



**NAAI**

NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS

# **Agricultural insurance: new prospects**

NAAI Annual Report **2018**





*Ladies and gentlemen; dear colleagues!!*

Presenting the report of the National Association of Agriculture Insurers for 2018, I want to express my gratitude to everyone who supported the agricultural insurance system in such a difficult period, when changes in guidelines of subsidizing the agro-industrial sector caused doubt regarding the maintaining of state support of this area.

Since the end of year 2016, NAAI has repeatedly drawn the attention of all the highest state authorities to the unacceptability of abolishing the agricultural insurance system. The Government of Russia, represented by the Chairman D.A. Medvedev, the heads of both chambers of the Legislative Assembly, V.I. Matvienko and V.V. Volodin, the Presidium of the Legislators Council, the Ministry of Agriculture under the leadership of the Minister D.N. Patrushev, the Ministry of Finance and the Bank of Russia recognized the impermissibility of leveling efforts undertaken in previous years to develop insurance protection of agriculture risks.

Specific decisions on improving the principles of state support for agricultural insurance and changes to legislation were made as the result of bringing the situation to the attention of highest-level government authorities. In 2018, two laws were passed on changing the conditions of agricultural insurance with state support and a decree of the Government of the Russian Federation, establishing the dependence of financial aid from the budget on insurance occurrence

in the event of an emergency causing agricultural losses.

The Ministry of Agriculture of the Russian Federation set the task of organizing agricultural insurance for the territorial entities of the Russian Federation and took it under special control. The result of these measures was the actual recovery of agricultural insurance subsidizing process at the regional level in the second half of 2018.

I would also like to thank the members of NAAI and for their support and the systemic commitment to the long-term strategic goals in the field of agricultural insurance and thereby confirmed the stability and reliability of the private-public partnership model.

The agriculture of Russia went through a period of qualitative transformation over the last 7 years. Today, this industry is no more a week subsidized branch of the Russian economy, but one of its drivers. The volume of agricultural production increased by 1.5 times, while the industry as a whole consistently maintains profitability and actively attracts investments.

By the end of 2018, exports of agricultural products from Russia amounted to 25.9 billion dollars. By the end of 2024, the industry should increase this figure to 45 billion dollars. The sums of state support allocated from the budget for measures of the State Program for the Development of Agriculture are also increasing. In 2018, 254.1 billion roubles were allocated; in 2019 planned allocations increased to 303.6 billion roubles.

These government investments have to be protected from the risk of unplanned losses. The growth of production, the cost of products and the assets of agricultural enterprises leads to the fact that each loss caused by a natural disaster is increasingly expensive for individual farms and for the budget as a whole. There are no other alternatives for developing efficient and reliable agricultural insurance system at the moment; therefore the solution to this problem is the next medium-term goal for NAAI.

**Korney Bizhdov**

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





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

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

The development of agricultural risk insurance is of key importance to the progress of the agro-industrial complex in our country. Agricultural production in Russia is associated with high risks, primarily tied to climate and environmental conditions, as well as with the risk of dangerous diseases being spread through livestock.

In 2012, the Law on State Support in the Field of Agricultural Insurance came into force, thereby forming a legal basis for the development of the agricultural insurance institute, which was transferred to a centralized basis in 2016.

In 2018, the Presidium of the Legislators Council of the Russian Federation set the task of expanding insurance coverage of agricultural assets by increasing the flexibility of agricultural insurance conditions with state support and improving

the quality of insurance payment procedures in the coming years. The Federation Council Committee on Agriculture Policy and Environmental Management, together with other participants of this process – the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia, the State Duma Committee on Agrarian Issues and the NAAI – engaged in systematic activities in order to develop effective solutions in this area.

Parliamentary hearings “On Improving the Mechanisms of the Agro-Industrial Complex State Support in the Russian Federation”, aimed at solving this task, were organized at the beginning of the year. Their recommendations formed the basis of legislative changes which were adopted in 2018. I anticipate that these efforts will lead to fruitful results and that the agricultural insurance system will strengthen its importance as a partner of the state and the agrarian industry in protecting the risks of the agro-industrial complex. I wish all participants success in this work!



**AIRAT HAIRULLIN**  
*Deputy Chairman of the  
State Duma Committee on  
Agrarian Issues and Head  
of the working group on  
amendments to the Law on  
State Support in the Field of  
Agricultural Insurance*

Dear Colleagues!

Improving the system of state support in the field of agricultural insurance is a task of national importance. In 2018, Russian agricultural producers achieved high results. Production of grains and oilseeds, vegetables and sugar beet demonstrated steady growth. These results were achieved by our farmers despite difficult conditions, including in regions located in high-risk agriculture zones.

Ensuring food security is interrelated with the production and processing of agricultural products, price stability of the grocery market, and effective mechanisms for maintaining the incomes of agricultural producers. It is important for agrarians to have the opportunity not only to protect their investments, but also to receive compensation in case of negative impacts on agricultural production.

As one of the main measures for farmers' risks protection – crops, animals and, in some cases, price risks, insurance is applied globally. Agro-insurance greatly facilitates the receipt of loans, attracts investment, and contributes to the development and expansion of production.

For further growth of competitiveness and the improvement of agriculture efficiency, qualitative changes are required not only in production, but also in related branches of the agro-industrial complex.

In 2018, the State Duma adopted a number of important laws for the development of the agro-industrial complex.

The State Duma Committee on Agrarian Issues, in order to comprehensively address the task of organizing state policy in the field of food safety, thereby reducing the negative impact of risk factors on agricultural production, adopted a number of important amendments to laws «On agricultural insurance, implemented with state support» and «On agricultural development». In general, the combination of effective mechanisms of public-private partnership and strict state control at all stages of agricultural insurance will enable the creation of an effective system of Russian agricultural insurance within a couple of years.

A working group on Agrarian Issues of the State Duma Committee, together with representatives from federal ministries, the Bank of Russia, the NAAI, industry unions and associations of the agro-industrial complex, developed proposals aimed at increasing the flexibility of the agricultural insurance system, which formed the basis of the adopted amendments to the law.

We expect changes in the field of agricultural insurance with state support to fully address the interests of all participants in the agricultural insurance market: the state, representatives from the insurance industry and, above all, agricultural producers.

In 2019, agricultural insurance system participants will have to apply new conditions of insurance protection. The experience gained will be generalized and used for further improvement in the quality of farmer's insurance protection. I wish all participants of the agricultural insurance system fruitful success in the implementation of such an important task: the protection of the domestic agricultural producer!



**ALEXEY MOISEEV**  
*Deputy Minister  
of Finance  
of the Russian  
Federation*

Dear Colleagues!

Agriculture is the most important sector of the global and domestic economy. Its stable development is not only a source of well-being for the population and a guarantee of food security, but also the realization of export potential. A significant role in achieving the results in the agro-industrial sphere is played by state support.

In 2018, 254.1 billion roubles were allocated to the State Program for the Development of Agriculture. These are state investments in ensuring the sustainability and growth of agricultural production, which at the same time became a guarantee of attracting investments to the agro-industrial sector. For stable work, farmers must be financially protected from the risks associated with natural disasters and hazards, fires and diseases of agricultural crops and animals, which can reduce long-term efforts and investments in just one unsuccessful year.

Therefore, a special law created a system of state support for agricultural insurance, which in 2018 was substantially modified and modernized in accordance with proposals of the legislative assemblies and the governing bodies of the agro-industrial complexes of territorial entities of the Russian Federation. These changes concern both the expansion of the insurance objects list (commercial aquaculture objects were added), and an increase in flexibility of possible insurance conditions. Moreover, for the first time in such a regulatory framework, an issue was addressed concerning the differentiation of agricultural producers who did not insure their property interests and those that provided insurance protection of their risks when allocating compensation for damage in emergency situations.

These changes should give a new impetus to the agricultural insurance system and become the basis for an increase in the insurance coverage of crops and livestock. I wish you successful development of this difficult and important segment of the insurance market!



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

Dear Colleagues!

On behalf of the Ministry of Agriculture of Russia and on my own behalf, I welcome the participants of the agricultural insurance system with state support.

The agricultural insurance system was at the center of attention in the Ministry of Agriculture throughout 2018. The ministry initiated a number of proposals to improve the functioning of the agricultural insurance system. This was done in order to organize insurance protection of the agro-industrial complex risks at standards corresponding to the modern level of agricultural development in our country.

Main initiatives were the changes in legislation that were adopted during 2018 and prepared by the Ministry of Agriculture of Russia together with the Ministry of Finance, interested federal executive bodies, the Bank of Russia and the governing bodies of the agrarian and industrial complex of the territorial entities of the Russian Federation, with the participation of NAAI and the agrarian industry community. These initiatives have created opportunities for development of the agricultural insurance system by increasing the flexibility of its conditions.

A new principle of the "single" subsidy distribution from the federal budget was introduced in 2018. Now the volume of funds for the region will depend on the agricultural insurance plan. The principle of untied support has changed, according to which 15% of federal budget funds will be distributed only to those regions that plan to have agricultural insurance in crop production.

Starting with the 2018 autumn sowing season, the Ministry of Agriculture organized close cooperation with insurance organizations and regions, helping them to solve the emerging problems. These events helped to insure autumn sowing with state support in 25 entities of the Russian Federation. Due to the active work of the department, 58 regions are expected to participate in the system of agricultural insurance in 2019.

During 2018, the NAAI provided active assistance in organizing the system of agricultural insurance, preparing a methodological base and informing agrarians. The Ministry of Agriculture expects that the insurance community, represented by the NAAI jointly with the government, will be able to achieve new results in the development of a modern agricultural insurance system in Russia. I wish you all further successful and fruitful work!





**SVETLANA NIKITINA**  
Deputy Director of  
the Insurance Market  
Department of the Bank  
of Russia

Dear participants of the agricultural risk insurance market!

The agricultural insurance system with state support is of great strategic importance for agriculture. Production in the field of agriculture is largely exposed to risks associated with adverse natural phenomena, which negatively affects the sustainability of agricultural producers and worsens the investment climate in the industry. One of the main ways to manage risks in the agro-industrial sector all over the world is insurance, which allows farms to not only compensate for damages associated with the loss of agricultural products, but also to protect themselves from possible bankruptcy, pay off debt obligations and increase the predictability of financial performance.

Since 2016, the agricultural insurance system with state support in Russia became centralized. The Bank of Russia controls the activities of the single association responsible for its work: the National Association of Agriculture Insurers. In 2017-2018, the Bank of Russia paid special attention to the development of strategic directions for the development of agricultural insurance in our country. In the spring of 2018, a discussion of the

Central Bank's advisory report was held. The innovations proposed in the report were supported in the course of public consultations by representatives from the expert community, government agencies and industry unions. They consisted of providing agrarians with more opportunities to select insurance conditions with state support, to create additional incentives to conclude agricultural insurance contracts, to improve loss adjustment and subsidy systems and to form a single information field. The main parts of these proposals were included in practical implementation of the adopted amendments to the law on agricultural insurance at the following levels of the Government: the Bank of Russia, relevant ministries and the NAAI. Our well-coordinated work is the key to successful development of both agriculture and the Russian economy as a whole.

The Bank of Russia intends to pay special attention to the interests of the agro-industrial complex insurance consumers at the time of an increase in the flexibility of insurance conditions. Focus on positive changes is set, and I wish all participants of the agricultural insurance system to successfully follow the plans and implement them for the benefit of our country!



**ANDREY KOROBKA**  
Deputy Head of the  
Krasnodar Territory  
Administration (Deputy  
Governor)

Dear Colleagues!

The stability of the agro-industrial complex largely depends on weather conditions, because agriculture is a "shop" operating under the sky. Natural disasters can cause serious damage to agrarians, not only in areas of high-risk farming, but also in the south of the country. Kuban is no exception. Almost every year, the crops of our agricultural producers suffer from heavy rains and hail. Therefore, for the Krasnodar Territory, as one of the main agricultural regions of the country, the organization of high-quality insurance protection is a key task.

For many years, agrarians of Kuban actively use insurance tools. In 2018, our region ranked third in Russia in terms of the volume of the agricultural risks insurance market. I am confident that, due to changes adopted in legislation throughout 2018, the interests of the industry workers will receive special attention and the attractiveness of insurance will increase significantly.

In order to strengthen the protection of agrarians, our region dispersed about 340 million roubles for

state support of agricultural insurance in 2018. For the first time, insurance of livestock breeding risks will be subsidized, which is especially important in the current difficult epizootic situation in the country. In addition, the insured households can count on additional per-hectare support for the insured agricultural land.

Moreover, the Krasnodar Territory has been working closely with the National Association of Agriculture Insurers for many years. Today, we jointly develop new special insurance programs that will affect priority agricultural sectors such as horticulture and viticulture.

I have no doubt that all this will help strengthen the economic stability of both individual enterprises and the industry as a whole. As well, the course towards positive changes in the field of agricultural insurance will continue. I also wish for our main task to strengthen our country's food security to be as successfully implemented in the future. I wish all participants of the agricultural insurance market well-being and successful work for the benefit of Russia!





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

Dear Colleagues!

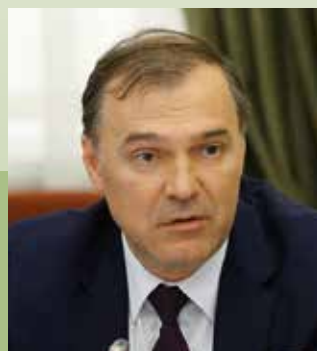
On behalf of the All-Russian Insurance Association and on my own behalf, I greet all participants of the agricultural insurance market. In 2018, the NAAI united the insurance market participants working in the agro-business industry in solving an important task: resolving the difficult situation that arose as a result of including state agricultural insurance support in the "single subsidy". The Association was able to draw the attention of relevant government agencies to the issue of the destructive inadmissibility of the created agricultural insurance system.

The consolidated work of NAAI, government agencies, the Bank of Russia and the sectoral agrarian community ultimately yielded positive results, expressed both in restoring the subsidy system and changing the legislation. In 2018, largely due to NAAI initiatives and the active position of President Korney Bizhdov, agricultural insurance received an updated legal framework

that allowed increased freedom of choice for agrarians in applying for insurance protection under state support. This is an important stage for improving the quality of insurance services for farmers, which should be a guarantee for expanding its use in the agricultural sector.

Noting current tasks, NAAI participated in the development of strategic insurance community goals, with an emphasis on the need to develop the agro-industrial complex risk management system.

Although the integration of NAAI into ARIA is still at an early stage, NAAI closely interacts and coordinates its activities with ARIA while working on strategic issues and solving a number of important professional tasks. I am confident that the long-term close relations of our organizations' mutual support and fruitful cooperation will continue to serve as the key to success of all joint projects in the development of the insurance market. I wish NAAI and all agricultural insurers successful business!



**ANDREY BODIN**  
*Chairman of the Union of  
Russian Sugar Manufacturers,  
Chairman of the Public Council  
of the Ministry of Agriculture  
of Russia*

Dear participants of the agricultural insurance system!

Today, the agricultural sector of our country faces new challenges: after a period of production recovery, there comes a time of active development. In recent years, Russia has actively declared itself on international markets for food products, and the expansion of exports in this area has received the status of a national project.

Domestic agricultural production has to maintain long-term sustainability and competitiveness. In this regard, systematic measures to manage agriculture risks, such as loss prevention, through the use of high-quality technologies and insurance are of great importance in coming to the aid of the agricultural producer after unavoidable losses.

Building a system of agricultural insurance – the main task of NAAI – is the key to protecting the stability of domestic agricultural sector development. I wish NAAI great success in regulating it!



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

On behalf of the National Union of Swine Breeders, I welcome participants of the agricultural risk insurance market. The swine industry not only ensures the food security of the country in terms of meat production, but also remains a growing area of animal husbandry, despite varying economic conditions. Enterprises operating in conditions of reduced profitability are experiencing the pressing need to reduce risks of unplanned losses associated with the realization of the main threats to livestock production.

First among these threats is the spread of dangerous infectious diseases, primarily African swine fever. Insurance in these conditions is becoming one of the main tools for the protection of agricultural producers. Since 2013, when livestock risk insurance was included in the ag-

ricultural insurance system with state support, the National Union of Swine Breeders has been in constant contact with NAAI on questions concerning the development of swine risk insurance methodology, reaching common grounds and receiving effective expert support.

In 2018, the main topic of interaction between our unions was the development of solutions for the effective insurance protection of risks caused by the spread of African swine fever in Russia. African swine fever outbreaks among domestic pigs were detected in more than ten territorial entities of Russia in 2018. We hope that the insurance industry will be able to respond to this challenge and, together with the government, will protect the swine industry from losses threatening its sustainability.



# 2018: START OF THE AGRICULTURAL INSURANCE SYSTEM RESTORATION

IN 2018, THE STATE RECOGNIZED THE INADMISSIBILITY OF LEVELING DOWN THE EFFORTS THAT WERE UNDERTAKEN IN PREVIOUS YEARS TO BUILD A MODERN INSURANCE PROTECTION SYSTEM FOR AGRICULTURE IN RUSSIA. THE SYSTEM CREATED GUARANTEES AND NEW OPPORTUNITIES FOR FUTURE DEVELOPMENT.



Korney Bizhdov,  
NAAI President

**In 2018, the main task for the agricultural insurance system in Russia and NAAI was to overcome the crisis which arose a year earlier when the procedure for subsidizing agricultural business was changed.**

Starting in 2017, the governing bodies of the agro-industrial complexes of the territorial entities of the Russian Federation were able to use funds of the so-called "single subsidy", which included support for various regional agricultural development programs. The structure of the «single subsidy» included agricultural insurance with state support.

## I.I.

### **NAAI WARNING: UNINSURED AGRICULTURAL LOSSES ARE A CONSEQUENCE OF CUTTING OFF STATE SUPPORT**

2017, and the beginning of 2018, demonstrated that, in the absence of a clear goal for the development of an agricultural insurance system, regional agricultural governing bodies prefer to direct subsidy funds primarily to fulfill production tasks, without paying attention to the fact that agrarians should have insurance protection. As a result, the volume

Meeting on agricultural insurance issues under the leadership of Dmitry Patrushev, Minister of Agriculture of the Russian Federation, 25 September, 2018





Since 2018, Deputy Minister of Agriculture of Russia Elena Fastova is supervising the measures aimed at restoring the agricultural insurance system

of state support of agricultural insurance decreased in 2017 by almost 3-fold compared to 2016 and, of the 48 regions that set targets for the agricultural insurance development in 2017, 63% did not fulfill this task. The result caused a 50% drop in the insurance coverage of crops, down to 1.7% of the sown area in 2017. Livestock coverage remained the same due to the expanded use of franchises. A similar situation persisted during the spring sowing season of 2018, during which crop insurance contracts concluded with state support were single cases, while volume indicators of

agricultural insurance and agricultural insurance coverage continued to decline.

The insurance segment with state support and the entire agricultural risk insurance market were constantly under pressure caused by negative trends. The data of NAAI and the Bank of Russia for the first half of the year confirmed that, in the absence of state support, the ability of agricultural producers to purchase insurance protection at their own expense also decreased.

The refusal of a significant number of the subjects of the Russian Federation to provide insurance protection to agrarians made them apply directly to the state for assistance in the event of emergencies. In fact, regional agriculture governing bodies delegated responsibility to compensate damages to agrarians, in cases of emergency situations, directly to the federal budget. This circumstance was fully manifested in 2018, when 27 regions of the Russian Federation appealed to the Ministry of Agriculture of Russia with a request to render assistance to agricultural producers affected by adverse natural phenomena.

