



Annual Report 2020

**100  
years**

**of agricultural  
insurance in Russia**

**AGRICULTURAL  
INSURANCE:  
FROM RECOVERY  
TO DEVELOPMENT**





***Ladies and gentlemen! Dear Colleagues!***

*I am presenting to you the results of the work of the National Association of Agriculture Insurers in 2020. First of all, I would like to express my gratitude to everyone who participated in the development of the agricultural insurance system in this particular year: both the participants of the agricultural insurance system and everyone who took measures to support and improve it.*

*2020 will be remembered for several events that took place in Russian agricultural insurance. First of all, the nature of the market development dynamics and the results achieved have confirmed that agricultural insurance has not only recovered from the recession, which was caused by the period of the so-called "single subsidy", but also maintains an impulse for further growth. Positive dynamics in both premiums and coverage was observed in 2020 in all subsegments of agricultural risk insurance. At the end of the year, according to the NAAI and the Bank of Russia, this area became the fastest-growing among all types and subtypes of insurance in Russia: an increase of 1.4 times compared to +4% for the insurance market as a whole.*

*In 2020, it was agricultural insurance that bore the main burden of compensating farmers for damages caused by natural disasters. During 2020, the insured farms that were affected by the disasters received 3.1 billion rubles in insurance payments. Agricultural insurers were repeatedly acknowledged in the Stavropol Territory, where the agricultural insurance system with state support not only compensated for damages from drought and frost in the amount of more than 1.6 billion rubles, taking into account carry-over payments in the early 2021, but also transferred more than 500 million rubles to the farmers in advances during the September fall sowing.*

*The achieved growth was a direct result of the state's continued attention at the highest level to the work of the agricultural insurance system; on the Government's part: the Ministry of Agriculture of Russia, the Ministry of Finance and the Bank of Russia, the agrarian committees of both chambers of the Legislative Assembly and the regions' input, together with the growing interest in agricultural insurance coverage. However, the main component is the work of the insurance community, which is ready to actively develop the insurance of agricultural risks.*

*In 2020, the main vectors for the further expansion of the agricultural insurance system were laid: a draft law on insurance for the risk of emergency situations was introduced to the State Duma, the implementation of which should make the agricultural insurance system an integral part of the whole assistance mechanism to agrarians in emergency situations and agricultural risk management at the level of each constituent entity of the Russian Federation. This document is the result of many months of joint work of the Ministry of Agriculture and the agrarian committees of the Federation Council and the State Duma, the Ministry of Finance and the Bank of Russia, the NAAI and sectorial agrarian community. It creates the basis for both expanding crop insurance coverage and for the emergence of new diversified products and programs in the agricultural insurance system, considering regional specifics.*

*I am confident that through joint efforts and with the support of all participants, the NAAI, as a single union of agricultural insurers, we will be able to implement the tasks of developing agricultural insurance that correspond to the scale and challenges of modern agriculture in Russia!*

**Korney Datkovich Bizhdov**

**President of the National Association of Agriculture Insurers (NAAI)**



**ALEXEY  
MAYOROV**  
*Chairman of the  
Federation Council  
Committee on  
Agriculture and  
Food Policy and  
Environmental  
Management*

I greet you on behalf of the Federation Council Committee on Agriculture and Food Policy and Environmental Management!

In the context of climate change, as observed on the planet, protecting agriculture from natural risks is becoming a paramount task. In this regard, the formation of the domestic agricultural insurance system, which has already provided farmers in 2020 with insurance compensation for damages in the amount of 3.1 billion rubles, is in the focus of constant attention of the Federation Council Committee on Agriculture and Food Policy and Environmental Management.

In 2020, in connection with the need to analyze the work of the agricultural insurance system and prepare proposals for its further development, the Agriculture Committee of the Federation Council, together with the NAAI, with the participation of the Ministry of Agriculture and the Bank of Russia, conducted a large-scale monitoring of agricultural insurance in all federal districts of the Russian Federation. From September to December, 8 meetings were held, which covered all agrarian regions of all 8 federal districts and brought together more than a thousand specialists from the agrarian and insurance community, including agriculture management bodies of the constituent entities of the Russian Federation.

These meetings showed a high interest of the agricultural community and regional authorities



**ALEXEY  
LAVRINENKO**  
*Deputy Chairman  
of the State Duma  
Committee on  
Agrarian Issues*

Dear Colleagues!

In 2020, Russian agricultural producers ensured an increase in agricultural crop and livestock production, despite the difficulties associated with the pandemic and unfavorable weather conditions.

Taking into account the climatic characteristics of agriculture in the Russian Federation, the issue of crop and livestock insurance protection is of fundamental importance. It is important to create conditions for agricultural insurance with state support not only for large agricultural enterprises, but also for small- and medium-sized farms.

In this regard, the State Duma Committee on Agrarian Issues in 2020 came up with a legislative initiative to amend Law No. 260-FZ «On State Support in the Field of Agricultural Insurance...» to organize insurance for the risk of crop loss from natural emergencies.

in the organization of insurance coverage and at the same time revealed a number of restrictions that impede the development of a widespread use of crop insurance. To eliminate that, a draft of amendments to the current Federal Law No. 260-FZ «On state support in the field of agricultural insurance...» was prepared and submitted for consideration in 2020. The draft of the new law provides for the integration of the agricultural insurance mechanism into the national system of protecting agricultural production in the event of natural emergencies and creates the basis for diversifying the conditions of agricultural insurance, considering the specifics of certain areas of production and agro-climatic zoning of the territory of the Russian Federation. The Committee expects that the updated legal framework will allow the introduction of insurance instruments into the daily practice of intensive horticulture, which suffered significant losses in 2020.

The priority tasks for today are the simplification of insurance conditions for farmers, both in terms of concluding contracts and receiving insurance payments, increasing the availability of insurance coverage and expanding insurance coverage. I hope that the joint efforts of legislators and the insurance community will lead to fruitful results and the agricultural insurance system will increase its importance in the agricultural sector in the coming years. I wish all participants of agricultural insurance success in this work!

The changes, which will enter into force in 2021, provide for an increase in the level of state subsidies for the costs of small- and medium-sized farms up to 80% of the insurance premium, the creation of a mechanism for including additional insurance programs in the agricultural insurance system that meet the needs of individual agrarian sectors, as well as the introduction of innovations.

I am confident that the joint efforts of federal and regional government bodies, legislators and the insurance community aimed at organizing an expanded agricultural insurance system with the inclusion of the risk of emergencies will effectively protect farmers from financial losses due to natural disasters.

I wish all participants in agricultural insurance worthy success in the implementation of the important task - the protection of domestic agricultural producers!



**ELENA FASTOVA**  
*Deputy Minister  
of Agriculture  
of the Russian  
Federation*

Dear Colleagues!

On behalf of the Ministry of Agriculture of the Russian Federation and on my own behalf, I greet the participants of the agricultural insurance market and want to express my gratitude for the interest shown in this system.

2020, amid the pandemic, turned out to be a difficult year for all industries. However, the agricultural insurance mechanism has shown significant success in its development.

With the active participation of the Ministry of Agriculture of Russia, work was carried out to improve legislation in the field of agricultural insurance by expanding the line of insurance products in 2020.

Based on the results of the work carried out, a corresponding draft law was developed, the main task of which is to provide agrarians with state support in insuring the risks of loss of agricultural crops, including perennial plantings, as a result of a natural emergency.

Thus, within the framework of the current Federal Law, it is planned to create a two-tier insurance system with state support for agricultural crops.

Dear Colleagues!

Agriculture is one of the most important sectors of the domestic economy. In 2020, despite the pandemic and difficult natural conditions, Russian agrarians retained their leading positions in the world market, having managed to ensure the country's food security.

State support plays a significant role in achieving the results of agriculture. So, in 2020, budget funds in the amount of over 271 billion rubles were allocated for the implementation of the State Program for the Development of Agriculture. State investments in ensuring the stability and growth of agricultural production are, at the same time, a guarantee of attracting investments to the agricultural sector. Agricultural insurance provides financial protection against risks associated with natural disasters and hazards, fires and diseases of crops and animals.

Since 2016, a system of state-supported agricultural insurance has been operating in Russia, based on uniform rules and standards. After the modernization of the legislative and regulatory framework for agricultural insurance in 2018-2019, which became the basis for a five-

fold increase from 2018 to 2020 in crop insurance coverage, the question was raised regarding the further increase of the insurance instruments availability and expanding their use in the segment of small- and medium-sized farms. With the active participation of the Ministry of Finance of Russia, in 2020, a project was prepared and submitted to parliament for the further change in the mechanism of insurance protection against agricultural risks through the introduction of natural-emergencies-risk insurance. The bill is aimed primarily at supporting small agricultural businesses; it is envisaged to increase the level of state subsidies for agricultural enterprises' expenses up to 80% of the insurance premium for emergency risks insurance. The planned changes should simplify the practice of obtaining insurance compensation and increase the demand for insurance among agricultural producers working in regions with a high level of natural disaster risks.

I want to note that the draft law has already been adopted in the third reading by the State Duma (on May 19, 2021), and we, of course, hope for the early adoption of such significant changes that will reduce the financial burden on farmers and protect their property interests as much as possible.

Colleagues!

The Ministry of Agriculture of Russia is always open to constructive dialogue and proposals from the professional community. Only in partnership will we be able to achieve new results in the development of a modern agricultural insurance system in Russia.

I wish you all fruitful work.

I wish all participants of the agricultural insurance market well-being and successful work for the good of Russia!



**IVAN CHEBESKOV**  
*Director of the  
Financial Policy  
Department of the  
Ministry of Finance  
of the Russian  
Federation*



**IGOR YURGENS**  
*President of the  
All-Russian Insurance  
Association*

Dear Colleagues!

On behalf of the All-Russian Insurance Association and on my own behalf, I greet all participants of the agricultural insurance market!

In the challenging year of 2020, agricultural insurance has become one of the areas that allowed the insurance community to remain energized and optimistic; it remained one of the fastest-growing segments of the insurance market, showing an increase in premiums of 43%, and in the subsidized insurance segment by 1.5-fold.

This confirms that the agricultural industry has not only positively perceived the restoration of state support for insurance and more-flexible conditions offered to farmers since 2019, but also continues to experience a growing interest in the use of insurance coverage. In turn, the agricultural insurance system demonstrates an effective response to this request, which is primarily expressed in insurance payouts.

In particular, in 2020, the NAAI ensured the consolidated interaction of market participants and governing agricultural bodies of the Stavropol Territory in the active involvement of the insurance protection system in compensating for damages to farmers in the region, caused by a large-scale emergency: a catastrophic loss of crops as a result of drought in combination

with spring frosts. This experience, which was expressed in the accelerated implementation of insurance payouts and compensation of 1.6 billion rubles to the farmers of the region, became the key to expanding the agricultural insurance system at the level of not only the region, but the entire country.

In 2020, the joint efforts of agricultural insurers, legislators, the Ministry of Agriculture of the Russian Federation, the Bank of Russia, and the Ministry of Finance of the Russian Federation launched a new legislative initiative: the integration of the state-supported agricultural insurance system with the assistance system to the agricultural sector in the event of a natural emergency. The development of this project is of interest to the entire insurance community, as is the active work of NAAI in the field of technological and digital innovations.

I would like to note the close interaction and coordination of NAAI work with ARIA, which is of key importance both when working on strategic issues and in solving a number of important professional tasks of the NAAI. I am sure that mutual support and long-term close relations of our organizations will remain the key to fruitful cooperation of all joint projects in the development of the insurance market. I wish the NAAI and all agricultural insurers successful business!



**YURI KOVALEV**  
*General Director  
of the National Union  
of Swine Breeders*

Dear Colleagues!

On behalf of the National Union of Swine Breeders and on my own behalf, I greet all participants of the agricultural risk insurance market!

In 2020, the livestock industry was distinguished by positive production dynamics; the volume of Russian pork exports continued to grow. At the same time, the industry was significantly exposed to the risks associated with epizootics. One of the main ways to avoid financial losses for agricultural producers is the insurance protection system. Cooperating with the NAAI since 2013, the Union receives reliable support from the NAAI experts on the methodology of insurance for swine-breeding risks.

In 2020, a record share of the swine population (10.8 million pigs, or 48% of the total industrial population) was provided with state-supported insurance coverage. This is a direct result of the work done by the agricultural insurance system and the NAAI directly, as well as of the agrarians' interest in receiving protection in the event of livestock death, primarily in case of the African swine fever. Outbreaks of this disease have been recorded in more than 30 Russian regions.

Since 2013, the Union has been productively cooperating with the NAAI on the development of a methodology for insuring risks in swine breeding, and this cooperation will continue. I wish all participants of the agricultural insurance system productive and efficient work!



**VLADIMIR  
SITNIKOV**  
*Minister of  
Agriculture of the  
Stavropol Territory*

Dear Colleagues!  
Natural disasters, the frequency of which is increasing every year, cause serious damage to the cultivated areas not only in the risky farming zone, but also in the south of the country.

Protecting against these risks in the Stavropol Territory, one of the largest agricultural regions in Russia, is a task of national importance. In 2020, the region suffered from a number of weather and climatic anomalies: warm winter, spring frosts and summer droughts that led to the loss of a significant part of the crops. In this regard, I would like to note the high efficiency of the agricultural insurance system in eliminating the consequences of this emergency and the important role played by the NAAI in organizing the interaction of insurance organizations, agrarians of the region and the Ministry of Agriculture of the Stavropol Territory to organize the insurance claims payments to affected farmers in an accelerated advance procedure.

Thanks to this interaction, the insured farms received funds for the autumn sowing campaign, while, in general, the farmers of the region received compensation for damages in the amount of 1.6 billion rubles for the lost crops, which allowed the farms to maintain financial stability and continue working.

The successful interaction of farmers and insurers formed the basis for decisions to expand support for crop insurance in the Stavropol Territory in 2021. In addition, we plan to pay special attention to the development of insurance for gardens, in which the farms of our region are showing interest. Measures taken at the federal level to widely involve small- and medium-sized farms in the agricultural insurance system will also strengthen the economic stability of Russian agricultural enterprises and the agricultural sector as a whole. I wish all participants of the agricultural insurance market well-being and successful work for the good of Russia!



**YULIA  
SHCHEDRINA**  
*Deputy Governor of the  
Belgorod Region;  
Head of the  
Department of  
Agriculture and  
Environmental  
Reproduction  
of the Region*

Dear Colleagues!  
The Government of the Belgorod Region which is a leader of the country's agricultural production, in spite of its natural and climatic conditions characterized by a lack of moisture, as well as having the largest livestock and poultry population in the country, is doing everything possible so that the region's farmers use the most important tool to reduce the risks of agricultural production as widely as possible: agricultural insurance.

The NAAI and the Department of Agriculture and Environmental Reproduction of the region regularly hold joint events to popularize the insurance mechanism with state support.

Thanks to purposeful joint work and constant information exchange organized by the Union "Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers", in recent years, there has been an increase in the interest of Belgorod agricultural producers in agricultural insurance.

So, in 2020, more than 91 million rubles of budget funds were allocated to support agricultural insurance in the region, including 72 million rubles from the federal budget.

In total, in 2020, 44 insurance contracts were accepted for subsidizing in our region, which is 37% more than in 2019.

The animal insurance plan was almost 4 times over-subscribed. The effectiveness indicator of

the use of subsidies in the field of livestock was 35.62% against the plan of 9.2%.

In total, 24 livestock insurance contracts have been concluded in the region, according to which 886,630 conventional head of animals were insured. At the same time, 82.0 million rubles of subsidies were paid, including funds from the federal budget: 64.8 million rubles and regional budget funds: 17.2 million rubles.

In 2020, we made significant progress in crop insurance: 20 contracts were concluded, 33,990 hectares were insured. Subsidies under crop insurance contracts were paid in the amount of 9.9 million rubles, including funds from the federal budget: 7.8 million rubles and regional budget funds: 2.1 million rubles.

We are not going to reduce the rate of agricultural insurance in 2021.

We plan to allocate funds in the amount of 173.8 million rubles to support it in 2021, including funds from the federal budget: 137.0 million rubles and regional budget funds: 36.8 million rubles.

The active position of the NAAI in supporting the development of insurance in specific regions plays a positive role in the implementation of our plans. The changes that the Union is making to its activities will strengthen and further increase the interest of enterprises in the insurance mechanism.



**ALEXEY KOBYLIN**  
*Minister of  
Agriculture  
of the Chelyabinsk  
Region*

Dear Colleagues!

I am glad to welcome the participants of the agricultural insurance market!

The Chelyabinsk Region today is an industrial and agricultural region leading in the domestic production of poultry products, pork and products based on grain processing. The powerful processing industry makes it possible to actively develop agricultural exports, in terms of which the region is the leader in the Ural Federal District.

The Chelyabinsk Region on an ongoing basis allocates funds to co-finance federal subsidies for agricultural insurance: today this is the main financial protection for farmers in the event of dangerous natural events. In 2020, 45.2 million rubles were allocated to this area.

The mechanism of state-supported agricultural insurance in the Chelyabinsk Region

works very effectively in animal husbandry: the level of insurance coverage of the industry is 68%; this is the second largest indicator in the Russian Federation. Now we are setting the task of expanding crop insurance coverage. This issue has acquired particular relevance in connection with the severe drought that occurred in the region in 2020, resulting in farmers' severe losses from shortages or complete destruction of crops.

I am grateful to the NAAI for their constructive cooperation with the Chelyabinsk Region, and for organizing meetings and conferences at which the South Ural farmers had the opportunity to learn firsthand about the changes and prospects in the agricultural insurance market.

I wish all the participants of the agricultural insurance market further fruitful work, leading to effective solutions that contribute to strengthening the country's agriculture!



**LIDIA BAKUMENKO**  
*Head of the  
Agriculture  
Department  
of the Tambov  
Region*

For all citizens of our country and the entire planet, 2020 is associated with the coronavirus epidemic. The pandemic has imposed serious adjustments to the lives of people and has become a strong test for both the population and the country's economy.

During the epidemic, agriculture of the Tambov Region demonstrated a steady growth in dynamics. The regional agricultural production index in 2020 reached the level of 109.9% (at the level of 2019) in comparable prices, which significantly exceeds the national level and the level for the Central Federal District (RF - 101.5%; Central Federal District - 103.7%). In 2020, a record cereals crop harvest was collected in the region: 4.9 million tonnes after processing, which is 44.2% more than in 2019.

As the head of the administration of the Tambov Region, Alexander Nikitin, noted, agriculture is the locomotive of the region's development. At the same time, the sphere of agricultural production is quite vulnerable and for stable development it is necessary to take into account various risks. Agriculture needs a guarantee system for agricultural producers, one of which is state-supported agricultural insurance.

For several years, we have seen an increase in the interest of the region's farmers in subsidized insurance. In 2020, Tambov agrarians insured more than 400,000 hectares

of sown area and more than 15 million head of poultry and swine.

According to the NAAI, the Tambov Region, at the end of 2020, took 2nd place among the regions of the Central Federal District and 4th place in the country in terms of the insurance coverage of sown areas. The crop insurance coverage of the region was 22%, which is 3 times the general indicator for the Russian Federation. The region also took 4th place in insuring winter crops for the harvest of 2021.

In livestock insurance, the Tambov Region is one of the leaders among the regions of the Russian Federation in terms of livestock insurance coverage (96%) and took 2nd place in terms of the amount of poultry insured and 1st place in terms of poultry insurance coverage (100%).

During 2020, the Department of Agriculture of the Region repeatedly and fruitfully cooperated with the NAAI. Together with the NAAI, training and consulting webinars were held, at which problematic issues for farmers, ways of solving them and proposals for improving the agricultural insurance mechanism were discussed.

I wish all participants of agricultural insurance high results, prosperity and successful work for the benefit of our country!

# 1. MAIN EVENTS AND TRENDS



**NAAI**  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS



# 1.1 AGRICULTURAL INSURANCE IN 2020: FROM RECOVERY TO DEVELOPMENT

AGRICULTURAL INSURANCE PROTECTION SYSTEM RETAINED ITS  
IMPULSE TO GROWTH AFTER ITS RESTORATION.



«  
IN THE PURPOSE OF  
PROTECTING THE FINANCIAL  
INTERESTS OF AGRICULTURAL  
PRODUCERS, WE ARE DEVELOPING  
MECHANISMS OF AGRICULTURAL  
INSURANCE» - MINISTER OF  
AGRICULTURE OF THE RUSSIAN  
FEDERATION, DMITRY PATRUSHEV, AT  
THE SESSION OF THE GOVERNMENT OF  
THE RUSSIAN FEDERATION,  
MARCH 03, 2020.

In 2020, the agricultural insurance system in Russia passed three significant milestones, which indicate that new trends will determine the processes in this market in the near-medium term.

**1. One of the main results of the year was the confirmation of a significant growth trend,** which was recorded earlier in 2019 as a result of changes in legislation and organizational measures taken by the Ministry of Agriculture, the Ministry of Finance, the Bank of Russia and the NAAI to restore and develop a unified system of subsidized agricultural insurance after a period of recession caused by the «single subsidy» procedure in 2017-2018.

In 2020, these measures were continued and expanded. Agricultural insurance was included in the list of issues to which attention was paid on an ongoing basis at the highest state level when considering organization of seasonal field work. In particular, the Government of Russia, following a meeting on March 5, at which Chairman of the Government of the Russian Federation, Mikhail Mishustin, emphasized the need for the development

of agricultural insurance, recommended that the regional agricultural bodies should pay attention to the organization of spring sowing in March 2020. The Ministry of Agriculture of Russia continued to supervise the process of organizing agricultural insurance in the regions on an ongoing basis, which ensured the stability of the subsidizing process.

At the end of the year, an unprecedented assessment of the state of agricultural insurance in each of the 8 federal districts of Russia was carried out by the Committee on Agriculture and Food Policy and Environmental Management of the Federation Council in the framework of joint seminars with the NAAI, with participation of about 1,000 representatives from agricultural governing bodies, agrarians, as well as federal structures of executive power: the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia.

