

Agro – Insurance Project in Georgia

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September 1, 2021

As a result of Post-Sovjet privatization of land over 500.000 mainly subsistence farmers are active. Over 300. 000 hectares of crops insurable land. Productivity low. Most of the land is not properly registered. Financial literacy low. Insurance minding low.

In 2014, the Government of Georgia starts the Agro - Insurance Pilot Project. The aim of the program is to support the development of the agricultural insurance market, to minimize production risks, stabilize farmers' income, encourage investment, and support the increase agricultural production.

Crucial weakness: Insufficient and non-reliable data and information for premiums calculations for different crops and regions, as well as climate related data.

Important opportunity: Great variation of climate and crops across regions

Government Subsidized Named Peril Damage Based Insurance

The insurance packages cover losses caused by weather-related disasters such as **hail, flooding, and storms, as well as by autumn frost** (though only for citrus).

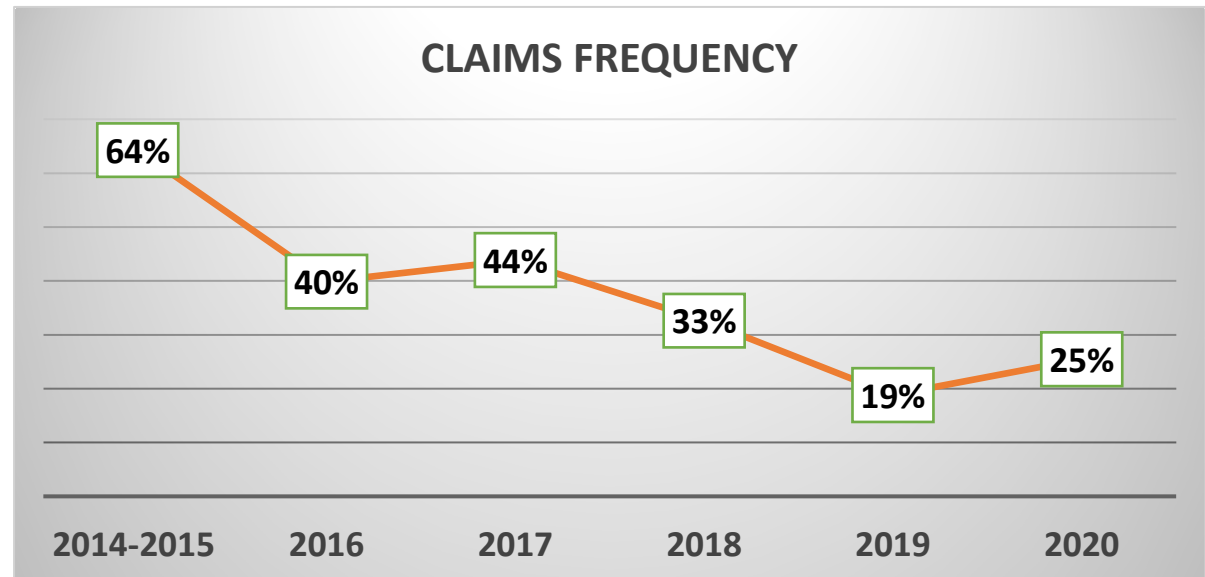
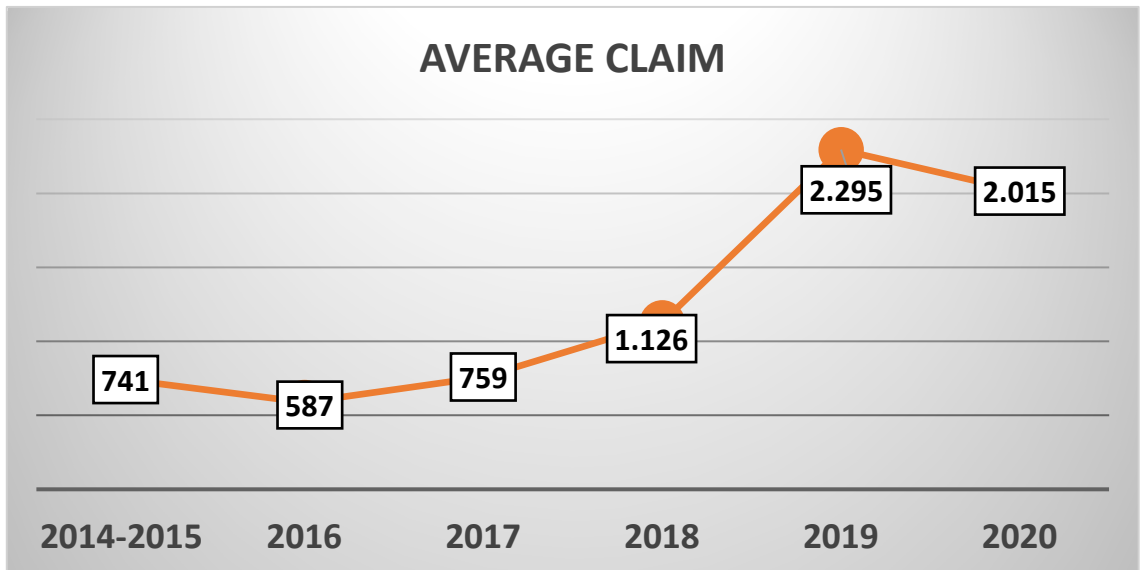
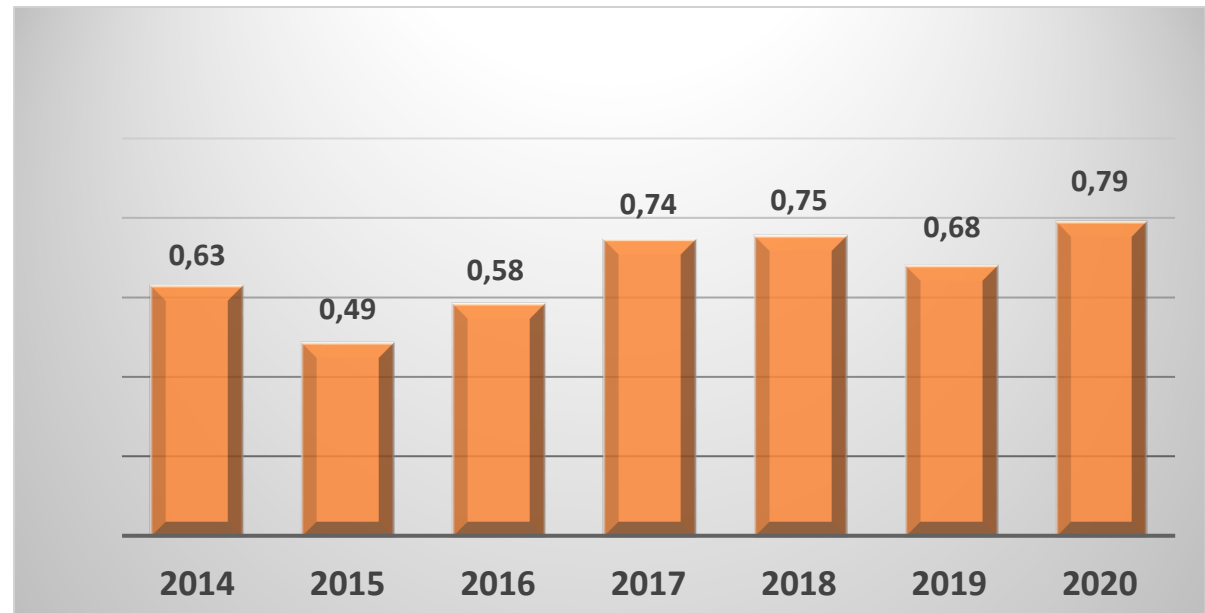
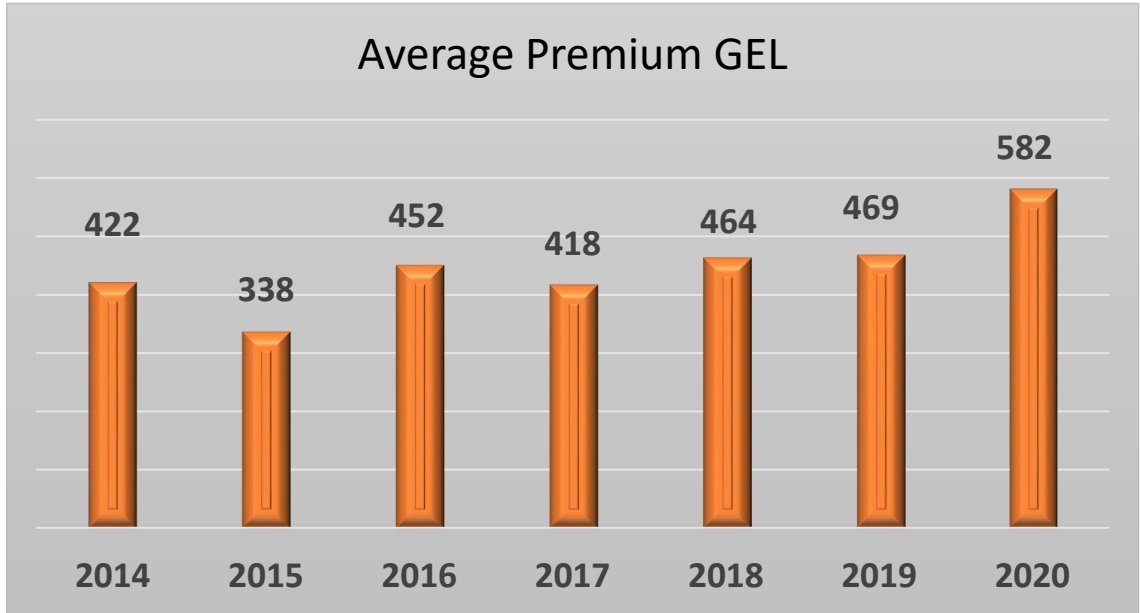
Farmers are given the opportunity to insure a maximum of 5 hectares of land of crops other than grains. For grain, insurance is available for a maximum of 30 hectares of land. In the case of agricultural cooperatives, the maximum premium is 50, 000 GEL.