Estimated damage in the amount of direct costs for growing crops in the affected regions was declared at the level of 11.3 billion roubles, and the documentary evidence of losses amounted to 7.3 billion roubles. Almost all of the losses, according to NAAI, were not insured.

The Presidium of the Legislators Council of the Russian Federation heard the report presented by Korney Bizhdov, the President of NAAI, 27 April, 2018







"We need to find a solution to save this extremely important institution, without which it is impossible to develop agriculture" - First Deputy Speaker of the Federation Council Nikolai Fedorov speaking about the need to restore agricultural insurance system, January, 2018

### I.II. RECOVERY OF THE AGRICULTURAL INSURANCE SUBSIDIES

Over the course of 2018, NAAI has continuously drawn the attention of government agencies to the inadmissibility of the destruction of the agricultural insurance system and the need to provide agrarians with insurance protection in case of adverse natural phenomena. At the initiative of NAAI, meetings were held at Agrarian Committees of the Federation Council and the State Duma, and between the President of NAAI, K. D. Bizhdov with the First Deputy Chairman of the Federation Council, N. V. Fedorov.

This information has brought attention to and caused concerns at the highest levels of government authorities. The report of the President of NAAI, K. D. Bizhdov, was delivered on 27 April, 2018, at the meeting of the Presidium of the Legislators Council of the Russian Federation chaired by the Heads of both Chambers of the Legislative Assembly of the Russian Federation, V.I. Matvienko and V.V. Volodin; at the special meeting on agricultural insurance of the Federation Council Committee on Agrarian and Food Policy and Environmental Management of the Russian Federation on 15 May, 2018; at the meeting of the Government of the Russian Federation chaired by the Prime

Minister D.A. Medvedev on 22 June, 2018; at the meeting on agricultural insurance with the Minister of Agriculture of the Russian Federation, D.N. Patrushev, on 25 September, 2018. In addition, NAAI took part in more than 20 regional meetings, including a meeting on preparation for harvesting season in regions of Siberia with the plenipotentiary of the President of Russia in the Siberian Federal District, S. I. Menyaylo, on 04 September, 2018.

These activities resulted in recommendations for amending the agricultural insurance system and taking certain measures for its restoration, some of which were successfully implemented by the new team of the Ministry of Agriculture of Russia during the autumn sowing campaign. The regions started financing agricultural insurance; winter sowing was insured in 25 regions of the Russian Federation and the number of insured livestock increased. 83% of all subsidies during 2018 fell in the second half of the year after the adoption of support measures in the government, the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia. As a result, the amount of actually-transferred subsidies in 2018 amounted to 917 million roubles.

For the first time in the practice of agricultural insurance with state support, stability was achieved in the transfer



At the Meeting of the Presidium of the Legislators Council of the Russian Federation, 27 April, 2018



NAAI presented the emergency to restore the agricultural insurance system at the meeting of the Federation Council Committee on Agriculture and Food Policy and Environmental Management, 11 January, 2018

of subsidies: as of 31 December, 2018, all concluded insurance contracts with state support were financed; their payment level reached 98%. In the past, the transfer of at least half the amount of subsidies for concluded contracts in the regions involved serious delays – as late as the next year – creating difficulties for both insurance companies and insured agrarians.

In general, the volume of the agricultural risks insurance market in 2018 reached 3.7 billion roubles, 1.95 billion roubles (53 percent) of which were for insurance with state support (982 million roubles under crop insurance contracts;

969 million roubles under livestock insurance contracts).

Also at the end of 2018, the Government of Russia and the Ministry of Agriculture of Russia adopted and announced a number of decisions that should have a stimulating effect on expanding the practice of insuring agrarians in 2019. First of all, the Ministry of Agriculture of the Russian Federation has committed to the allocation of additional funds of per-hectare support to territorial entities of the Russian Federation. The Ministry also encourages farmers to use insurance protection, and set out to protect funds designated for agricultural insurance support within the "single subsidy" in the framework of agreements between the subjects of the Russian Federation and the Ministry of Agriculture of Russia.

In addition, on 14 November, 2018, Government Decree No. 1371 was issued "On changes in the procedure for compensating damages to agricultural producers caused by natural emergencies", which stated that agrarians without insurance protection will receive compensation in the amount of 50%.

The restoration of the state support system ensured the transition to the stage of changing the conditions of agricultural insurance, the foundations of which were also laid in 2018 by all interested authorities with the participation of NAAI.



The Ministry of Agriculture pays special attention to stabilizing the system of state-supported agricultural insurance - Minister D.N. Patrushev at the "Government Hour" in the State Duma. 19 September, 2019







D.N. Patrushev, the Minister of Agriculture of the Russian Federation, 25 September, 2018



N.F. Galaguzha, member of the Management Board and the Presidium of NAAI (Rosgosstrakh), 25 September, 2018



S.I. Prostatin (on the left) member of the Management Board and the Presidium of NAAI (RSHB Insurance), 25 September, 2018



E. R. Alexandrova (SOGAZ), 25 September, 2018

### I.III.

#### INCREASING THE FLEXIBILITY OF AGRICULTURAL INSURANCE. CHANGES TO LEGISLATION

During 2018, NAAI initiated the discussion and development of innovations to change the legislation on agricultural insurance.

The question on the need to increase the flexibility of agricultural insurance conditions was discussed during the preparation of legislative initiatives in the State Duma Committee on Agriculture, Environmental Protection and Environmental Management and the Federation Council Committee on Agrarian and Food Policy and Environmental Management. It was also outlined in the Consultative Report of the Bank of Russia concerning the development of agricultural insurance, which was prepared in 2017 and passed public discussion in early 2018.

Main requirements for amending the legislation and organizing the agricultural insurance system, which were formulated in the Consultative Report:

- Expansion of insurance with state support
- Additional incentives for farmers to insure
- The development of small business insurance
- Improving loss settlement mechanisms
- Improving subsidy mechanisms

On 28 May, 2018, the Government of the Russian Federation introduced a draft bill to Law No. 260-FZ "On State Support in the Field of Agricultural Insurance ..." to the State Duma. During 2018, this bill was reviewed by the Parliament in three readings and, on 27 December, 2018, was signed by Russian President Vladimir Putin.

Main initiatives of NAAI and proposals from the Advisory Report of the Bank of Russia were taken into account in the framework of this law. Also, during the development of the document, comments and suggestions on the agricultural insurance system were submitted to the Agrarian Committee of the Federation Council from more than 30 subjects of the Russian Federation.

These are the main changes in the conditions of agricultural insurance with state support:

- expansion of insurance coverage limits in the range from 70% to 100% of the insured value (previously from 80% to 100%);
- waiver of the threshold (franchise) level for crop or plantings losses; for recognition of a loss as an insured event (earlier: 20% of

crops compared to planned or the loss of perennial plantings for at least 30% of the area);

- replacement of the conditional franchise in the amount of 20% for the unconditional in the amount of not less than 10% of the sum insured (crop production risks);

- extension of the corridor for the allowable unconditional franchise; it can now be established in the range from 10% to 50% of the sum insured (previously from 0 to 30%)

- expansion of the list of risks that could be insured;

- the possibility of choosing one or several risks for insurance;
- limiting the territory of insurance for one policy to the limits of one subject of the Russian Federation;

- providing the possibility of co-insurance for one large object by several insurers;

- securing the legal status of space and aerial photography methods for insurance expertise.

These changes allowed the insurance of crops and animals at a reduced cost due to the expanded range of available deductibles and insurance sums, allowing agricultural bodies to subsidize a larger number of agricultural insurance contracts within available financing limits.

### I.IV.

#### INTRODUCTION OF STATE SUPPORT OF AQUACULTURE RISKS INSURANCE

In 2018, subsidized agricultural insurance system for the first time in Russia was extended to protect commercial aquaculture.

On 23 April, 2018, Law No. 109-FZ was adopted on amending Law No. 260-FZ "On State Support in the Field of Agricultural Insurance ...", which provided for the extension of state support to insure risks of commercial fish farming (industrial breeding and cultivation of fish, algae and invertebrates). The initiator of these amendments was the group of Deputies of the State Duma headed by the Chairman of the State Duma Committee on Agriculture, Environmental Protection and Environmental Management, V.I. Kashin. According to this law, state support for insurance of commercial fish farming against risks of natural disasters and infectious diseases was introduced

# 2018 MAIN EVENTS FOR AGRICULTURE INSURANCE IN RUSSIA

MAJOR EVENTS ON LEGISLATION DEVELOPMENT AND REGULATION IN THE FIELD OF RISK MANAGEMENT OF THE RUSSIAN AGRICULTURE AND THE AGRICULTURAL INSURANCE SYSTEM IN 2018, HELD WITH THE PARTICIPATION OF NAAI



The Presidium of the Legislators Council of the Russian Federation, 27 April, 2018



The Legislators Council of the Russian Federation Meeting, 27 April, 2018

«...AGRICULTURAL PRODUCTION IN RUSSIA IS ASSOCIATED WITH HIGH RISKS, FIRST OF ALL BECAUSE OF NATURAL CLIMATIC CONDITIONS. THEREFORE, INSURANCE IS OF GREAT IMPORTANCE FOR THE DEVELOPMENT OF AGRICULTURE.»

- VALENTINA MATVIENKO, CHAIRPERSON OF THE FEDERATION COUNCIL, 27 APRIL, 2018

## 15 FEBRUARY, 2018

Parliamentary hearings of the Federation Council Committee on Agrarian and Food Policy and Environmental Management on the topic: "On improving the mechanisms of state support for the agro-industrial complex of the Russian Federation".

## 27 FEBRUARY, 2018

Discussion meeting on the published Advisory Report of the Bank of Russia: «Proposals for the development of agricultural insurance with state support in the Russian Federation».

## 23 APRIL, 2018

Law No. 109-FZ on amending Law No. 260-FZ on introducing state support for commodity aquaculture insurance.

## 27 APRIL, 2018

Meeting of the Legislators' Council of the Russian Federation at the Federal Assembly of the Russian Federation.

Report of the President of NAAI, at the meeting of the Presidium of the Legislators Council, «On improving the legislative framework of the agricultural insurance system.»

Order: The Government of the Russian Federation to purposefully carry out work to restore the coverage of agricultural areas to match the level of 2014 (by 2020).

## 28 APRIL, 2018

Order of the Government of the Russian Federation No. 799-r of 28 April, 2018, on the introduction of a bill amending Law No. 260-FZ on expanding conditions and increasing the flexibility of agricultural insurance programs.

## 15 MAY, 2018

Meeting of the Federation Council Committee on Agrarian and Food Policy and Environmental Management, «On Improving the Legislative Base of the Agricultural Insurance System».

## 22 JUNE, 2018

The report of the President of NAAI at the meeting of the Government of the Russian Federation: "On the tasks of ensuring agricultural harvesting in 2018 under the chairmanship of D. A. Medvedev".

Order: The Ministry of Agriculture, the Ministry of Finance and the Ministry of Economic Development to consider the issue of withdrawing agricultural insurance with state support from the «single subsidy».







Agricultural insurance was discussed by the Government of Russia at a meeting with the Chairman of the Government D.A. Medvedev, 22 June, 2018



Report from the President of NAAI, Korney Bizhdov at the meeting with the Chairman of the Government of the RF, 22 June, 2018

**«THE MINISTRY OF AGRICULTURE, THE MINISTRY OF FINANCE, THE MINISTRY OF ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION TOGETHER WITH EXECUTIVE BODIES OF THE TERRITORIAL ENTITIES OF THE RUSSIAN FEDERATION TO CONSIDER THE ADVISABILITY OF SEPARATING AGRICULTURAL INSURANCE SUBSIDIES AS AN INDEPENDENT STATE SUPPORT MEASURE...»**

**ORDERS OF THE PRIME MINISTER OF THE RUSSIAN FEDERATION D.A. MEDVEDEV (PROTOCOL OF THE GOVERNMENT MEETING ON 22 JUNE, 2018)**



Consultations on the agricultural insurance issues at the Federation Council, 15 May, 2018

#### **04 SEPTEMBER, 2018**

Reviewing the issue on the state of the agricultural insurance system in regions of Siberia at a meeting on preparing and harvesting with the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District, S. I. Menyaylo.

#### **25 SEPTEMBER, 2018**

Meeting with the Minister of Agriculture, D. N. Patrushev, on the «Dorozhnaya karta» of agricultural insurance development.

#### **29 SEPTEMBER, 2018**

Resolution of the Government of the Russian Federation No. 1159 of 29 September, 2018 «On the Permanent Anti-epizootic Commission of the Government of the Russian Federation». The President of NAAI, K. D. Bizhdov, was included in the Commission.

#### **09 OCTOBER, 2018**

The Minister of Agriculture of the Russian Federation, D. N. Patrushev, presented a report with proposals to introduce accounting for insurance when calculating funds allocated for compensation in case of an emergency, at a meeting on measures to realize the potential of the agro-industrial complex, which was held under the leadership of Russian President, Vladimir Putin, and with the participation of the Russian Prime Minister, Dmitry Medvedev, in the Stavropol Territory.

#### **14 NOVEMBER, 2018**

Government Decree of the Russian Federation No. 1371 of 14 November, 2018, «On Amendments to the Procedure for Compensating Damages to Agrarians Caused by Natural Emergencies» made changes to the Rules for granting inter-budgetary transfers to federal subjects for compensating damages to agrarians caused by natural emergencies. It established that, when calculating compensation for damages, for agrarians that did not have insurance protection, the insurance protection coverage factor of 0.5 has to be applied, while a factor of 1.0 would apply to agricultural producers who insured their property interests.

#### **06 DECEMBER, 2018**

Round-table of the Federation Council Committee on Agrarian and Food Policy and Environmental Management «On improving the system of state support for farmers and the development of agricultural cooperation.»

#### **27 DECEMBER, 2018**

Russian President Vladimir Putin signed the law amending the agricultural insurance system with state support, adopted by the State Duma and the Federation Council.

# 2019-2020

## PROSPECTS FOR DEVELOPMENT

RESTORING THE AGRICULTURAL INSURANCE SYSTEM ON A MODERNIZED LEGAL BASIS CREATES THE PREREQUISITES FOR FUTURE DEVELOPMENT, CONSIDERS THE CURRENT NEEDS OF THE RUSSIAN AGRICULTURAL INDUSTRY, AND BECOMES A NEAR-TERM TASK FOR NAAI.



«... THE IMPROVEMENT

TO THE LEGISLATIVE BASE OF THE AGRICULTURAL INSURANCE SYSTEM, CARRIED OUT WITH STATE SUPPORT, IS AN IMPORTANT STATE TASK FOR ENSURING THE PROTECTION AND FINANCIAL STABILITY OF THE AGRICULTURAL INDUSTRY OF RUSSIA».

/ DECISION OF THE PRESIDUM OF THE LEGISLATORS COUNCIL OF RUSSIA ON 27 APRIL, 2018/

### II AGRICULTURAL INSURANCE - NEW PERSPECTIVES

**In 2018, the agricultural insurance system set quantitative guidelines for its development at the official level for the first time.**

NAAI agrees with estimates according to which the implementation of changes will result in an increase in the share of, by 2025:

- insured livestock - at least up to 26.1%;
- insured crop areas- not less than 11.3%.

The implementation of changes in legislation that were adopted in 2018, in the practice of agricultural insurance, will contribute to the achievement of these goals. This is the main task of NAAI for 2019.

Further development and disclosure of the agricultural insurance potential, according to NAAI, should be based not only on quantitative, but also on qualitative changes in the approaches to its organization. Agricultural insurance should become an integral part of risk management measures not only for the agricultural sector as a whole at the level of the country and territorial entities of the Russian Federation, but also for individual agricultural producers.

The introduction of this approach may suggest:

- amendments to the State Program for Agriculture Development, highlighting risk management measures, including insurance;
  - transition to planning risk management measures at the level of the agriculture governing bodies of the territorial entities of the Russian Federation;

- considering the availability of insurance protection when providing state support of large investment projects in the agriculture governing bodies sector or projects on the development of individual areas of agricultural production, including livestock, horticulture, viticulture;

- additional adaptation of insurance conditions to the specifics of individual areas of agricultural production;

- expanding the insurance coverage for small and medium businesses and introducing innovative insurance methods;

- increasing the level of insurance instruments proficiency among agricultural producers.

These changes should be based on the improvement of agricultural insurance practices and the quality of insurance services provided to agrarians in concluding and supporting insurance contracts and claims settlements. NAAI will carry out these tasks in close cooperation with the Bank of Russia and the Ministry of Agriculture of the Russian Federation. NAAI will also continue to strengthen the information support of agrarians on the benefits of using insurance protection.





**STATE-SUPPORTED INSURANCE  
IN RUSSIA  
KEY INDICATORS 2012-2018**

**29.8** BN ROUBLES  
CLAIMS PAID

**31** THOUSAND  
POLICIES ISSUED

**51.4** MILLION HA

**23.6** MILLION HEAD OF  
LIVESTOCK  
- COVERED BY INSURANCE





**NAAI**  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS

**1**

**. The agricultural  
insurance system  
of Russia**



# 1.1 AGRICULTURAL INDUSTRY IN RUSSIA IN 2018: KEY FIGURES

THE DEVELOPMENT OF THE AGRICULTURAL INSURANCE SYSTEM WITH STATE SUPPORT STARTED IN 2012, COINCIDING WITH A PERIOD OF ACTIVE GROWTH IN THE RUSSIAN AGRICULTURE.



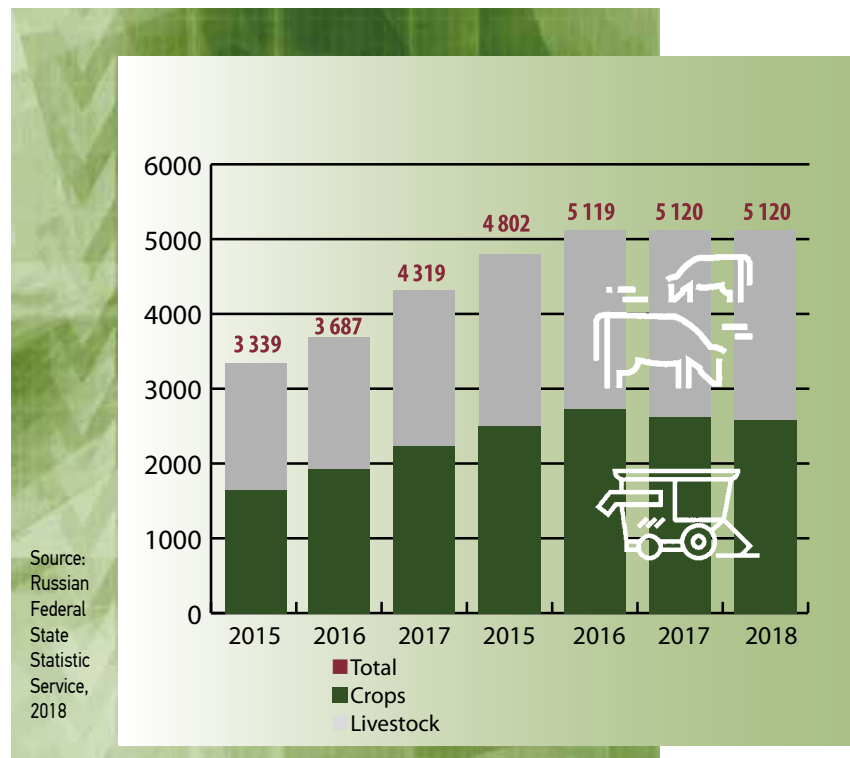
In 2018, agricultural production in Russia exceeded 5.1 trillion roubles, 2.6 trillion roubles of which amounted to crop products with the remaining 2.6 trillion roubles being for livestock products. The 2018 results confirmed the finalization of the 2012-2016 period of sharp growth in the agro-industrial sector, despite the absolute record of the grain harvest in the entire history of the Russian Federation (135.4 million tons) (see Chart 1). In comparable prices, the volume of agricultural production in 2018 decreased slightly – by 0.6% compared to 2017 – due to a reduction in crop production

by 2.4%. At the same time, the livestock sector showed an increase of 1.3%.