As a result, in 2020 the agricultural risk insurance market showed an increase in accrued insurance premiums by 43% - up to 8.1 billion rubles - while the segment of subsidized agricultural insurance, which accounts for 6.7 billion rubles of this volume, grew by almost 54%, becoming an absolute yearly record among all types and areas of insurance in the Russian Federation, separately taken into account by the Central Bank. Thus, the dynamics of agricultural insurance development was 10 times faster than the growth of the Russian insurance market as a whole (+ 4% in 2020).

For comparison, a year earlier, in 2019, the volume of the Russian agricultural insurance market, which includes all subsidized and non-subsidized segments, grew by 51%. Thus, we can say that the trend of pronounced growth in agricultural insurance has been recorded for two

consecutive years. At the same time, if, in 2019, due to the expansion of farmers' access to state support, there was a significant flow of insurance premiums from the non-subsidized segment to the subsidized one, then, in 2020, this process stopped, the agricultural insurance segment without state support also showed positive dynamics, having increased by 5%.

The upward trend in insurance premiums, number of contracts and insurance coverage of agricultural assets was noted in 2020 in all areas of insurance and in the overwhelming majority of regions. The agricultural insurance market has grown in all federal districts, except for Privolzhsky, which has demonstrated stability of indicators. At the same time, in each of the districts, only a few separate regions remained outside the agricultural insurance system: the geography of insurance with state support in 2020 expanded and covered 76 constituent entities of the Russian Federation, which indicates that the agricultural insurance system has reached a full-scale federal level. The NAAI noted the activity in agricultural insurance of the all insurance companies of the Union, without exception, each of which has increased its portfolio in this segment.



**IN ORDER TO REDUCE THE RISKS OF LOSSES FOR AGRICULTURAL PRODUCERS, WE WILL FURTHER DEVELOP AGRICULTURAL INSURANCE, THE FUNDS FOR WHICH ARE PROVIDED IN THE BUDGET», – CHAIRMAN OF THE GOVERNMENT OF THE RUSSIAN FEDERATION, MIKHAIL MISHUSTIN, MARCH 03, 2020.**

An additional trend in 2020 was the increased interest of agricultural producers in insurance of narrow-industry areas. In 2020, the first insurance contracts for fish in fish farms were concluded with state support, in accordance with the

At a meeting of the President of the Russian Federation, Vladimir Putin, with members of the Government of the Russian Federation on March 17, 2020, the Minister of Agriculture of the Russian Federation, Dmitry Patrushev, reported that development of agricultural insurance remains among the priorities of the Russian Ministry of Agriculture.

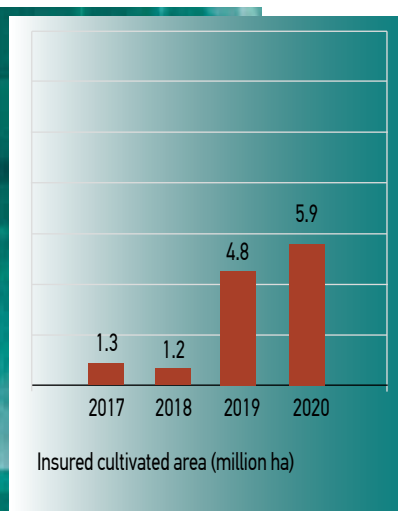


### Expansion of insurance coverage for livestock (state-supported policies)



Source: NAAI

### Restoring the insurance coverage for crop production on the terms of state support



Source: NAAI



Deputy Minister of Agriculture of the Russian Federation, Elena Fastova, oversees measures to restore and develop the insurance coverage of agriculture.

changes in the legislative and regulatory framework that entered into force in 2019 and 2020. Also, the catastrophic destruction of gardens in the South of Russia stimulated interest in planting insurance and gave impetus to active joint work of the NAAI and horticultural industry organizations under the auspices of the Ministry of Agriculture of Russia to develop insurance conditions with state support, adapted to the processes of intensive horticulture.

Another significant result of insurance development was the achievement of insurance coverage for the swine and poultry subsectors, respectively, at the level of 48% and 38% of industrial livestock. Thus, 7 years after the introduction of state support insurance for agricultural animals, in the sub-sectors with the highest risk of livestock death, insurance coverage at the level of best world practices has already been ensured.

#### **2. In 2020, the liability of the agricultural insurance system to ensure the financial stability of farms in the event of natural losses has significantly increased.**

In 2020, it was the insurance system that bore the main burden at the federal level to compensate farmers for losses incurred as a result of extreme dangerous events. The amount of insurance payments made by agricultural insurers to agrarians during 2020 reached 3.1 billion rubles and twice exceeded the

allocations from the federal budget and the Reserve Fund of the Government of the Russian Federation directed to the affected regions to assist farms. In particular, for the first time in Russian practice, a mechanism for coordinated settlement of losses and the massive implementation of advance insurance payments in the case of an unconditionally identified loss from emergencies was worked out during the working interaction of the regional Ministries of Agriculture (bodies of the subjects of the Russian Federation), the NAAI and insurance companies.

This procedure was applied first upon appeal by the Ministry of Agriculture of the Stavropol Territory to the NAAI in connection with the catastrophic loss of crops. As a result, as of September 30, the insured farms of the Stavropol Territory received the first 500 million rubles of insurance payments, which allowed them to consistently carry out sowing work. Taking into account the payments that are rolling over to the beginning of 2021, the total amount of insurance compensation to the agrarians of the Stavropol Territory for this event is at least 1.6 billion rubles.

In general, for insurance of the crops lost in 2020 by Russian farmers, more than 2.6 billion rubles of insurance payments were transferred to farmers within the framework of the agricultural insurance system with state support. This season in crop production was the first in which both winter and spring crops were insured

under updated, more flexible conditions, which came into force in 2019. At the same time, the level of payments in winter crop insurance exceeded 80% of the premiums, while loss ratio for spring crop insurance exceeded 60%, which corresponds to the indicators of world practice and at the same time requires increased attention of the NAAI to the issues of tariffication and reinsurance, as well as interaction with government agencies to prevent destabilizing processes.

**3. The third passed frontier of 2020 for the agricultural insurance system became the choice of its further development path.**

In November, a group of deputies and senators, headed by Deputy Prime Minister Alexey Gordeev and heads of the agrarian committees of the Federation Council and the State Duma of the Russian Federation, Alexey Mayorov and Vladimir Kashin, submitted a draft law to the State Duma, the concept of which has been developed since 2019 with the direct participation of the Ministry of Agriculture of Russia and the NAAI.

It provides an opportunity for agricultural producers to use, along with the already-existing, multi-risk

crop insurance program, another type of insurance: emergency risk insurance. This type of crop insurance should enable agricultural producers to provide insurance which covers the direct costs of the cultivation process for crops area affected by natural disasters. Subsidies increased to 80% of the cost of insurance policy, which, together with a general decrease in the prices, should make this insurance technically affordable and attractive for small agricultural producers. The mandatory interaction procedure of regional agrarian governing bodies and insurance organizations in the settlement of insured events established for by the new law, makes the agricultural insurance system a partner of the state in managing agribusiness risks in each constituent entity of the Russian Federation.

The main result that should be achieved in the medium term as a result of this measure is the expansion of crop insurance coverage from 7% of the cultivated area, in 2020, to the generally-accepted amount in world practice of 30-40% or more, which will make agricultural insurance the main mechanism for damage compensation in crop production and one of the main agricultural risk management tools.

Solving this problem, along with further diversification of insurance conditions, will require, among other things, the development of new technological solutions and digital platforms to ensure insurance processes and facilitate interaction between the farmer and the insurer. This will be the NAAI task for the next 3 years.

**NAAI President, Korney Bizhdov**

Chairman of the Federation Council Committee on Agriculture and Food Policy and Environmental Management, Alexey Mayorov (right), First Deputy Minister of Agriculture of the Russian Federation, Dzhabulat Khatuov (left), and NAAI President Korney Bizhdov open the first seminar on the development of agricultural insurance in federal districts of the Russian Federation, initiated by the Committee together with the NAAI.



**JANUARY-MARCH**

» January 01, 2020. The «Single Subsidy» procedure for agriculture was canceled: a new act for financing the State Program for Agriculture Development came into force, which provides for targeted subsidies to support agricultural insurance, which, for the first time, are calculated taking into account the practice of agricultural risk insurance of each region.

» January 11, 2020. Subsidized fish insurance for the first time became available to fish farms in all regions of Russia: the Agricultural Insurance Plan for 2020 entered into force, which expanded the support measures.



**«TO TAKE MEASURES AIMED AT PROVIDING AGRICULTURAL PRODUCERS WITH INSURANCE PROTECTION OF THEIR PROPERTY INTERESTS» – THE GOVERNMENT OF THE RUSSIAN FEDERATION RECOMMENDED TO THE EXECUTIVE AUTHORITIES OF THE RUSSIAN ENTITIES ON MARCH 05.**

» January 13, 2020. The NAAI and the Spanish agricultural insurance organization AGROSEGURO renewed their cooperation agreement concluded in 2016.

» February 25, 2020. President of the NAAI, Korney Bizhdov, took part in a meeting on the preparation of spring field agricultural work with the Deputy Prime Minister of the Russian Federation, Victoria Abramchenko, who is in charge of agrarian issues.

» March 03, 2020. At a meeting of the Government of Russia on sowing issues, Prime Minister Mikhail Mishustin noted the need to develop agricultural insurance. In accordance with the decision of the Government, the executive authorities of the constituent entities of the Russian Federation were advised «to take measures aimed at providing agricultural producers with insurance protection of their property interests.»

» March 17, 2020. The Minister of Agriculture of the Russian Federation, Dmitry Patrushev, reported to the President of Russia, Vladimir Putin, on the priorities in the development of agricultural insurance.

» March 23, 2020. The NAAI partially switched to work in remote mode due to anti-epidemic measures related to the spread of SARS-Cov-2. The Ministry of Agriculture officially supported the NAAI recommendations on electronic document exchange when concluding insurance contracts and the possibility of inspecting objects using satellite monitoring tools, and also recommended that agrarian regional state bodies introduce a procedure for accepting applications for subsidies in electronic form.

**APRIL-JUNE**

» April 20, 2020. At a meeting of the Departments of Economics of agrarian bodies with the participation of the NAAI, the regions of the Southern and North Caucasian Federal Districts reported on their fears associated with the forecast of significant losses in the yield of orchards as a result of a sharp cold snap and frost.

» April 23, 2020. First subsidized aquaculture insurance contracts concluded. In the Republic of Karelia, 831,000 fish of salmon species received insurance coverage.

» April 29, 2020. The NAAI turned to the Ministry of Agriculture of the Stavropol Territory with a request to notify farmers about the procedure for loss settlement in case of damages to insured winter crops and the need to insure spring crops.

» May 06, 2020. President of the NAAI, Korney Bizhdov, took part in the operational headquarters meeting for monitoring the situation with socially-significant agricultural products and food, which was chaired by the Minister of Agriculture of the Russian Federation,

Dmitry Patrushev. One topic was the possible measures to help farms that have suffered losses as a result of drought and spring frosts in the south regions.

» May 29, 2020. The largest garden insurance contract in Russia was signed in Kuban (JSC «Sad-Gigant»). The planting of apple trees, plums, peaches, pears and cherries on an area of 1.6 thousand hectares was insured; the total sum insured exceeded 1.5 billion rubles.



» June 01, 2020. The NAAI appealed to the Governor of the Krasnodar Territory, Veniamin Kondratyev, on providing assistance in emergency situation to local farmers, on conditions of insurance coverage expansion. With the support of the NAAI, a Resource Center for the Development of Agricultural Insurance was created on the basis of the Kuban Agrarian University.

» June 08, 2020. The report of the Bank of Russia, «The Impact of Climate Risks and the Sustainable Development of the Financial Sector of the Russian Federation», was published, which noted the innovative development of agricultural insurance and the positive role of the NAAI.

#### **JULY-SEPTEMBER**

» July 13, 2020. The NAAI President, Korney Bizhdov, took part in a meeting of the Standing Anti-Epizootic Commission of the Government of the Russian Federation under the leadership of Deputy Prime Minister Victoria Abramchenko. In swine and poultry farming in the Russian Federation, the insurance coverage has already reached indicators corresponding to developed world practice of over 40%, and 34% of the total industrial livestock, respectively.

» July 15, 2020. The Ministry of Agriculture of the Russian Federation hosted a working meeting between the President of the NAAI, Korney Bizhdov,

and the Deputy Minister of Agriculture of the Russian Federation, Elena Fastova, at which the preparation of amendments to the legislation on agricultural insurance and the organization of insurance for autumn sowing were discussed.

» July 15, 2020. The NAAI summarizes the results of spring sowing insurance: despite anti-coronavirus restrictions, the number of farms that insured crops increased by 71% compared to the same period in 2019; agricultural insurance contracts increased by 58% and the area insured by 25%.

» July 21, 2020. The NAAI President, Korney Bizhdov, took part in a meeting on harvesting, which was chaired by the Minister of Agriculture, Dmitry Patrushev. The head of the Ministry of Agriculture called agricultural insurance one of the important issues under the control of the ministry.

» July 21, 2020. The NAAI summed up the results of the first half of the year in agricultural insurance with state support: in the first 6 months of 2020, the volume of insurance premiums increased by 26% with a comparable increase in the insurance coverage of sown areas and livestock.

» September 02, 2020. After contacting the NAAI, the Ministry of Agriculture of the Stavropol Territory turned to the insurance companies of the union with a request to consider the possibility of making insurance payments in a preliminary manner to ensure financial stability of the affected farms before the autumn sowing campaign.

» September 08, 2020. In the Stavropol Territory, agrarians began to receive insurance payments on an expedited basis for the crop that failed from the drought. These upfront insurance payments allow farmers to carry out autumn field work.

» September 09, 2020. The NAAI and the National Union of producers of fruits and vegetables reached an agreement on the establishment of a joint group of experts in the field of fruit and vegetable insurance sector.

» September 15, 2020. The NAAI, at a meeting at the Ministry of Agriculture of the Russian Federation, chaired by Deputy Minister of Agriculture of the Russian Federation, Elena Fastova, presented the position of the insurance community on the draft law on changing the agricultural insurance system prepared by the Ministry.



» September 25, 2020. A seminar on agricultural insurance issues was held in Vladikavkaz, at the initiative of the Federation Council Committee on Agriculture and Food Policy and Environmental Management for agricultural community with the participation of the Ministry of Agriculture of Russia, the NAAI, the agricultural bodies of the subjects of the Russian Federation and agricultural producers. The main topic was the development of insurance coverage for farmers in the North Caucasus and the expansion of insurance coverage for crop production in Russia. All speakers pointed to the growing threat to agriculture caused by climate instability.

» September 29, 2020. In the State Duma, with the participation of the NAAI, the first meeting of the working group on the development of a draft law on insurance against emergencies was held under the leadership of the Deputy Chairman of the State Duma Committee on Agrarian Issues, Alexei Lavrinenko.

» September 30, 2020. Minister Dmitry Patrushev, during the «Government Hour» on agricultural insurance in the State Duma: «I designate this area as one of our priorities.»

#### » OCTOBER-DECEMBER

» October 7, 2020. Within the framework of the XXII Russian Agricultural Exhibition «Golden Autumn», with the participation of the NAAI, a panel discussion «Agricultural insurance. Development potential» took place, chaired by the Deputy Minister of Agriculture, Elena Fastova.

» October 13, 2020. The NAAI's target program to improve the financial literacy of farmers won a bronze medal and was awarded a 3rd degree diploma according to the results of the competition for the best project on effective information and agriculture consulting support, summed up by the Ministry of Agriculture of the Russian Federation within the framework of the XXII agricultural exhibition «Golden Autumn».

» October 16, 2020. The NAAI, together with the National Union of producers of fruits and vegetables and the «Kuban Gardeners» Union, held the first meeting of the working group on the development of solutions for gardening insurance, in accordance with the instructions of the First Deputy Minister of Agriculture Dzhambulat Khatuov.



» **First Deputy Minister of Agriculture of the Russian Federation, Dzhambulat Khatuov, oversees the development of a gardening insurance program.**

» November 18, 2020. The development of the regulatory framework for agricultural insurance was included in the list of measures (the so-called «Roadmap») approved by the Russian Government for the accelerated development of fruit and berry production until 2023.

» November 23, 2020. A bill on changing the agricultural insurance system by introducing emergencies risk insurance and a mechanism for developing additional insurance programs was submitted, by a group of deputies and senators, to the State Duma. The NAAI supported the concept of the bill.

» December 29, 2020. At the session of the CIS Interparliamentary Assembly, a model law, developed with the participation of the NAAI, on agricultural insurance in the CIS was adopted.



» **On December 5, the Agrarian Committee of the Federation Council supported a bill on the integration of the agricultural insurance system and assistance to farmers in emergencies.**

# 2. AGRICULTURAL INSURANCE IN RUSSIA, 2020



**NAAI**  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS



## 2.1 AGRICULTURAL INSURANCE IN 2020: GROWTH IN ALL AREAS

IN 2020, AGRICULTURAL INSURANCE IN RUSSIA RETAINED POSITIVE DYNAMICS AND CONTINUED TO FOLLOW THE GROWTH PATTERNS MARKED IN THE PREVIOUS PERIOD. AGRICULTURAL INSURANCE WITH STATE SUPPORT BECAME THE FASTEST-GROWING SEGMENT ON THE RUSSIAN INSURANCE MARKET, SHOWING AN INCREASE IN INSURANCE PREMIUMS OF 54%.

In 2020, the main driver of growth in agricultural insurance was the activation of demand from farmers, accompanied by the strengthening of the consolidated measures of the Ministry of Agriculture, the Bank of Russia, the Ministry of Finance and the NAAI, aimed at market development. Positive dynamics were observed in all main areas of agricultural risk insurance.

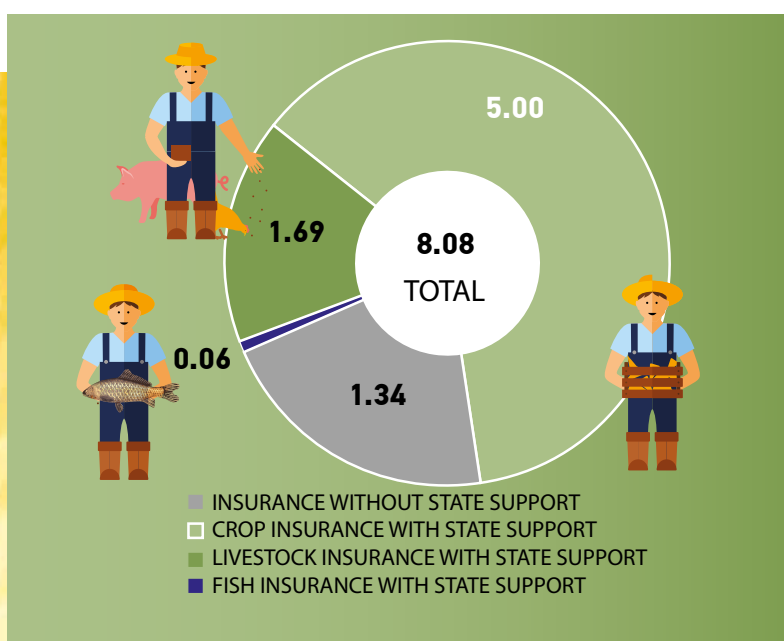
### 2.1.1 STRUCTURE AND DYNAMICS OF THE AGRICULTURAL INSURANCE MARKET

According to the NAAI and the Bank of Russia, the agricultural insurance market in 2020 reached 8.1 billion rubles (growth of 43%; up from 5.65 billion rubles in 2019).

Almost 6.7 billion rubles of insurance premiums, or about 83% of the total agricultural insurance market volume, were related to state-supported insurance contracts. The amount of subsidized insurance increased by 54% over the previous year, and its share in the total agricultural insurance market increased significantly (from 77% or 4.4 billion rubles in 2019).

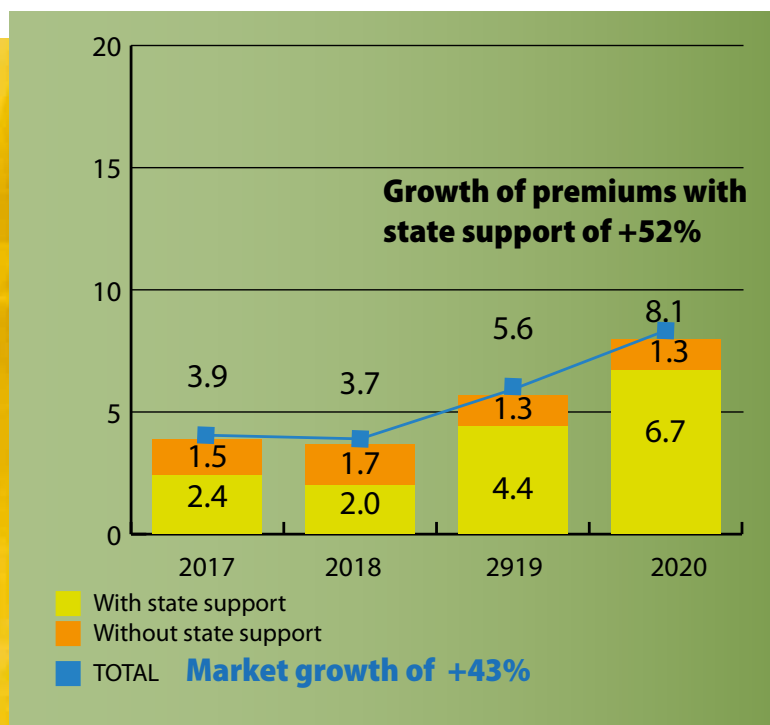
In the structure of subsidized insurance segment in 2020, as in the previous year, crop insurance prevails, accounting for 62% of all insurance premiums for agricultural insurance in the Russian Federation. The volume in this segment increased by 64%, to 5.0 billion rubles, from 3.0 billion rubles in 2019. Another share of 21% was comprised of subsidized insurance of livestock, in which premiums grew by 27%, to 1.7 billion rubles, from 1.3 billion rubles in 2019. In addition, in 2020, the first subsidized insurance contracts for commercial aquaculture were concluded, providing the agricultural market segment

**Agricultural insurance market structure in 2020 (premiums, billion rubles).**



Source: NAAI

**Dynamics of agricultural risks insurance premiums, 2017-2020 (billion rubles)**



Source: NAAI

concluded in accordance with the requirements of the relevant law exclusively with legal entities.