5-8 eight insurance companies participate in the program over years. After numerous changes the Government provides the following subsidies on insurance premiums:

- 50% of the value for vineyard insurance
- 70% of the value for insurance of all other crops

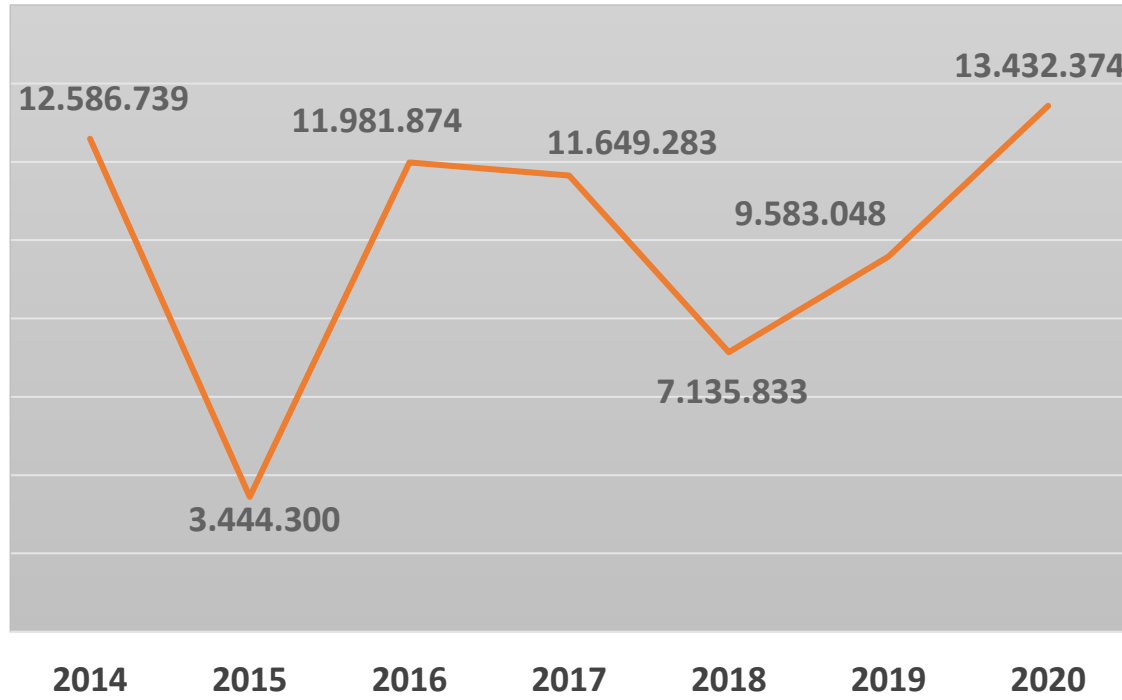
Annual subsidy budget 5- 9 mio GEL.