In 2018, agricultural products, raw materials and food supply exported from Russia amounted to 25.7 billion dollars.

In 2019, the development of the agro-industrial complex could receive new incentives as a result of an increase in state support by 19.5%, to 303.6 million roubles, and the implementation of the federal national project «Export of Agro-industrial Products».

**Agricultural production in Russia, billion roubles (in actual prices)**



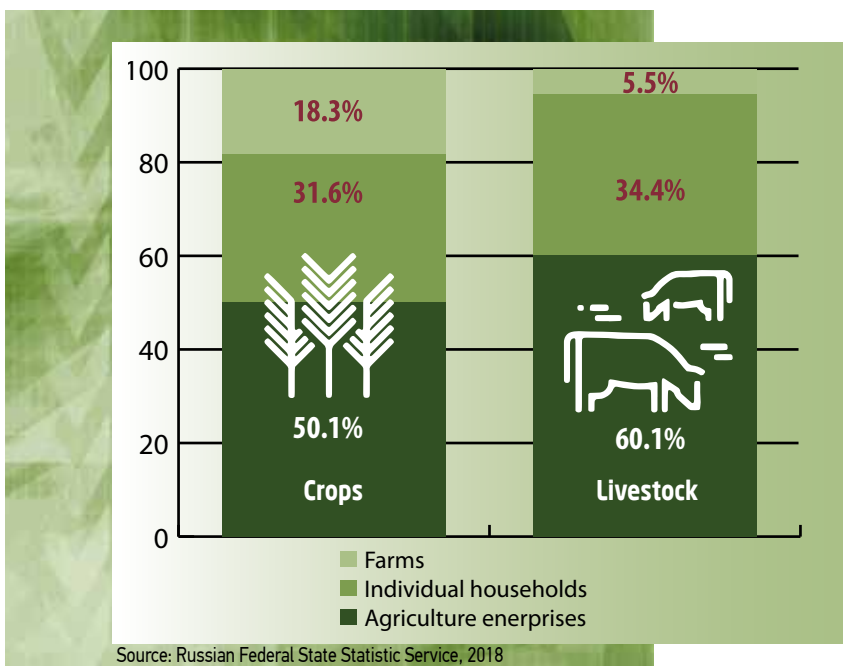
## FINANCIAL INDICATORS FOR THE AGRO-INDUSTRIAL SECTOR OF THE RUSSIAN FEDERATION IN 2018:

» 254.1 billion roubles - volume of the agro-industrial complex with state support from the federal budget **(increased by 2.3% compared to 2017)**

» 423.2 billion roubles - investments in fixed assets **(increased by 12.9% compared to 2017)**

» 454.8 billion roubles - volume of allocated loans for seasonal field works **(increased by 43.5% compared to 2017)**

### Agriculture production structure by the type of producers, 2018



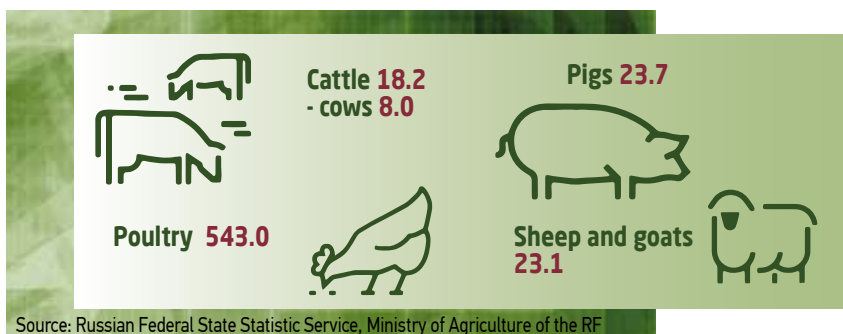
### AGRO-INDUSTRIAL COMPLEX STRUCTURE

The agricultural census of 2016 and the data of the Ministry of Agriculture of Russia listed as functioning:

- » 27.5 thousand agricultural organizations (commercial enterprises)
- » 141.0 thousand agricultural farms and individual entrepreneurs
- » 18.8 million personal private farms (households) and non-profit associations of citizens
- » 4.3 thousand fish farms.

Agricultural organizations had the leading role in agricultural production in 2018, which accounted for 50.1% of crop production and 60.1% of livestock production.

### Livestock structure in Russia, 2018 (millions heads)

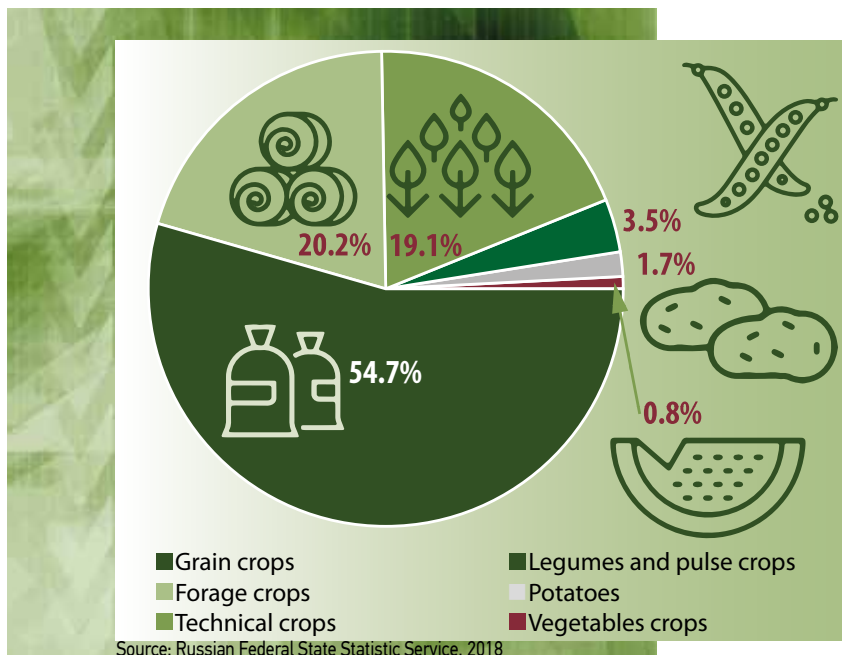


### LIVESTOCK BREEDING STRUCTURE

In livestock breeding, agricultural organizations breed the main part of pigs (87.8% of total heads) and poultry (82.9% of total heads). They also account for 44.8% of cattle livestock and 16.0% of sheep and goat head.

### Crops structure in Russia, 2018 (million hectares)

**79.6 million ha**  
area of crops in Russia in 2018



### AGRICULTURAL CROPS STRUCTURE

There are 348 million hectares of agricultural land in Russia, 143 million of which are used as arable land. 79.6 million hectares were used for seed crop in 2018. According to the Russian Federal State Statistic Service, 67.3% of arable land or 53.6 million hectares were sown by agricultural organizations and another 30.3% or 24.2 million hectares by individual farmers. More than half (54.7%) of the agricultural area in 2018 is occupied by grain crops.



# 1.2 THE ROLE OF INSURANCE IN COMPENSATION FOR DAMAGES TO THE AGRICULTURE INDUSTRY OF RUSSIA

CROP AND LIVESTOCK PRODUCTION IN RUSSIA IS FRAUGHT WITH THE RISK OF NATURAL HAZARDS WHICH ANNUALLY LEAD TO THE LOSS OF CROPS AND LIVESTOCK. IN 2018, THE STATE ASSISTANCE PROVIDED TO THE AGRICULTURAL PRODUCERS IN THE CASE OF EMERGENCIES WAS CONDITIONED BY THEIR USE OF INSURANCE FOR THE FIRST TIME.

**2018:**

**1.4 million** hectares of agricultural crops were affected

**5.5 thousand** farms suffered

**7.3 billion** roubles in assessed damages to farms based on direct costs

According to NAAI and the Bank of Russia, from 2012 to 2018, insurers paid 29.9 billion roubles of insurance indemnity to agrarians in accordance with agricultural risk insurance contracts. According to the Ministry of Agriculture of the Russian Federation, during the same period, the agrarians affected by emergency situations received 22.5 billion roubles compensation from the federal budget (see Chart 1).

In 2017-2018, with the reduction in the volume of the insurance market due to a change in the state support order, insurance payments were reduced to less than half that of 2016. In 2018, agricultural insurers paid agrarians 1.56 billion roubles of insurance compensation under agricultural risk insurance contracts; 704.5 million roubles of which were for insurance with state support. As for payments on subsidized policies: 359.7 million roubles were paid for crop insurance and 394.3 million roubles for livestock insurance. Insurance payments were carried out in 58 territorial entities of the Russian Federation in 2018.

27 subjects of the Russian Federation received compensation allocated from the federal budget funds for damages caused by natural disasters. The amount of payments exceeded the planned budget for 2018 by 1.89 billion roubles and amounted to 3.7 billion roubles (in accordance with the Orders of the Government of the Russian Federation No. 2837-r, No. 2838-r of 19 December, 2014, and No. 2905-r of 22 December, 2018). At the same time, a new procedure for insuring farmers in the affected regions was used when calculating federal budget allocations for emergency situations (Government Decree No. 1371 of 14 November, 2018). Uninsured agrarians were compensated in the amount of 50% of the estimated damages.

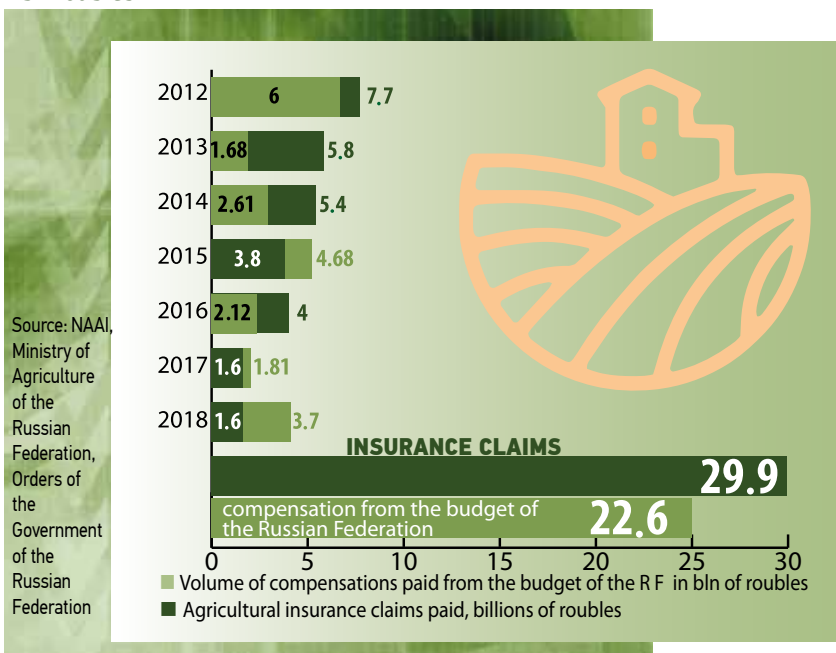
## 1.2.1. CROP LOSSES

Agricultural insurance practices from 2012–2018 showed that the main risks leading to insurance payments in crop production in Russia are associated with the phenomena of moisture deficiency: soil, atmospheric drought and dry winds. The statistics for payments accumulated by NAAI showed that, for 2012–2018, 63.4% of total payments made by members of NAAI for crop insurance fall under this category of losses. In second place is the risk of soil waterlogging: 16.6% of payments. The third place, with a share of 8.5%, is for risks related to the wintering period of crops: freezing (the main risk for winter crops with a share of 8.0% of total amount of payments), asphyxiation and ice crusting.

The loss of frost ranked fourth with 5.6% of all payments. Storm risks were also significant – damage from hail and strong winds accounted for 4.9% of all payments. In addition, during the specified period, dust storms and the spread of pests and natural fires led to losses of insured crops.

According to NAAI and the Ministry of Agriculture of Russia, emergencies caused by unfavorable weather conditions took place in 28 territorial entities of the

### Comparison of budgetary emergencies payments and insurance payments to agrarians, bn roubles





**Distribution of insurance loss payments made by NAAI members for crop losses, state-supported insurance, 2012-2018**

	% of payments		% of payments
Soil drought	22.2	Frost	5.6
Air drought	21.7	Hail storm	3.6
Dry wind	19.5	Strong wind	1.3
Soil waterlogging	16.6	Dust storm	0.9
Freezing	7.8		

Source: NAAI

**48.5 billion roubles**

- damages caused to the Russian agriculture from 2012 /official estimate based on direct costs/

Russian Federation throughout 2018. 16 regions were exposed to atmospheric and/or soil drought, 9 regions to waterlogged soil or flooding, and 3 regions to hail. 2 regions suffered from early snow cover. The total confirmed amount of damage amounted to 7.3 billion roubles.

Single major losses of 2018 include hail at the end of June-July in Southern Russia. Individual enterprises operating in the field of vegetables and horticulture suffered product losses in the range from 100 to 200 million roubles per farm.

**1.2.2. LIVESTOCK LOSSES**

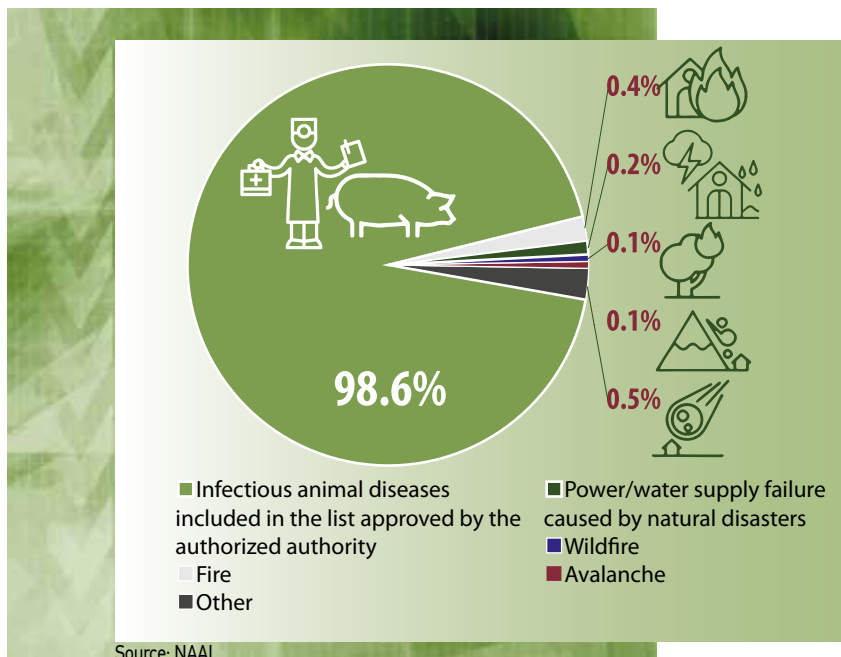
According to NAAI, since the introduction of state support for livestock insurance in 2013 and until 2018, the main threat for animal husbandry in Russia has been the risk of spreading epizootic diseases, which caused 98.6% of insurance

payments under contracts with state support. Major payments were made for losses caused by the spread of African swine fever (ASF) and Avian Influenza. Payments made by insurers, that were members of NAAI, for losses caused by these diseases amounted to 1.7 billion roubles, with the largest single payment amounting to 371 million roubles (for Avian Influenza in the Penza region).

During this period, there were also cases of insured livestock losses as a result of fires, power/water supply failures caused by natural disasters, avalanches and other natural and man-made emergencies.

In 2018, according to the Federal Service for Veterinary and Phytosanitary Surveillance, cases of dangerous infectious diseases of agricultural animals were detected in 33 regions of the Russian Federation. In total, 112 ASF foci were identified during the year: domestic pigs were affected in 15 regions of the North-West, Center, South of Russia and the Volga region; 82 outbreaks of Avian Influenza occurred in 15 regions of the South, Center of Russia and the Volga region; 64 outbreaks of nodular dermatitis in 5 regions (Samara, Saratov, Kurgan, Chelyabinsk, Omsk regions); 12 outbreaks of sheep and goat pox affected 4 regions (Tula, Moscow and Amur regions, the Republic of Kalmykia); 6 foci of foot and mouth disease (Trans-Baikal Territory); 4 outbreaks of classical swine fever (Moscow Region, Primorsky Krai); and 1 case of anthrax (The Republic of Tuva).

**Distribution of insurance loss payments made by NAAI members for livestock losses, state-supported insurance, 2013-2018**



Source: NAAI

IN 2018, A SPECIAL STANDING ANTI-EPIZOOTIC COMMISSION OF THE GOVERNMENT OF THE RUSSIAN FEDERATION WAS ESTABLISHED TO FIGHT AGAINST THE EPISOOTIC THREATS, UNDER THE CHAIRMANSHIP OF ALEXEY GORDEEV, DEPUTY PRIME MINISTER OF RUSSIA



# 1.3

## STATE SUPPORT TO AGRICULTURAL INSURANCE

2018 WAS A RECOVERY PERIOD FOR THE RUSSIAN SYSTEM OF STATE SUPPORT FOR AGRICULTURAL INSURANCE.

**50%**  
of insurance premium is compensated for farmers by the state  
/Law 260-FZ/

**10 days**  
is the deadline for the regional governing bodies for notifying agrarians about the decision on subsidizing insurance (according to the Law 260-FZ from 2019)

In 2018, one of the main tasks for the agricultural insurance system was to prevent the threat of its destruction caused by the negative trend which occurred when regions switched to a new order of state support for the agro-industrial complex – the so-called “single subsidy” – which included insurance subsidies. In the second half of the year, this issue was solved, with regions restoring state support of agricultural insurance.

### 1.3.1. LEGAL AND REGULATORY FRAMEWORK OF STATE SUPPORT

According to the relevant legislation (Laws No. 260-FZ and No. 264-FZ), the territorial entities of the Russian Federation in the framework of regional programs, adopted in accordance with the State Program for the development of agricultural products, raw materials and food from 2013 till 2020 (approved by the Government of the Russian Federation) provide state support to agricultural producers, including partial payment of agricultural insurance costs. In turn, the federal budget finances these programs on the basis of agreements, which each region concludes annually with the Ministry of Agriculture of Russia. The agreements set performance targets for various areas of agro-industrial activity, with regions implementing them throughout the year (including agricultural insurance).

While providing state support, the management bodies for the agro-industrial complexes send subsidies for insurance premium payments to agrarians who have entered into insurance contracts under conditions stipulated by Law No. 260-FZ, paying half of the insurance premium. The size of the subsidy in each case depends on the subsidy rates established in the Agricultural Insurance Plan for the current year. 50% of the insurance policy can be paid from the federal budget.



**83%**  
of all insurance subsidies in 2018 were transferred to the agrarians in the second half of the year because of measures undertaken by the state bodies and NAAI.

**+79%**  
Agriculture insurance market growth in the II half of 2018

**1.3.2. ORGANIZATION OF AGRICULTURAL INSURANCE WITH STATE SUPPORT IN 2012-2017. THE PROBLEM OF THE "SINGLE SUBSIDY."**

During 2012-2016, subsidies for state support of agricultural insurance were allocated to the regions in a targeted manner, within limits provided for in the federal budget (up to 5 billion roubles for crop production risks insurance and up to 500 million roubles for livestock insurance). Since 2017, with the adoption of Government Decree No. 1556 of 30 December, 2016, a number of areas with state support, including agricultural insurance, adopted the "single subsidy", with regions receiving the right to dynamically manage the funds of federal subsidies and independently redistribute them. The regions preferred to direct funding primarily for production purposes, due to the absence of an assigned task to organize insurance protection of agrarians.