40,600 insurance contracts without state support were concluded with individuals. This segment continues to decline (46,200 in 2019), due to general processes in the agricultural sector.

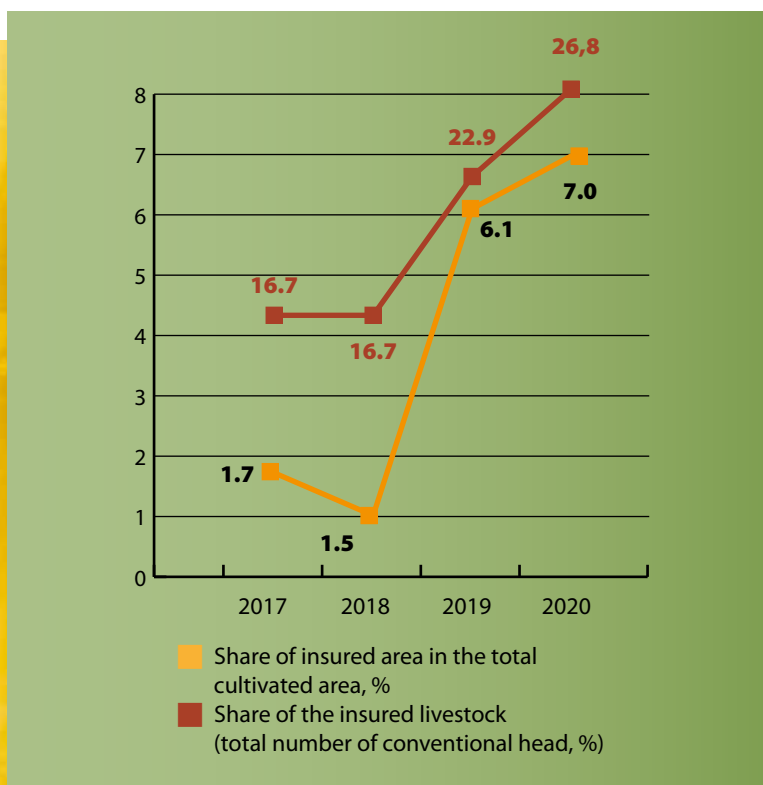
Agricultural risks were insured by 26 insurance organizations in 2020. At the same time, 99% of this market, including insurance without state support, is represented by companies/members of the NAAI.

**State-supported agricultural insurance coverage**

with about 1% of the insurance premiums (60 million rubles).

Under agricultural insurance contracts without state support, the volume of premiums in 2020 increased by 5%, to 1.34 billion rubles, from 1.27 billion in 2019. The positive dynamics, which was absent in the previous period, indicates the emergence of additional demand for insurance in the agricultural sector. Earlier, due to the increased availability of insurance subsidies, a portion of agricultural insurance contracts “flowed” to the subsidized segment, which led to a reduction in insurance premiums under contracts concluded without subsidies, from 1.78 billion rubles in 2018, to 1.27 billion rubles in 2019.

In total, 47.2 thousand agricultural insurance contracts were concluded in 2020. Of these, almost 6,600 contracts were concluded with legal entities, which is almost 1,000 more than in 2019 (5,700 contracts). All subsidized insurance contracts are



Source: NAAI

### 2.1.2. TERRITORIAL DEVELOPMENT OF AGRICULTURE PROTECTION

In 2020, the geography of agricultural risk insurance covered almost the entire territory of Russia, with the exception of several northern regions and two southern republics. Agricultural insurance contracts were concluded in 79 constituent entities of the Russian Federation, 75 of which were on the terms of state support.

Crop risk insurance was subsidized in 2020 by 58 constituent entities of the Russian Federation, and livestock insurance by 65 regions. In 4 subjects - the Republic of Karelia, Murmansk, Astrakhan and Vologda regions - aquaculture fish farm insurance contracts were concluded.

Growth of the agricultural insurance market in the range from 28% to 248% in relation to 2019 was recorded in all federal districts of the Russian Federation with the exception of Privolzhsky, where the volume of insurance premiums stabilized (with a slight decrease of 1%).



### Agricultural insurance market volume (all sectors) in 2020, federal districts of the Russian Federation

Federal districts	Market volume, billion rubles		Change by %
	2020	2019	
Central	2 944	2 301	28%
North Caucasian	1 560	449	248%
Privolzhsky	1 380	1 395	-1%
Southern	1 027	766	34%
Siberian	451	306	48%
Northwestern	409	315	30%
Far Eastern	200	66	205%
Ural	107	50	113%
<b>TOTAL</b>	<b>8 078</b>	<b>5 647</b>	<b>43%</b>

Source: NAAI, Bank of Russia

The largest agricultural insurance market became the Central Federal District - 2.9 billion rubles in insurance premiums - which came mainly from the areas of the Central Black Earth Region. A significant boost of crop insurance in the Stavropol Territory brought the North Caucasian Federal District to second place (1.6 billion rubles in insurance premiums for all agricultural insurance contracts); more than 1 billion rubles came from the markets of Privolzhsky (1.4 billion rubles) and Yuzhny (1.0 billion rubles) districts.

### 2.1.3. SUBSIDIZED CROP INSURANCE

In 2020, the total sum insured under subsidized crop and perennial plantation insurance contracts amounted to 165 billion rubles (121.9 billion rubles in 2019). Written insurance premiums reached 5 billion rubles.

In total, 5.6 million hectares of sown area was insured, which amounted to 7% of the entire sown (planted) area of the country (4.8 million hectares in 2019). The insured area has increased by 17% over the year.

Spring crops account for almost 3.4 million hectares, or 61% of the total insured sown area (a 21% increase from 2.8 million hectares in 2019). Winter sowing of crops for the 2021 harvest was insured on an area of 1.9 million hectares (a 15%

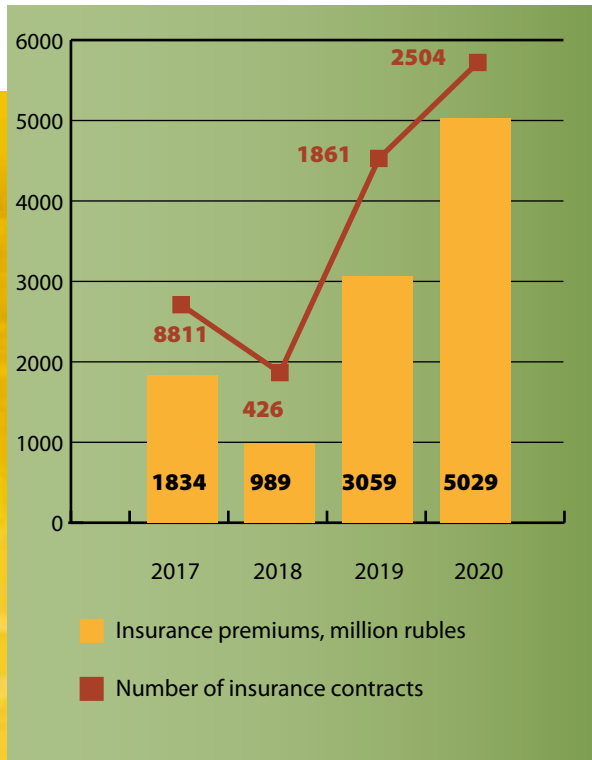
increase from in 2019). The main objects of insurance were grain crops, which account for 78% of the total sown area insured under contracts concluded in 2020 (80% in 2019). The increase in the insured area for grain crops amounted to 14% compared to the previous year.

The second relatively large segment is oilseeds, the insured area of which increased by 80% over the year, from 389,000 hectares a year earlier to 702,000 hectares, which is about 13% of the total insured area. Another 3.5% falls on legumes, with an increase in area of 39%, to 193 thousand hectares. Also, fodder crops (160,000 hectares), industrial crops (148,500 hectares), vegetables, potatoes and melons were insured.

In 2020, the area of insured perennial plantations increased 4-fold: during the year, insurance contracts were concluded in 2,900 hectares (700 hectares in 2019). The harvest of perennial crops was insured on an area of 800 hectares. At the same time, the level of insurance coverage for perennial crops remains extremely low.

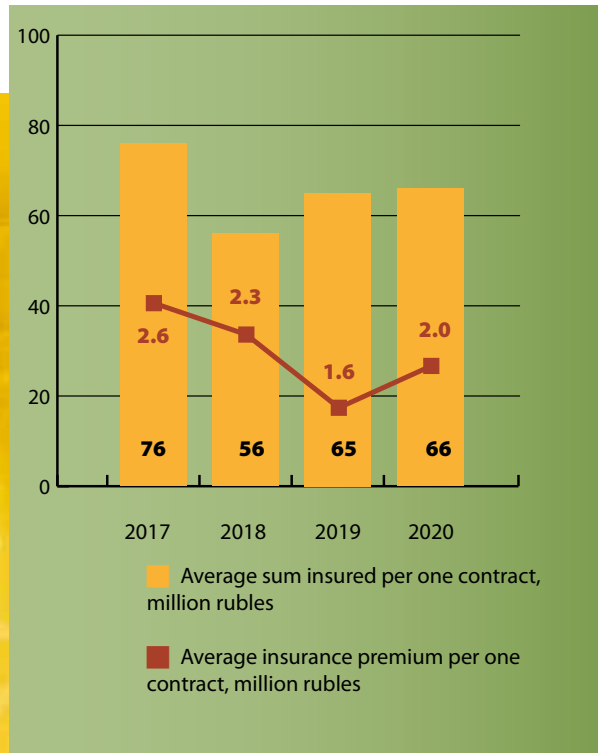
The volume of risks covered per policy remained practically stable in crop production: the average sum insured per contract of crop production risks in 2020 amounted to 66 million rubles (65 million rubles in 2019), while the average insurance premium paid per contract increased from 1.6 million rubles to 2.0 million rubles.

Dynamics of the cumulative portfolio of insurers/ members of the NAAI, state-supported crop insurance, 2017–2020



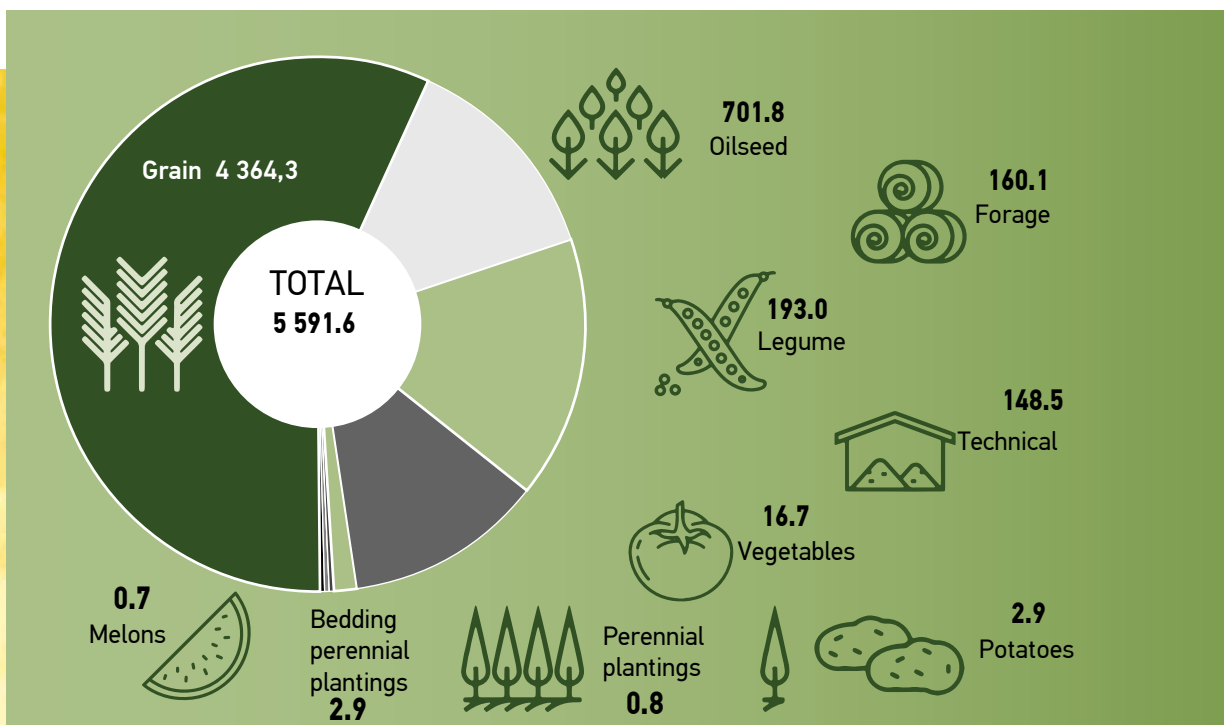
Source: NAAI

Dynamics of the average sum insured and insurance premium per contract, state-supported crop insurance



Source: NAAI

Insured area, state-supported crop insurance, 2020, thousand ha



Source: NAAI



### Insured livestock, 2020

#### 2.1.4. SUBSIDIZED LIVESTOCK INSURANCE

In 2020, the total sum insured of 146.1 billion rubles (125.8 billion rubles in 2019) were covered by agro-insurers under subsidized livestock risks insurance contracts. Written insurance premiums exceeded 1.5 billion rubles (1.4 billion rubles in 2019). In total, 7.8 million conventional head were insured with state support (7.3 million conventional head in 2019), which amounted to about 27% of the total industrial livestock number.

The largest coverage of insurance with state support was achieved in swine breeding: 10.8 million head were insured, or about 48% of the total number. A year earlier, 8.3 million pigs were insured, which was about 39%; thus, the number increased by 31% over the year.

In the poultry industry, 177.1 million head were insured (an increase of 11% from 158.9 million head in 2019). Insurance coverage amounted to 38% of the total number (from 34% in 2019).

The third large segment is cattle insurance: 765,000 head were insured (about 7% of the total number).

Insurance of small livestock increased almost 3-fold, or by 241%, to 355,000 head of sheep and goats (from 104 thousand head in 2019), while the insurance coverage was about 3%.

In 2020, a decrease in the volume of liability per contract was noted

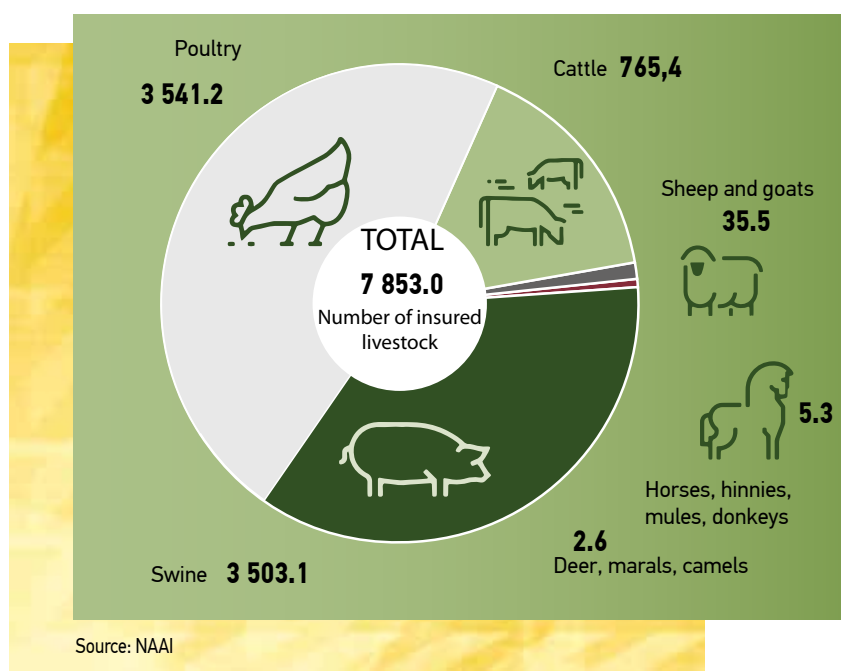
Category	Insured livestock (thousand head)	Share of insured livestock (total number of conventional head)	Growth 2020 / 2019
Swine	10810	48%	31%
Poultry	177062	38%	11%
Cattle	765	7%	-19%
Sheep and goats	355	3%	241%
Horses	5	1%	0%
Deer	7	1%	-
Camels	0.2	3%	0%

Source: NAAI

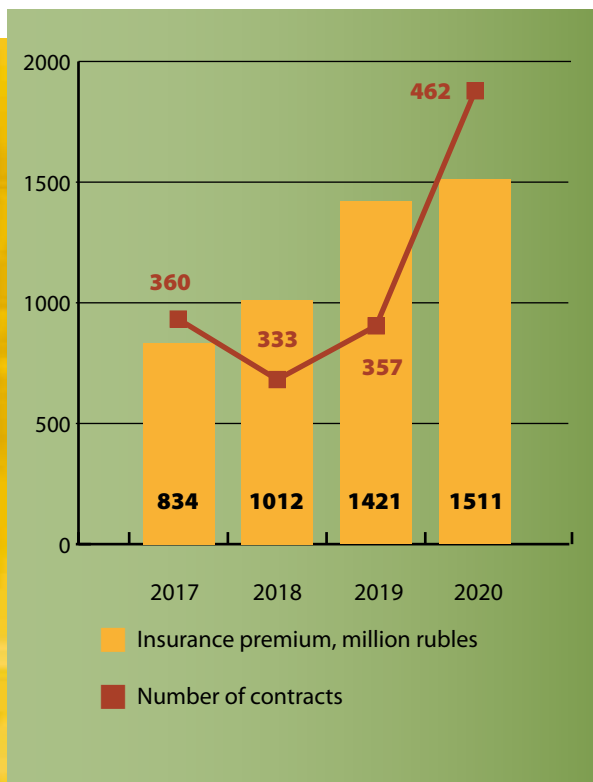
in livestock insurance. The average sum insured per contract in 2020 decreased to 312 million rubles, from 370 million rubles in 2019. The

average written insurance premium per policy also decreased to 3.3 million rubles, from 4.0 million rubles in 2019.

#### The structure of insured livestock, state-supported insurance, 2020, thousand conventional head

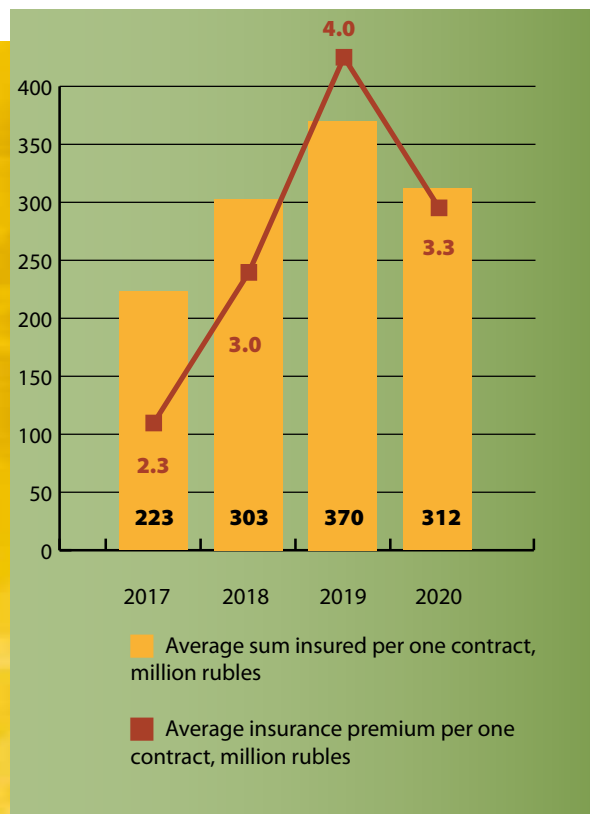


Dynamics of the cumulative portfolio of insurers/members of the NAAI, state-supported livestock insurance, 2017–2020



Source: NAAI

Dynamics of the average sum insured and insurance premium per insurance contract, state-supported livestock insurance



Source: NAAI

### 2.1.5. SUBSIDIZED AQUACULTURE INSURANCE

In 2020, fish farms in Russia for the first time used the mechanism of insurance under the conditions of state support, the regulatory framework of which came into force in 2019. Insurance contracts were concluded for 2.2 million commercial aquaculture objects (conventional fish head), with the total sum insured of over 3.0 billion rubles. The accrued insurance premium amounted to 60 million rubles.

Salmon species amounted for 99% of the insurance portfolio; insurance contracts for sturgeon and catfish species were also concluded.



## 2.2 SUBSIDIZING AGRICULTURAL INSURANCE

IN 2020, THE "SINGLE SUBSIDY" PROCEDURE WAS OFFICIALLY CANCELLED. FOR THE FIRST TIME, THE VOLUME OF FEDERAL SUBSIDIES FOR SUPPORT OF AGRICULTURAL INSURANCE IN THE TERRITORIES OF THE RUSSIAN FEDERATION WAS CALCULATED USING TARGET INDICATORS AND ACTUAL DEMANDS IN AGRICULTURAL INSURANCE IN EVERY REGION.

In 2020, the Ministry of Agriculture of the Russian Federation provided 2.2 billion rubles from federal budget funds to support agricultural insurance. The amount of subsidies reached 2.4 billion rubles, including regions of the Russian Federation with state-supported insurance.

In 2020, the priority of subsidizing agricultural insurance was first enshrined in the regulatory framework of agricultural state support. On January 1, 2020, the

Order of the Government of the Russian Federation No. 1573 of November 30, 2019, entered into force, introducing a new procedure for financing the State Program for the Development of Agriculture. Thus, the "single subsidy" procedure for Russian agriculture was canceled, the negative impact of which on agricultural insurance was repeatedly announced by the NAAI in the period of 2017-2018. Instead, two types of subsidies were introduced: "compensating", aimed at general agriculture support, and

"stimulating", designed to support the development of certain areas of agricultural production, as selected as priorities for each territory of the Russian Federation. From 2020, agricultural insurance subsidies are included in the «compensating subsidy» and are calculated according to the formula specified in the document. Thus, the new procedure stipulated the consideration of the needs of each region in agricultural insurance when calculating federal allocations for subsidizing agriculture.

