶ Wheat is an important crop for grain self sufficiency
- ▶ 31–53 % of arable land is allocated to wheat among regions
- ▶ High differences in demand for insurance between the regions also in case of wheat insurance
- ▶ Insured wheat areas ranges between 2–37 % depending on the region



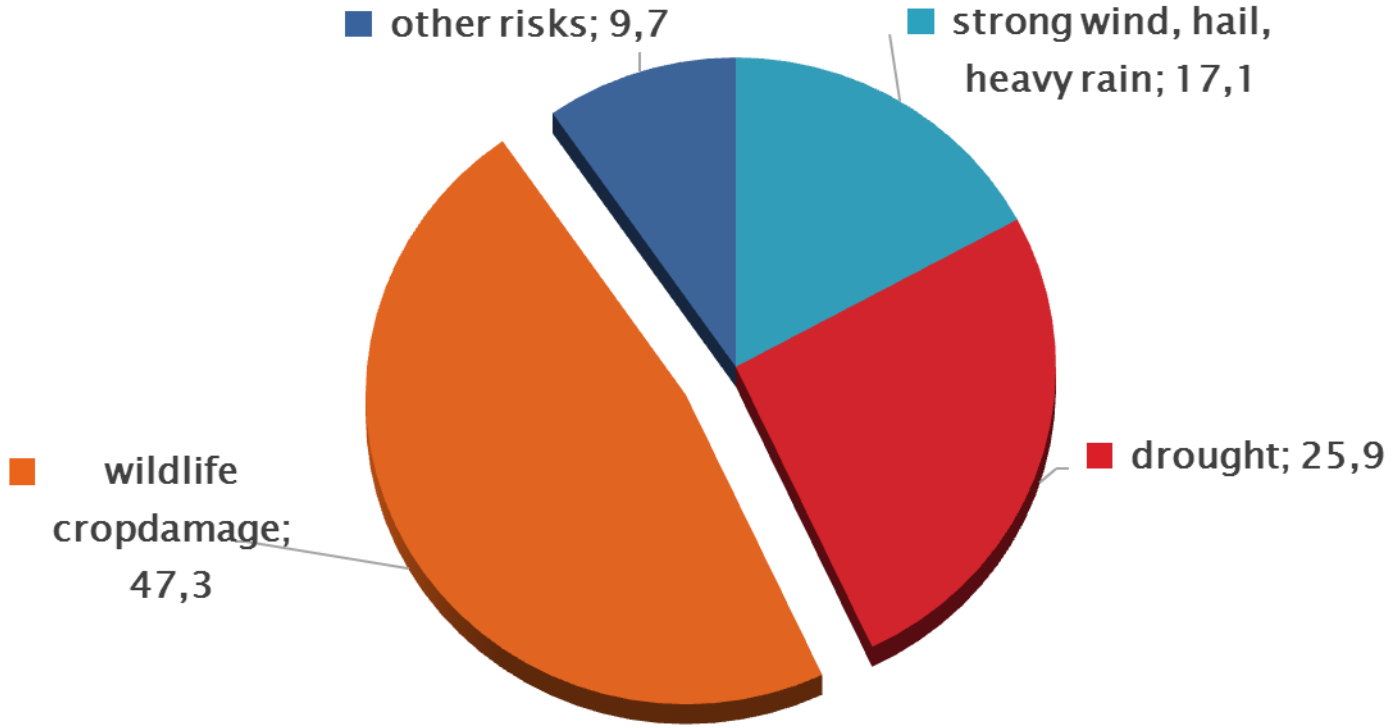
Crop insurance coverage ratio of farmers during 2008-2012 years