Since the second half of 2016, NAAI has repeatedly drawn the attention of authorities to the fallacy of the decision regarding agricultural insurance. Practice has confirmed these concerns: in 2017, the amount of crop insurance subsidies dropped to ¼ that of 2016, amounting to 529 million roubles. At the same time, the volume of agricultural insurance subsidies decreased by two-thirds – to 940 million roubles (total subsidies in 2016 amounted to 2.6 billion roubles, due to a change in the state support order: the subsidies for autumn sowing insurance were reduced).

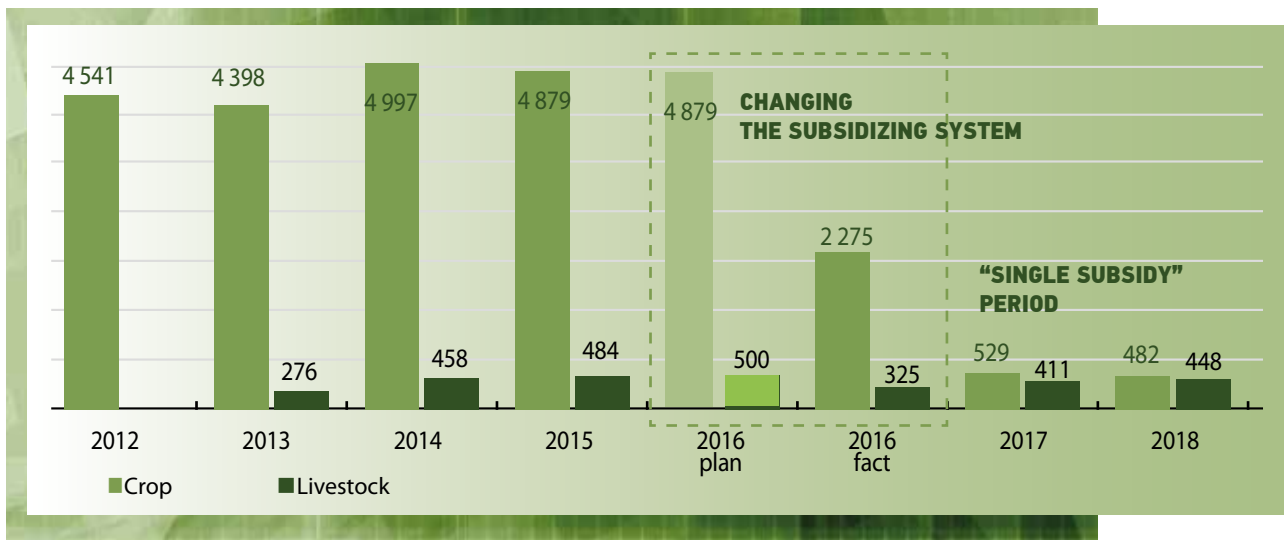
**1.3.3. 2018: NEW BASE FOR THE ORGANIZATION OF AGRICULTURAL INSURANCE WITH STATE SUPPORT**

The task of restoring the system of agricultural insurance was set at the government level in 2018. Following the meeting of the Government of the Russian Federation "On the aims of ensuring agricultural harvesting in 2018," chaired by D. A. Medvedev and including a report from the President of NAAI, the Ministries of Agriculture, Finance and Economic Development of the Russian Federation were instructed to consider withdrawing the direction of state support of agricultural insurance from the "single subsidy". Incentive subsidies – in the form of additional per-hectare support to insured households – and the targeted use of subsidy funds will be provided from 2019 on.

These measures brought tangible results in 2018. The volume of transferred subsidies under concluded agricultural insurance contracts amounted to 930 million roubles. At the same time, 83% of these subsidies were transferred only from the 1st of July – after the adoption of incentive and support measures at the level of the Government of the Russian Federation, the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia.

The stability indicators of state support reached the highest levels in 2018. As of 31 December, 2018, all concluded insurance contracts were fully funded, by 98%, which points to an almost complete transfer of subsidies by the agro-industrial complex bodies till the end of the year. After the listed measures were implemented, 83% of all agricultural insurance subsidies for 2018 were transferred in the second half of the year. 10 days is the deadline for notifying agrarians about the decision of the agro-industrial complex body on subsidizing the insurance contract (this period will enter into force from 2019 and was established by Law № 260-FZ).

**Federal subsidies for state support to agricultural insurance, million roubles**

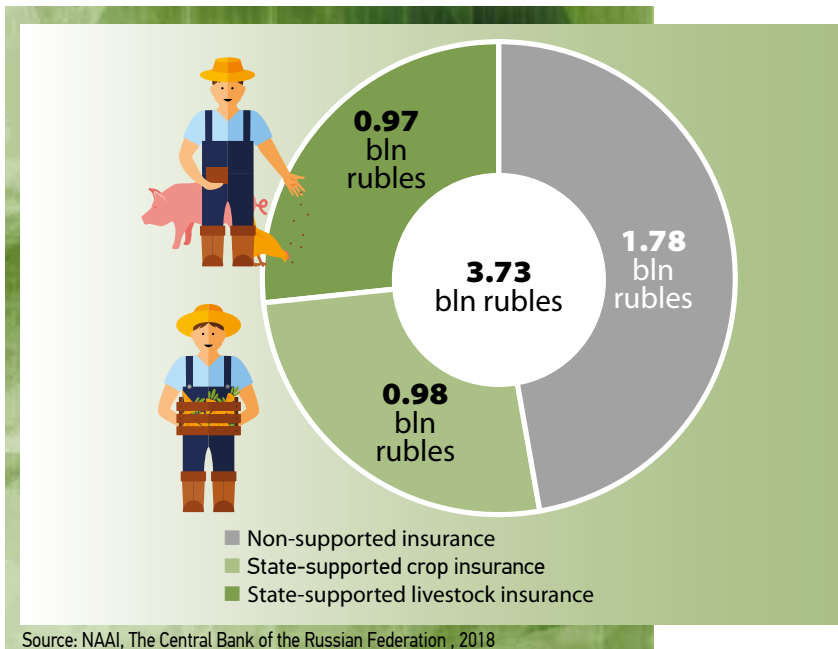




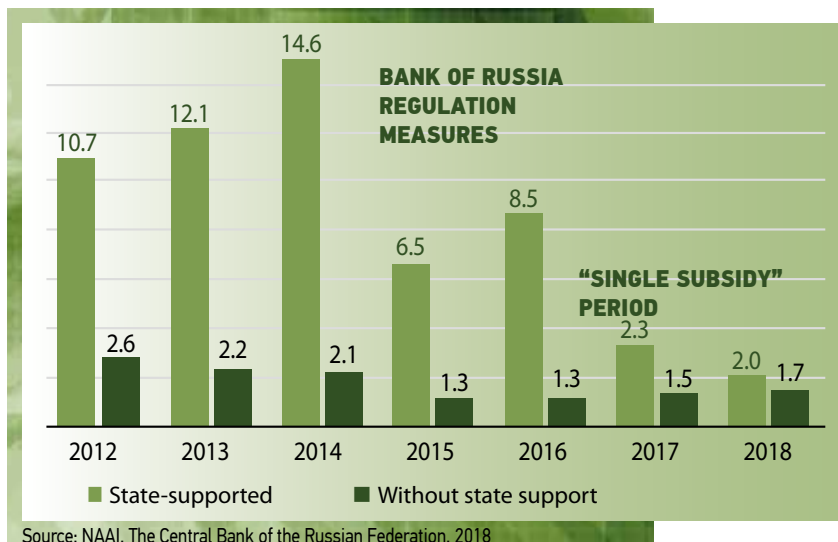
# 1.4 RUSSIAN AGRICULTURAL INSURANCE MARKET IN 2018

THE MAIN RESULT OF 2018 WAS THE CESSATION OF NEGATIVE PROCESSES IN AGRICULTURAL INSURANCE. AFTER ONE-AND-A-HALF YEARS OF STEADY DECLINE IN THIS MARKET, A RECOVERY WAS OBSERVED FOR THE FIRST TIME, OCCURRING IN THE SECOND HALF OF 2018. AS A RESULT, THE VOLUME OF THE AGRICULTURAL INSURANCE MARKET IN 2018 EXCEEDED THE NAAI FORECAST AND REACHED 3.7 BILLION ROUBLES.

**Agricultural insurance market structure in Russia in 2018 (premiums, bln roubles)**



**Agricultural insurance premiums, Russian Federation, 2012-2018, bln roubles.**



In 2017, due to a change in the procedure for subsidizing agro-industrial business, the regions sharply reduced and, in a number of cases, completely stopped state support of agricultural insurance. This led to a contraction of the agricultural insurance market with state support in 2017, the volume of which decreased in relation to 2016 by 72% to 2.32 billion roubles of written premiums. The entire agricultural risks insurance market, including the one subsidized, decreased by 60% to 3.92 billion roubles in 2017.

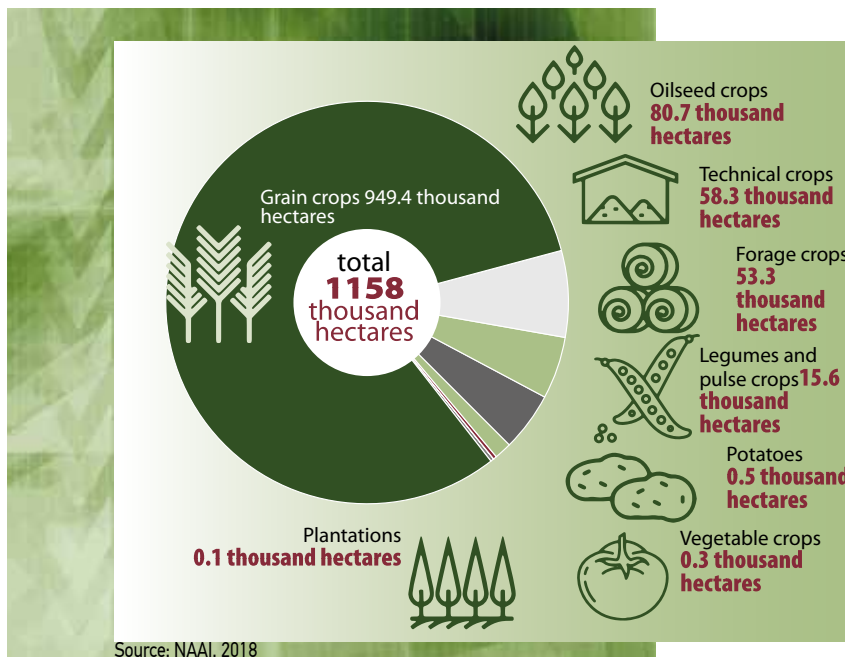
The negative trend continued in the first half of 2018, when NAAI observed a drop by regions to the subsidizing of planting insurance, while agricultural insurance market indicators continued to show a decline. In the second half of the year, due to the leadership of the Ministry of Agriculture and large losses in the agricultural sector, the regions resumed subsidizing risks to crop and livestock production and supported insurance for winter crops.

As a result, throughout July-December 2018, the agricultural insurance with state-supported premiums increased by 79% compared to the same period in the previous year, and by 33% on policies without state support. Total premiums for agricultural risk insurance in this period increased by 56%.

As a result of the recovery in the second half of the year, the Russian agricultural insurance market reached 3.73 billion roubles in 2018, showing a slight decrease of 4.8% compared to 2017.

The volume of the agricultural risks insurance market under contracts concluded without state support increased by 16% over the year to 1.78 billion roubles (2017: 1.54 billion roubles). The revival of the state-supported segment in the second half of the year caused an increase in the demand for additional insurance protection.

**Crops insured acreage (state-supported insurance) in 2018, thousand hectares**



**1.4.1. THE AGRICULTURAL INSURANCE MARKET STRUCTURE**

In 2018, out of 3.73 billion roubles of insurance premiums written under agricultural insurance agreements, about 53%, or 2 billion roubles, came from insurance with state support (2017: 2.32 billion roubles). The share of insurance with state support in the overall market structure continued to contract: for comparison, in 2017 it was 65%; in 2016, 87%.

According to the adjusted data of NAAI for the policies issued in 2918, in the structure

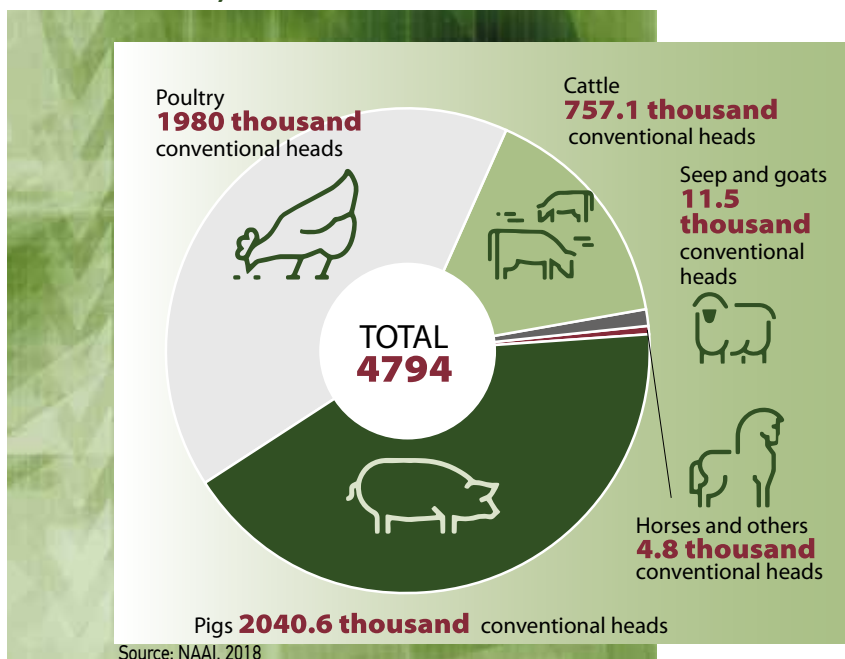
of state-supported insurance, the amount of insurance premiums in 2018 was almost equally divided between crop risk insurance, with harvest and perennial plantings accounting for 49% of written insurance premiums and livestock insurance about 51%.

Thus, in the structure of the subsidized agricultural insurance market, livestock insurance for the first time began to prevail over agricultural crop insurance (a year before its share reached 40%).

In total, in 2018, 65.4 thousand agricultural risk insurance contracts were concluded in Russia (11% fewer than the previous year, at 73.7 thousand). Of these, 60.4 thousand contracts were concluded with individuals, and only 5 thousand contracts with legal entities, indicating a high undisclosed potential for agricultural insurance. All insurance contracts with state support (about 1 thousand) are concluded exclusively with legal entities.

Agricultural risks were insured by 27 insurance organizations in Russia throughout 2018, but 97% of this market, including insurance without state support, is accounted for by insurance companies which are members of NAAI (16 companies).

**Insured livestock structure in Russia in 2018 (state-supported insurance), thousand conventional heads**



**Dynamics of the average insured sum and the average insurance premium per contract, state-supported crop insurance (NAAI members), 2012-2018**





### 1.4.2. SUBSIDIZED CROP INSURANCE

To insure harvest and perennial plantings, members of NAAI concluded 427 subsidized crop insurance contracts in 2018, which provided for a total insured amount of 23.7 billion roubles. Written insurance premiums amounted to 989 billion roubles. In total, 1.2 million hectares of sown area were insured, which amounted to 1.5% of the total sown (planted) area for the country. The main insurance objects were grains, which accounted for 82% of the total insured area, along with oilseeds, fodder and industrial crops.

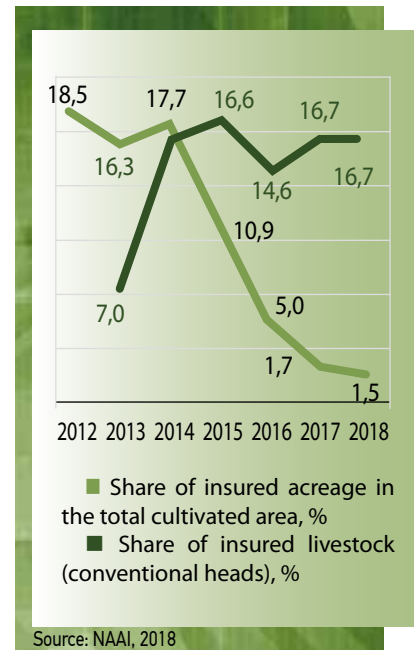
About 591 thousand hectares, or 51% of the insured area, accounted for winter sowing (grain crops took 62% of all insured areas). At the same time, there was a decrease in the volume of risks transferred to insurance: the average insurance amount per 1 crop risk insurance contract decreased from 82.3 million roubles to 55.5 million roubles; the average insurance premium from 3.1 million roubles to 2.3 million roubles.

### 1.4.3. SUBSIDIZED LIVESTOCK INSURANCE

To insure livestock risks, members of NAAI concluded 335 subsidized insurance contracts in 2018, which provided for a total insured amount of 101.7 billion roubles. Written insurance premiums reached 1.0 billion roubles (previous year: 874 million roubles). In total, 4.8 million conventional head were insured with state support (in 2017, 4.5 million head), which accounted for about 16.7% of the total population. The largest insurance with state support coverage was achieved in swine breeding: 5.9 million head were insured, amounting to 25% of the total number of swine, while insured livestock in poultry farming (99.9 million head) accounted for 18% of the total number of poultry.

Compared to the previous year, there was a noticeable increase in the average insured amount of a contract - up to 303.5 million roubles (previous year: 240.4 million roubles). The average insurance premium rose to 3 million roubles compared to 2.3 million roubles in 2017.

### State-supported agricultural insurance penetration in Russian Federation, 2012-2018

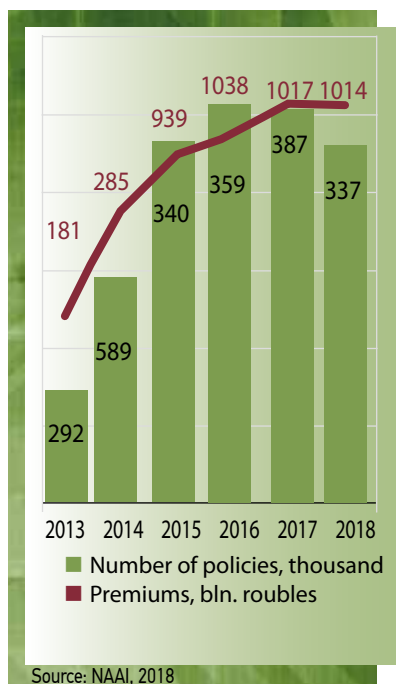


Type of livestock	The share of insured livestock of the total livestock in RF	Insured livestock, number of heads
Cattle	4%	745.2 thousand
Pigs	25%	5.9 million
Seep and goats	1%	118.9 thousand
Poultry	18%	99.9 million
Horses	1%<	4.8 thousand

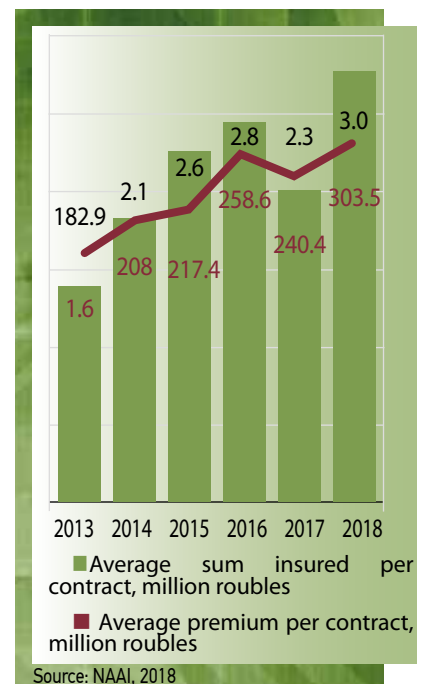
### Dynamics of the overall portfolio of insurers - members of the NAAI in the state-supported crop insurance segment, 2012-2018



### Dynamics of the overall portfolio of insurers - members of the NAAI in the state-supported livestock insurance segment, 2013-2018



### Dynamics of the average insured sum and the average insurance premium per contract, state-supported livestock insurance (NAAI members), 2013-2018







**NAAI**  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS

**2**

**.NAAI's activities  
on the development  
of the agricultural  
insurance system**



# 2.1 DEVELOPING THE LEGAL AND REGULATORY FRAMEWORK FOR AGRICULTURE INSURANCE

RESTORATION OF THE AGRICULTURAL INSURANCE SYSTEM ON THE RENEWED LEGISLATIVE BASIS HAS BECOME THE MAIN TASK OF NAAI FOR 2018. IT HAS BEEN CARRIED OUT IN CLOSE COOPERATION WITH ALL INTERESTED AUTHORITIES AND THE SECTORAL AGRARIAN COMMUNITY.



