

## AGRICULTURAL INSURANCE IN UZBEKISTAN PROSPECTS OF USING THE EXPERIENCE OF DEVELOPED COUNTRIES

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DOI: **10.5958/2249-7137.2023.00065.4**

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### ABSTRACT

*The article analyzes the activity of agricultural insurance in developed countries based on statistical data. The effect, scientific and practical significance of today's reforms in the development of agricultural insurance activities are widely explained on the example of the experience of developed countries. Proposals and recommendations have been developed regarding the introduction of advanced foreign experiences in the agricultural insurance activities of developed countries to the insurance market of our republic.*

**KEYWORDS:** *developed countries agricultural insurance market, foreign experiences in agricultural insurance, insurance premium, insurance rates.*

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### INTRODUCTION

A comprehensive study of the developed insurance market and extensive introduction of advanced foreign experiences in agrarian insurance to the agrarian insurance of our country is the demand of today's times. Today, in our country, agricultural insurance is an effective mechanism for providing financial support to agricultural producers and providing comprehensive protection based on the unique characteristics of the agricultural sector.

Until 1997, insurance of agricultural crops and livestock was implemented as a type of compulsory insurance in Uzbekistan. In 1997, compulsory insurance types were canceled and a separate insurance organization specializing in agricultural insurance - "Ozagrosugurta" JSC was established.

#### **Analysis of literature on the topic**

Regarding the theoretical and methodological issues of agricultural insurance, Miranda PM, Meuwissen, Yann de Mey, Marcel Van Asseldonk and other well-known scientists have covered in detail the priority development of the insurance market in the European Union, in particular, the variety of services offered by agricultural insurance companies. The European Agricultural Policy (CAP), known as the European Agricultural Policy (CAP), has expressed its views on the establishment of insurance funds and financial support for policyholders as a means of managing various risks.

QOlivier Mahul and Charles J. Stutley, who considered industrial insurance as a financially important tool to stabilize the income of direct product producers, were also directly emphasized

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in their research. The US government has emphasized its importance as a financial supporter in eliminating production risks by insuring agricultural enterprises. He pointed out that it will prevent the decline of the income seen as a result of the insurance of agricultural products in the USA and will allow to maintain price balance.

## **Analysis and Results**

International practice shows the need to develop effective models of agricultural risk insurance in the form of public-private partnership (PPP - Public-Private Partnership). In the traditional model of insurance, only two parties - the insurer and the insured - participate, in the public-private partnership model, three subjects of insurance relations participate in the insurance of agricultural risks with the financial support of the state: farms, insurance companies and the state. Today, 5 types of this model can be distinguished in international practice. These are:

1. USA;
2. Canada, Israel;
3. Spain, Turkey;
4. Austria, Switzerland;
5. German models.

In these models (except for the German model), the state is considered the leader and assumes the initiative, organization and guarantee of these relations.

In the US, the MPCCI (Multi-Peril Crop Insurance) program is the backbone of the agricultural risk management and insurance system. This program is subsidized by the US government and provides protection to farms against many types of natural disasters, including drought, excess moisture, frost, high winds, floods, hail, insect damage and disease, and other natural disasters.

The amount of insurance compensation is based on the average yield of each farm, depending on the extent of risks or losses. Insurance payments to insured farms are compensated by paying the shortfall in the event of a decrease in the guaranteed level of yield or income.

In the European Union, the principles of uniform agricultural policy are currently being developed for the member countries. During the last 5 years, the insurance system of the agricultural sector has been actively developed in Italy, France, Greece and other countries.

A simple example of the Western European model of agricultural insurance was developed in Germany. Damages related to crop loss in this country are not covered by the government. Only in exceptional cases, with the consent of the European Union, can it take specific decisions on aid.

The Spanish state has 45 years of rich experience in the field of agricultural insurance since 1978.

The Agency (ENESA) was established under the Ministry of Agriculture, and its main tasks are to insure the products grown by corporate, farmer and business entities operating in the fields of agricultural production and animal husbandry (poultry, fish, bees, pig breeding, etc.) It consists of allocating subsidies from the State in the amount of 50 percent and ordering subsidies to the State for the next year.