In 2020, agrarian governing bodies transferred

## 2.4 BILLION RUBLES

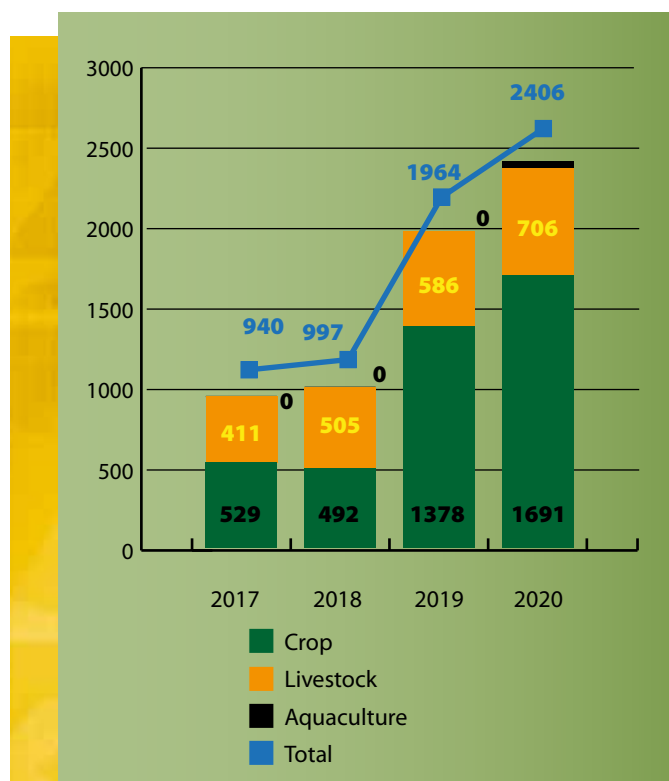
to farmers for reimbursement of insurance policies.

### FUNDAMENTALS OF STATE SUPPORT OF AGRICULTURAL INSURANCE IN RUSSIA

The system of agricultural insurance with state support in Russia is based on the principle of co-financing, which provides for allocations from federal and regional budget funds transferred to compensate agrarians for a portion of insurance premiums. State support to agricultural producers is provided by the constituent entities of the Russian Federation (represented by regional governments) within the framework of regional programs for agricultural development, financed on the basis of agreements with the Ministry of Agriculture of Russia.

The amount of the subsidy in each specific case depends on the subsidy tariffs established in the Agricultural Insurance Plan for the current year.

Subsidies transferred from the federal budget for agricultural insurance, million rubles



Source: NAAI

## 2.3 ROLE OF INSURANCE IN COMPENSATION FOR DAMAGES TO AGRICULTURE CAUSED BY NATURAL RISKS

**IN 2020, THE AGRICULTURAL INSURANCE SYSTEM WITH STATE SUPPORT BEARED THE MAIN LOAD OF COMPENSATION TO AGRARIANS FOR DAMAGES CAUSED BY HAZARDOUS NATURAL PHENOMENA.**

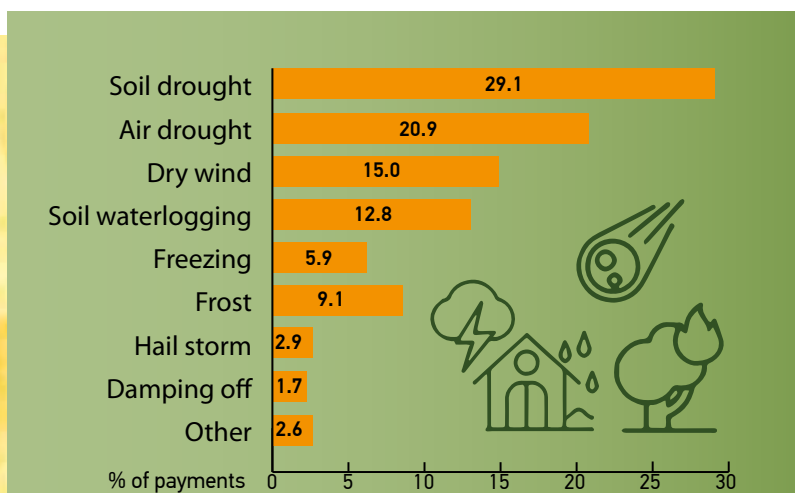
According to the NAAI and the Bank of Russia, from 2012 to 2020, insurers paid out agricultural insurance claims in the amount of 35 billion rubles. Based on official information from the Ministry of Agriculture of the Russian Federation, during the same period, 30.8 billion rubles of federal budget allocations were transferred to the farms affected by emergencies as compensation for costs incurred.

In 2020, an increase in the volume of insurance payments was noted. In 2019 agricultural insurers paid insurance compensation to farmers under agricultural risk

insurance contracts in the amount of 2.0 billion rubles; in 2020 it rised up to 3.1 billion rubles. A significant part of the payments (over 2.3 billion rubles) was made in 2020 under subsidized contracts, which is explained by the increased interest of farmers in state-supported insurance and the increased availability of insurance coverage on a subsidized basis.

Agricultural insurance claims were paid in 53 regions of the Russian Federation in 2020. Most of the payments were made in the Stavropol (1.2 billion rubles) and Krasnodar (395 million rubles) regions

**Distribution of claims paid by NAAI members for damages to crops, state-supported insurance, 2012-2020**



Source: NAAI





# 3.1 BILLION RUBLES

**in claims was paid to the farmers of the Russian Federation under agricultural insurance contracts in 2020.**

(where the damages were caused by drought and frost), as well as in the Republic of Karelia (230 million rubles, the death of trout from the formation of sludge), Omsk region (214 million rubles, outbreak of avian flu) and Rostov region (214 million rubles, drought).

Claims paid by agricultural insurers to agrarians under state-supported agricultural insurance contracts amounted to at least 2.6 billion rubles (including compensation transferred to 2021) for crop losses in 2020 (at least 1.6 billion rubles in the Stavropol Territory). According to the NAAI data, more than 1.9 million hectares of winter crops, sown in the fall of 2019, and 3.4 million hectares of spring crops were insured in Russia for the 2020 harvest. The size of the written insurance premium for state-supported insurance of the winter crops amounted to almost 1.4 billion rubles, and claims paid for the loss of winter crops came to about 1.2 billion rubles. Thus, the level of payments for insurance of winter crops amounted to 84%. For the spring crops, insurance premiums under subsidized contracts amounted to more than 2.1 billion rubles, and the payments of insurers was 1.4 billion rubles, which corresponds to a level of payments of about 68%.

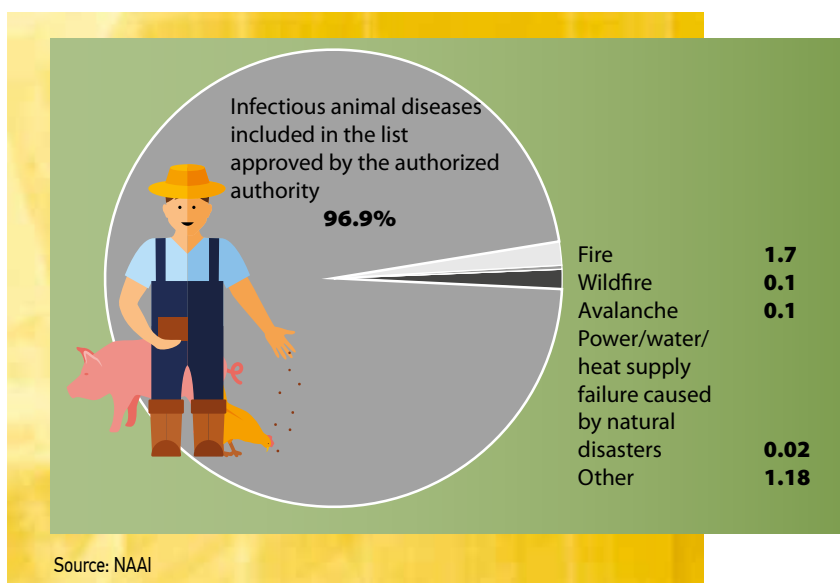
In 2020, a number of administrations of the regions of the Russian Federation declared emergency situations in connection to adverse natural phenomena that caused damage to agriculture. The total confirmed amount of damage was declared of about 8 billion rubles. In compensation for the damages, a total amount of about 1.5 billion rubles was transferred to farmers from the federal budget and the reserve fund of the Government of the Russian Federation, considering the presence of insurance coverage when providing inter-budgetary transfers to 9 constituent entities of the Russian Federation. In regard to the Republic of Kalmykia, a custom decision was made to allocate 562 million rubles from the governmental reserve fund due to the complex nature of the emergency: as a result of a prolonged drought, pastures were depleted, which damaged 54 agricultural organizations and more than 1.4 thousand individual farmers.

### 2.3.1. REALIZATION OF CROP PRODUCTION RISKS

The practice of insuring crop production risks in 2012 - 2020 showed that insurance payments were generated by 8 types of risk. The main risks leading to insurance payments in crop production in Russia are associated with the phenomena of lack of moisture: soil, atmospheric drought and dry wind. The statistics of payments accumulated by the NAAI show that losses from this category accounted for 65% of payments made by insurance companies/members of the union under state-supported agricultural insurance contracts.

The second risk is soil waterlogging - 12.8% of payments. The third place for 2020 claims was taken by the risks of frost - 9.1%. In fourth place, with a share of 7.6% of payments, is a group of risks related to the wintering period of crops: freezing, rotting. The risk of hail damage is also significant (2.9% of payments).

**Distribution of claims paid by NAAI members for damage to livestock, state-supported insurance, 2012-2020**



Dust storms and epiphytotic phenomena – the spread of organisms harmful to crops – also led to the loss of insured crops during this period.

According to data accumulated by the NAAI and the agricultural bodies of the constituent entities of the Russian Federation, cases of atmospheric and soil drought, water-logging of the soil and floods, hail, and damage to winter crops were recorded in the regions in 2020.

The largest insurance payments in the field of crop production were made for drought and frost in the South of Russia, (at least 1.6 billion rubles under contracts with state support in the Stavropol Territory), while the largest payment per farm in the region was 253 million rubles, as well as other regions of the South of Russia.

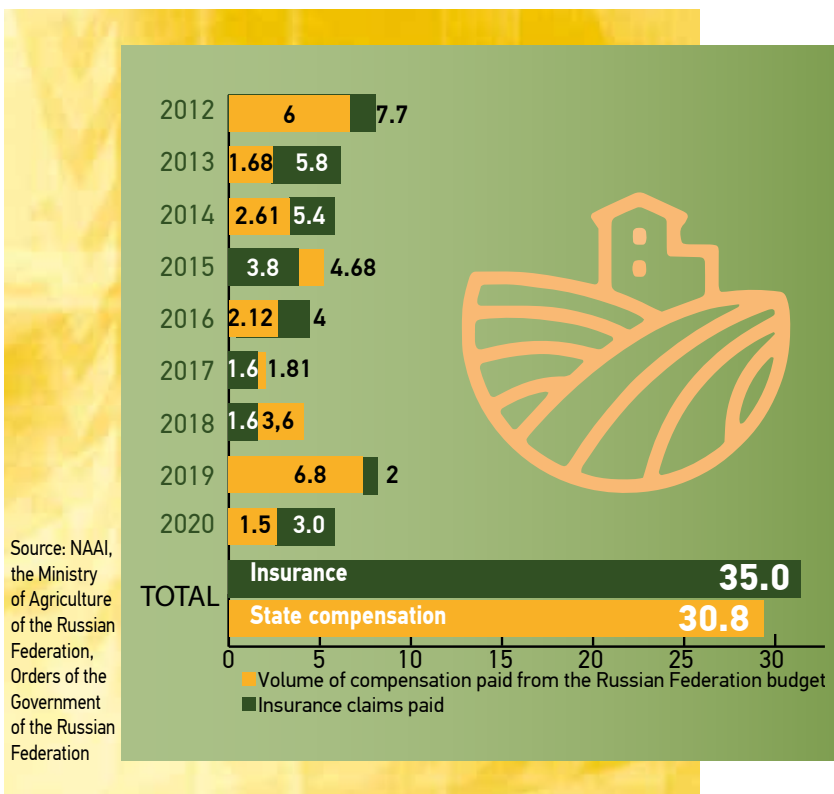
Also in 2020, as a result of frosts and subsequent natural hazards that led to the loss of plantings and crops, multibillion losses occurred in intensive gardening, including in the Republic of Ingushetia at the level of 1.5 billion rubles, as well as in Krasnodar and Stavropol Territory, Kabardino-Balkaria. These losses were not insured.

**2.3.2. REALIZATION OF LIVESTOCK AND AQUACULTURE RISKS**

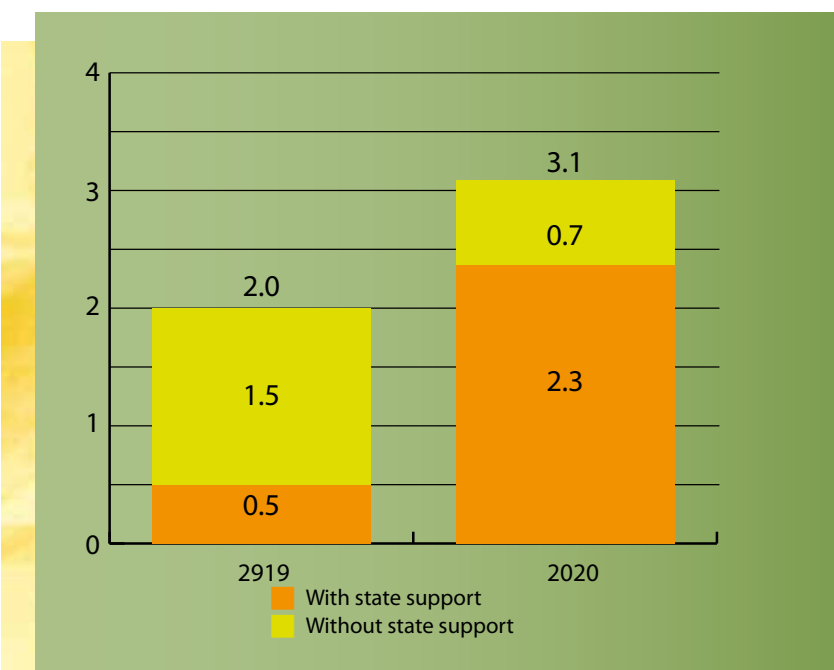
According to the NAAI, since the introduction of state support for livestock insurance in 2013 and until 2020, epizootics spread has become the main risk for livestock in Russia, causing 96.9% of insurance payments under state-supported contracts. The largest payments were made for losses from the spread of African swine fever (ASF) and avian influenza, as well as swine foot-and-mouth disease.

Also, during this period, there were cases of loss of insured livestock as a result of fires (1.7% of payments), disruptions in the supply of electricity, heat and water as a result of natural disasters, avalanches and other emergencies of a natural and man-made nature (less than 2% in total).

**The ratio of budgetary emergencies payments and insurance claims paid to agrarians, billion rubles**



**Insurance payments under agricultural insurance contracts for 12 months, 2019-2020**



Source: NAAI

### Largest agricultural claims in 2020 (per event)

	Region	Event	Claim paid
1	Stavropol Territory	Drought and frost (the entire region)	1.6 billion rubles
2	Stavropol Territory	Loss of wheat, rapeseed, peas; drought and frost	253 million rubles
3	Stavropol Territory	Loss of winter grain harvest	180 million rubles
4	Republic of Karelia	Death of trout due to formation of sludge	229 million rubles
5	Omsk Region	Death of chickens in a poultry farm (bird flu)	213 million rubles
6	Krasnodar Krai	Crop loss 2020 (drought/frost)	173 million rubles
7	Republic of Tatarstan	Crop loss 2019-2020 (drought, frost, waterlogging, hail)	150 million rubles
8	Republic of Mordovia	Loss of winter wheat (winter risks)	73 million rubles
9	Perm Territory	Crop loss 2020 (drought)	61 million rubles
10	Samara Region	Crop loss 2019 (drought)	57 million rubles

Source: NAAI, Bank of Russia

The largest insurance payment in the field of livestock risks insurance was the payment made by an insurance company/member of the NAAI, in the amount of 213 million rubles for a single event in the Omsk Region (death of chickens at a poultry farm due to the bird flu).

In 2020, African swine fever remained the most common dangerous animal disease. In total, 161 outbreaks of ASF spread to domestic pigs and 110 to wild boars in 30 regions during the year. The virus of ASF was identified in the farms of the North-West regions (Arkhangelsk, Kaliningrad, Pskov, Novgorod regions), Center (Oryol, Kursk,

Tver, Voronezh, Kaluga, Smolensk, Tula Regions), the South of Russia (Republics of Adygea and Kalmykia, Astrakhan, Rostov, Volgograd Regions, Stavropol and Krasnodar Regions), Trans-Urals (Orenburg region) and the Volga region (Nizhny Novgorod, Samara, Ulyanovsk regions, the Republic of Tatarstan and Chuvashia); the Far East was also affected by the ASF (foci were found in the Amur region, the Jewish Autonomous Oblast, Khabarovsk, Primorsky and Trans-Baikal Territories). In addition, classical swine fever was detected in the Far East: 2 outbreaks in the Primorsky Krai. At the same time, foot-and-mouth

disease, which was observed earlier, retreated. During 2020, only 1 outbreak was identified in the Trans-Baikal Territory.

Another disease dangerous to livestock is the highly-pathogenic avian influenza, which was actively spreading in the South, in the Volga region, in the Urals and in Siberia (a total of 82 foci were identified in 13 regions). The infection was detected in Rostov and Astrakhan Regions, Karachay-Cherkessia, the Republic of Tatarstan, Kostroma, Samara and Saratov, Kurgan and Chelyabinsk, Omsk, Tomsk and Tyumen Regions and Khanty-Mansi Autonomous Okrug. Newcastle disease, which is dangerous for birds, was also detected both in the South (Chechen Republic, Ingushetia) and in the center, in the Kursk and Vladimir Regions.

### Regions with the maximum agriculture insurance loss payments in 2020

Region	Claims paid, million rubles
Stavropol Territory	1 174.6
Krasnodar Krai	395.2
Republic of Karelia	229.7
Omsk Region	217.6
Rostov Region	213.9
<b>TOTAL</b>	<b>3 060.6</b>

In addition, outbreaks of nodular dermatitis were identified in 4 regions of Siberia and the Far East (Altai Territory, Tomsk Region, Jewish Autonomous Oblast and Khabarovsk Territory), while outbreaks of sheep-and-goat pox occurred in 5 regions (Smolensk, Moscow, Pskov, Kaluga and Ivanovo Regions).

In 2020, the largest payment in history under commercial aquaculture insurance contracts also took place: in the Republic of Karelia, a member of NAAI paid 229 million rubles for the death of a trout population due to the formation of sludge.

**3.**

**NAAI ACTIVITIES AIMED  
AT THE DEVELOPMENT  
OF AGRICULTURAL  
INSURANCE SYSTEM**



**NAAI**  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS



Left to right: Innokentiy Egorov – Chairman of the Presidium, Korney Bizhdov – President of NAAI, Igor Yurgens – President of the All-Russian Insurance Association



Sergey Prostatin – General Director of JSC IC RSHB Insurance



Tatiana Lavrova - Deputy Director for Corporate Business JSC Alfa Strahovanie



Left to right: Nikolai Galaguzha – Liaison with government authorities advisor, PJSC IC Rosgosstrakh and Innokentiy Nikolaevich Egorov



The General Meeting of NAAI members, December 15, 2020



Mikhail Petrov – Advisor to the Deputy Minister of Agriculture of the Russian Federation



Oleg Blinkov - Deputy General Director of JSC IC RSHB Insurance



Left to right: Mikhail Petrov, Sergey Prostatin – General Director of JSC IC RSHB Insurance, Nikolai Galaguzha, Innokentiy Egorov, Korney Bizhdov, Stanislav Kondratyev - Head of Agricultural Insurance Department JSC Alfa Strahovanie

# PROTECTING AGRIBUSINESS TOGETHER!



Stanislav Kondratyev - Head of Agricultural Insurance Department JSC Alfa Strahovanie



Tatiana Melnikova, Head of Underwriting and Methodology Department, LLC IC Soglasie



Head of the agricultural insurance center PJSC IC Rosgosstrakh Vadim Konstantinovich



Konstantin Badoev, Portfolio manager for agricultural risks insurance, JSIC VSK

## 3.1 THE NATIONAL ASSOCIATION OF AGRICULTURE INSURERS - THE INTEGRATED UNION OF INSURERS IN THE AGRICULTURAL COMPLEX

THE MAIN FUNCTIONS OF THE NAAI, ACCORDING TO ITS CHARTER, ARE TO COORDINATE THE ACTIVITIES OF UNION MEMBERS, ACT TO ENSURE COOPERATION IN THE IMPLEMENTATION OF AGRICULTURAL INSURANCE AND DEVELOP THE AGRICULTURAL INSURANCE SYSTEM IN THE RUSSIAN FEDERATION.



THE PRESIDENT OF

THE UNION MANAGES THE ADMINISTRATIVE STAFF OF THE UNION. THE AUDIT COMMISSION (AUDITOR) IS THE BODY CONTROLLING FINANCIAL AND ECONOMIC ACTIVITY OF THE UNION.