THESE ARE THE MEASURES

FOR THE DEVELOPMENT OF AGRICULTURAL INSURANCE INITIATED IN 2018:

- PROTECTION OF AGRICULTURAL INSURANCE SUBSIDIES IN A "SINGLE SUBSIDY";
- ADDITIONAL PROVISION OF UNBOUND HECTARE SUPPORT TO INSURED AGRARIANS;
- ACCOUNTING FOR THE PRESENCE OF INSURANCE IN THE CALCULATION OF COMPENSATION FOR EMERGENCY SITUATIONS.

In 2018, NAAI activities in the area of developing the regulatory framework for agricultural insurance focused on the following tasks:

- initiation of amendments to the legislation on agricultural insurance and participation in their preparation;
- submission of proposals to restore and change the system of agricultural insurance with state support;
- discussion of the strategic importance of agricultural insurance as a risk management tool for the agro-industrial sphere.

This work was carried out by NAAI in cooperation with the Federation Council and the State Duma of the Russian Federation, the Government of the Russian Federation, the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia.

The issue of a rapid adoption of the draft law and the need to restore insurance coverage of crops was raised by the Presidium of the Legislators' Council of the Russian Federation, headed by Chairmen of the two Chambers of Parliament V.I. Matvienko and V.V. Volodin, and the Chairman of the Government of the Russian Federation D.A. Medvedev. This issue was addressed in a number of meetings between the President of NAAI and the

leaders of various government levels, including the First Deputy Chairman of the Federation Council Nikolai Fedorov, the two Heads of Senators, M. P. Schetinin and S. F. Lisovsky, and the Chairman of the Federation Council Committee on Agrarian Food Policy and Environmental Management A. P. Mayorov.

The basis of the changes made to the system of agricultural insurance was also formed by recommendations from the Consultative Report of the Bank of Russia concerning the development of agricultural insurance, published in early 2018.

In order to maintain intra-industry cooperation, the Administrative Office of NAAI, together with the Methodology of Insurance Committee, agreed on a unified position on improving the existing agricultural insurance system. Proposals were sent to the Ministry of Agriculture for Russia, the State Duma, and the Federation Council in May and August 2018. This position was developed in coordination with the sectoral agrarian unions: the National Union of Swine Breeders, the National Union of Grain Producers, the National Union of Producers of Fruits and Vegetables and the Union of Participants of the Potato and Vegetables Markets.



N. F. Galaguz, member of the Management Board and Presidium of NAAI (Rosgosstrakh), and V.A. Konstantinovich (Rosgosstrakh)



I.A. Alpatova, Deputy CEO, AlfaStrahovanie

THE PROPOSAL OF NAAI TO INTRODUCE A SYSTEMATIC APPROACH TO THE RISKS OF THE AGRICULTURAL INDUSTRY, INCLUDING AGRICULTURAL INSURANCE, WAS SUPPORTED BY THE TWO COMMISSIONS OF THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS IN 2018.

2.1.1. LEGAL BASIS OF THE AGRICULTURAL INSURANCE SYSTEM

The legal basis for the agricultural insurance system with state support in Russia is formed by 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 the list of areas supported by the state.
» 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.

Since 2016, the provisions of Law No. 260-FZ introduced special regulation of the only all-Russian association of agricultural insurers responsible for the development and compliance with standards of subsidized agricultural insurance, as well as the organization of a guarantee system. The activity of the Association is carried out under the oversight of the Bank of Russia.

Funds for state support of agricultural insurance, in accordance with the provisions of Laws No. 264-FZ and No. 260-FZ, have to be provided for by law in the federal budget for the next financial year. The system of subsidizing agricultural insurance is regulated by a set of additional legislative and regulatory acts of the Government of the Russian Federation and the highest executive bodies of the subjects of the Russian Federation.

The practical functioning of the agricultural insurance system with state support requires mandatory availability of a sub-legal regulatory framework adopted by the Government and the Ministry of Agriculture of the Russian Federation. After the 2016 transition to a unified system of agricultural insurance, insurance contracts with state

support have to comply with the unified standard insurance rules approved by NAAI in coordination with the Ministry of Agriculture, the Ministry of Finance of the Russian Federation and the Bank of Russia.

In 2018, 2 federal laws were adopted, amending Law No. 60-FZ:

- On 23 April, 2018, Federal Law No. 109-FZ, which extended state support for insurance of commercial aquaculture objects (entered into force on 01 January, 2019);
• On 27 December, 2018 Federal Law No. 563-FZ, aimed at increasing the availability of agricultural insurance with state support for agrarians, increasing the insurance coverage of sown areas and livestock, giving legitimacy to the use of space monitoring as an aid to the expertise of insurance contracts with state support (entered into force on 01 March, 2019).

Both laws required substantial revision and adjustment of the regulatory and methodological framework in order to accommodate new insurance conditions. This work was commenced by NAAI in advance, starting in the fourth quarter of 2018.

2.1.2. INTERACTION WITH LEGISLATIVE AND GOVERNMENT AUTHORITIES

In the process of negotiating and finalizing the draft law on amending Law No. 260-FZ, NAAI had presentations at 11 specialized working group meetings of the State Duma Committee on Agrarian Issues under the guidance of the Deputy Chairman of the Committee A. N. Khairullin (created as part of a joint initiative by the Deputy A. N. Khairullin and NAAI), 10 meetings of the Federation Council Committee on Agrarian-Food Policy and Environmental Management, 20 meetings of the Bank of Russia, the Ministry of Agriculture and the Ministry of Finance of Russia.

Within the framework of working interaction between the State Duma Committee on







V.I. Kurlenko, Deputy CEO, National Union of Swine Breeders (left), and M. I. Privezentsev, CEO, National Union of Grain Producers

**>40** meetings

were held on the issues related to the Law 260-FZ throughout 2018 involving the Agrarian Committees of the State Duma, the Federation Council, the Ministry of Agriculture, the Ministry of Finance and the Bank of Russia.

**>75** letters and appeals

were sent by NAAI to the Ministry of Agriculture of the Russian Federation and the executive authorities on changes to the current legislation and the procedures for subsidizing agricultural insurance throughout 2018.



#### RECOMMENDATIONS OF

THE FEDERATION COUNCIL AGRARIAN COMMITTEE HELD ON 15 MAY, 2018, ARE TO:

- INCLUDE THE SECTION "RISK MANAGEMENT OF THE AGRO-INDUSTRIAL COMPLEX" IN THE STATE PROGRAM FOR AGRICULTURAL DEVELOPMENT;
- DEVELOP A LONG-TERM STRATEGY FOR AGRICULTURAL INSURANCE FOR THE PERIOD UP TO 2030.

Agrarian Issues and the Federation Council Committee on Agrarian-Food Policy and Environmental Management, NAAI took part:

- » in Parliamentary hearings in the State Duma:
  - On 26 March, 2018 - "Improving budgetary support for the agro-industrial sector: federal and regional aspects";
  - On 23 May, 2018 - "The development of organic agriculture and the production of organic products: legal support and law enforcement practice";
  - On 20 June, 2018 - "Legislative aspects of the material and technical base of agriculture development".
- » in Parliamentary hearings and meetings in the Federation Council
  - On 15 February, 2018 - "On the improvement of mechanisms of agricultural state support in the Russian Federation";
  - On 15 May, 2018 - "On the improvement of the legislative framework of agricultural insurance".

► Based on the results of this meeting, the following amendments were introduced to the Government of the Russian Federation:

- To include the section "Agricultural Risk Management" and the subsection "Agricultural Insurance" in the long-term strategy for the development of the agro-industrial complex of the Russian Federation and the state program for the development of agriculture after 2020;
- To develop long-term strategy for the development of agricultural insurance with state support, including the direction of improving the system of subsidizing agricultural insurance for the period up to 2030.
- To take measures to increase the insured arable areas of crops and livestock under Federal Law No. 260 up to 70%

of the total sown area of crops and livestock by 2030.

- On 18 May, 2018 - "On the long-term strategy for the development of the agro-industrial complex of the Russian Federation";
- On 22 November, 2018 - "On the preliminary results of harvesting and the preparation plan for spring field work in 2019".
  - Based on the results of this meeting, it was decided to recommend that the Ministry of Agriculture of Russia, together with NAAI, prepare proposals on the possibility of including additional insurance programs in the agricultural insurance system with state support, considering the specifics of the agro-climatic conditions of individual regions and agro-industrial sectors;
- On 06 December, 2018 - "On improving the system of state support of agrarians and the development of agricultural cooperation".

#### 2.1.3. INTERACTION WITH THE MINISTRY OF AGRICULTURE OF RUSSIA ON THE DEVELOPMENT OF LEGISLATION AND SUBSIDY SYSTEMS

In 2018, NAAI took part in 19 meetings at the Ministry of Agriculture of Russia, as well as in a number of meetings with the Minister of Agriculture D.N. Patrushev, Deputy Ministers and Directors of Agricultural Insurance Issues Departments.

On 25 September, 2018, a special meeting under the leadership of D. N. Patrushev on the development of agricultural insurance with state support was held, which resulted in the following measures:

- to prepare the draft amendments to the Rules of providing and distributing subsidies, with the federal budget limit provided to the budget of a territorial entity of the Russian Federation to reimburse part of the insurance premiums under agricultural insurance contracts. The limit will be allocated from 2019 within the framework of the single subsidy;
- to address the possibility of introducing changes to the Rules of providing and distributing subsidies from the federal budget to the budgets of the territorial entities of the Russian Federation to provide unrelated support to agricultural producers in the field of crop production, which implies promotion of agricultural insurance;
- to address the possibility of linking the provision of subsidies under the State Program for the Development of Agriculture



S.I. Prostatin  
member of the  
Management  
Board and the  
Presidium of  
NAAI, CEO of  
RSHB Insurance



Tatiana Lavrova,  
Deputy CEO,  
AlfaStrahovanie

### Regulatory framework of agricultural insurance with state support in 2018 (federal level).

#### Law No. 260-FZ "On State Support in the Field of Agricultural Insurance ..."

Field of regulation	Legislative acts
<b>Crop and livestock insurance</b>	
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 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 to calculate the insured value and losses of insured objects (crop, perennial plantings, livestock) - the main document that is used to determine insurance conditions.	Order of the Ministry of Agriculture of the Russian Federation No. 578 of 16 November, 2017 (a change was planned in 2019 due to amendments to Law No. 260-FZ)
Agricultural Insurance Plan (approved annually). This is a basic document for the agro-industrial authorities in providing insurance subsidies. It approves the list of crops and animals that can be insured during the specified period, and is also used to calculate the state support limit which can be provided for one agricultural insurance contract, depending on the region and contract characteristics.	Order of the Ministry of Agriculture of Russia No. 483 of 30 October, 2018, "On the Approval of the Agricultural Insurance Plan for 2019" (an adjustment was planned in March 2019 due to changes in legislation)
<b>Uniform Standards of NAAI</b>	
Rules of insurance (standard) for crop yield and planting of perennial plantings, carried out with state support. Standard forms of crop insurance and perennial insurance contracts.	Adopted since 2016. Updated in 2018.
Insurance rules (standard) for livestock, carried out with state support. Standard forms of livestock insurance contracts.	Adopted since 2016. Updated in 2018.
<b>Aquaculture insurance</b>	
The list of infectious diseases of commercial aquaculture used for agricultural insurance with state support	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 to calculate the insured value of and losses of insured aquaculture objects	Scheduled for adoption in 2019.
Insurance plan for 2019 (including aquaculture insurance)	Scheduled for adoption in 2019.
<b>Uniform Standards of NAAI</b>	
Insurance rules (standard) for commercial aquaculture objects (commercial fish farming)	Developed by NAAI and entered into force in 2019.



V.A. Busarov, Vice President, Head of the Insurance Portfolio Management Center, VSK

with the obligation to conclude an agricultural insurance contract.

As a result of the discussions held, the following measures were taken:

- On 14 November, 2018, the Government of the Russian Federation introduced a new procedure for allocating assistance to the subjects of the Russian Federation for agricultural losses from natural emergencies: compensation for 50% of the proven damage will be allocated to uninsured farms, while the insured will be compensated in full.
- the linkage of agricultural insurance indicators to per hectare support has been implemented;
- the agricultural insurance indicators are considered in determining the volume of the "single" subsidy.

Moreover, NAAI prepared and sent to the Ministry of Agriculture of Russia the following proposals in 2018:

- to change the procedure for calculating the "single" subsidy with regard to agricultural insurance indicators;
- to determine the required amount of subsidies and their distribution by territorial entities in forming the budget for 2019;
- to prepare the Methodology for determining the insured value and loss amount for commercial aquaculture facilities (commercial fish farming).





## 2.2 DEVELOPING THE AGRICULTURAL INSURANCE SYSTEM

ALONG WITH PREPARING CHANGES TO LEGISLATION AND BUILDING ON CURRENT AIMS OF METHODOLOGY DEVELOPMENT, NAAI BEGAN TO IMPLEMENT TARGETED PROGRAMS FOR THE DEVELOPMENT OF AGRICULTURAL INSURANCE IN 2018.



INCLUDING FORCED

SLAUGHTER AIMED TO PREVENT

EPIZOOTICS AS AN ADDITIONAL RISK

IN THE INSURANCE COVERAGE WITHIN

THE STATE SUPPORT SYSTEM WAS

RECOGNIZED AS AN ECONOMICALLY

VIALE MEASURE.



NAAI  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS

### 2.2.1. RESOLVING OF CURRENT ISSUES ON THE AGENDA OF INSURANCE METHODOLOGY

In 2018, NAAI developed and sent to the Ministry of Agriculture of Russia the following proposals for the formation of the 2019 agricultural insurance plan:

- crop and livestock (18 April, 2018)
- commercial aquaculture facilities (23 November, 2018)

Additional recommended provisions of the standard agricultural insurance contract forms were developed and approved by the Methodology of Insurance Committee.

### 2.2.2. IMPLEMENTING TARGETED PROGRAMS TO DEVELOP THE SYSTEM

In 2017, NAAI developed and got approval for – from the Ministry of Finance, the Ministry of Agriculture and the Bank of Russia – the following five target programs aimed at developing the system of agricultural insurance with state support:

- «Risk zoning of the Russian territory»;
- «Developing the space monitoring system»;
- «Improving the financial literacy of agrarians»;
- «Developing additional insurance programs»;
- «Creating a unified information system for agricultural insurance with state support.»

In 2018, NAAI began to implement these programs, two of which related directly to the field of methodological development of agricultural insurance.

### 2.2.3. THE PROGRAM «RISK ZONING OF THE RUSSIAN TERRITORY»

Within the framework of the target program “Risk zoning of the Russian territory”, the Methodology of Insurance Committee developed and approved technical tasks, chose an executing agency and concluded an agreement with the Higher School of Economics.

According to the approved schedule, the implementation of the first stage of work was begun in November 2018, and includes:

- identification of sources to develop the necessary statistical information on risks for the agricultural industry;
- collection and digitization of risk statistics (including meteorological indicators);
- determination of the frequency and intensity of various risk occurrences for the agro-industrial complex on the territory of Russia in the context of municipal districts and in accordance with the criteria of insurance events specified in the Rules of agricultural insurance.

### 2.2.4. THE PROGRAM «DEVELOPING ADDITIONAL INSURANCE PROGRAMS»

In 2018, the research work “Development of additional insurance programs for livestock insurance with state support and their economic justification” was completed. The work was performed by the Autonomous Non-Commercial Organization «Independent Actuarial Information and Analytical Center» (the contract was concluded based on tender results).

Research was conducted for two new insurance programs that provide for the expansion of the existing insurance scheme to insure risks of livestock losses:

- a) as a result accidents, non-communicable and invasive diseases, and man-made interruptions to the supply of electricity, heat and water, as well as other risks dependant upon the actions of the insured;
- b) as a result of their removal or destruction ordered by the government authorities; involuntary slaughter.



## 2.3 DEVELOPMENT OF REINSURANCE AND SUSTAINABILITY OF THE AGRICULTURAL INSURANCE SYSTEM

IN 2018, THE ACTIVITY OF NAAI WAS AIMED AT IMPROVING THE STABILITY OF REINSURANCE PROTECTION AVAILABLE TO RUSSIAN AGRICULTURAL INSURERS.

In 2018, the main tendencies of the agricultural risks reinsurance market were the increase in transferred premiums and a sharp increase in the market share of national reinsurers.

### 2.3.1. KEY FIGURES OF THE AGRICULTURAL REINSURANCE MARKET IN THE RUSSIAN FEDERATION

In 2018, the outgoing reinsurance market of agricultural risks was influenced by trends that dominated the direct agricultural insurance market:

- » reduction in written premiums on subsidized contracts with state support by 18%;
- » growth of the market without state support by 16%;
- » reduction in the agricultural insurance market volume as a whole by 5% per year.

At the same time, agricultural insurers transferred to reinsurance more premiums received under direct insurance contracts than in 2017.

In total, the following premiums were transferred for reinsurance:

- » 26% of premiums from direct insurance of agricultural risks (in 2017: 21%);
- » 24% of premiums from direct insurance of agricultural risks with state support (in 2017: 18%);
- » 28% of premiums from unsubsidized insurance contracts of agricultural risks (in 2017: also 28%).

Accordingly, the amount of agricultural insurance premiums ceded to reinsurance:

- » decreased by 5% in the segment with state support (from 499.4 million roubles to 473.3 million roubles);
- » increased by 17% in the segment of unsubsidized insurance (from 430.0 million roubles to 502.2 million roubles);
- » increased by 5% for agricultural insurance in general (from 929.4 million roubles to 975.6 million roubles).

The share of payments by reinsurers in insurance of agricultural risks amounted to 565.1 million roubles, 347.5 million roubles of which were for written insurance contracts with state support and 271.6 million roubles being under unsubsidized contracts.