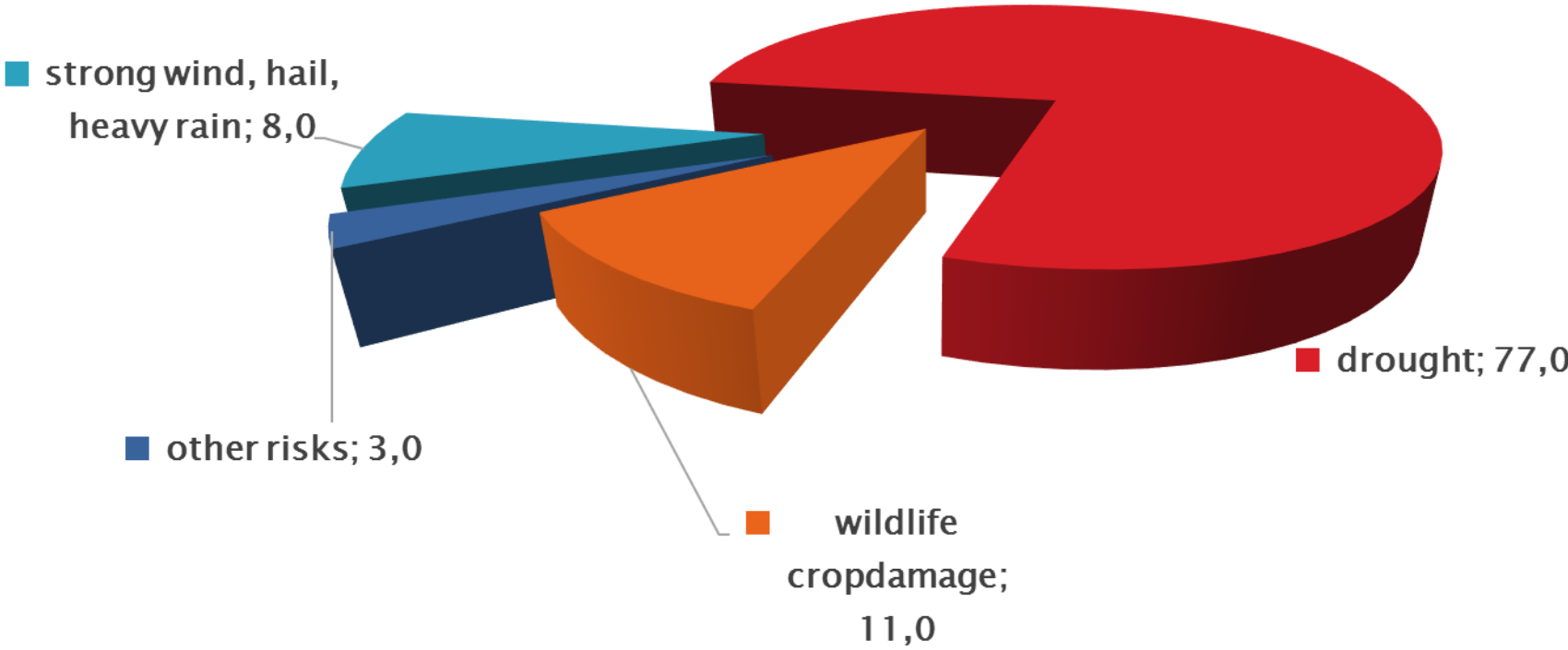
Crop insurance loss ratio for the period of 2008–2012



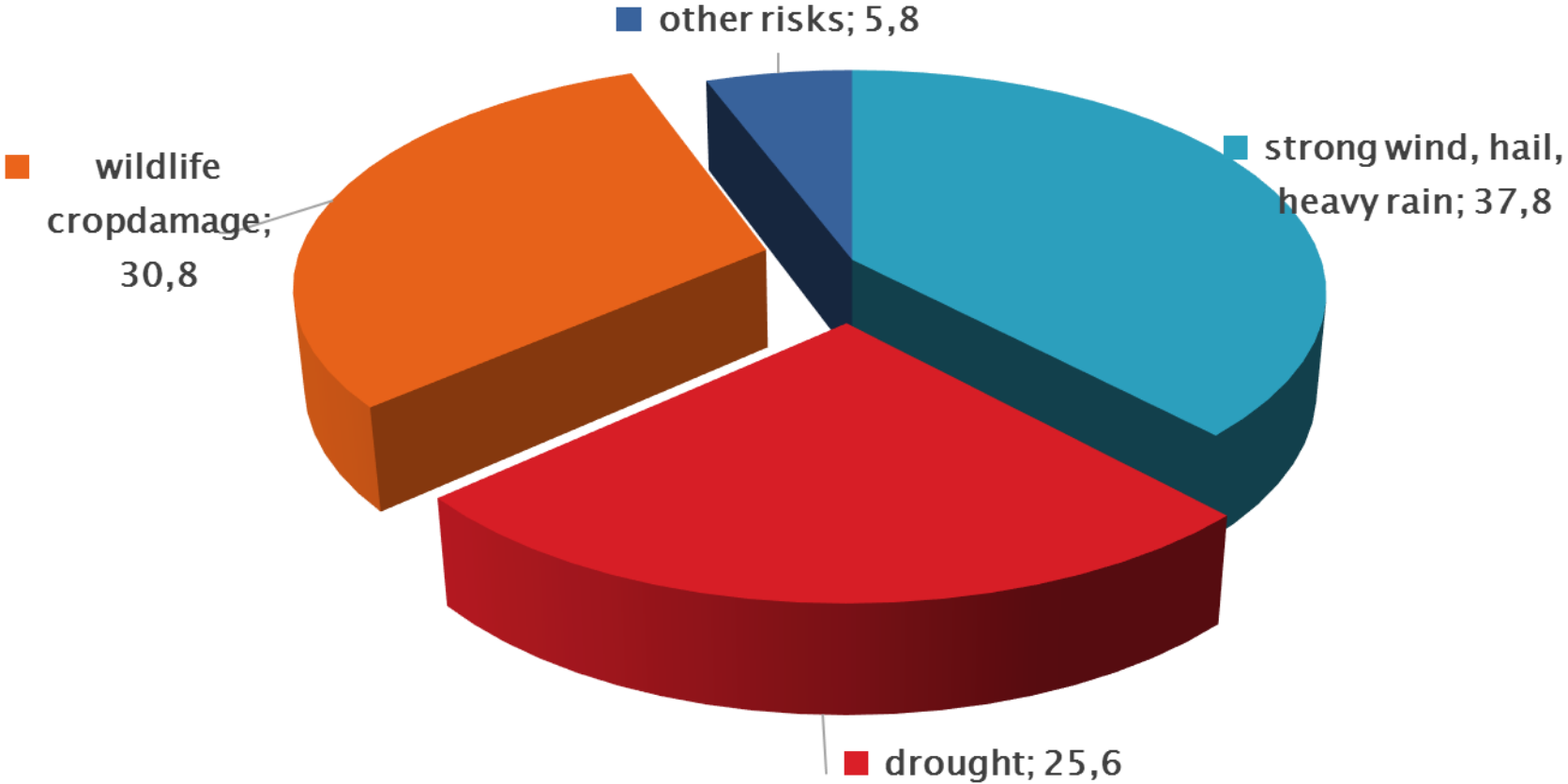
Main factors causing insurance events in 2009