15

companies were members of NAAI in 2020

The Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers is:

- a non-profit organization;
- based on the principle of voluntary membership;
- the only Russian professional association of insurers that carry out state-supported agricultural insurance since January 1, 2016

The Union was established and carries out its activities in accordance with:

- Constitution of the Russian Federation;
- Civil Code of the Russian Federation;
- Federal Law No. 7-FZ of January 12, 1996 «On non-commercial organizations»;
- Law of the Russian Federation No. 4015-1 of November 27, 1992 «On the organization of insurance business in the Russian Federation»;
- Federal Law No. 260-FZ of July 25, 2011 «On state support in the field of agricultural insurance...»;
- Federal Law No. 424-FZ of December 22, 2014 «On amendments to the Federal Law «On state support in the field of agricultural insurance...»»;
- other regulatory legal acts of the Russian Federation, as well as

### THE MANAGEMENT BOARD OF NAAI

1. **Bizhdov Korney Datkovich**  
– President of NAAI
2. **Egorov Innokentiy Nikolaevich**  
– Chairman of the Presidium
3. **Galaguz Nikolai Fedoseevich**  
– Liaison with government authorities advisor, PJSC IC Rosgosstrakh
4. **Prostatiin Sergey Ivanovich**  
– General Director of JSC IC RSHB Insurance
5. **Smulko Anton Valerievich**  
– Deputy General Director in Underwriting, JSIC VSK
6. **Skvortsov Vladimir Yurievich**  
– General Director of JSC Alfa Strahovanie
7. **Petrov Mikhail Aleksandrovich**  
– Advisor to the Deputy Minister of Agriculture of the Russian Federation

Charter and internal documents of the Union (Since January 1, 2016, the NAAI has been operating on the basis of an internal regulatory framework approved by the Bank of Russia).

**THE PRESIDUM OF NAAI**



**Egorov Innokentiy Nikolaevich**  
– Chairman of The Presidium



**Bizhdov Korney Datkovich**  
– President of NAAI



**Fastova Elena Vladimirovna**  
– Deputy Minister of Agriculture of Russian Federation



**Rakovshik Dmitry Grigorievich**  
– General Director of IPJSC RESO-Garantia



**Martyanova Nadezhda Vasilieva**  
– General Director of JSC MAKS



**Tarnovskiy Alexander Yakovlevich**  
– General Director of JSIC VSK



**Galaguzha Nikolai Fedoseevich**  
– Liaison with government authorities advisor, PJSC IC Rosgosstrakh



**Prostatin Sergey Ivanovich**  
– General Director of JSC IC RSHB Insurance



**Tikhonova Maya Alexandrovna**  
– General Director of LLC IC Soglasie



**Skvortsov Vladimir Yurievich**  
– General Director of JSC AlfaStrahovanie



**Yurgens Igor Yurievich**  
– President of the All-Russian Insurance Association



**Nekrasov Vladimir Dmitrievich**  
– Advisor, Federal State Budgetary Institution “Assistance of State-supported Agriculture Programs”

**3.1.1. THE CORPORATE MANAGEMENT SYSTEM**

The corporate management system consists of:

- the General Meeting of NAAI members** - the supreme governing body of the Association;
- the Presidium of NAAI** - the permanent governing body of the Association coordinating general direction and supervision of the Association;
- the Management Board of NAAI** - the collegial body of the Association coordinating current activities of the Association;
- the President of NAAI** - the sole executive body of the Association coordinating general management of the Association.

The President of the Union manages the administrative staff of the Union.

The Audit Commission (Auditor) is the body controlling financial and economic activity of the Union.

Committees and commissions have been formed within the framework of the Union, with the purpose of considering the interests of all members in adopting decisions by the Union.

**3.1.2. ACTIVITIES OF THE MANAGEMENT STRUCTURES AND THE EXECUTIVE BOARD OF NAAI**

- In 2020, there were:**
- 2 General Meetings of NAAI's members
  - 5 Presidium of NAAI meetings/ votes
  - 6 Management Board of NAAI meetings/ votes

**NAAI's committees' and commissions' work in 2020:**

- - Methodology of Insurance Committee (17 sessions/votes)
- - Financial Committee (6 sessions/votes)
- - Disciplinary Commission (6 sessions/votes)
- - Legal Matters Committee (4 sessions/votes)
- - Information Technology Committee (4 sessions/votes)
- - Monitoring and Insurance Expertise Committee (2 sessions/ votes)
- - Public Relations Committee (2 sessions/votes)
- - Reinsurance Committee (1 session/vote).



Insurance organizations/members of NAAI  
As of 31st December, 2020

Insurance Company	The Bank of Russia Registration Number
LLC Absolut Insurance	2496
JSC Insurance group AVANGARD-GARANT	0796
JSC AlfaStrahovanie	2239
LLC IO Verna	3245
JSIC VSK	0621
LLC Russian Insurance Company EUROINS	3954
JSC MAKS	1427
IPJSC RESO-Garantia	1209
PJSC IC Rosgosstrakh	0001
JSC IC RSHB Insurance	2947
LLC IC Sberbank Insurance	4331
JSC SOGAZ	1208
LLC IC Soglasie	1307
JSC IO Talisman	1587
PJSC SIC ENERGOGARANT	1834

### 3.1.3. ENSURING INTERACTION AND CONTROL OF ACTIVITIES OF THE NAAI MEMBERS

In order to improve the Rules of the Activity in 2020, a new version of Section III of the Rules of the Union “Procedure for financing compensation payments by members of the Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers” was developed, approved and agreed upon in the prescribed manner.

In 2020, the NAAI, in accordance with the approved plan, conducted audits of insurance companies/ members of the NAAI for compliance with the Rules of Activities and other internal documents of the NAAI. Based on their results, 1 violation of the Standard Insurance Rules for agricultural crops and perennial plantings insurance carried out with state support was identified, for which an insurance company was brought to disciplinary liability.

Also, 1 violation of terms of the NAAI membership fee payment was identified, but, due to the insignificance of the violation, the insurance company was exempted from disciplinary liability.

In connection with the measures aimed at preventing the spread of coronavirus infection, at the suggestion of the executive office of the NAAI, the Board of the NAAI made a decision to postpone part of the scheduled audits against the members of the NAAI, provided for by the plan for 2020, to the first half of 2021. This measure affected 7 members of the NAAI.

In 2020, the Executive Office of the NAAI continued to work on the insurance organizations’ membership. In 2019, LLC Absolute Insurance submitted an application for membership, passed the procedures required by the Charter and the Rules of Activity of the NAAI and became a member of the Union.

15 insurance companies were members of the NAAI as of December 31, 2020.



The final general meeting of the NAAI, that took place on December 15, 2020 was organized in compliance with anti-epidemic measures

## 3.2

### **INTERACTION WITH GOVERNMENT AUTHORITIES ON THE DEVELOPMENT OF AGRICULTURAL INSURANCE**

**IN 2020, NAAI, IN COOPERATION WITH LEGISLATIVE AND EXECUTIVE BODIES, CONTINUED THE DEVELOPMENT OF THE AGRICULTURAL INSURANCE SYSTEM, RESPONDING TO THE ARISING CHALLENGES.**

In 2020, main events in the field of agricultural insurance development which required a joint response and interaction of the NAAI with government bodies, industry unions and the public were:

1. Preparation of a draft law on the integration of the agricultural insurance system with the state system of compensation for damages from emergency situations (introduction of agricultural crop insurance in case of emergency situations, creation of a mechanism for the development and launch of additional state-supported agricultural insurance programs).

2. The task of organizing insurance for spring sowing while anti-epidemic measures and restrictions there were introduced by authorities.

3. Large-scale destruction of uninsured orchards harvest in the South of Russia because of spring frost events which revealed the need for accelerated preparation of measures to organize insurance for intensive gardening.

4. Participation of the agricultural insurance system in compensation for damages from the catastrophic loss of field crops in the Stavropol Territory, including the organization of advance payments.

5. Generalization of the insurance practice of the first full crop production cycle under the new provisions of Federal Law No. 260-FZ, which entered into force on March 1, 2019, and assessment of the results of organizing the agricultural insurance system at the level of all federal districts.



NAAI President, Korney Bizhdov, spoke at the meeting of the Agrarian Committee of the Federation Council in Vladikavkaz, September 25, 2020.

6. Participation of the agricultural insurance system in the settlement of large losses in animal husbandry.

7. Practical launch of fish farming risks insurance on the basis of state support. During 2020, the NAAI interacted on the issues of agricultural insurance and protecting against agricultural risks with the Presidential State Legal Directorate, both chambers of the Legislative Assembly of the Russian Federation - the Federation Council and the State Duma, - the Government of Russia, including

the Ministry of Agriculture, Ministry of Finance, Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters, Ministry of Natural Resources and Environment, Bank of Russia, The Federal Antimonopoly Service, the Federal Agency for Fishery, the Federal Service for Veterinary and Phytosanitary Supervision, the governing agrarian bodies of the constituent entities of the Russian Federation. Work was carried out with the Public Chamber of the Russian Federation and industry agrarian organizations.

In 2020, the main part of meetings held with the participation of the NAAI were in the format of video conferencing (photo: a meeting with the First Deputy Minister of Agriculture of the Russian Federation, Dzhambulat Khatuov)



**»» ABOUT 1,000 PARTICIPANTS FROM 84 REGIONS OF THE RUSSIAN FEDERATION TOOK PART IN THE DISCUSSION OF AGRICULTURAL INSURANCE PROBLEMS DURING EIGHT DISTRICT MEETINGS OF THE NAAI AND THE AGRARIAN COMMITTEE.**

### 3.2.1. DEVELOPMENT OF THE LEGAL AND REGULATORY FRAMEWORK

In 2020, as a result of active interaction between the Ministry of Agriculture of Russia, the Central Bank and the Ministry of Finance of Russia, the Committee on Agriculture and Food Policy and Environmental Management of the Federation Council and the Committee on Agrarian Issues of the State Duma of the Russian Federation and the NAAI, a draft law was developed on amending Law No. 260-FZ «On state support in the field of agricultural insurance...». The bill was submitted for consideration to the State Duma of the Russian Federation on November 23 by a group of deputies led by Deputy Speaker of the State Duma, Alexei Gordeev, heads of the agrarian committees of the State Duma and the Federation Council Vladimir Kashin and Alexei Mayorov.

The initiative provides for the following innovations:

- definition of the concept of an emergency for agricultural insurance purposes;
- introduction of insurance for the risk of crop and perennial plantings losses caused by natural emergencies;
- increasing the level of state subsidies for farms for insuring emergency risks up to 80% of the insurance premium in the first year (today the state pays up to 50% of the insurance policy);
- the possibility of including addi-

tional insurance programs in the system of the state-supported agricultural insurance;

- new mechanisms to guarantee the financial stability of the agricultural insurance system.

New provisions of the law are scheduled to enter into force in 2021.

Also in 2020, there were changes in the legal and regulatory agricultural insurance framework based on previously adopted regulations:

- the procedure for allocating federal budget funds for subsidizing agricultural insurance in the regions of the Russian Federation was changed; as a result, the «single subsidy» procedure was canceled and the target principle of calculating subsidies for agricultural insurance for each constituent entity of the Russian Federation was introduced (Decree of the Government of the Russian Federation No. 1573 of 30 November, 2019, entered into force on 1 January 2020);
- On January 11, the Agricultural Insurance Plan for 2020 entered into force. It is the basic document on the grounds of which the regional agrarian authorities subsidize the costs of agricultural producers for insurance (approved by Order of the Ministry of Agriculture of Russia No. 667 of 2 December, 2019). For the first time, this document provided for the possibility of state-supported insurance of commercial aquaculture objects (salmon, catfish and sturgeon fish species) throughout the Russian Federation (not in the named regions only, as in 2019).

**3.2.2. INTERACTION WITH LEGISLATIVE AND EXECUTIVE AUTHORITIES ON ISSUES OF AGRICULTURAL INSURANCE**

In 2020, the NAAI continued to participate in different events to discuss issues of Russian agriculture and agricultural insurance mechanisms.

**1) Interaction with the Government of the Russian Federation:**

■ On February 25, NAAI President, Korney Bizhdov, took part in a meeting with the Deputy Prime Minister of the Russian Federation, Victoria Abramchenko, who is in charge of agriculture issues. The meeting, which was devoted to the preparation of agrarians for spring field agricultural work, was attended by the Minister of Agriculture of the Russian Federation, Dmitry Patrushev, the head of Rosagroleasing, Pavel Kosov and other representatives of relevant ministries and departments. Following the meeting of the Government of the Russian Federation on March 5, 2020, which was chaired by Prime Minister Mikhail Mishustin, the executive authorities of the constituent entities of the Russian Federation were encouraged to «take measures aimed at providing agricultural producers with insurance protection of their property interests.»;

■ On a regular basis, the NAAI took part in meetings of the Standing Anti-Epizootic Commission of the Government of the Russian Federation under the leadership of the Deputy Chairman of the Government, Victoria Abramchenko; the propos-

als of the NAAI were sent to the Commission's Work Plan for 2021;

■ The NAAI interacted with the working groups of the Analytical Center of the Government of the Russian Federation on the implementation of the "regulatory guillotine" mechanism in the field of self-regulatory organizations of agricultural cooperatives and in the field of meteorology, along with analysis and preparation of materials for the meetings of the working groups.

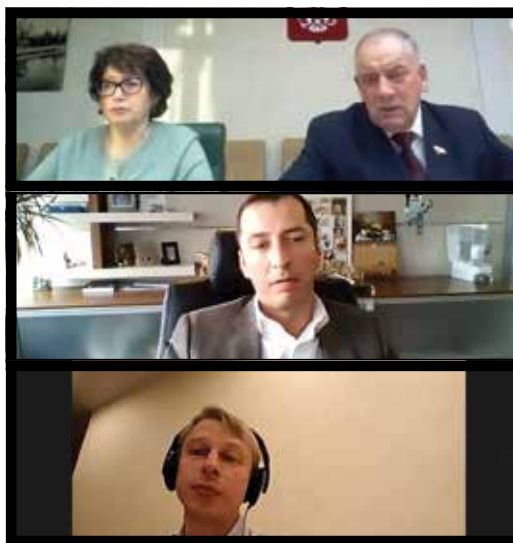
**2) Interaction with the Ministry of Agriculture of Russia** was carried out on an ongoing basis, both to consider and resolve practical issues of implementing the work of the agricultural insurance system and to prepare legislative initiatives.

During 2020, the NAAI took part in more than 20 meetings with the participation of the heads of the



**FOR THE FIRST**

**TIME, JOINT SEMINARS OF THE FEDERATION COUNCIL COMMITTEE ON AGRICULTURE AND FOOD POLICY AND ENVIRONMENTAL MANAGEMENT AND THE NAAI WERE HELD IN 2020.**



Participants of joint seminars of the NAAI and the Federation Council on agricultural insurance issues in federal districts: First Deputy Chairman of the Federation Council Committee on Agriculture and Food Policy and Environmental Management, S.G. Mitin, Committee member, Senator, L.Z. Talabaeva, Advisor to the Deputy Minister of Agriculture of the Russian Federation, M. A. Petrov, Head of the Law Enforcement Division of the Insurance Market Department of the Bank of Russia, S. A. Babich.

Meeting of the Public Council under the Ministry of Agriculture of Russia in the 1st quarter of 2020.





Head of the Insurance Market Regulation Department of the Insurance Market Department of the Central Bank of the Russian Federation, Olga Shelepneva.



Deputy Head of the Insurance Regulation Division of the Financial Policy Department of the Ministry of Finance of the Russian Federation, A. A. Itselev.

**>20** meetings at the Ministry of Agriculture of Russia were devoted to the development of agricultural insurance in 2020.

Ministry of Agriculture of the Russian Federation and directors of departments.

- video conference on the topic «Insurance programs for perennial plantations» in the Ministry of Agriculture of the Russian Federation, April 20;

- meeting of the operational headquarters for monitoring the situation with socially significant agricultural products and food under the leadership of the Minister of Agriculture of the Russian Federation, Dmitry Patrushev, May 6;

- a working meeting with the Deputy Minister of Agriculture of the Russian Federation, Elena Fastova, July 15;

- meeting on harvesting issues, chaired by Minister Dmitry Patrushev, 21 July;

- a meeting of the Russian Ministry of Agriculture with the agricultural and insurance community to discuss draft amendments to the law on agricultural insurance, July 22;

- final board meeting of the Ministry of Agriculture of the Russian Federation, September 2;

- meeting of the Russian Ministry of Agriculture, chaired by Deputy Minister, Elena Fastova, on the draft law on changing the agricultural insurance system, September 15;

- video conference of the Ministry of Agriculture of Russia chaired by Deputy Minister, Elena Fastova, on the progress of implementing plans by the constituent entities of the Russian Federation for development of state-supported agricultural insurance and the need to adjust the amount of budgetary funds allocated from the federal budget, September 23;

- panel discussion on the topic «Agricultural insurance. Development potential» within the framework of the business program of the 22nd Russian International Agricultural Exhibition «Golden Autumn - 2020», under the leadership of the Deputy Minister of Agriculture of the Russian Federation, Elena Fastova, October 7;

- meeting of the working group on the development of gardening and nursery growing in the Russian Federation, chaired by the First Deputy Minister of Agriculture of the Russian Federation, Dzhambulat Khatuov, October 16 and November 6.

Regular work was carried out to interact with the Public Council under the Ministry of Agriculture of the Russian Federation: participation of the President of the NAAI in council meetings, analysis of materials and preparation of proposals. During

the year, the NAAI sent more than 50 proposals to the Ministry of Agriculture of Russia, including on the following issues:

- changes in the current legislation in the field of state-supported agricultural insurance;
- changes in the mechanism for the specifics of subsidizing agricultural insurance contracts;

On June 8, the Bank of Russia published an advisory report “The Impact of Climate Risks and Sustainable Development of the Russian Financial Sector”. The report noted the strategic importance of agricultural insurance

as one of the main and already-operating state mechanisms to compensate farmers for climate-risk damages and positively assessed the NAAI’s initiatives to develop the agricultural insurance system.



On February 19, the NAAI President, Korney Bizhdov, as part of a delegation from the Public Council of the Ministry of Agriculture of Russia, took part in a meeting of the heads of the Public Chamber of the Russian Federation with the chairmen of public councils under federal executive bodies. The meeting was devoted to the issues of increasing the efficiency of the activities of public councils in terms of implementing the provisions of the message of the President of the Russian Federation, Vladimir Putin, and National Projects.

- questions related to subsidizing process in agricultural insurance;

- the possibility of allocating additional funds from the federal budget to support agricultural insurance;

- short-term measures to develop agricultural insurance in 2019–2020;

- insurance of crops and perennial plantings;

- insurance of commercial aquaculture facilities;

- discussions with agrarian management bodies of the constituent entities of the Russian Federation of the possibility of fulfilling target indicators for agricultural insurance and considering the issue of possibly adjusting the amount of subsidies for 2020.

**3)** Regular and systematic interaction with the Federation Council of the Federal Assembly of the Russian Federation was devoted to both new legislative initiatives and the assessment of practical results of the changes in agricultural insurance legislation implemented in 2019.

As part of working interaction with the Federation Council Committee on Agriculture and Food Policy and Environmental Management, the NAAI took part in the following events:

- an off-site meeting of the Committee dedicated to the topic “On the preliminary results of the implementation of the State Program for the Development of Agriculture and Regulation of Agricultural Products, Raw Materials and Food Markets in 2020 and Tasks for 2021”, September 25;

- meeting of the Committee, October 6;

- On December 15, in the meeting of the Committee, at which the draft law on the integration of the agricultural insurance mechanism into the system of protecting agricultural production in the event of a natural emergency was supported.

In 2020, for the first time, joint meetings of the Federation Council Committee on Agriculture and Food Policy and Environmental Manage-



ment and the NAAI were held to assess the status and problems of, and prospects for, the development of the state-supported agricultural insurance system in all regions of all federal districts of the Russian Federation. Joint district meetings on the development of agricultural insurance with the participation of the Ministry of Agriculture of Russia, the Bank of Russia, deputies of the State Duma, regional agrarian bodies and farmers were held:

- in the North Caucasus Federal District — September 25;

- in the Southern Federal District — October 28;

- in the Central Federal District — November 5;

- in the Volga Federal District — November 11;

- in the Siberian Federal District — November 19;

### **Award from the Federation Council:**

06 October 2020, at a meeting of the Committee on Agriculture and Food Policy and Environmental Management, President of the NAAI, Korney Bizhdov, was awarded a diploma «for many years of fruitful work, success achieved, a significant contribution to the development of agricultural insurance in the Russian Federation»

The NAAI as part of a delegation that visited North Ossetia during a meeting of the Federation Council Committee on Agriculture and Food Policy and Environmental Management



- in the Urals Federal District — November 25;
- in the Northwestern Federal District - December 3;
- in the Far Eastern Federal District - December 9.

At the meeting of the Federation Council Committee on Agriculture and Food Policy and Environmental Management on October 6, the President of the NAAI, Korney Bizhdov, was awarded a diploma «for many years of fruitful work, success achieved, a significant contribution to the development of agricultural insurance in the Russian Federation».

**4)** Interaction with the State Duma of the Federal Assembly of the Russian Federation was also carried out on a regular and systematic basis.

As part of the working interaction with the relevant Committees of the State Duma, aimed at improving the current legislation governing state-supported agricultural risk insurance, the NAAI took part in events in the lower house of the Legislative Assembly:

- Parliamentary hearings «On measures to improve the turnover, rational use and protection of agricultural land», February 17;
- Parliamentary hearings «Export potential of Russian organic

products: problems and solutions in the context of national and food security», March 19;

- meetings of the working group of the State Duma Committee on Agrarian Issues, which is responsible for the development of a draft law on expanding the agricultural insurance system (first meeting - September 29);
- meeting of the State Duma Committee on Financial Market, December 17.

**5)** The NAAI's interaction with the Bank of Russia was carried out in a number of areas:

- providing information on the state of agricultural insurance development in the Russian Federation;
- participation of the Bank of Russia in the activities of the NAAI to improve the financial literacy of agrarians;
- participation of the Bank of Russia in discussing amendments to FZ-260 regarding insurance against crop loss risks as a result of a natural emergency.

The Bank of Russia noted the positive role of agricultural insurance and the NAAI initiatives in the advisory report «Impact of Climate Risks and Sustainable Development of the Financial Sector of the Russian Federation», released in 2020.