Compared to 2017, there was a significant increase in the payments made by reinsurers:

- » by 189% (almost 3 times) for agricultural insurance as a whole (in 2017: 195.8 million roubles);
- » by 403% (5 times) for reinsurance with state support (in 2017: 69.1 million roubles);
- » by 72% for reinsurance of unsubsidized contracts (in 2017: 126.7 million roubles)

### 2.3.2. DEVELOPMENT OF THE NATIONAL SYSTEM FOR AGRICULTURAL RISKS REINSURANCE

In 2018, the reinsurance of Russian agro-risks preserved the prevalence of international capacities: the share of premiums transferred outside Russia accounted for 79% of the total premiums transferred for reinsurance by agricultural insurers in 2017 (773.5 million roubles out of 975.6 million roubles). At the same time, for the second year in a row, there was a significant decrease in this indicator; a year earlier it was at 88% (see Chart).

According to the estimates of agricultural insurers that were members of NAAI

**565.1**  
million roubles in payments were made by reinsurers for insuring agricultural risks in 2018.

Korney Bizhdov, NAAI President, and Nikolay Galushin, President of Russian National Reinsurance Company, signing the cooperation agreement. 06 January, 2018







The issue of reinsuring epizootic risks was proposed by NAAI for consideration in the Standing Anti-Epizootic Commission of the Government of the Russian Federation, formed in 2018. (Photo: meeting of the Commission headed by the Deputy Prime Minister A. V. Gordeev held on 28 November, 2018)

(expressed during reinsurance meetings organized by the Association) throughout 2018, insurance companies had no problems with the transfer to reinsurance of agricultural insurance contracts within the framework of the existing obligatory contracts. In addition, the standardization of the agricultural insurance system has led to obtaining practice in the field of reinsuring crop insurance contracts.

However, a significant concern of NAAI and market participants is the potential danger of reducing the available international capacities, especially for reinsuring the risk of epizootics in the light of the spread of the African swine fever in Europe and East Asia throughout 2018. Work done by NAAI in the field of reinsurance development was devoted to solving this problem.

### 2.3.3. MEASURES FOR THE DEVELOPMENT OF AGRICULTURAL RISKS REINSURANCE

In 2018, NAAI, together with the Russian National Reinsurance Company, intensified the development of agricultural risks reinsurance in the Russian Federation. The creation of the Russian National Reinsurance Company in 2016 stimulated the growth of domestic facilities for this area of reinsurance. On 01 June, 2018, NAAI and the Russian National Reinsurance Company concluded an agreement on the joint development of insurance and reinsurance of agricultural risks in Russia.

On 01 November, 2018, NAAI together with the Russian National Reinsurance Company held an extended meeting with representatives from insurance organizations (members of NAAI), the Ministry of Agriculture of Russia, the Ministry of Finance of Russia and the unions of agricultural producers, on the question of the Russian National Reinsurance Company's participation in the development of agricultural insurance with state support and on the issue of the expansion of agricultural reinsurance risks caused by the spread of epizootic events in livestock enterprise insurance. As a result of the meeting, a number of areas were noted in which the joint work of these departments and organizations will be continued.

**15** Russian companies accepted reinsurance of agro-risks in 2018.



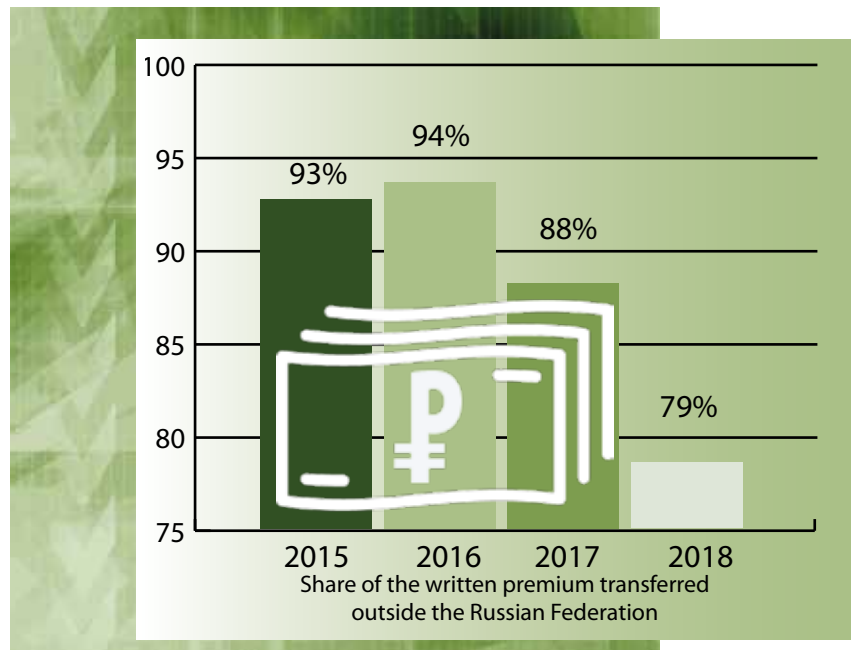
### Decrease in the dependence of agricultural insurance in the Russian Federation on international reinsurance

The agricultural reinsurance leaders are:

SOGAZ with a share of **71.0%**

The Russian National Reinsurance Company with a share of **17.7%**

SCOR with a share of **4.2%**



IN 2018, NAAI CONTINUED SYSTEMATIC WORK WITH REGIONAL AGRICULTURE AUTHORITIES, AIMED AT THE DEVELOPMENT OF AGRICULTURAL INSURANCE.

The fulfillment of NAAI's charter goals aimed at the development of the agricultural insurance system connects with the need to regularly collect and systematize information from the Ministry of Agriculture of the Russian Federation, regional agro-industrial bodies and members of NAAI. This data collection is carried out during the planning stages for the volume of subsidies, providing state support during the validity of insurance contracts.

NAAI informs governing bodies on all changes to the agricultural insurance system and jointly conducts explanatory work in regions, monitoring compliance with agricultural insurance standards with state support. In the second half of 2018, NAAI strengthened this area to support the recovery of the subsidy system.

**29** governors of territorial entities of the Russian Federation were informed by NAAI on the need to insure autumn sowing because of increased risks.

### 2.4.1 PROMOTING THE RELATIONSHIP BETWEEN NAAI AND THE TERRITORIAL ENTITIES OF THE RUSSIAN FEDERATION

Throughout 2018, NAAI sent over 90 letters, concerning explanations of the development and execution of insurance, to the governing bodies of the agro-industrial complex. All 83 regions were informed of all changes in the membership of NAAI.

In July 2018, NAAI sent appeals to 29 head representatives of territorial entities of the Russian Federation on the need to organize insurance for autumn sowing. Proposals were sent to the Ministry of Agriculture of Russia to

adjust the target indicators of the territorial entities of the Russian Federation for the development of insurance for the autumn sowing campaign of 2018. The proposals were prepared on the basis of data received from the regions and from members of NAAI.

During the year, NAAI regularly informed the regional governing bodies about the possibility of contacting NAAI on all issues arising, including complaints from farmers about unjustified refusals to conclude contracts, as well as underestimated or refused insurance payments by insurance organizations (members of NAAI).

The agriculture governing bodies of the 58 territorial entities of the Russian Federation

The main goal of the cooperation agreement between NAAI and the Russian Association of Rural and Farm Enterprises and Agricultural Cooperatives of Nizhny Novgorod is to improve agricultural insurance products for small and medium farms







Head of the Insurance Methodology Directorate M. Boranukov (NAAI) speaks to agrarians from the Volga Region

**18** events  
on financial literacy for farmers  
were organized by NAAI in 2018

NAAI event for agrarians in Republic of Crimea



carried out a reconciliation of data on accrued subsidies under agricultural insurance contracts with state support on a quarterly basis.

#### 2.4.2. MONITORING EMERGENCY SITUATIONS IN THE AGRO-INDUSTRIAL SECTOR

Throughout March-December, hotlines in 27 territorial entities of the Russian Federation were organized for agrarians affected by natural and man-made emergency situations, Regional authorities and the Ministry of Agriculture of Russia were subsequently notified on NAAI's work in monitoring the following situations.

#### 2.4.3. JOINT EVENTS WITH AGRICULTURE GOVERNING BODIES AND INDUSTRY UNIONS IN REGIONS

During 2018, the NAAI and the regional authorities held more than 20 events, including 18 activities to improve the financial literacy of agrarians in the Altai Territory, Amur, Irkutsk, Orel, Kurgan, Rostov, Tambov, Nizhny Novgorod regions, the Republics of Crimea, Tatarstan and Sakha (Yakutia), and the cities of Moscow and St. Petersburg.

Workshops with heads of regional agricultural authorities of the Krasnodar, Stavropol and Trans-Baikal Territories, the Amur, Rostov, Orel, Tambov, Voronezh, Irkutsk, Kurgan, Omsk, Tomsk, Krasnoyarsk and Novosibirsk Regions, the Altai Territory, and the Republics of Ingushetia, Buryatia and Sakha (Yakutia) were held throughout 2018.

In the framework of an agreement concluded by the NAAI and the Ministry of Agriculture and Food of the Republic of Buryatia,

a settlement was made to continue the joint pilot project on the development of agricultural insurance, which was launched at the end of 2016 and will last until 2022. Its plan is to increase the volume of insured areas in the country from 25% to 50%.

In order to develop insurance for small and medium-sized farming in 2018, NAAI concluded cooperation agreements with industry unions in regions, such as the Association of Farms and Agricultural Cooperatives of the Nizhny Novgorod Region and the International Public Organization of Small and Medium-Sized Business "New Formation", the Republic of Crimea.

#### 2.4.4. INCREASING THE FINANCIAL LITERACY OF FARMERS

As part of the target program to improve the financial literacy of agrarians, NAAI organized the following events:

##### APRIL

- Seminar for agricultural producers of the Kurgan region held jointly with the Department of the agro-industrial sector of the region (Kurgan, 23 April, 2018)

- Seminar on agricultural insurance at the First Crimean Educational Forum for Young Agrarians – with support of the Ministry of Agriculture and other executive authorities of the Republic of Crimea – held on the basis of the Academy of Biological Resources and Environmental Management "Crimean Federal University named after V.I. Vernadsky" (the Republic of Crimea, 27 April, 2018).

##### MAY

- The seminar "Organization of agricultural insurance with state support", in the framework of the 1st Crimean Forum of Rural Youth (Simferopol, 11 May, 2018).

- The project "Improving Financial Literacy of Agrarians", at the exhibition-fair of the IV All-Russian Congress of Volunteers in Financial Education of Citizens, organized by the Bank of Russia Expert Council on Financial Literacy and the "SAPFIR" Association (Moscow, 29-30 May, 2018).

##### JUNE

- Research-practice conference "Improving financial literacy in the field of agricultural insurance", on the basis of the Federal State Budgetary Educational Institution of Further Professional Education "Russian Academy of Agro-Industrial Complex Staffing", with representatives from scientific and insurance communities, government authorities, financial sector, unions of agricultural producers, etc. (Moscow, 29 June, 2018)



The joint project of NAAI and the Republic of Buryatia on the organization of insurance for farmers was launched in 2016. In 2018, it was prolonged for another 4 years

**50%** of the sown area should be insured in the Republic of Buryatia by 2022.

At the International Research-practice conference "Improving financial literacy in the field of agricultural insurance", on the basis of the Federal State Budgetary Educational Institution of Further Professional Education "Russian Academy of Agro-Industrial Complex Staffing", 29 June, 2018



#### JULY

■ Conference on improving financial literacy of agrarians in the field of agricultural insurance, held jointly with the Russian Academy of the Agro-Industrial Complex Staffing (Moscow, 03 July, 2018).

■ The seminar "Improving financial literacy in rural areas in the field of agricultural insurance with state support", held jointly with the Federation Council and the Russian Youth Organization "Russian Union of Rural Youth", with support from the Ministry of Agriculture of Russia and the Public Chamber of Russia, in the framework of the "Social development of rural areas as the basis of the territorial development of Russia" Forum (Moscow, 17 July, 2018).

#### AUGUST

■ The seminar "Improving financial literacy of agrarians in the field of agricultural insurance with state support", held jointly with the St. Petersburg State Agrarian University at the venue of the AGRORUS-2018 Forum (St. Petersburg, 21 August, 2018).

#### SEPTEMBER

■ Interactive lecture "Agricultural insurance with state support", held jointly with the Federal Agency for Youth Affairs "Rosmolodezh" and the Government of the Rostov Region, at the federal site "Young Agrarians" in the framework of the IX Youth Forum of the Southern Federal District (Rostov-on-Don, 13 September, 2018).

■ The NAAI Specialized Seminar for Agrarians of the Republic of Crimea, held in the framework of the 2nd Crimean Business Forum "Risk Management in Agrarian Production", jointly with the Publishing House "Agrarian Plus" and the Interregional Public Organization of Small and Medium-Sized Business "New Formation" (Simferopol, 20-23 September, 2018).

#### OCTOBER

■ The roundtable "Agricultural Insurance: Main Problems and Prospects for Development", held jointly with the Ministry of Agriculture of the Altai Territory in the framework of the XVII Interregional Research-practice Conference "The Strategy for the Qualitative Development of the Russian Insurance Market under Self-Regulation" (Barnaul, 18 October, 2018).

■ The training seminar "Improving financial literacy of agrarians in the field of agricultural insurance", held jointly with the Agricultural Administration of the Tambov Region and the Russian Academy of the Agro-Industrial Complex Staffing (Tambov, 22 October, 2018).

■ Section "Agricultural Insurance with State Support: Current Status and Development Paths", at the roundtable "The main areas of support for agricultural producers within the State Plan for the socio-economic development of the Irkutsk Region", held jointly with the Ministry of Agriculture of the Irkutsk Region, in the framework of the exhibition "Agro-industrial Week" (Irkutsk, 26 October, 2018).

#### NOVEMBER

■ The seminar "Prospects for the development of crop risk insurance in the Amur region and improving the quality of insurance claims settlement procedures", held jointly with the Ministry of Agriculture of the Amur Region (Blagoveshchensk, 15 November, 2018).

#### DECEMBER

■ The seminar "Improving financial literacy of agrarians in the field of agricultural insurance with state support", held jointly with the Association of Farms and Agricultural Cooperatives of the Nizhny Novgorod Region, with support from the Ministry of Agriculture of the Nizhny Novgorod Region, as part of the Agrarian Forum "Small Businesses in Agriculture. Points of Growth and Development" (Nizhny Novgorod, 18 December, 2018).

■ Section "Agricultural Insurance with State Support: Current Status, Conditions and Procedures for Implementation in 2019", at the meeting "Results of crop industry in 2018 and measures for seasonal field work preparation and organization in 2019", held jointly with the Ministry of Agriculture of the Sakha Republic (Yakutia) (Yakutsk, 18 December, 2018).

■ Moreover, throughout May-October 2018, a series of free webinars, titled "Organization of Agricultural Insurance with State Support", were held for the Russian Union of Rural Youth with support from the Ministry of Education and Science of the Russian Federation in the framework of the All-Russian educational events for rural youth.





# 2.5

## INTERNATIONAL ACTIVITY

THE MAIN TASKS OF NAAI AS PART OF INTERNATIONAL ACTIVITY ARE TO USE THE BEST INTERNATIONAL EXPERIENCES, CONSIDER TRENDS IN AGRICULTURAL INSURANCE DEVELOPMENT, REPRESENT THE INTERESTS OF THE RUSSIAN AGRICULTURAL INSURANCE COMMUNITY IN THE INTERNATIONAL REINSURANCE MARKET AND PARTICIPATE IN EURASIAN INTEGRATION PROCESSES.



In 2018, 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 insurance that practice insurance protection of agricultural risks;

- participating in integration processes involving Eurasian space, included in the framework of the Eurasian Economic Union (EAEU);

- establishing cooperation with reinsurance organizations and with those in the field of agricultural insurance expertise at international levels.

### 2.5.1. STRENGTHENING NAAI'S RELATIONS WITH INTERNATIONAL ORGANIZATIONS AND EXCHANGING EXPERIENCES IN THE FIELD OF AGRICULTURAL INSURANCE

#### MARCH

On 23 March, 2018, the President of NAAI, Korney Bizhdov, participated in a bilateral working meeting of the All-Russian Association of Insurers (ARIA) and the German Association of Insurers (GDV). The meeting was held in Berlin, at the invitation of the German side, with representatives from insurance regulators including the Bank of Russia and the Federal Financial Supervision Service of Germany.

#### JUNE

On 06 June, 2018, NAAI held the International round-table "Agricultural Insurance in Russia. Problems and Growth Points", which took place in St. Petersburg within the framework of the XVI International Conference of the All-Russian Association of Insurers (ARIA) "In Search of Growth Points. Development Strategy" (in the framework of the International Financial Congress events held by the Bank of Russia).

» International experiences in organizing agricultural insurance with state support at the round-table were represented by:

- President of the National Association of Mutual Agriculture Insurance of Italy (ASNACODI), Albano Agabiti;

- Managing Director of ASNACODI, Paola Grossi;

- Director of the State Agricultural Insurance Agency ENESA under the Ministry of Agriculture of Spain, José María García de Francisco;

- Expert from the Underwriting Department of the Spanish Association of Agricultural Insurers of AGROSEGURO, Juan José García Pelaez;

- Lead Underwriter of Agricultural Risks Reinsurance of Swiss Re, Marcel Andriess.

Speakers and participants at the International round-table "Agricultural Insurance in Russia. Problems and Points of Growth".



» NAAI'S ENTRY INTO THE INTERNATIONAL ASSOCIATION OF AGRICULTURAL PRODUCTION INSURERS (AIAG) IN 2014 WAS AIMED AT USING INTERNATIONAL EXPERIENCES OF THE AGRICULTURAL INSURANCE INDUSTRY OVER THE PAST 20 YEARS.

The President of NAAI, Korney Bizhdov, and the President of ASNACODI, Albano Agabiti, signing the Agreement on cooperation between the two organizations.



NAAI concluded a cooperation agreement with the National Association of Mutual Agriculture Insurance of Italy (ASNACODI). The document was signed by the President of NAAI, Korney Bizhdov, and the President of ASNACODI, Albano Agabiti, at the International round-table on agricultural insurance.

- » ASNACODI unites 56 mutual funds providing climate and other risk insurance services to 98% of agricultural producers in Italy. Its constantly-updated database on insurance of agricultural production is the largest in Italy. ASNACODI participates in the formation of a subsidized agricultural insurance plan, the development of agricultural risk management and income protection systems for agricultural producers throughout Italy.

In the framework of the current cooperation Agreement between NAAI and the Spanish agricultural insurance system AGROSEGURO, NAAI organized a delegation of representatives from the insurance companies that are members of NAAI, in the AGROSEGURO seminar, to advance their training in the field of fruit and aquaculture insurance.

- » The seminar was held in the city of Madrid, with practical exercises in the province of Aragon (district of Zaragoza). Specialists from Rosgosstrakh, IC PJSC, RSHB Insurance IC JSC, VSK IC JSC, Soglasie LLC IC, and AlfaStrahovanie, JSC participated in the following seminar.

### 2.5.2. THE DEVELOPMENT OF INTEGRATION CONNECTIONS INVOLVING EURASIAN SPACE:

#### JUNE

Korney Bizhdov, President of NAAI, made a report on agricultural insurance development in the Russian Federation at the Conference "Insurance in Azerbaijan: New Perspectives".

- » Representatives from executive and legislative authorities from Azerbaijan, experts and insurers from Russia, Azerbaijan, Poland, Turkey, the Czech Republic, Germany, Ukraine, Romania, the United Arab Emirates and the Netherlands participated in the conference, which took place in Baku on 20-21 June, 2018.

#### OCTOBER

At the initiative of Republic of Belarus, NAAI held a seminar and meeting on the topic: "State and prospects for the development of the agricultural insurance system with state support" for representatives from the insurance market of the Republic of Belarus.