"Agroseguro" is a company established on the basis of 90% shares of 17 insurance companies and 10% share of Insurance Compensation Consortium (CCS - state).

The Insurance Compensation Consortium (CCS) under the Ministry of Economy and Digital Transformation was established, and its main tasks are the products grown by corporate, farmer and business entities operating in the fields of agricultural production and animal husbandry (poultry, fish, bees, pig breeding, etc.). accepts 6 to 10 percent of the insurance premiums received by "Agroseguro" through insurance companies for reinsurance and makes payments when the insurance payments exceed 80 percent, and creates a reserve from the available funds when the payments do not exceed 80 percent.

A special law was passed in 2005 in the field of agricultural insurance in Turkey, and the Agricultural Insurance (TARSIM) system has been put into practice since 2006 and has 16 years of rich experience.

The form of insurance contracts, insurance tariffs for each type of crop, state subsidized amounts of insurance premiums are approved by the Ministry of Agriculture.

Also, experts performing the task of assessing insurance risks and damage determination in agriculture (agronomists, veterinarians) are trained in educational courses. At the end of the training courses, experts pass an exam based on a special program. Those who successfully pass the exam will be presented with certificates that give them the authority to work as experts.

Also, farmers and other agricultural producers must be registered in the Agroplatform introduced by the Ministry of Agriculture in order to conclude insurance contracts and receive subsidy funds. On Agroplatform, the farm's cultivated area, yield, soil composition and other data base is formed every year.

TARSIM is an organization with the status of a legal entity on the basis of insurance partnership with the participation of insurance organizations and the state, which collects insurance premiums paid by insurance organizations by farmers and subsidy funds allocated by the state.

TARSIM is managed by the 7-member Supervisory Board. The Supervisory Board consists of 2 representatives from the Ministry of Agriculture and Forestry, 2 representatives from the Ministry of Finance, 1 representative from the Chamber of Entrepreneurs, 1 representative from the Chamber of Insurers and the CEO of TARSIM. In addition, TARSIM-membership was founded by 24 insurance companies engaged in agricultural insurance.

Insurance contracts are drawn up by agents of kura insurance companies at the request of farms. 50% of insurance premiums calculated on the basis of concluded insurance contracts are paid by farmers. 25 percent of the paid insurance premiums will be transferred to TARSIM with a deduction of brokerage fee. The remaining 50% of the insurance premium is subsidized by the state. Subsidy funds will be transferred to TARSIM within 3 months after the payment of 50% of the insurance premiums by the Ministry of Agriculture in terms of regions and types of products.

In turn, TARSIM gives a part of its obligations to reinsurance organizations. About 80% of it is given to the domestic market, 20% to foreign reinsurance organizations. Insurance companies that are members of TARSIM mentioned above can also participate in the reinsurance of liabilities.

In the event of an insurance event, the experts working with TARSIM on the basis of a civil law contract study the information of the farm to which the insurance event has been addressed, and

prepare a conclusion after going to the scene of the event. The expert opinion is studied and checked by TARSIM specialists, and insurance compensation is paid on this basis.

In some cases, when the amount of insurance compensation paid exceeds the amount of insurance premiums received, the increased part of the damage is covered by the state.

There are 3 state banks in Turkey (Ziroat Bank, Halk Bank, Vakif Bank), and Ziroat Bank allocates the largest amount of loans to the agricultural sector. This Ziroat Bank is the largest insurance agent of "Turkey Sigorta" company.

Another structure serving the agricultural system in Turkey is the Credit Corporation. This corporation unites 18 organizations. Including "Bereket Sigorta" and "Bereket Sigorta Hayot" life insurance companies. This organization has a 150-year history. The corporation includes agricultural service organizations, a seed production factory, a mineral fertilizer factory, a chemical production plant, technical service, logistics, marketing, and sales centers.

Unlike banks, 20 percent of loan funds are provided in the form of money, and the remaining 80 percent are provided in kind or in the form of services. TARSIM insurance policy in case of natural disasters, life insurance policy if the farmer dies, mortgage insurance (land pledge agreement) or credit insurance policy if the loan is not returned due to reasons other than the above can be used as collateral for the given loans.