Insurance of gardens is one focus of attention of the Ministry of Agriculture of the Russian Federation: in 2020, the NAAI and the branch agrarian unions (at the starting stage - the National Union of producers of fruits and vegetables and the Union «Kuban Gardeners») created a separate group on perennial plantations insurance, which began to develop a program of insuring perennial plantations, considering the specifics of intensive gardening in accordance with the instructions of the First Deputy Minister of Agriculture of the Russian Federation, Dzhambulat Khatuov, who personally oversees the work of this group.

## REGULATORY FRAMEWORK OF AGRICULTURAL INSURANCE

The legal basis of the state-supported agricultural insurance system in Russia are two basic federal laws:

■ Law No 264-FZ (in force since 2007) «On the Development of Agriculture», establishes the foundations of agricultural policy and the conditions for federal financing of state-supported programs. Included is the task of «developing a risk insurance system in agriculture» in areas listed as being eligible for state support;

■ Law No. 260-FZ (in force since 2012) «On state support in the field of agricultural insurance...», the first specialized Russian law regulating the conditions of subsidized agricultural insurance.

The practical functioning of the agricultural insurance system with state support requires the mandatory presence of a by-law regulatory framework adopted by the Government and the Ministry of Agriculture of the Russian Federation. Following the transition to a unified agricultural insurance system in 2016, state-supported insurance contracts currently must also comply with the unified standard insurance rules, which were approved by the NAAI and agreed upon by the Ministry of Agriculture, the Ministry of Finance of the Russian Federation and the Bank of Russia.

**Law No. 260-FZ “On State Support in the Field of Agricultural Insurance...”**

Field of regulation

Legislative act

**CROP AND LIVESTOCK RISKS INSURANCE**

The list of infectious animal diseases, the spread of which is recognized as an insured event in cases of insurance with state support (article 8, paragraph 2 of the Law No. 260-FZ).

Order of the Ministry of Agriculture of Russia No. 242 of 24 June, 2013

Expertise rules, as well as requirements for independent experts in agricultural insurance.

Government Decree of the Russian Federation No. 1143 of 27 September, 2018 “On Amendments to the Government Decree of the Russian Federation No. 1205 of 30 December, 2011”.

Methods for calculating the insured value and losses of insured objects (crops, perennial plantings and livestock) - the main document that is used to determine insurance conditions.

Order of the Ministry of Agriculture of the Russian Federation No. 87 of 01 March, 2019

Agricultural Insurance Plan (approved annually). This is a basic document for agriculture authorities in providing insurance subsidies. It lists approved crops and livestock that can be insured during the specified period, and is also used to calculate the state support limit which can be provided per one agricultural insurance contract, depending on the region and contract characteristics.

Order of the Ministry of Agriculture of Russia No. 667 of 02 December, 2019, “On the Approval of the Agricultural Insurance Plan for 2020”

**UNIFORM STANDARDS OF NAAI**

Insurance rules (standard) of state-supported insurance of crops and perennial plantings.

Adopted in 2016. Updated in 2019.

Insurance rules (standard) of state-supported insurance of livestock.

Adopted in 2016. Updated in 2019.

**AQUACULTURE RISKS INSURANCE**

List of infectious diseases of commercial aquaculture (state-supported agricultural insurance).

Order of the Ministry of Agriculture of Russia No. 369 of 22 August, 2018

Expertise rules for agricultural insurance purposes.

Government Decree of the Russian Federation No. 1143 of 27 September, 2018 “On Amendments to the Government Decree of the Russian Federation No. 1205 of 30 December, 2011”.

Methods for calculating the insured value and losses of insured aquaculture objects.

Order of the Ministry of Agriculture of Russia No. 121 of 21 March, 2019

Insurance plan for 2020 (including aquaculture insurance).

Order of the Ministry of Agriculture of Russia No. 667 of 02 December, 2019, “On the Approval of the Agricultural Insurance Plan for 2020”

**UNIFORM STANDARDS OF NAAI**

Insurance rules (standard) of commercial aquaculture insurance (commercial fish farming).

Developed by the NAAI; entered into force in the beginning of 2019.





# 3.3 DEVELOPMENT OF INSURANCE METHODOLOGY. METHODOLOGICAL SUPPORT OF NAAI MEMBERS

IN 2020, THE MAIN TASK OF THE NAAI IN THE FIELD OF THE REGULATORY AND LEGAL FRAMEWORK DEVELOPMENT WAS THE PREPARATION OF INITIATIVES TO EXPAND THE AGROINSURANCE SYSTEM.

**15** meetings with the participation of the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia were held by the NAAI to discuss amendments to the Federal Law No. 260 in 2020.

In accordance with the Main Directions of Activity for 2020, approved by the General Meeting of the NAAI, and as part of fulfilling the requirements of Federal Law No. 260-FZ of 25 July, 2011, «On State Support in the Field of Agricultural Insurance...», the NAAI in 2020 carried out the following key activities.

### 3.3.1. METHODOLOGICAL SUPPORT OF NAAI MEMBERS

120 written and oral consultations of the NAAI members were held during the year, including the following issues:

- providing per-hectare support to insured farms;
- the procedure for round-off insurance premiums and

average selling prices of agricultural products;

- calculating the insurance value of crops;
- claims settlement procedures;
- insurance of commercial aquaculture facilities;
- applying adjustment tariff coefficients for calculating the amount of subsidies.

### 3.3.2. PREPARATION OF METHODOLOGICAL DOCUMENTS

In 2020, the following documents were developed by the executive body of the NAAI and approved by the Methodology of Insurance Committee:

- new editions of standard forms for agricultural insurance contracts (for crops, perennial plantings, livestock, aquaculture (commercial fish farming));
- changes to clause 4.3. of the standard form of the crop insurance contract in terms of determining the consequences of the failure to pay regular insurance premiums on time, if the event (or events) occurred after the due date for payment of the next insurance premium, the payment of which is overdue (Minutes No. 11 of 29 September, 2020, and No. 13 from 13 October, 2020).

### 3.3.3. PREPARATION OF PROPOSALS ON THE IMPROVEMENT AND DEVELOPMENT OF THE AGRICULTURAL RISKS INSURANCE SYSTEM

In order to develop the agricultural insurance system and ex-

General meeting of the NAAI members on December 15, 2020



pand insurance coverage, in 2020 the NAAI developed and coordinated the approval of, in accordance with established procedures, and directed to:

- to the Ministry of Agriculture of Russia: the NAAI proposals on the need to improve the mechanism of state-supported agricultural insurance and on amendments to the Federal Law of 25 July, 2011 No. 260-FZ "On state support in the field of agricultural insurance...";

- to participants in the process of considering a legislative initiative to amend FZ-260 in terms of insuring crops against the risk of loss due to natural events which lead to official declared state of emergency: proposals to amend the draft law (to the State Legal Department of the President of the Russian Federation, the Government of the Russian Federation, the State Duma, the Federation Council, the Bank of Russia, the Ministry of Finance of Russia and the Ministry of Agriculture of Russia).

As a preliminary preparation for the adoption of legislative changes in terms of insuring against crop loss risks due to natural events which lead to official declared state of emergency, the NAAI carried out in 2020:

- preparation of draft rules for the new type of state-supported insurance;

- carrying out research work on the topic "Actuarial examination of draft amendments to the Federal Law No. 260-FZ in terms of the introduction of state-supported agricultural insurance for damages caused as a result of natural emergencies" (executor - International Actuarial Company LLC).

### 3.3.4. PREPARATION OF PROPOSALS FOR IMPROVING REGULATION AND INTRODUCING NEW INSURANCE PRODUCTS

In order to develop agricultural insurance and increase the insurance coverage of agricultural producers of crop production, in 2020 the NAAI:

- developed and sent to the Ministry of Agriculture of Russia proposals on amendments to the Order of the Ministry of Agriculture of Russia No. 87 of 01 March, 2019, "On approval of the Methodology for determining the sum insured and the amount of loss (destruction) of agricultural crops and perennial plantings and the methodology for determining the sum insured and the amount of loss (death) of livestock";

- developed the concept and main provisions of the insurance program for perennial plantings has been, considering the specifics of intensive horticulture and insuring the quality of the fruit crops harvest;

- prepared proposals on amendments to the draft Decree of the Government of the Russian Federation "On Amending the Decree of the Government of the Russian Federation of 26 May, 2006 No. 310, "On the alienation of animals and the seizure of livestock products during the elimination of foci of especially dangerous animal diseases";

- proposals for the formation of an agricultural insurance plan for 2021 in the field of crop production, livestock and aquaculture (commercial fish farming) prepared and sent to the Ministry of Agriculture of Russia.



Head of Underwriting and Corporate Business Methodology, Sberbank Insurance IC, Dmitry Tsvetkov



Underwriting Director of Non-Industrial Risks and Liability, SOGAZ JSC, Dmitry Tarasov

From left to right: Head of the Agricultural Risks Insurance Department of Absolute Insurance LLC, Dmitry Yamashkin, Head of the Comprehensive Insurance Directorate of Absolute Insurance LLC, Irakli Raysky, Deputy General Director of RSHB-Insurance JSC IC, Oleg Blinkov



# 130

**inquiries on the practical implementation of agricultural insurance received a response from the NAAI in 2020.**

### 3.3.5. IMPLEMENTATION OF CURRENT METHODOLOGY OF INSURANCE TASKS

In 2020, the NAAI processed more than 130 inquiries on the practical implementation of agricultural insurance. Based on their results, statements were prepared explaining the position of the NAAI, the Ministry of Agriculture of Russia and insurance organizations. Upon receiving the responses,

the NAAI sent explanations to the constituent entities of the Russian Federation and insurance companies/members of the NAAI.

In particular, clarifications on the following issues were sent:

- changes to the regulatory documents that came into force in 2020, including: on the issue of remote procedures while insuring crops under the condition of anti-epidemic restrictions imposed by authorities;
- clarifying the real need of the constituent entities of the Russian Federation for insurance subsidies, considering the plans of insurers and adjusting the values of target indicators for agricultural insurance;
- the procedure for calculating average crops yields;
- the procedure for providing state support in 2020 under insurance contracts concluded in 2019;

- rounding off in calculations for subsidies;
- granting subsidies in the areas of state support for the costs of the current period;
- a new procedure for settlements in the implementation of state-supported agricultural insurance;
- the possibility of using a pre-payment mechanism;
- return of overpaid premiums;
- the possibility of making advance insurance payments in the Stavropol Territory;
- amending standard forms of agricultural insurance contracts;
- compulsory inspection of insured crops before going into winter, after the snow cover has melted, and the in the beginning of the growing season;
- mass destruction of crops and the imposition of an emergency situation on the Altai Territory.

The NAAI took part in the Conference «Problems and Prospects for the Development of Horticulture in the Russian Federation» within the framework of the exhibition «Golden Autumn 2020»



### DIALOGUE WITH HORTICULTURE

In 2020, the NAAI actively collaborated with the industry community to develop insurance solutions for the fruit and berry industry. The NAAI took part in the following joint activities with the horticulture and nursery industry:

- video conference together with the «Kuban Gardeners» Union on the «Perennial plantings insurance program», April 20;
- round-table of the NAAI and the Berry Union «Prospects of insuring risks of berry production in Russia», April 27;
- at the 2nd International Exhibition and Conference PROYABLOKO, August 20;

- a meeting of the NAAI and the Fruit and Vegetable Union, September 9;
- conference «Problems and Prospects for Horticulture Development in the Russian Federation», October 10;
- round-table on the question of «How to develop effective gardening in the South», October 14;
- working-group meeting on the development of gardening and nurseries in the Russian Federation, chaired by the First Deputy Minister of Agriculture, D. H. Khatuov, October 16 and November 6;
- working-group meeting of the NAAI, the Fruit and Vegetable Union and the Union «Gardeners of the Kuban» (first meeting), November 16.

Work was carried out with state authorities and structures to improve agricultural insurance:

- with the Federal Antimonopoly Service, regarding the distribution of subsidies;
- with the Ministry of Finance of the Russian Federation, regarding NAAI proposals to the draft strategy for the development of insurance activities in the Russian Federation;
- with the All-Russian Research Institute of Environmental Protection (Federal state budgetary institution), regarding the participation of the NAAI in the discussion of the development strategy of the forestry complex of the Russian Federation until 2030;
- with L.K. Ernst Federal Research Center for Animal Husbandry, FGBI «ARRIAH», the Veterinary Department of the Ministry of Agriculture of the Russian Federation, the Federal Service for Veterinary and Phytosanitary Supervision, regarding the danger from viruses for farm animals;
- with the Agency for Fishery of Primorsky Krai and the Federal Agency for Fishery, regarding aquaculture insurance issues.

## 3.4 IMPLEMENTATION OF TARGET NAAI PROGRAMS AIMED AT AGRICULTURAL INSURANCE DEVELOPMENT

IN 2020, THE NAAI CONTINUED IMPLEMENTATION OF TARGET PROGRAMS AIMED AT THE DEVELOPMENT OF STATE-SUPPORTED AGRICULTURAL INSURANCE SYSTEM.

**28**  
training  
insurance seminars for agrarians were held by the NAAI in 2020 (18 seminars in the format of video-conferencing)

The NAAI develops and coordinates the approval by the Ministry of Finance, the Ministry of Agriculture and the Bank of Russia, the target programs aimed at developing the state-supported agricultural insurance system (implemented since 2018):

- "Risk zoning of the Russian Federation territory";
- "Development of the space monitoring system";
- "Improving the financial literacy of agrarians";
- "Development of additional insurance programs".

### 3.4.1. TARGET PROGRAM "RISK ZONING OF THE RUSSIAN FEDERATION TERRITORY"

In 2020, within the framework of the target program "Risk zoning of the Russian Federation Territory", the 2nd, 3rd and 4th stages of research work, carried out by the federal state autonomous educational institution of higher education "National Research University Higher School of Economics" were completed, which included:

- Sampling of meteorological and agrometeorological data (in-





cluding data on the following risks stipulated by the Federal Law No. 260-FZ of 25 July, 2011: atmospheric drought, soil drought, dry wind, frost, freezing, damping, hail, large hail, strong dust (sand) storms, ice crust, heavy downpour, heavy and prolonged rain, early snow cover, freezing of the upper soil layer, waterlogging of the soil, strong and hurricane-force winds) in the agricultural zone of the Russian Federation according to the observation units of Roshydromet in the Southern, Central and Volga Federal Districts (FD) of RF;

- Sampling of data from observational subdivisions of the North-West, Ural and Siberian Federal Districts of the Russian Federation. Development of an algorithm for recovering data gaps and a scheme for interpolating meteorological parameters into the nodes of a regular grid. Statistical analysis of hydrometeorological and agrometeorological data series, including the calculation of the frequency (risk) of the occurrence of dangerous phenomena according to specified criteria;

- Sampling of data on the observation units of the Far Eastern and North Caucasian Federal Districts of the Russian Federation. Consolidated statistical analysis of data series, including the calculation of the frequency (risk) of occurrence of dangerous phenomena according to the specified criteria for the agricultural territory of the Russian Federation.

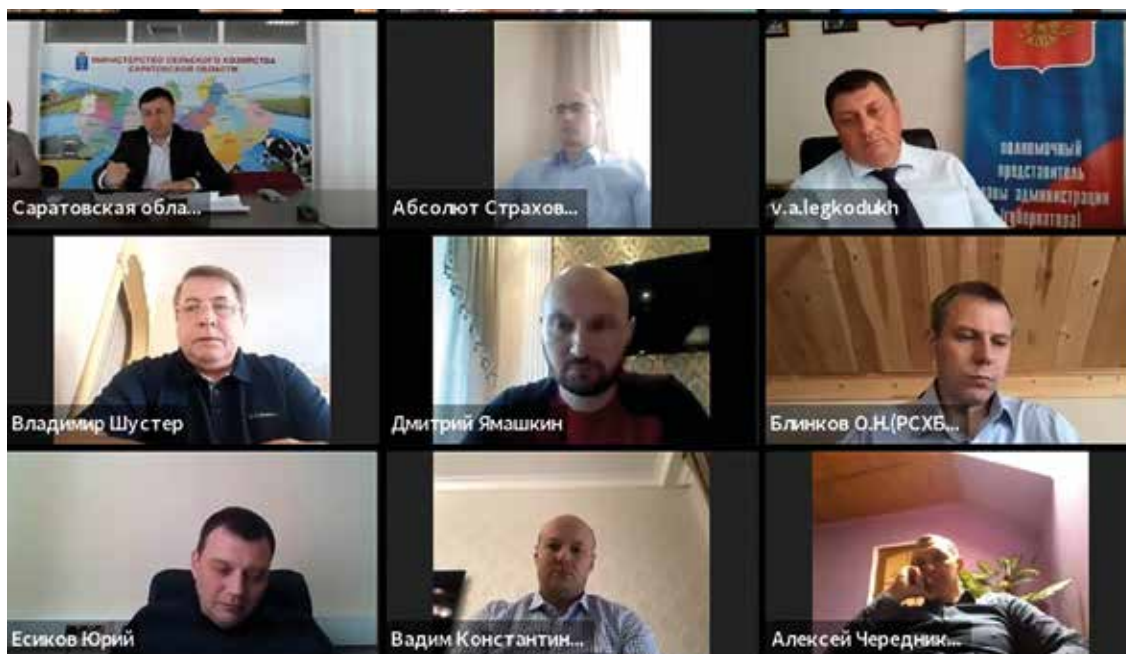
Reports on the 2nd, 3rd and 4th stages of research work were agreed upon and adopted by the NAAI Methodology of Insurance Committee (Minutes of March 13, 2020, No. 4, of July 21, 2020, No. 10 and of November 7, 2020, No. 14).

According to the approved work schedule, the implementation of stages 5 and 6 began in 2020. In their course, the following was carried out:

- Zoning of the agricultural territory of the Russian Federation according to the frequency of dangerous phenomena occurrence. Construction of regression models to assess the weather-related



**In 2020, the target program of the NAAI «Improving the financial literacy of agrarians» received an award from the Ministry of Agriculture of Russia. The program won a bronze medal and was awarded a 3rd degree diploma according to the results of the competition for the best project on effective information and consulting support, summed up by the Ministry of Agriculture of the Russian Federation in the framework of the XXII International Agricultural Exhibition «Golden Autumn».**



risks of major crop cultivation in the agricultural zone of Russia. Development of proposals for improving the system for assessing weather-related risks in agricultural production for agricultural insurance purposes;

- Collection and digitization of information on events:

- Penetration and/or spread of harmful organisms;
- Natural disasters (Including data on the following risks stipulated by Federal Law No. 260-FZ of 25 July, 2011: high water, alluvion, underflood, flood, landslide, earthquake, avalanche, mudflow and natural fire).

### 3.4.2. TARGET PROGRAM "DEVELOPMENT OF THE SPACE MONITORING SYSTEM"

Contract No. 44116237 of 01 January, 2020 was concluded with Geosys Europe SARL (minutes of December 25, 2019, No. 7 of the NAAI Monitoring and Insurance Expertise Committee). Insurance companies/members of the NAAI were provided with access to the Agriquest space monitoring system.

Contract No. 2020/1 of 20 February, 2020 was concluded with IKIZ LLC (minutes of December 25,

2019, No. 7 of the NAAI Monitoring and Insurance Expertise Committee). Insurance companies/members of the NAAI were provided with access to the «VEGA-PRO» space monitoring system.

### 3.4.3. TARGET PROGRAM "IMPROVING THE FINANCIAL LITERACY OF AGRARIANS"

In 2020, within the framework of the target program «Improving the financial literacy of agrarians», 10 offsite training seminars were organized and held in the constituent entities of the Russian Federation:

1. Tyumen Region (February 06, 2020)
2. Republic of Tatarstan (February 13, 2020)
3. Chelyabinsk Region (February 20, 2020)
4. Rostov Region (February 27, 2020)
5. Orenburg Region (February 28, 2020)
6. Arkhangelsk Region (March 12, 2020)
7. Udmurt Republic (March 05, 2020)
8. Orenburg Region (March 18-20, 2020)
9. Republic of Ingushetia (September 24, 2020)
10. Republic of North Ossetia-Alania (September 25, 2020)

18 offsite learning seminars were organized and held in the constituent entities of the Russian Federation:

1. Saratov Region (June 11, 2020)
2. Stavropol Territory (June 11, 2020)
3. Udmurt Republic (July, 21, 2020)
4. Perm Territory (22 July, 2020)
5. Altai Territory (July 27, 2020)
6. Kursk Region (August 03, 2020)
7. Republic of Crimea (August 05, 2020)
8. Voronezh Region (August 08, 2020)
9. Volgograd Region (August 19, 2020)
10. Omsk Region (August 20, 2020)
11. Tambov Region (September 15, 2020)
12. Rostov Region (September 22, 2020)
13. Republic of Mordovia (September 29, 2020)
14. Kirov Region (October 15, 2020)
15. Belgorod Region (October 16, 2020)
16. Samara Region (October 22, 2020)
17. Republic of Khakassia (October 30, 2020)

» IN 2020,  
THE NAAI DEVELOPED  
A WEBSITE,  
**WWW.NAAIAGRO.RU**,  
DESIGNED TO  
INFORM FARMERS  
ON AGRICULTURAL  
INSURANCE ISSUES

### 18. Republic of Tatarstan (November 02, 2020)

8 joint events were organized and held with the Federation Council Committee on Agriculture and Food Policy and Environmental Management together with all federal districts of Russia.

The seminars were attended by over 1,000 farmers and representatives from regional agrarian bodies, the Federation Council, the Ministry of Agriculture of Russia and the Bank of Russia, as well as insurance organizations.

The production of the custom-designed brochure of infographic script-schemes «Actions of the insured and the insurer in case insured events occur» has been completed (in options corresponding to the actions of the insured in state-supported insurance of crops, livestock and commercial aquaculture facilities). Sets of brochures were sent to insurance companies/members of the NAAI to provide to policyholders when concluding insurance contracts.

A website «Agricultural insurance in Russia», designed to inform farmers about specific procedures, features and possibilities of state-supported agricultural insurance in the context of risk management in agricultural production, was created.

The site is available at the link **www.naiagro.ru**. An agreement was signed for the maintenance of the «Agricultural insurance in Russia» website.