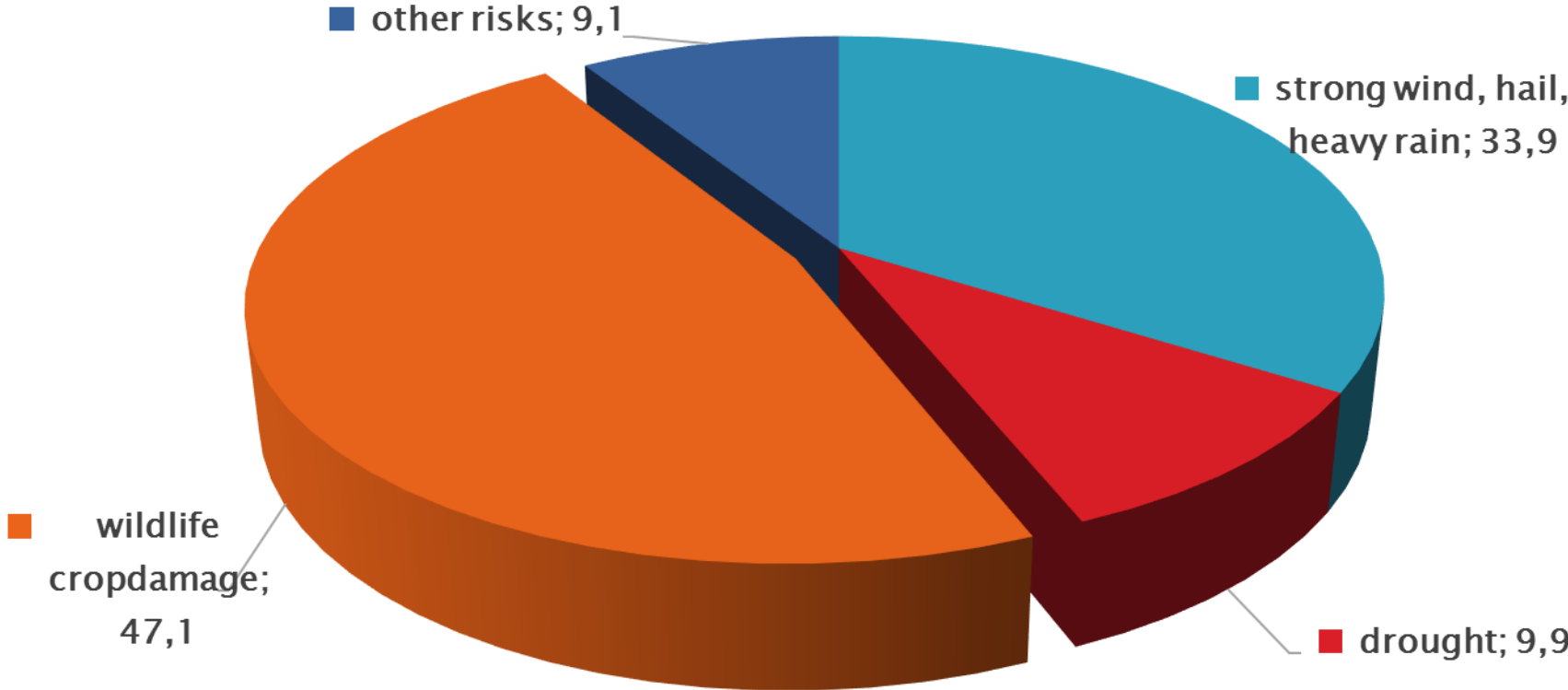
Main factors causing insurance events in 2010



Main factors causing insurance events in 2011



Main factors causing insurance events in 2012



The impact of insurance price on demand



▶ Very large differences in premium rates between the regions

▶ Price of the product may have significant impact on demand for insurance

▶ However, there are also other factors which affect on demand



▶ Indemnity payments and credit markets and other factors also play significant role

Future prospects of crop insurance in Uzbekistan.

- ▶ **The crop insurance market should continue to grow** *as a response to increasing commercialization of agro production;*
- ▶ **The market concentration ratio will decrease** (*introduction of modern, sophisticated risk assessment techniques, easing access to the market*);
- ▶ **Insurance premium rates should go down** (*competition, costs effective methods of rendering services, etc*);
- ▶ **Farmers should have individual insurance premium rates** (*farmers passports*);

THANK YOU

FOR

ATTENTION!