The event took place on 31 October, 2018. The Republic of Belarus was represented by the Deputy General Director of the Belorussian Association of Insurers, Natalya Shavlyuga, the Deputy General Director of BRUIČ "Belgosstrakh", Yulia Oreschenko, and the Head of the Department of the Insurance of Property Interests of Legal Entities, Olga Koroleva.

NAAI took part in a discussion on a law on state support of agricultural insurance, developed by the Commission of the Inter-Parliamentary Assembly of the CIS countries on agricultural policy, natural resources and ecology.

### 2.5.3. COOPERATION WITH INTERNATIONAL REINSURANCE ORGANIZATIONS:

In 2018, the following meetings were held with:

- representatives from the German reinsurance company, Devk Re.
- a delegation from the Polish reinsurance company, Polish Re.

An article was published concerning the state and prospects of the Russian agricultural insurance market in the English edition of the insurance magazine XPRIMM, prepared for distribution at the Reinsurance meetings on 21-25 October, 2018, in Baden-Baden (Germany)



At the International Round Table of NAAI, 06.07.2018



# 2.6

## SUPPORT OF INNOVATIONS

THE INTRODUCTION OF MODERN INSURANCE METHODS AND TECHNOLOGIES FOR THE AGRO-METEOROLOGICAL DATA AND REMOTE SENSING OF THE EARTH INTO THE SYSTEM OF AGRICULTURAL INSURANCE IS ONE OF THE MAIN ACTIVITIES OF NAAI, WHICH, IN 2018, RECEIVED A NEW IMPETUS DUE TO CHANGES IN LEGISLATION.

**In 2018, due to NAAI initiative, methods of remote Earth monitoring for agricultural insurance purposes received statutory status for the first time (amendments to Law No. 260-FZ of 27 December, 2018).**

**Promising opportunities became open to develop index insurance methods and increase the availability of insurance products for agrarians.**

In 2018, space monitoring data was used by NAAI:

- To ensure the conclusion and maintenance of crop risk insurance contracts by members of NAAI;
- For insurance expertise purposes in consideration of farmers' applications on receiving compensation payments from the NAAI fund;

### 2.6.1. COORDINATING WORK AND ADVISING MEMBERS OF NAAI ON USING THE SPACE MONITORING SYSTEM.

Following the decision of the Monitoring and Insurance Expertise Committee, insurance companies that are members of 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 NAAI. The winner of the tender to determine the provider of space monitoring services for 2018 was Geosys-Europe (AgriQuest tool).

On 19 April, 2018, a seminar with participants from Geosys-Europe was held for specialists from insurance companies on the use of the AgriQuest space monitoring tool, on the grounds of the International Industrial Academy of Moscow.

- For information exchange between the authorities and the public concerning risks caused by emergency situations in agriculture;
- To implement target programs for agricultural insurance development.

### 2.6.2. ANALYZING REMOTE SENSING SERVICES OFFERS IN THE MARKET

In January - March 2018, experts from insurance companies that are members of NAAI tested the Vega-Pro system from IKIZ LLC in monitoring crop conditions. On 20 June, 2018, a seminar was held at the Space Research Institute of the Russian Academy of Sciences on the use of this tool. According to the results, an agreement was concluded with IKIZ LLC on using separate tools of the Vega-Pro portal for space monitoring and insurance expertise in the implementation of agricultural insurance in addition to the AgriQuest tool. This agreement was concluded within the framework of the targeted program: "Development of the Space Monitoring System".

### 2.6.3. DEVELOPING THE SPACE MONITORING METHODS FOR CROP INSURANCE

In 2018, research work was started on determining practical possibilities of the space monitoring tool in crop insurance with Russian agricultural industry peculiarities. On the basis of the tender conducted by the Monitoring and Insurance Expertise Committee, the Space Research Institute of the Russian Academy of Sciences was selected as the contractor of this research.

From October to December 2018, jointly with the Space Research Institute of the Russian Academy of Sciences, the first part of the work was completed on the topic: "Studying the possibilities of risk assessment, supporting and handling claims in agricultural insurance with state support by using space monitoring".



Marcel Andriess, Senior Underwriter Agriculture EMEA, Vice President, Swiss Re, at the NAAI International round-table, speaking about the prospects of index-based crop insurance, 06 June, 2018



SINCE 2016, ALL MEMBERS

OF NAAI HAVE HAD FREE ACCESS TO AGRIQUEST, THE UNIFIED WEB PLATFORM OF SPACE MONITORING AND DATA ANALYSIS PROVIDED BY GEOSYS.

**2.6.4. APPLYING SPACE MONITORING METHODS FOR SETTLING CLAIMS FOR COMPENSATION PAYMENTS PURPOSES**

Expert opinions obtained while using the space monitoring system in 2018 were grounds for handling 3 complaints and applications for compensation payments received from agricultural producers.

Three expert examinations were organized for a lawsuit held on collecting insurance compensation, in which NAAI was engaged as a third party. Satellite images of insurance objects using unmanned aerial vehicles were a part of these examinations.

**2.6.5. USING DATA FOR THE AGRICULTURAL INSURANCE SYSTEM DEVELOPMENT**

These AgriQuest systems were used in the first stage of NAAI target program, "Risk zoning of the Russian territory". Statistical information was prepared on the NDVI vegetation index indicators, as well as main meteorological indicators which were observed from 2012 in 66 regions of the Russian Federation on a daily basis, to identify cases of crops risks.

**2.6.6. USING SPACE MONITORING DATA FOR INTERACTION BETWEEN NAAI, GOVERNMENT AUTHORITIES AND THE PUBLIC.**

In order to respond to emergency situation announcements in regions of the Russian Federation, NAAI analyzed the state of crops and the influence of me-

teorological factors on deviations in their development in 12 subjects of the Russian Federation (the Irkutsk, Novosibirsk, Omsk, Volgograd, Saratov, Orenburg, Belgorod regions, the Republics of Buryatia, Crimea, Bashkortostan, Tatarstan and Mordovia).

In accordance with the agreement concluded between the All-Russian Center for Monitoring and Forecasting Emergencies under EMERCOM of Russia (Antistikhiya Center), quarterly information exchange on the state of crops and emergency situations in regions of the Russian Federation was implemented in 2018.

Analytical materials were prepared for 32 territorial entities of the Russian Federation:

- on the state of crops at the beginning of exiting the winter season in the south of Russia.
- analysis of the state of spring crops in the zones of the Russian Federation in the context of regions and municipal areas.
- on the state of winter crops in the regions of the European part of Russia and the Republic of Crimea as of 28 September, 2018.

Based on the analysis, letters were sent to the Ministry of Agriculture of the Russian Federation and the agro-industrial governing bodies on the need for insurance.

This information was also used to prepare press releases and responses to media inquiries. A presentation on the space monitoring tool for insurance purposes was also held at NAAI events to improve financial literacy in 7 regions of the Russian Federation.

**32** regional agriculture governing bodies of the Russian Federation were informed by NAAI on the state of crops and prevented about the need of insurance based on space monitoring data.

Discussing the exposure of the South Russian regions to the hail and draught risks at the Ministry of Agriculture of Russia, 16 July 2018





## 2.7

ORGANIZATION OF  
STATISTICAL ACCOUNTING

SINCE 2016, THE NAAI DATABASE CONSOLIDATES ALL INFORMATION RELATED TO THE AGRICULTURAL INSURANCE SYSTEM WITH STATE SUPPORT IN RUSSIA.

NAAI has carried out continuous collection and storage of statistical information in the field of agricultural insurance with state support since 01 January, 2012 – the date of entry into force of the Law On State Support of Agricultural Insurance No. 260-FZ. Since 2016, the NAAI database has contained complete information on the implementation of agricultural insurance with state support by all insurance organizations in Russia working in this field.

**1.550 million.**  
records related to agricultural insurance contracts were in the AIS of NAAI as of 31 December, 2018.

**94** types of documents were received during the verification of statements in 2018 from the governing bodies of the agricultural industry



ON 01 OCTOBER, 2018,

THE AGREEMENT ON COOPERATION BETWEEN THE CENTRAL BANK OF RUSSIA AND NAAI WAS SIGNED. WITHIN ITS FRAMEWORK, THE REGULATION OF INFORMATION EXCHANGE IS BEING DEVELOPED.

### 2.7.1. DEVELOPMENT OF THE AUTOMATED INFORMATION SYSTEM (AIS OF NAAI)

In 2018, changes were made to the structure of the AIS of NAAI in terms of receiving, controlling and loading monthly and quarterly reports. Moreover, additional units were implemented and new reporting forms were created:

- A database block was created containing statistical information about sown areas, gross yield and crop yields in the context of municipal structures of the territorial entities of the Russian Federation from 2001 to 2015;

- A block on the automated calculation of funds for allocations to the Compensation Payments Fund (for insurance organizations that are members of NAAI) has been implemented and a corresponding report set up;

- A block was created with information on allocations provided from the federal budget to the budgets of the territorial entities of the Russian Federation for the implementation of compensation for damages in agricultural industry caused by emergency situations;

- A converter of accounting modifications was created;

- Forms for comparing information received from the Central Bank of Russia and the members of NAAI were configured;

- Reporting forms to prepare standardized materials for events were developed and implemented in the AIS of NAAI.

Working meetings and consultations were held with representatives from the Central Bank of Russia on the possibility of providing access to the AIS of NAAI within the framework of the Agreement on the interaction between the Central Bank of Russia and the NAAI.

### 2.7.2. THE ACCUMULATION OF STATISTICAL INFORMATION AND STATISTICAL ACCOUNTING

Collection and loading of information on concluded agricultural insurance contracts with state support and claims settlement under these contracts into the AIS of NAAI was carried out on a regular basis:

- Collection of the latest information on agricultural insurance contracts with state support, concluded by insurance organizations that are members of NAAI (on a monthly basis);

- Detailed statistical reporting of members of NAAI are being received (on a quarterly basis);

- Reports on agricultural insurance contracts with state support, concluded by members of NAAI for the period from 2012 to 2015 are also being received (on a semi-annual basis).

### 2.7.3. THE USE OF STATISTICAL INFORMATION

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 Central Bank of the Russian Federation (monthly);

- are provided to all members of the Association (according to the Board of NAAI order) (quarterly);

- are sent to the regional authorities of the agro-industrial complexes to reconcile information on the subsidy funds transfer (at the end of each semester);

- are used to calculate allocations of members of NAAI 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 by actuaries and the Autonomous Non-Commercial Organization (Independent Actuarial Information and Analytical Center) during the research work on the topic "Development of additional insurance programs for livestock insurance with state support and their economic justification".

IN 2018, NAAI CONTINUED TO MONITOR COMPLIANCE WITH THE STANDARDS OF AGRICULTURAL INSURANCE BY ITS MEMBERS, EXECUTE THE GUARANTEE FUNCTION AND PARTICIPATE IN THE INSURANCE COMMUNITY EFFORTS TO STRENGTHEN THE MECHANISMS FOR PROTECTING THE RIGHTS OF INSURANCE SERVICES CONSUMERS.

**5%** of the premiums on policies written on subsidized terms are being transferred by members of NAAI to the Compensation Fund.

**68.1 million roubles**

of compensation payments were carried out by NAAI since 2014.



The consumer rights of insured agrarians are in the focus of attention of the Central Bank of Russia: Head of the Directorate of the Central Bank of Russia Olga Shelepneva at the General Meeting of the NAAI



#### THE MECHANISM OF COM-

PENSATION PAYMENTS WAS INTRODUCED IN THE NAME OF INTEREST OF AGRARIANS WHO ARE INSURING RISKS UNDER STATE SUPPORT CONDITIONS. IN THE EVENT OF INSURANCE COMPANY INSOLVENCY DUE TO THE OCCURRENCE OF INSURED LOSSES, NAAI IS OBLIGED TO PAY THE INSURANCE INDEMNITY TO THE AGRARIANS.

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

In 2018, NAAI received 2 pre-trial claims and 7 complaints from insured agricultural producers against the actions of insurance companies that were members of NAAI. Necessary measures were taken in accordance with the NAAI Rules of the activity. As a result of these measures, the insurer made an insurance payment in one of the cases.

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

In 2018, NAAI took an active part in the work of 19 meetings of the All-Russian Insurance Association (ARIA) on the preparation of basic standards of a self-regulating organization (SRO) protecting the rights and interests of individuals and legal entities which are recipients of financial services provided by insurance companies, operations by insurance organizations in the financial market, as well as internal standards SRO.

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

In accordance with the requirements of Federal Law No. 260-FZ, NAAI established a Compensation Payments Fund (CPF). As of 31 December, 2018, the CPF was 99% formed due to the imposition of sanctions by the Bank of Russia on a number of insurance organizations that are members of NAAI.

The mechanism of the CPF in the Russian Federation was introduced by Law No. 260-FZ. The right of insured agrarians to receive compensation payments entered into force on 1 January, 2014. This mechanism was put under direct control of the Bank of

Russia from 01 January, 2016, after completing the transfer to a centralized agricultural insurance system. The stability of the guarantee system has received additional protection in the form of a direct legislative ban on collecting funds from the CPF for other claims not related to compensation payments.

The administrative office continuously monitored funds transfers by members of NAAI to the CPF throughout 2018. The deposit of CPF funds was carried out in strict accordance with the Investment Plan for idle NAAI funds in 2018 and approved by the Presidium of NAAI.

Two claims for payments were refused. During 2018, NAAI received one application for compensation payment from an agricultural producer in the Republic of Buryatia for the obligations of LLC "Central Insurance Company".

According to applications that were pending, necessary measures were taken to settle the losses in order to confirm the occurrence of the insured event and determine the amount of the payment, including:

- constant contact was maintained with the applicants;
- expert analysis was performed using remote sensing data of the Earth;
- 2 examinations were carried out with the assistance of independent experts
- certified by the Ministry of Agriculture of Russia;
- 6 requests were sent to the governing bodies of the agrarian and industrial complexes of the territorial entities of the Russian Federation, the Federal Service for Hydrometeorology and Environmental Monitoring, the Federal State Statistics Service, the Federal State Budgetary Institution and the Russian Agricultural Center. One case of inadequate information provided by the regional Center of Hydrometeorology and Environmental Monitoring was exposed.





# 2.9

## INFORMATIONAL SUPPORT OF AGRICULTURAL INSURANCE

DURING 2018, NAAI PERFORMED CONTINUOUS INFORMATION SUPPORT OF THE AGRICULTURAL INSURANCE SYSTEM IN THE MEDIA, PAYING PARTICULAR ATTENTION TO THE NEED FOR RESTORING THE SYSTEM OF STATE AGRICULTURAL INSURANCE AS WELL AS PREPARING CHANGES TO LEGISLATION.

In 2018, the press service of NAAI realized continuous interaction with the media, significantly increasing impact in the information area. 178 press releases were issued, including 77 releases as part of information campaigns dedicated to support strategic changes in the agricultural insurance system. In addition, NAAI cooperated with press services of the Ministry of Agriculture of Russia and regional agro-industrial complex management bodies in regions where NAAI events were held.

According to the SCAN "Interfax" system, in 2018 there were 6,610 publications with reference to NAAI, an increase of 34% compared to 2017. More than 100 releases at federal and regional levels quoting NAAI were published. Most of these were devoted to the implementation of uninsured risks in agro-industrial complex regions of the Russian Federation and measures to restore the agricultural insurance system with state support.

NAAI's PR strategy in 2018 was carried out in close cooperation with the press service of the All-Russian Union of Insurers (ARIA), including in the format of joint events.



Opening ceremony of the XX Russian Agricultural Exhibition "Golden Autumn" (Moscow, 10 October, 2018)



Sergey Prostatin (RSHB Insurance), representing the Management Board and the Presidium of NAAI, answering questions from the media

### 2.9.1. MEDIA RELATIONS

During 2018, NAAI was covered in the following print and electronic media at both the federal and regional levels: Interfax, Prime, Russian News Agency, RIA Novosti, Russia Today, Rossiyskaya Gazeta (federal and regional publications in Stavropol, North-West, Simferopol, Barnaul), Kommersant, Kommersant-Chernozemye, Kommersant-South, Kommersant-Kazan, Vedomosti, FederalPress, RBC-Tatarstan, RBC-South, Altapress, Visota 102 (Volgograd), Business Quarter (Rostov), Delovaya Gazeta South, Siberian Information Agency, RIA-Voronezh, UralBusinessConsulting, Volgogradskaya Pravda, IA Aibereg, IA PrimaMedia, Delovoy Peterburg, etc.).

NAAI was published in specialized agricultural media (Agroinvestor, New Agriculture, Agrarian Policy, Earth and Life, IA Svetich, Dairy News, Agrotime, Agro-business Niva Plus) and insurance media (ASN, MIG Insurance Today, SPHERE: Technology. Feed. Veterinary, Poultry industry, etc.).

NAAI was broadcast on federal and regional TV and radio channels, some examples being: an interview of the President of NAAI on

First Regional Television (Orel), a video report from the insurance forum in Sochi on Kuban 24 (Krasnodar), plots about NAAI's events on regional TV channels: STRBC Altai, Vesti Tambov, the President of NAAI speaking live on the "Business Day" program of RBC TV channel and at a roundtable discussion in the television studio of the Parliamentary newspaper.

NAAI organized 7 press events aimed at promoting agricultural insurance (some jointly with the press service of ARIA) in 2018:

#### FEBRUARY

- Roundtable to discuss the report of the Bank of Russia «Proposals for the development of agricultural insurance with state support in the Russian Federation» (26 February, 2018).

#### MAY

- Seminar for ARIA journalists on "Trends and Prospects of the Insurance Market in Russia" (Moscow, 17-18 May, 2018)

#### JUNE

- International roundtable "Agricultural Insurance in Russia. Problems and growth points» (in the framework of the International ARIA Conference) (St. Petersburg, 06 June, 2018)

#### NOVEMBER

- Regional media briefing by the President of NAAI (Moscow, 29 November, 2018).

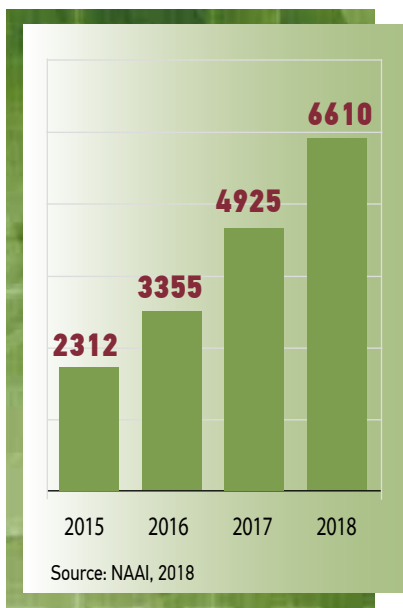
#### DECEMBER

- ARIA seminar "Insurance in the media mirror. Preliminary results of the year" (Moscow, 4-5 December, 2018).

- Briefing on results of the extraordinary General Meeting of NAAI members by the President of NAAI (Moscow, 11 December, 2018)

**2-fold**  
increase in the number of media  
publications in the past two year

Growth in the number of NAAI  
references in the media per year:



■ ARIA press event for federal and regional journalists (Moscow, 20-21 December, 2018).

### 2.9.2. PARTICIPATION IN INDUSTRY CONFERENCES

NAAI took part in more than 20 agricultural and insurance industry events:

#### JANUARY

■ All-Russian agronomical meeting in the framework of the XXIII International Specialized Trade and Industrial Exhibition (Moscow, 31 January, 2018)

#### FEBRUARY

■ A roundtable on agricultural insurance in the framework of the IX International Conference of Agricultural Producers "Where is the margin?", organized by IKAR with the support of the Association of Industrial Unions of the Agro-industrial Complex of Russia (Moscow, 02 February, 2018).