In order to inform farmers and agrarian representatives about the importance of agricultural insurance in protecting the financial stability of agricultural producers, an informational video was created on the history and practice of using insurance instruments.

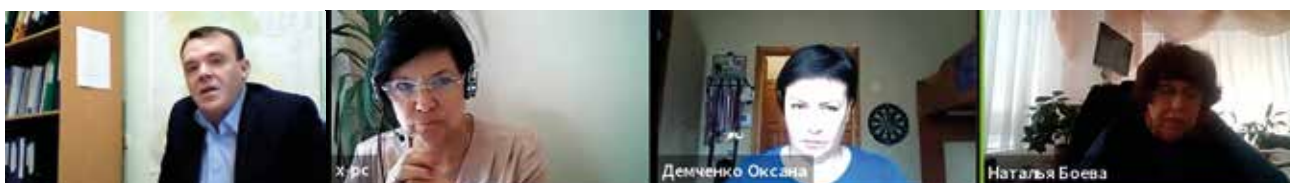
### 3.4.4. TARGET PROGRAM “DEVELOPMENT OF ADDITIONAL INSURANCE PROGRAMS”

In 2020, within the framework of the target program “Development of additional insurance programs”:

■ The executive office of the NAAI carried out organizational and methodological work on the implementation of the research and development project on the topic «Researchability of using insurance programs for the yield index in Russia». Research work was carried out by the Federal State Budgetary Educational Institution of Higher Education, “Lomonosov Moscow State University” (Faculty of Economics, Moscow State University). The R&D report was agreed upon and adopted by the NAAI Methodology of Insurance Committee (Minutes No. 4 of March 13, 2020).

The executive office of the NAAI carried out organizational and methodological work on the implementation of the research and development project on the topic «Actuarial examination of the draft amendments to the Federal Law No. 260-FZ in terms of introducing state-supported agricultural insurance against a natural emergency.» The R&D report was carried out by International Actuarial Company LLC. The R&D report was agreed upon and adopted by the NAAI Methodology of Insurance Committee (Minutes No. 9 of July 16, 2020).

The results of these reports were sent to the Bank of Russia and the Ministry of Finance to substantiate the NAAI’s position on including the insurance program against a natural emergency in the state-supported agricultural insurance system.



## 3.5 FEDERAL AGRICULTURAL INSURANCE SYSTEM SUPPORT IN REGIONS

IN 2020, THE NAAI EXPANDED THE CONSISTENT WORK WITH REGIONAL AGRICULTURE GOVERNING BODIES AIMED AT THE DEVELOPMENT OF AGRICULTURAL INSURANCE.

The NAAI, on a permanent and systematic basis, is actively working with regional agriculture authorities on developing agricultural insurance.

The fulfillment of the statutory goals of the NAAI of the agricultural insurance system development is associated with the need for regular collection and systematization of information received from the Ministry of Agriculture of the Russian Federation, regional governing bodies and members of the NAAI at the stages of planning the amount of subsidies

and providing state support, and during the insurance contracts' period of validity.

For its part, the NAAI informs the agriculture authorities of the constituent entities of the Russian Federation regarding all changes to the agricultural insurance system, conducts joint explanatory work and monitors compliance with state-supported agricultural insurance standards.

In 2020, the NAAI strengthened this activity in connection to the expansion of state-supported agricultural insurance coverage in regions.

### 3.5.1. INTERACTION BETWEEN THE NAAI AND THE TERRITORIAL ENTITIES OF THE RUSSIAN FEDERATION

In particular, the NAAI, on an ongoing basis, sent inquiries to the Ministry of Agriculture of Russia in order to clarify the position of the Ministry on problematic issues arising throughout the process of implementing agricultural insurance. Based on the results of the responses received, the NAAI sent explanations to the constituent entities of the Russian Federation of the provisions of the agricultural insurance regulatory legal framework, including the issue of clarifying the real need of the constituent entities of the Russian Federation in subsidies for insurance, considering the plans of insurers and adjusting the values of the target agricultural insurance indicators established for the constituent entities of the Russian Federation.





The signing of an agreement on the development of agricultural insurance: Minister of Agriculture of the Chelyabinsk Region, Alexei Kobylin and Executive Director of the NAAI, Mukharby Boranukov.



emerging issues and problems, including unreasonable refusals to conclude contracts, as well as refusals or understatement of insurance payments by insurance organizations/members of the NSA.

In 2020, the NAAI:

- Sent more than 130 letters and clarifications to the agrarian management bodies on the practice and development of insurance;
- Held more than 40 events jointly with the regional agriculture governing bodies, including 33 special events to improve the financial literacy of farmers (see paragraph 2.2.2. Of the Report);
- Carried out analysis and systematization of information of the constituent entities of the Russian Federation according to key indicators planned for 2020;
- Carried out reconciliation on accrued subsidies from the federal and regional budgets under state-supported agricultural insurance contracts on a quarterly basis (70 regions);
- Informed, as necessary, 83 regions about all changes in the NAAI membership.

**> 130**  
letters and clarifications on agricultural insurance were sent to the regions by the NAAI.

Throughout the year, at conference calls with the Ministry of Agriculture of Russia, joint events in the constituent entities of the Russian Federation, etc., the NAAI regularly informed the regional agriculture governing bodies about the possibility of contacting the NAAI on all





IN 2020, A

PERMANENT HOTLINE OF  
THE NAAI FOR ALL ISSUES  
CONTINUED TO OPERATE IN  
THE EVENT OF AN EMERGENCY  
SITUATION ANNOUNCEMENT IN  
REGIONS.

**3.5.2. PROMOTING AGRICULTURAL  
INSURANCE IN CONSTITUENT  
ENTITIES OF THE RUSSIAN  
FEDERATION**

In 2020, the NAAI signed new agreements on promoting the development of agricultural insurance with the governing agriculture bodies of the constituent entities of the Russian Federation:

- **Chelyabinsk Region;**
- **Orenburg Region;**
- **Republic of Ingushetia;**
- **Stavropol Territory.**

Meetings were held with the heads of regional agriculture bodies of the Orenburg, Novosibirsk, Murmansk, Stavropol, Chelyabinsk Regions, Republic of Ingushetia and Primorsky Krai.

Throughout the year, through conference calls with the Ministry of Agriculture of Russia, joint events in the constituent entities of the Russian Federation, etc., the NAAI regularly informed the regional agrarian governing bodies about the possibility of contacting the NAAI on all emerging issues and problems, including unreasonable refusals to conclude contracts, as well as refusals or understatement of insurance payments by



**«EMERGENCY» PAYMENTS - MORE THAN  
1.6 BILLION RUBLES FOR STAVROPOL**

In 2020, the NAAI and the agriculture governing bodies worked out a mechanism for interaction in the event of insured agrarians' losses in emergency situations, specifically drought and spring frosts. Advance insurance compensation for damages to the agrarians of the Stavropol Territory, prior to the provision of a full package of documents, was carried out by insurance companies following a request by the Ministry of Agriculture of the region to the NAAI. By September 30, over 540 million rubles in payments was transferred. In total, the farmers of the region received more than 1.6 billion rubles for crop losses in 2020.

In the photo: one of the large-scale meetings that took place on September 16, 2020, in Stavropol, under the leadership of the First Deputy Chairman of the Government of the Territory, Nikolai Velikdan, with the participation of the NAAI, representatives from the regional agrarian authorities, head offices and branches of insurance companies and farms of the region.

insurance organizations/members of the NSA.

In 2020, in accordance with the approved algorithm of the NAAI's units' actions in the event of an emergency being declared in the regions, a permanent hotline for farmers continued to operate on all issues related to the implementation of agricultural insurance, including 18 constituent entities of the Russian Federation affected by natural and man-made hazards, and notified regional agrarian governing bodies and the Ministry of Agriculture of Russia on the work of the NAAI commission for monitoring emergencies.

> 40

events for agrarians were held by the NAAI in 2020

## 3.6 SUPPORT OF INNOVATIONS

IN 2019, THE NAAI CONTINUED TO INTRODUCE MODERN METHODS AND TECHNOLOGIES FOR THE USE OF AGRO-METEOROLOGICAL DATA AND REMOTE SENSING OF THE EARTH INTO THE AGRICULTURAL INSURANCE SYSTEM.

In 2019, space monitoring data was used by the NAAI and insurance companies:

- to ensure the conclusion and support of insurance contracts as well as claims settlement for crop risk insurance contracts;

- for information exchange between the authorities and the public concerning emergency situation risks in agriculture;
- to implement target programs for agricultural insurance development.



Head of the NAAI Space Monitoring Department, Vladimir Shuster, presented the results of the data analysis to the agrarians of Ingushetia (Magas, September 24, 2020)

### 3.6.1. COORDINATING AND CONSULTING MEMBERS OF THE NAAI

Following the decision of the Monitoring and Insurance Expertise Committee, in 2020, insurance companies/members of the NAAI were provided with the opportunity to continue their practical use of space technologies for monitoring and examination purposes in the implementation of crop insurance on the basis of the unified web platform used by the NAAI.

Thereafter, an opportunity was provided to use two types of space monitoring system platforms:

- "AgriQuest" from the "Geosys-Europe" company;
- "Vega-Pro" from the Space Research Institute of the Russian Academy of Sciences.

The coordination of the work and consultation of the NAAI members on using the space monitoring system was carried out by the NAAI on an ongoing basis by e-mail, telephone and video conferencing.

The NAAI continued training insurance specialists: on February 13, 2020, in Moscow, with the participation of specialists from Geosys-Europe, a seminar was held for experts from insurance companies on the application of the AgriQuest space monitoring tool in 2020. In particular, new features of this tool, available to the NAAI members, were presented.

### 3.6.2. ANALYZING REMOTE MONITORING SERVICES OFFERED ON THE MARKET

In 2020, in order to further study the market, the NAAI conducted an analysis of the activities of space monitoring service providers for crop insurance purposes.



#### SPACE MONITORING TOOLS ALLOW THE INSURANCE

COMPANIES/MEMBERS OF THE NAAI TO:

- COLLECT AND PROCESS DATA ON THE STATUS OF GREEN MASS OF PLANTS;
- RECEIVE AND ANALYZE DATA ON WEATHER CONDITIONS IN A SPECIFIC TERRITORY;
- CARRY OUT VISUAL ASSESSMENT OF FIELDS USING HIGH RESOLUTION IMAGES.



Deputy Director of the Institute of Space Research of the Russian Academy of Sciences, Yevgeny Lupyan, attended the General Meeting of the NAAI in 2019 (during the signing of the Cooperation Agreement between the NAAI and the Institute).

From August to December, with the participation of NAAI specialists and members of the NAAI Monitoring and Insurance Expertise Committee, three rounds of negotiations were held with representatives from AgriTask (Israel). During the negotiations, a discussion was held on the presentation of the IT platform and a demo version on the possibilities of using the AgriTask platform for crop insurance purposes.

In December, the NAAI held a video conference on the platform «Agro-service Innopolis» from the University of Innopolis (Kazan). This platform includes the complex formation of a unified agricultural land database.

**3.6.3. USE OF SPACE MONITORING DATA FOR REVIEWING APPLICATIONS FOR PAYMENT FROM THE NAAI COMPENSATION FUND**

In 2020, the NAAI, based on space monitoring methods, prepared expert opinions on a number of agricultural producers' applications for receiving payments from the NAAI Compensation Fund. The data on crops from the following regions was analyzed:

- Republic of Crimea;
- Rostov Region;
- Primorsky Krai;
- Perm Territory.

**3.6.4. USE OF SPACE MONITORING DATA FOR INTERACTIONS BETWEEN NAAI, GOVERNMENT AUTHORITIES AND THE PUBLIC**

In order to respond to emergency situation announcements in regions of the Russian Federation, as well as for the purpose of a preventive analysis of the prerequisites of adverse natural phenomena, the NAAI analyzed the state of crops and the influence of meteorological factors on deviations in their development in all constituent entities of the Russian Federation.

Analytical materials were prepared for 32 territorial entities of the Russian Federation, based on analysis of the state of crops and the influence of meteorological factors on deviations in their development.

The results of using remote monitoring were regularly presented at regional events within the framework of the NAAI Target

Program "Improving the financial literacy of agrarians". The analysis of space monitoring data was presented at 17 events in the constituent entities of the Russian Federation and 8 seminars in federal districts of the Russian Federation, organized by the NAAI in conjunction with the Agrarian Committee of the Federation Council of the Russian Federation, agrarian governing and farmers of the regions. The data from the analysis was also used to prepare information provided to the media.

**3.6.5. DEVELOPING THE SPACE MONITORING SYSTEM**

In 2020, the Monitoring and Insurance Expertise Committee developed and approved (Protocol No. 2 of December 25, 2020) the «Methodological recommendations on the use of space monitoring tools in the implementation of state-supported crop insurance.» This new document contains a detailed set of instructions describing the application of these methods both when concluding an insurance contract and when handling insured events.

**ARTICLE 5 OF THE LAW «ON STATE SUPPORT IN THE FIELD OF AGRICULTURAL INSURANCE...»**

AS AMENDED, EFFECTIVE FROM MARCH 1, 2019: "...AN EXAMINATION IS CARRIED OUT BY SURVEYING THE INSURANCE OBJECTS (IF THE EXAMINATION IS POSSIBLE AT THE TIME OF THE EXAMINATION), AS WELL AS ON THE BASIS OF THE RELEVANT DOCUMENTS, INFORMATION AND MATERIALS OBTAINED, INTER ALIA, AS A RESULT OF MONITORING USING THE AVIATION AND SPACE TOOLS SUBMITTED BY THE INSURER AND (OR) BY THE INSURED."

**IN 2020, THE NAAI ADOPTED UNIFIED METHODOLOGICAL RECOMMENDATIONS FOR THE USE OF SPACE MONITORING TOOLS IN AGRICULTURAL INSURANCE. RECOMMENDATIONS WERE ADDRESSED TO SPECIALISTS OF INSURANCE COMPANIES AND AIMED AT EXPANDING THE USE OF MODERN TECHNOLOGIES IN AGRICULTURAL INSURANCE PROTECTION..**

## 3.7 INTERNATIONAL ACTIVITY

IN 2020, THE ASSOCIATION'S INTERNATIONAL ACTIVITY CONTINUED IN SPITE OF THE COMPLICATED SITUATION RELATED TO SPREAD OF THE NEW CORONAVIRUS INFECTION AND THE IMPLEMENTATION OF RESTRICTIONS ON TRANSBORDER MOVEMENT.

In 2020, the international activity of NAAI was carried out in the following areas:

- » strengthening ties with the International Association of Agricultural Production Insurers (AIAG) and exchanging experiences with other countries' authorities in the field of agricultural risks insurance;
- » participating in integration processes involving Eurasian space, included in the framework of the Eurasian Economic Union (EAEU).

### 3.7.1. COOPERATION WITH INTERNATIONAL ORGANIZATIONS

In 2020, the NAAI took part in a number of events and meetings dedicated to the exchange of international experiences.

#### JANUARY

The NAAI and the AGROSEGURO organization, responsible for coordinating the agricultural insurance system in Spain, have extended their cooperation agreement. The agreement, in particular, provides for the exchange of information and the possibility of conducting joint events.

The session of the CIS Interparliamentary Assembly in November 2020 adopted the first model law on agricultural insurance in the history of the CIS; developed with the participation of the NAAI



**SEPTEMBER**

Representatives from the International Association of Agricultural Production Insurers (AIAG), at the invitation of the NAAI, took part in the joint preparation of the thematic block of materials on agricultural insurance (No. 4 (81) 2020) with the magazine «Modern Insurance Technologies». Pascal Forrer, President of the AIAG and Director of the Swiss agricultural insurance organization Schweizerische Hagel-Versicherungs-Gesellschaft, gave an interview on the global experience of agricultural risks insurance coverage. Arnauld de Beaucaron, member of the AIAG Management Board, member of the Board of Directors of the French Societe d'assurance mutuelle L'Étoile, presented the publication of the modern experiences of insurance protection against agricultural risks in France.

**3.7.2. THE DEVELOPMENT OF INTEGRATION CONNECTIONS IN EURASIAN SPACE**

At the autumn session of the CIS Interparliamentary Assembly, a model law «On Agricultural Insurance» was adopted, developed by the IPA CIS Permanent Commission on Agrarian Policy, Natural Resources and Ecology with the participation of the NAAI.

The Interparliamentary Assembly is an interstate body of the Commonwealth of Independent States, formed from parliamentary delegations of the member states. One of the key tasks of the IPA CIS is to bring the legal systems of CIS member states closer together, creating conditions for comprehensive integration within the framework of the commonwealth on the basis of the adopted model legislative acts and recommendations.

The adopted model law defines the legal, economic and organizational foundations of agricultural insurance, as well as the conditions and procedures for its implementation. The document describes insurance of the agrarian's property interests associated with the risk of loss (destruction) of crops, destruction of perennial plantings, livestock and commercial aquaculture (in particular, fish and cyclostomes, invertebrates and algae). Among other things, the document establishes the rights of agricultural producers to receive subsidies for paying premiums under agricultural insurance contracts and payments in the event of losses under such contracts, and also determines the mechanism for exercising these rights.



In 2020, representatives from the International Association of Agricultural Production Insurers (AIAG), at the invitation of the NAAI, kindly agreed to take part in the thematic project on agricultural insurance in the magazine «Modern Insurance Technologies», which was published in 2020 with the support of the NAAI:

- **Pascal Forrer**, President of the AIAG and Director of the Swiss agricultural insurance organization Schweizerische Hagel-Versicherungs-Gesellschaft, answered questions about the prospects and trends of global agricultural insurance;

- **Arnauld de Beaucaron**, member of the AIAG Management Board, member of the Board of Directors of the French OBC L'Étoile, spoke about the current state of French agricultural insurance.

# 3.8

## EXECUTION OF THE GUARANTEE FUNCTION AND DEVELOPING CONSUMER PROTECTION MECHANISMS

**IN 2020, THE NAAI CONTINUED TO EXECUTE THE GUARANTEE  
FUNCTION UNDER AGRICULTURAL INSURANCE CONTRACTS AND TO  
IMPROVE AND MONITOR COMPLIANCE WITH THE STANDARDS OF  
AGRICULTURAL INSURANCE BY ITS MEMBERS.**

### 3.8.1. HANDLING COMPLAINTS RECEIVED FROM AGRARIANS ON THE ACTIONS OF NAAI MEMBERS

In 2020, the NAAI received six complaints from agricultural producers and governing agricultural bodies of the Orenburg, Kaliningrad, Nizhny Novgorod and Krasnodar Regions against the actions of insurance companies/members of the NAAI.

Necessary measures were taken in accordance with the NAAI Rules of Activity. All applicants were informed of the results. No violations were found in the actions of insurance companies. Following the results of the handling of complaints by the Methodology of Insurance Committee, the NAAI adopted amendments to the Standard form of a crop insurance contract in terms of determining the consequences of failure to pay regular insurance premiums on time, considering the circumstances of partial non-payment of insurance premiums, including incomplete payment of the subsidized part of the insurance premium in the established period.

### 3.8.2. INTERACTION WITH THE INSURANCE COMMUNITY ON CONSUMER PROTECTION ISSUES

In 2020, interaction with the All-Russian Insurance Association (ARIA) was carried out on issues of improving financial literacy in the field of agricultural insurance.

In particular, the NAAI took an active part in the work of ARIA in the preparation of the basic standards for the protection of the rights and interests of individuals and legal entities - recipients of financial services provided by insurance organizations - and the performance of operations by insurance organizations in the financial market (11 meetings).

### 3.8.3. FORMATION OF COMPENSATION PAYMENTS FUND AND THE IMPLEMENTATION OF COMPENSATION PAYMENTS

During 2020, the NAAI carried out work on the formation of a Compensation Payments Fund (CPF) in accordance with the requirements of Federal Law No. 260-FZ, the Charter and Rules of Activity of the Union. In accordance with the requirements of Federal Law No. 260-FZ, the NAAI established a Compensation Payments Fund (CPF). As of 31 December, 2020, the CPF was 99.5% formed.

The administrative office continuously monitored funds transfers by members of NAAI to the CPF. The deposit of CPF funds was carried out in strict accordance with the Investment Plan for idle NAAI funds in 2020 (approved by the Presidium of the NAAI).

In 2020, the NAAI received five applications (claims) on compensation payments from agricultural producers of the Republic of Crimea, Primorsky, Perm Territories and the Rostov Region. According to the pending applications, necessary measures were taken in order to confirm the occurrence of the insured event and determine the amount of payments in order to settle losses. In 2020, the Union carried out two compensation payments.



## 3.9 COUNTERACTION TO INSURANCE FRAUD. LEGAL PROTECTION OF NAAI INTERESTS

IN 2020, THE NAAI CONTINUED AND INTENSIFIED WORK TO PROTECT THE ASSETS OF ITS COMPENSATION FUND AGAINST ILLEGAL CLAIMS.

**668** MILLION  
RUBLES

- the amount of illegal claims to the NAAI Guarantee Fund which were prevented in 2014 – 2020.

In 2020, the NAAI continued and intensified work to protect the assets of its Compensation Fund against illegal claims.

The main activities of the NAAI in counteracting insurance fraud are:

- » protection of the Compensation Funds' assets against illegal claims from policyholders and their representatives ("agro-lawyers");
- » participation in complex counteractions to insurance fraud together with the insurance community.