The development of agricultural insurance in Israel has been supported at the state level for nearly half a century. The State Fund for Protection from Major Natural Disasters (KANAT) controls agricultural insurance in the country: insurance premiums for all types of agricultural crops and livestock are subsidized by 35 percent. In addition, the state subsidizes insurance premiums up to 80 percent under certain programs (The Natural Disaster Program). subsidizes This program is implemented by the KANAT Foundation on behalf of the state. In addition, this organization implements all types of agricultural crop insurance, as well as livestock and fisheries insurance programs in all regions of the country.

In 2002, the Republic of Azerbaijan adopted a law on subsidizing the agricultural sector. This law provides for subsidizing insurance premiums for agricultural insurance. But this mechanism did not work. The reason for this is that insurance companies did not want to insure agricultural insurance because it is considered a commercial organization and has high risks and harmfulness. Allocated subsidy funds were not used.

In 2016, the Ministry of Agriculture developed the Roadmap for Agricultural Insurance Reform.

Through this model, agricultural insurance has been transferred from a commercial form to a non-commercial form.

On June 27, 2019, the Law of the Republic of Azerbaijan "On Agrarian Insurance" and the Decree of the President of the Republic of Azerbaijan No. PF-759 "On the Introduction of a New Subsidy Mechanism in the Agrarian Sector" were adopted and the basic standards of non-commercial agricultural insurance were determined.

In 2020, the non-profit Agricultural Insurance Fund "Agrarian Insurance Fund" was established. This fund conducts and regulates the state policy in agricultural insurance.

Intermediary insurance companies engaged in agricultural insurance, currently there are 7 insurance companies operating and they act only as intermediaries, that is, they conclude

insurance contracts with farmers on behalf of the Agrarian Insurance Fund. The Management Company was established on the basis of the founding of these insurance companies in equal shares. The company promotes the conclusion of insurance contracts with clients. Controls the correct construction of contracts.

Independent experts are individuals who carry out insurance risk assessment and insurance event research and confirmation.

Independent experts perform their activities on the basis of a contract concluded with the Management Company. Independent experts examine the object on site, send photos to the Management Company and draw up an appropriate document when the insurance contract is drawn up and when an insurance event occurs.

In 2022, the amount of insurance premiums collected for insurance of agricultural products amounted to 5.2 million US dollars. 50% of these funds were paid by the state as a subsidy.

Applying the experience of the developed countries on the implementation of agricultural insurance, taking into account the local conditions of our republic, will give good results.

As a priority of society, the practice of insuring advance funds, credit and futures contracts issued by manufacturing organizations ("Uzpakhtasanoat" Uzdonmakshulot) was introduced. Advance funds made up 50% of the total value of the crop. For the remaining 50 percent of the crop value, an optional crop insurance contract is concluded between the insurance company and the farms. At the end of the year, the insurance payment determined by the insurance company in the amount of the unreturned advance was paid to the training organizations.

According to the decree of the President of the Republic of Uzbekistan No. 1713 of February 25, 1997 and the decision of the Cabinet of Ministers No. 125 of March 6, 1997, it is envisaged that the Ministry of Finance will cover the insufficient amount of insurance reserves for compensation of damages caused by natural disasters to the company "Uzagrosugurta" every year from the budget funds.

In 2019-2021, a total of more than 66,000 insurance contracts were concluded, 152.0 billion soums of insurance premiums were received, and 117.0 billion soums of insurance compensation were paid.

## **Conclusions and Suggestions**

On the basis of foreign experiences, the following are proposed for the management of risks in the activities of agricultural enterprises in Uzbekistan:

- Expanding and improving the types of insurance services that cover various risks in farm activities;
- Attract insurance companies of different types of ownership to the agricultural insurance market, create an environment of healthy competition between them;
- To simplify and ensure transparency of the insurance claim review process in the event of an insurance event;
- Use of modern digital technologies (spatial images, drones) in monitoring the state of agricultural crops;

- Establishment of a single electronic exchange of information on agricultural insurer risk assessment and insurance incident prevention (Ministry of Statistics, Hydrometeor, Water and Agriculture, Veterinary, FVV, Commercial banks)

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