■ Roundtable «Pending issues of the national insurance development. Regional Aspect», organized by the Union of Insurers "Ural-Siberian Agreement" and the National Insurance Guild (Moscow, 16 February, 2018).

■ Conference "Financial support of the agricultural sector. Insurance and credit issues", in the framework of the XXI Agro-industrial forum in the South of Russia (Rostov-on-Don, 28 February, 2018).

#### MARCH

■ International Forum-Exhibition "Connect AgroTrade Crimea 2018" (Simferopol, 01-03 March, 2018).

■ All-Russian Forum of Agricultural Producers with participation of the President of Russia, V. V. Putin, and a delegation from 71 constituent entities of the Russian Federation (Krasnodar, 12 March, 2018).

■ Bipartite working meeting between ARIA and the German Union of Insurers (GDV) (Berlin, 23 March, 2018).

#### APRIL

■ Insurance Innovations Forum "InnoIns 2018" (Moscow, 17 April, 2018).

#### MAY

■ Conference "Rubezh 2018. Detection and prevention of fraud in the claims settlement process" (Moscow, 21 May, 2018).

#### JUNE

■ XXVII International Financial Congress of the Bank of Russia (IFC 2018) (St. Petersburg, 06-08 June, 2018).

■ XVI International ARIA Conference "In Search of Growth Points. Development Strategy" (St. Petersburg, 06 June, 2018).

■ International Conference «Insurance in Azerbaijan: New Perspectives» (Baku, 20-21 June, 2018).

■ Annual General Meeting of the National Union of Swine Breeders (Moscow, 28 June, 2018).

■ Roundtable «Innovative technologies in crop production», chaired by the Deputy Minister of Agriculture and Food for the Republic of Tatarstan, I. H. Gabdrakhmanov, in the framework of the exhibition «Field Day in Tatarstan 2018» (Kazan, 29 June, 2018).

#### AUGUST

■ I All-Russian Conference on the Development of Horticulture, Nursery Breeding and Storage of Fruit and Berry Products (with participation of the Minister of Agriculture of Russian Federation, D.N. Patrushev, the Head of the Republic of Ingushetia, Y.B. Evkurov, and the Presidential Plenipotentiary in the North-Caucasian Federal District A.A. Matovnikov) (Republic of Ingushetia, 24 August, 2018).

■ Debriefing meeting on the harvesting of and preparation for planting winter crops in the Rostov region under the leadership of Governor V.Y. Golubev and the Minister of Agriculture and Food of the region, K.N. Rachalovsky (Rostov-on-Don, 29 August, 2018).

■ Meeting with the Ministry of Agriculture of the Irkutsk Region under the leadership of the First Deputy Minister, N.G. Zhilkina, with representatives from the largest agricultural organizations and agricultural enterprises of the region (Moscow-Irkutsk webinar, 31 August, 2018).

#### SEPTEMBER

■ Moscow Financial Forum (Moscow, 06-07 September, 2018).

■ Insurance Business Forum «Challenges of 2018» ARIA (Sochi, 17-21 September, 2018).

#### OCTOBER

■ XX Russian Agro-industrial Exhibition "Golden Autumn" (opening ceremony) (Moscow, 10 October, 2018).

■ Forum Insfuture 2018 «Insurance business in the era of change» (Moscow, 31 October, 2018).

#### NOVEMBER

■ XII Annual Forum «The Future of the Insurance Market» (Moscow, 14 November, 2018).

#### DECEMBER

■ International Conference "BARRIER 2018. Corporate insurance and insurance fraud." (Moscow, 04 December, 2018).





## 2.10 COUNTERACTION TO INSURANCE FRAUD AND LEGAL PROTECTION OF NAAI INTERESTS

IN 2018, NAAI CONTINUED AND INTENSIFIED WORK TO PROTECT THE ASSETS OF ITS COMPENSATION FUND AGAINST UNREASONABLE CLAIMS.

**40** out of **48**  
legal cases were won by NAAI  
in 2018 /others are still in process/.

The main activities of NAAI in the field of counteraction to insurance fraud:

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

As of the end of 2018, NAAI participated as a defendant or a third party in 48 cases, with the total amount of claims to the Compensation Fund amounting to 703 million roubles. NAAI representatives won 40 cases worth about 349 million roubles. In cases where decisions were made in favor of NAAI, applications were filed to recover court costs from the party submitting illegal claims.

### 2.10.2. INTERACTION WITH GOVERNMENT AUTHORITIES AND THE INSURANCE COMMUNITY IN THE FIELD OF THE PREVENTION OF INSURANCE FRAUD

Due to a request from the Insurance Market Department of the Central Bank of Russia on countering fraud in the insurance industry, NAAI sent proposals to reduce crime in agricultural insurance based on the practice of countering insurance fraud in the period from 2014 through 2018.

The President of NAAI and employees of the Administrative Office took part in conferences on counteraction to insurance fraud "Rubezh - 2018. Detection and prevention of fraud in the process of claims settlement", "Barrier - 2018. Corporate insurance and insurance fraud."

**349** million roubles  
- the amount of illegal claims to the Guarantee Fund of NAAI were prevented in 2018.

In 2018, the severity of the problem associated with unreasonable claims of compensation payments remained. Judicial practice still confirms that, in most cases, these claims are connected with the plaintiffs' aim to use the guarantee mechanism of policyholders' rights protection to write-off funds in their favor without sufficient grounds.

### 2.10.1. LEGAL PROTECTION OF NAAI'S INTERESTS

NAAI continued to protect interests in arbitration courts of various instances related to the stated requirements for the implementation of compensation payments. In particular, interaction with legal and expert organizations was organized on issues of judicial protection of NAAI interests and verification of the validity of judicial requirements.

**27** % - increase in the amount of prevented illegal claims, 2018/2017.





3

**. NAAI: General  
information**



**NAAI**  
NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS





The General Meeting of NAAI reviewing the preliminary results of 2018 (11 December, 2018)



S.Y. Kondratyev, Head of Agriculture Insurance, AlfaStrahovanie



O. N. Blinkov, Deputy CEO, RSHB Insurance (left), and A. V. Nefediev (NAAI)

# NAAI: Supporting agribusiness together



G. V. Ionova, Head of Underwriting and Corporate Insurance Methodology, Sberbank Insurance



M. H. Boranukov, Head of Insurance Methodology and Development Directorate, NAAI (left), and V. A. Konstantinovich (Rosgosstrakh), Chairman of the Methodology of Insurance Committee, NAAI



V. M. Egnarov (RESO-Garantia), member of the Methodology of Insurance Committee, NAAI



The General Meeting of NAAI: President of NAAI K.D. Bizhdov, Chairman of the Presidium of NAAI I.N. Egorov, President of ARIA I.Y. Yurgens



Deputy CEO, Energogarant (left) and A. M. Kirillova, Deputy CEO, AVANGARD-GARANT IG



A. A. Legchilin, Deputy CEO, Chief Underwriter, Energogarant



Tatiana Melnikova, Head of Underwriting and Methodology, Soglasie



Cooperating with the Bank of Russia : Olga Shelepneva, Head of Insurance Market Regulation Division of the Bank of Russia (left) took part in the General Meeting of NAAI





# 3.1 CORPORATE STRUCTURE AND EXECUTIVE OFFICE OF NAAI

The General Meeting of NAAI members is the supreme governing body of the Association.

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 President of NAAI - the sole executive body of the Association coordinating general management of

the Association;

- the Management Board of NAAI - the collegial body of the Association coordinating current activities of the Association.

The President of the Association manages the Executive office of the Association.

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

## THE PRESIDIUM



**KORNEY BIZHDOV** –  
PRESIDENT OF NAAI



**SERGEY PROSTATIN** –  
CEO, JSC IC RSHB INSURANCE



**INNOKENTIY EGOROV** –  
CHAIRMAN OF THE PRESIDIUM OF NAAI



**DMITRY RAKOVSHIK** –  
CEO, IPJSC RESO-GARANTIA



**NIKOLAI GALAGUZA** –  
LIAISON WITH GOVERNMENT AUTHORITIES ADVISOR PJSC IC ROSGOSSTRAKH



**VLADIMIR SKVORTSOV** –  
CEO, JSC ALFA STRAHOVANIE



**NADEZHDA MARTYANOVA** –  
CEO, CJSC MAKS



**MAYA TIKHONOVA** –  
CEO, LLC IC SOGLASIE



**OLEG OVSYANITSKIY** –  
CEO, JSIC VSK



**IGOR YURGENS** –  
PRESIDENT OF THE ALL-RUSSIAN INSURANCE ASSOCIATION

## THE MANAGEMENT BOARD

**Korney Bizhdov** –  
President of NAAI

**Innokentiy Egorov** –  
Chairman of the Presidium

**Nikolai Galaguz** –  
Liaison with government authorities advisor PJSC IC Rosgosstrakh

**Sergey Prostatin** –  
CEO of JSC IC RSHB Insurance

**Anton Smulko** –  
Deputy CEO, Chief Underwriting, JSIC VSK

**Vladimir Skvortsov** –  
CEO, JSC Alfa Strahovanie

## Committees and commissions of NAAI

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

In 2018 there were:

- 2 General Meetings of NAAI's members
- 10 Presidium of NAAI meetings
- 10 Management Board of NAAI meetings

NAAI's committees and commissions work in 2018:

- » Methodology of Insurance Committee (17 sessions)
- » Disciplinary Commission (13 sessions)
- » Financial Committee (7 sessions)
- » Information Technology Committee (5 sessions)
- » Legal Matters Committee (6 sessions)
- » Monitoring and Insurance Expertise Committee (6 sessions)
- » Public Relations Committee (4 sessions)
- » Reinsurance Committee (1 session).

ACCORDING TO THE NAAI CHARTER, NAAI COORDINATES THE INTERACTIONS BETWEEN UNION'S MEMBERS RELATED TO THEIR INSURANCE ACTIVITIES IN THE AGRICULTURAL MARKET.

### NAAI is open to new members

Insurance organizations can be members of NAAI if they:

- » have a valid license for the implementation of voluntary property insurance;
- » fully recognize the requirements of the Charter, express their willingness to contribute to the achievement of the statutory goals of the Association;
- » accept obligations arising from the Rules of activity established by NAAI in accordance with the legislation of the Russian Federation and NAAI Charter, and correspond to the requirements of these documents.

In accordance with Law No. 260-FZ "On State Support in the Field of Agricultural Insurance ...", the NAAI is the only all-Russian association of agriculture insurers and must include all insurance companies carrying out agricultural insurance on budget subsidies terms. NAAI is based on the principle of voluntary membership and acts to ensure the interaction of its members in establishing and monitoring their compliance with the Rules of activities in the implementation of agricultural insurance with state support.

Since 01 January, 2016, NAAI has conducted activities on the basis of an internal regulatory framework approved by the Central Bank of Russia. The procedures regulating the issues of joining the NAAI and withdrawal or exclusion from the Association are also approved by the Central Bank of Russia.

### 3.2.1. ENSURING INTRA-INDUSTRY INTERACTION

In 2018, two new documents and three new editions of the following documents were developed and approved:

- the order of implementing and financing targeted programs for the development of the agricultural insurance system with state support;
- the list of information and data constituting the official secrecy of NAAI;
- Section VII of the Rules of activity "The order of conducting audits of NAAI members in implementing agricultural insurance with state support and their compliance with the Rules of activity;
- the Order of Formation and Execution of the NAAI Budget;
- Section I of the Rules of activity "The order of joining the NAAI and withdrawal or exclusion from the Association", which was approved by the General Meeting of NAAI members (Protocol No. 2 of 11 December, 2018) and sent to the Central Bank of Russia for approval.

General Meeting of NAAI, 11 December, 2018





**16** insurance companies  
are members of NAAI  
/as of 2018/

**97%**  
- the share of NAAI members in  
the Russian agricultural insurance  
market in 2018 (incl. non-subsidized  
insurance)

### 3.2.2. METHODOLOGICAL SUPPORT OF NAAI MEMBERS

Consultations by NAAI members were regularly carried out on issues concerning subsidizing agricultural insurance and interacting with regional authorities of the agro-industrial complexes, including on:

- performance indicators of the “single subsidy” in 2018;
- claims settlement in terms of the length on making a decision on insurance payment;
- clarification of terms for crop insurance contract conclusion with different

end-dates for sowing of crops accepted for insurance;

- nsurance of commercial aquaculture facilities;
- providing information for the work on economic justification of insurance programs for livestock insurance with state support;
- using “Unified Methodology for the Calculation of Insurance Tariffs for Crop Insurance, Planting of Perennial Plantations Carried out with State Support”.

### 3.2.3. CONTROLLING ACTIVITY OF NAAI MEMBERS

In accordance with Section VII of the Rules of activity, the plan for conducting audits of NAAI members for 2018 was agreed upon by the Disciplinary Commission and approved by the Board of NAAI on 06 December, 2017.

In accordance with the plan, NAAI carried out audits on compliance with the Rules of activity, by all insurance companies that were members of NAAI, that concluded agricultural insurance contracts with state support during the reporting period. One violation of the Rules for crop insurance and planting of perennial plantings, carried out with state support, was identified, for which the insurance organization – a member of NAAI – was brought to disciplinary action.

In 2018, 6 orders for disciplinary liability were imposed on members of NAAI. Disciplinary measures in the form of financial sanctions were imposed for late payment of allocations to the Compensation Fund, the delay of payment of mandatory contributions and the non-payment of financial sanctions.

### 3.2.4. ADMISSION OF MEMBERSHIP IN NAAI

In 2018, LLC IC “Orbita” filed an application for membership in NAAI, passed the procedures for accession required by the Charter and the Rules of the activity, and became a member of the Association. The number of NAAI members as of 31 December, 2018, amounted to 16 insurance companies.

### Insurance organizations - members of NAAI as of 31 December 2018

Страховая организация	Insurance company Registration number
AVANGARD-GARANT Insurance group, JSC	0796
AlfaStrahovanie, JSC	2239
Verna, LLC	3245
VSK, JSIC	0621
MAKS, CJSC	1427
RESO-Garantia, IPJSC	1209
Rosgosstrakh, IC PJSC	0001
RSHB Insurance, IC JSC	2947
SOGAZ, JSC	1208
Soglasie, LLC IC	1307
Sterkh, JSC RIC	3983
Talisman, JSC IO	1587
Energogarant, PJSC SIC	1834
Sberbank Insurance, LLC IC	4331
RIKS, LLC	0473
Orbita, LLC	0326



## APPENDIX 1. EXTRACT FROM THE AUDIT REPORT

### The audited entity

The Union "The United Association of Agriculture Insurers – the National Union of Agricultural Insurers"  
107217, Russian Federation, Moscow Sadovaya-Spasskaya str.,  
21/1, room II  
OGRN (primary state registration number) 1077799027811

### The auditing organization

"The Audit Company "Marillion" 000 125040, Russia, Moscow,  
Protopopovskiy lane, 25, bld. A  
OGRN (primary state registration number) 1027700190429  
The member of the Self-Regulating Organization of Auditors  
"Soobshchestvo" Association (CPO AAO) PRNE 11606054861

### To members of the Union "Single Association of Agro-industrial Complex Insurers - National Union of Agricultural Insurers"

#### Opinion

We conducted the audit of the annual accounting statements of the Union "Single Association of Agro-industrial Complex Insurers - National Union of Agricultural Insurers", consisting of the balance sheet as of 31 December, 2018, the report on financial results, the report on the target funds use for 2018 and an explanatory note to the financial statements for 2018.

In our opinion, the attached annual financial statements reflect faithfully, in all material respects, the financial position of the Union "Single Association of Agro-industrial Complex Insurers - National Union of Agricultural Insurers" (hereinafter referred to as the Association) as of 31 December, 2018, the financial results of its activities and the targeted financial flow for 2018 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 "Auditor's 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.

#### Information other than the annual accounting statements and its audit report

The management is responsible for other information, which includes information contained in the Annual Report of the Association for 2018, but does not include accounting statements and our audit report on it. The Annual Report of the Association for 2018, presumably, will be provided to us after the date of this audit report.

Our opinion on the annual financial statements does not apply to other information, and we will not provide a conclusion expressing confidence in any form regarding this information.

In connection with our audit of the annual financial statements, our responsibility is to acquaint ourselves with other information as and when it is provided to us and to consider whether there are material inconsistencies between such information and annual financial statements or knowledge we obtained during the audit, and whether the other information contains possible material misstatements.

#### 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.

The individuals responsible for corporate management are responsible for overseeing the preparation of the Association's annual financial statements.

#### Auditor's 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:

- 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;

- 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;

- 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;

- come to a conclusion regarding the legitimacy of management's 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;

- 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

**Auditor Company «Marillion», LLC**

S. V. Kharitonov 24 April, 2019





## AGRICULTURE INSURANCE IN RUSSIA IN 2018



- STATE SUPPORT FOR CROP AND LIVESTOCK INSURANCE BOTH ALLOCATED IN 2018
- STATE SUPPORT FOR CROP INSURANCE ONLY
- STATE SUPPORT FOR LIVESTOCK INSURANCE ONLY
- AGRICULTURAL RISKS INSURED WITHOUT STATE SUPPORT
- FARMERS DID NOT INSURE AGRICULTURAL RISKS

THE MAIN REGIONAL AGRICULTURAL INSURANCE MARKETS IN RUSSIA IN 2018

№	Region	Insurance Premiums, million rubles			Change, 2018/2017
		Total	Insurance without state support	Subsidized policies	Total
1	Moscow	518.8	254.6	264.3	-0.4%
2	Voronezh	258.5	95.5	163.0	-52.6%
3	Krasnodar	237.5	233.1	4.4	-20.6%
4	Republic of Tatarstan	213.8	91.8	122.0	18.4%
5	Bryansk	200.3	44.2	156.1	24.6%
6	Belgorod	189.7	188.9	0.8	-1.4%
7	Orel	175.0	2.4	172.6	-45.5%
8	Stavropol	169.6	187.1	0.4	-32.6%
9	Lipetsk	135.7	14.0	121.6	-40.3%
10	Perm	105.7	12.5	93.2	-3.6%
11	Samara	104.0	4.0	100.0	1287.2%
12	Omsk	101.0	13.0	88.0	48.3%
13	Republic of Karelia	88.4	88.4	0.0	145.9%
14	Penza	80.0	11.0	69.0	19.8%
15	Sankt-Petersburg	78.9	14.3	64.6	19.2%
16	Rostov	75.0	9.8	65.2	-44.7%
17	Republic of Mordovia	72.9	13.7	59.3	-26.0%
18	Republic of Bashkortostan	72.2	41.5	30.7	9.5%
19	Chuvash Republic.	67.4	62.5	4.9	3.7%
20	Volgograd	57.5	4.4	53.0	220.1%
TOP-20		3 002.0	1 386.8	1 615.3	

20 leading regions accounted for 80% of the agriculture insurance market of Russia in 2018

IN 2018, AGRICULTURAL INSURANCE CONTRACTS WAS CONCLUDED IN **74** OF TERRITORIAL ENTITIES OF RUSSIAN FEDERATION. IN **66** OF THIS REGIONS THE FARMERS RECEIVED STATE SUPPORT TO COVER THEIR EXPENSES ON INSURANCE



# NAAI

NATIONAL ASSOCIATION  
OF AGRICULTURE INSURERS

## SUPPORTING AGRIBUSINESS TOGETHER