The unified agricultural insurance standards and active legal position of NAAI have reduced the number of litigations 10-fold since 2016. Space monitoring technology, which has been defined in the law since 2019 as

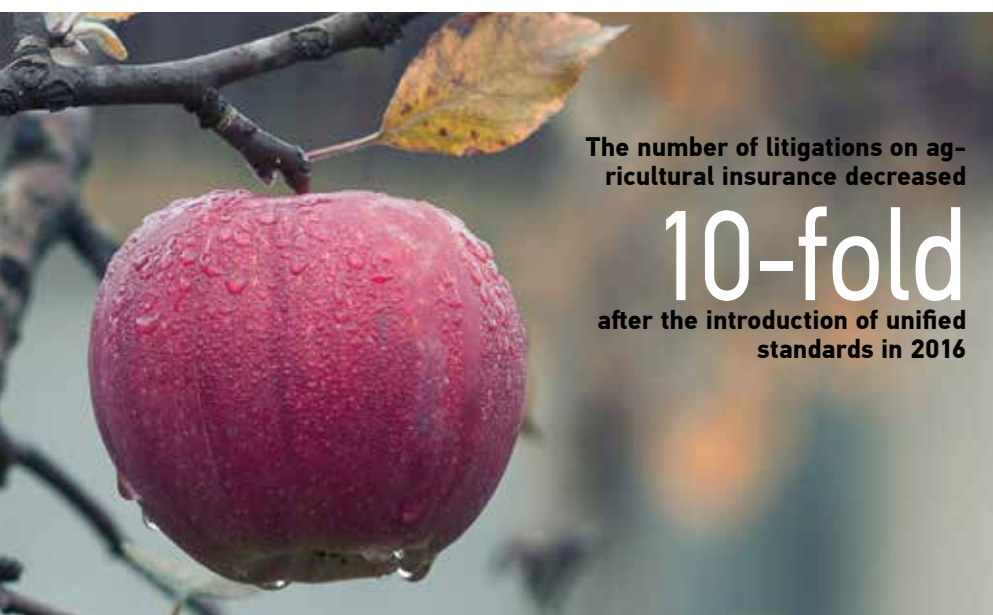
an applicable method of insurance expertise, has become an effective tool to reduce the risks of fraud in agricultural insurance.

### 3.9.1 LEGAL PROTECTION OF THE VIOLATED RIGHTS AND LEGITIMATE INTERESTS OF THE NAAI IN LEGAL CASES RELATED TO THE IMPLEMENTATION OF COMPENSATION PAYMENTS

In 2020, the NAAI continued and intensified the work to protect the Compensation Funds' assets against unfounded claims from policyholders and their representatives ("agro-lawyers") in arbitration courts of various instances. Interaction with legal and expert organizations was organized on issues of judicial protection of NAAI interests and verification of the validity of judicial requirements.

By the end of 2020, NAAI had participated as a defendant or a third party in 52 cases, with the total amount of claims to the Compensation Fund amounting to over 765 million rubles. NAAI representatives won 46 cases worth about 668 million rubles.

In cases where decisions were made in favor of the NAAI, applications were filed to recover court costs from the parties submitting illegal claims. The courts satisfied the NAAI claims to recover court costs for a total amount of about 9.4 million rubles; over 3.7 million rubles were actually accrued.



The number of litigations on agricultural insurance decreased

**10-fold**

after the introduction of unified standards in 2016



## 3.10 ORGANIZATION OF STATISTICAL ACCOUNTING

THE NAAI DATABASE HAS CONSOLIDATED ALL INFORMATION RELATED TO THE AGRICULTURAL INSURANCE SYSTEM WITH STATE SUPPORT IN RUSSIA.

**107 REPLIES**  
from the regional agricultural governing bodies were received during the reconciliation of statistical reports in 2020.

The NAAI has carried out continuous collection and storage of statistical information in the field of state-supported agricultural insurance since the law on agricultural insurance with state support entered into force in 2012. As of 2016, the NAAI database contains complete information on the implementation of agricultural insurance with state support by all insurance organizations, according to the Law On State Support of Agricultural Insurance No. 260-FZ.

### 3.10.1 DEVELOPMENT OF THE AUTOMATED INFORMATION SYSTEM (AIS OF NAAI) FUNCTIONAL

In 2020, the work on the development and improvement of the automated information system (AIS of NAAI) continued:

- changes were made to the block for downloading and analyzing the reports provided by members of NAAI for compliance with the rules of formal/logical control, that allow for additional verification and control of the provided information;

- the necessary revision and adjustment of uploading information from the AIS of NAAI into reporting forms for submission to the state authorities, the Bank of Russia, members of the NAAI. Moreover, 8 new reporting forms

were developed and implemented in the AIS of NAAI, allowing the analysis of the development of state-supported agricultural insurance;

- information on the 2020 target indicators of each region was updated; budget allocations provided from the federal budget to the budgets of the constituent entities of the Russian Federation to compensate agrarians for damages caused by emergency situations in 2020, broken down by regions of the Russian Federation, and other reference information;

- the section of the AIS of NAAI, containing information from the territorial bodies of the federal state statistics service, was supplemented with information on the area and gross yield of agricultural crops in the context of municipalities of the regions of the Russian Federation for the period 2016-2019, the information included in the database for 2001-2019 was reconciled. The work was carried out by the IT department of the NAAI.

### 3.10.2 ACCUMULATION OF STATISTICAL INFORMATION AND ACCOUNTING

Summary statistics on the process of concluding and executing agricultural insurance contracts with state support:

- are sent to the Ministry of Agriculture of Russia, the Executive Office of the Government of the Russian Federation and the Bank of the Russia (monthly);

- are provided to all members of the Association (quarterly);

- are sent to the regional agricultural authorities to reconcile information on the subsidy funds transfer (twice a year);

- are used to calculate allocations of the NAAI members to the Compensation Fund;

- are used in the preparation of analytical and presentation materials for federal and regional authorities, NAAI presentations at events, press releases and media coverage of NAAI's activities;

- are used in the calculation of insurance tariffs;

- were posted on the NAAI website in accordance with the requirements of the law.

During 2020, at the end of each quarter, a complete reconciliation of information on the transfer of subsidies allocated to reimburse part of the costs paid by agrarians for insurance premiums, was carried out with the data of regional agrarian bodies (107 responses were received). About 85 discrepancies in the information were revealed, including the amounts of subsidies listed by the regional agricultural bodies. On this basis, the information on state-supported agricultural insurance contracts (provided quarterly) was clarified with the members of the NAAI. Information on the reasons for delays and refusals in the transfer of state-supported funds was promptly provided to NAAI members.

In total, according to the results of reconciliation with the responses obtained from the management of agrarian bodies, more than 1.2 million rubles were additionally transferred to the NAAI Compensation Fund.

## 3.11 INFORMATIONAL SUPPORT OF AGRICULTURAL INSURANCE

**DURING 2020, THE NAAI PERFORMED CONTINUOUS INFORMATION SUPPORT OF THE AGRICULTURAL INSURANCE SYSTEM IN THE MEDIA, STRENGTHENING ITS PRESENCE IN THE INFORMATION SPACE.**



NAAI President, K. D. Bizhdov,  
media interviews

Particular attention was paid to informational support of changes in the agricultural insurance system, which entered into force on March 1, 2019, as a result of the legislative reform and organization of agricultural insurance in regions.

185 press releases were issued. The following information campaigns were supported:

- 55 press releases on the development of state-supported agricultural insurance in the constituent entities of the Russian Federation and interaction with regional governing agrarian bodies;
- 24 press releases on the results of positive trends in the agricultural insurance market in 2020.

As an additional channel for broadcasting the position of the NAAI for the regional governing agrarian bodies, interaction with their press services was used. Regular publications

on the topic of agricultural insurance and NAAI activities was provided on specialized insurance and agricultural portals.

### 3.11.1 MEDIA RELATIONS

During the year, NAAI activities were covered in print and electronic media at both federal and regional levels. NAAI's initiation of publications on the topic of state-supported agricultural insurance led to the citation and reflection of the NAAI position in more than 150 publications, including federal media: Kommersant, Interfax, Rossiyskaya Gazeta, Parlyamentskaya Gazeta, etc., and specialized agricultural and insurance media: Agroinvestor, Krestyanskie vedomosti, IA Svetych, Dairy News, Milknews, Zerno On-Lain, Agrotime, Krestyanskaya Zhizn, Agrarnaya Tema, Agrariy Plus, ASN, etc.

Topics concerning agricultural insurance and citing the position of the NAAI were covered by the following media: agencies TASS, RIA Novosti, IA Interfax, AEI Prime, IA Finmarket, IA Regnum, the newspaper Rossiyskaya Gazeta (both federal and regional editions: Rossiyskaya Gazeta - South, Rossiyskaya Gazeta - Crimea, Rossiyskaya Gazeta - Krasnodar, Rossiyskaya Gazeta - Vladivostok, Rossiyskaya Gazeta - Barnaul, Rossiyskaya Gazeta - Omsk); Kommersant (both federal and regional media): Kommersant - Voronezh, Kommersant - South, Kommersant - Krasnoyarsk, RBK-Krasnodar, RBK-Bashkortostan, RBK-Kavkaz, Parliamentary newspaper, and also - regional media: Avangard, Altaidyn Cholmony, Altai Niva, Argumenty i



Executive Director of NAAI, M.H. Boranukov, report at the VI International conference "FISH. Processing and aquaculture technologies"

In 2020, informational support was provided for

**33**

regional NAAI events

**9.300**

posts in the media were devoted to agricultural insurance in 2020 (8,100 in 2019)

fakty - Vladivostok, IA Astrakhan Novosti, IA Belfinance, Bel.ru, Business FM Chelyabinsk, Business-Online, Bloknot, Vash Sobesednik, Vestnik Mordovia, Gorodischensky Vestnik, Goryachiy Klyuch, Gubernatori.ru, Golos of CIS, Business Petersburg, Far Eastern Capital, Zarya, Star of Altai, Znamya Truda, Infopro54, Ingush Portal, Crimean Information Agency, Crimea.sm-news.ru, Kubanskie Novosti, Kazanskie Vedomosti, Kamskaya Nov, Komsomolskaya Pravda - Barnaul, IA Kurskcity, Lutshiy Gorod, Martynovsky Vestnik, Molot, Nasha Zhizn, NIA Kuban, News of Zainsk, News of Crimea, New Crimea, News of Saransk, News of Orol, Nizhnekamskaya Pravda, News of Astrakhan, News of Kursk, Orenburg region, Oreltimes.ru, Omskaya Pravda, Organizator 58.ru, Penza.press, PenzaSMI, Penza-news.net, Pobeda26.ru, Polpred, Priazovskiy stepi, Prikubanskiye ogni, Priziv, Provintsialnaya gazeta, Pskov lenta novostey, Rayonnie novosti, RIA Penza region, Peterburg.Fishretail.Ru, Ryazan. Vesti, Ruzaevskaya Gazeta, Russian.City, Russia24.pro, SaratovBusinessConsulting, North Ossetia, Selskaya Zhizn, Stepnaya Nov, North Caucasian News, Slovo, Soviet Siberia, Stavropolskaya Pravda, Taganrogskaya Pravda, Tambovskaya Zhizn, Tikhoretskie Vesti, Tribuna, Trudovaya Chest, Trudovoi Pu, IA Tatar-Info, IA Udmurtia, UrallnformBuro, IA Khakassia, Chetire Pera, Shcherbinovskiy Courier, Ufa Time, Fontanka.ru, Yuzhnouralskaya Panorama, Expert.Yug, Ekograd, Yug Times, Yasno.ru and others.

The NAAI was published in specialized agricultural media: Agricul-

tural expert, Agro2b, Agrobook.ru, Agrovestnik, Agroinvestor, Agroinsurance.com, Agronovosti, Agrotime, Agrotrend.ru, Agro.ru, AgroXXI, APK-Info, APK-Yug, APK Amur Region, Vestnik APK, Veterinary Medicine and Life, Grainboard.ru, Grainbusiness, Dairy News, Drinkinfo.ru, East-Fruit.com, Earth and Life, Grain Portal of the Central Black Earth Region, Grain Online, IDK Expert, Information portal of industrial cattle breeding, CarboFood,» Krestyanin, Krestyanskiye vedomosti, Krestyanskiy dvor, Krestyanskaya zhizn, Korins.ru, korovainfo.ru, Meatinfo.ru, IA MilkNews, Milknet.ru, Meat Expert, Meat Industry, OilWorld.ru, Portal of industrial poultry farming, Ptitseprom, ProAgroprom, ProRynok.ru, ProAgroprom, ROSNG, Russian agricultural portal, Russkaya riba, Fish farming and fishing, RosLenKonoplya, Svetych, Agricultural news, lenta Sovekon, SoyaNews, SPHERE: Technologies. Stern. Veterinary, Sugar.ru, Vfermer.ru, Fermer.ru, Fishnet.ru, Fishretail.ru, IA Fruitnews, Fruitinfo.ru, Forage On-Line, Ya-Farmer.ru, Tsenovik. Agricultural Review, as well as insurance and financial publications: ASN, Rambler Finance, Finanz.ru, Modern Insurance Technologies, MIG Insurance Today, etc.

To popularize agricultural insurance, 10 interviews with the President of the NAAI were published in the leading federal and regional, as well as specialized insurance and agricultural media: in federal and special episodes of Rossiyskaya Gazeta, in media - RBK-Krasnodar, Kommersant Krasnodar, Modern Insurance Technologies, Technologies. Stern. Veterinary, Veterinary and Life, Meat Industry, PtitseProm, Far East Capital.

The NAAI's position on agricultural insurance was broadcast on federal and regional TV (7 TV spots since the beginning of the year): Russia 24 (re-broadcasting «Together-RF»), Arkhiz 24, GTRK Tatarstan, 31TV.RU, GTRK Stavropol, State TV and Radio Company «Alania», Kuban 24.

In August-September 2020, the NAAI provided organizational and informational assistance to the mag-

azine «Modern Insurance Technologies» in the preparation of a thematic block of articles on agricultural insurance, which was the headline of the No. 4 (81) 2020 issue.

### 3.11.2 PRESS EVENTS

In 2020, the results of the «Protect Agribusiness Together» competition for the best media coverage of agricultural insurance with state support, organized by NAAI, were summed up.

In accordance with the decision of the NAAI Competition Commission from March 27, 2021, the following participants were declared the winners:

- in the nomination «Agricultural insurance» - E. Abasheva (article «Foot-and-mouth disease as a punishment», Publishing House «Zolotoy Rog», Vladivostok) - for the best information and analytical material on agricultural insurance;

- in the nomination «Simple Truths» - O. Koteneva (article «Share the Risk», «Rossiyskaya Gazeta», issue «Economy of the South of Russia», Simferopol) - for the best wide-audience material;

- in the nomination «Burning interview» - S. Alyoshin (interview «Drought is an expensive risk»,

newspaper «Volzhskaya Kommuna», Samara) - for the best interview with agricultural insurance specialists, experts and science representatives.

Due to the anti-epidemic restrictions from April to December 2020, the practice of inviting media representatives to events organized by the NAAI in the format of videoconferences was introduced. In 2020, informational support was provided for 33 regional events, including working meetings with governors, heads of agricultural governing bodies (an announcement was made, interaction with the press service of agrarian bodies was provided, as well as the presence of regional media at the event was organized).

### 3.11.3 INDUSTRY CONFERENCES

In 2020, the NAAI took part in the following agricultural and insurance industry events:

- VI International conference «FISH. Processing and aquaculture technologies» (Moscow);

- 11th International Agrarian Conference «Where is the margin 2020?» (Moscow);

- Round-table «Key issues of the agricultural development of the Rostov region» in the framework of the XXIII Agroindustrial Forum of the South of Russia (Rostov);

- Round-table «Perspectives of risks insurance for berry production in Russia» (Moscow, organized by the NAAI and the Berry Union);

- Forum of insurance innovations InnoIns-2020 (Moscow);

- Specialized Exhibition-Conference «PROYABLOKO 2020» (Mineral Waters);

- Conference «Claims & Pays 2020. Claims Settlement in Insurance» (Moscow);

- Business program of the XXII International Russian agroindustrial exhibition «Golden Autumn» (Moscow), as well as the round-table «Agricultural insurance. Development potential» within the framework of this exhibition;

- Conference «Problems and Prospects for the Development of Horticulture in the Russian Federation» (Moscow);

- Round-table on the issue of «How should effective gardening be developed in the South?» (Krasnodar);

- XXI International Research-to-Practice Conference «The Contribution of Insurance Theory and Practice for Increasing the Financial Literacy of the Population in the Coordinates of a Changing Economy» (ARIA, Pskov State University, Pskov);

- IX International Research-to-Practice Conference «Management of Global Economic Risks» (MGIMO, Moscow)

Conference «Claims & Pays 2020. Claims Settlement in Insurance». NAAI President Korney Bizhdov reported on claims standards in agricultural insurance



## APPENDIX EXTRACT FROM THE AUDIT REPORT

### To the President and members of the Integrated Union of Insurers in the Agricultural Complex— National Association of Agriculture Insurers Opinion

We conducted the audit of the annual accounting statements of the Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers, (PSRN 1077799027811, 107217, Russian Federation, Moscow, Sadovaya-Spasskaya street, building 21/1, room II, floor 10) consisting of:

- balance sheet as of December 31, 2020;
- report on the targeted financial flow for 2020;
- appendices to the balance sheet and the report on the targeted financial flow, including:
  - statement of financial results for 2020;
  - explanations to the balance sheet and the targeted financial flow for 2020, including key provisions of accounting policies.

In our opinion, the attached annual financial statements reflect faithfully, in all material respects, the financial position of the Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers (hereinafter referred to as the Association) as of 31 December, 2020, the financial results of its activities and the targeted financial flow for 2020 in accordance with the rules of the annual financial statements preparation established in the Russian Federation.

#### Basis for expressed opinion

We conducted the audit in accordance with the International Audit Standards (hereinafter – IAS). Our responsibility in accordance with these standards is described in the section «Auditors responsibility for the annual financial statements audit».

We are independent in relation to the Association in accordance with the Rules for the Independence of Auditors and Audit Organizations and the Code of Professional Ethics of Auditors that comply with the Code of Professional Ethics of Accountants developed by the Council of International Ethical Standards for Professional Accountants and we fulfilled other duties in accordance with these professional requirements ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide as basis of our opinion.

#### Other information

The audit of the annual accounting statements of the Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers as of December 31, 2019 was carried out by LLC «PRAVOVEST Audit», which expressed the unmodified opinion on these financial statements on April 22, 2020.

### The management's responsibility and individuals responsible for corporate management of annual financial statements

The management is responsible for the preparation and fair presentation of these annual financial statements in accordance with the rules for compiling annual financial statements established in the Russian Federation and for internal control systems that the management considers necessary for the preparation of annual financial statements that do not contain material misstatement due to fraud or errors.

In preparing the annual financial statements, management is responsible for assessing the ability of the Association to operate continuously, to disclose information related to business continuity and to report on the basis of the assumption of business continuity, unless management intends to liquidate the Company, terminate its activities or whenever it lacks any other real alternative other than the liquidation or termination of activity.

Members of the Presidium of the Integrated Union of Insurers in the Agricultural Complex — National Association of Agriculture Insurers are responsible for overseeing the preparation of the accounting (financial) statements of the audited entity

#### Auditors responsibility for the annual financial statements audit

Our goal is to obtain reasonable assurance that the annual financial statements are free from material misstatement, whether due to fraud or error, and to prepare an audit report containing our opinion. Reasonable confidence is defined as a high degree of certainty, but is not a guarantee that an audit conducted in accordance with IAS always reveals significant distortions (if they exist). Distortions could be a result of unfair actions or mistakes and are considered significant if one can reasonably assume that, individually or in aggregate, they could affect the economic decisions of users taken on the basis of this annual accounting.

As part of the audit conducted in accordance with IAS, we apply professional judgment and maintain professional skepticism throughout the audit.

In addition, we:

- a) identify and assess the risks of material misstatement of the annual financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of not detecting a material misstatement as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, as unfair acts may include collusion, fraud, intentional omission, or misrepresentation of information or actions bypassing internal control systems;

b) develop an understanding of the internal control systems that are relevant to the audit in order to develop audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion as to the effectiveness of the Association's internal control system;

c) assess the proper nature of the applied accounting policies, the reasonableness of accounting estimates and the corresponding disclosure of information prepared by the management of the Association;

d) come to a conclusion regarding the legitimacy of managements use of the assumption of continuing activity and, on the basis of the audit evidence obtained, a conclusion about whether there is a significant uncertainty in connection with events or conditions which may raise significant doubts about the ability of the Association to continue its business. If we come to the conclusion that there is significant uncertainty, we should draw attention to our disclosure in our annual financial statements in our audit report or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Association losing the ability to continue its activities continuously;

e) assess the presentation of the annual financial statement in general, its structure and content, including disclosure of information, as well as whether annual accounting reports represent the underlying operations and events so that they are reliably presented.

We carry out informational interaction with individuals responsible for corporate management, bringing to their attention – among other things – information on the planned scope and timing of the audit, as well as significant comments on the results, including significant deficiencies in the internal control systems that we identify in the audit process.

General Director  
LLC "Financial and Tax Audit"  
A.I. Kozlova  
Audit Organization:  
LLC "Financial and Tax Audit",  
PSRN 1057746244192,  
115 093, Moscow, 1st Shchepkovsky lane, building 20, floor 2, room 11,  
Member of the Self-Regulatory Organization of Auditors "Sodruzhestvo" Association,  
PRNE 12006076410

15 April, 2021

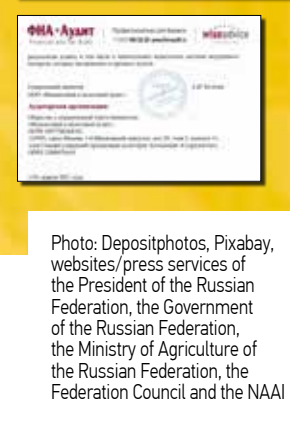


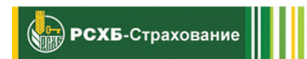
Photo: Depositphotos, Pixabay, websites/press services of the President of the Russian Federation, the Government of the Russian Federation, the Ministry of Agriculture of the Russian Federation, the Federation Council and the NAAI



# NAAI

NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS

## PROTECTING AGRIBUSINESS TOGETHER!



Страховая Акционерная Компания  
**ЭНЕРГОГАРАНТ**



### The National Association of Agriculture Insurers

107217, Russian Federation, Moscow, Sadovaya Spasskaya str., 21/1, office 1012

Tel./Fax: +7 (495) 782-04-99, 782-05-34

E-mail: info@naai.ru, www.naai.ru