Project outcome 2014-2020

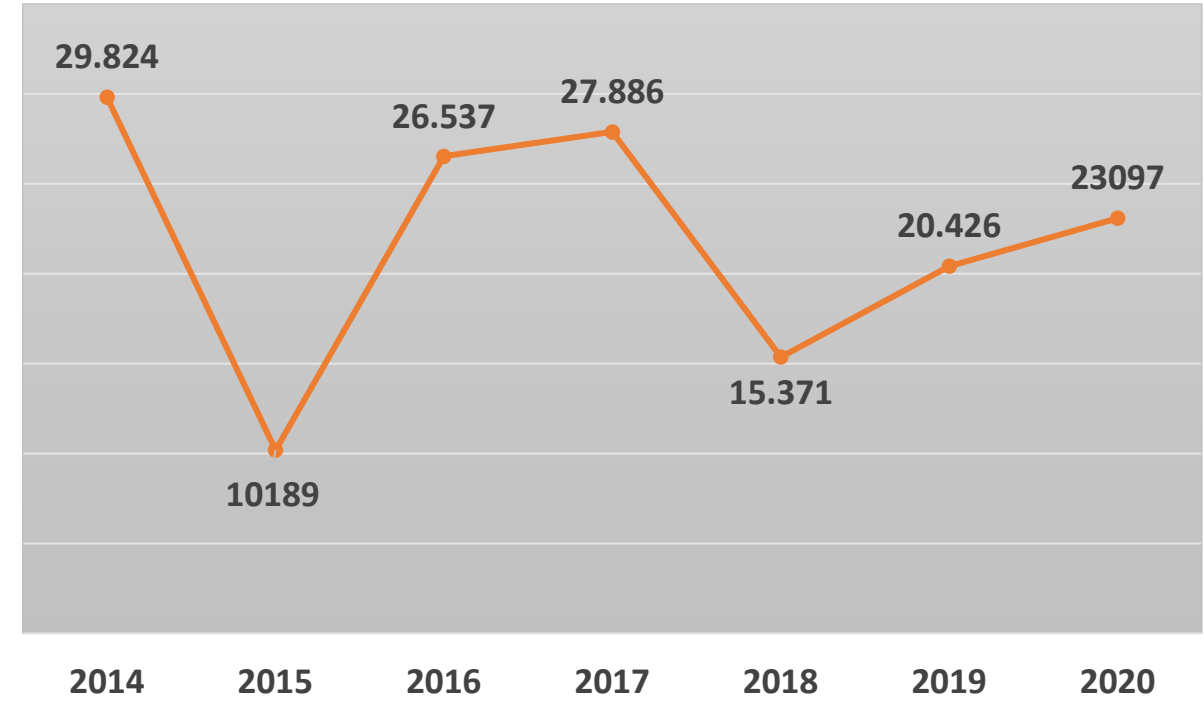


Project outcome 2014-2020

Premium, GEL



Number of insured plots



REGIONS	Share of insured plots
Kakheti	55%
Shida Kartli	25%
Adjara	6%
Samegrelo	4%
Javakheti	4%
Kvemo Kartli	4%
Other	1%

CROPS	Share of insured plots
Vineyard	43%
Fruits	27%
Cereal	8%
Vegetables	7%
Nuts	6%
Subtropical fruit	5%
Other	5%

The legal framework of the Agro-insurance Project establishes a number procedures, provisions, conditions and rules. An important part is the list of crops that can be insured, percentage of premium subsidy, the insurance tariff, the maximum normative price (GEL/ha and GEL/Kg) and the maximum normative crop yield (Kg/ha).

Concerning the budget for premium subsidies there was over years no multiannual budgetary framework and therefore the budget allocated each year was very different and unpredictable. The average subsidy stabilized around 63%

Calculation of the insurance premium is the same for many crops and regions. Flat premium rates across crops and regions are an obstacle to ensure the viability and expansion of the Agro - Insurance Project.

The practice of evaluation of damages and losses by insurance companies experts is mutually understood to be a important deficit. Improving the independence of loss adjusters, building up their knowledge and expertise and further standardization of loss adjustment and evaluation practice is one of the most important short an medium term goals.

Good news:

- Insurance companies interested in investing to develop the agricultural insurance market;
- Political will to continue with the Agro - Insurance Project and move towards a stable system;
- Starting 2020 a 3 year budgetary framework is established.
- A innovative Insurance Program is under final preparation. The so called “Universal Agro-Insurance Program” aims to dramatically increase penetration, especially among subsistence farmers, covering input cost with 30% trigger an a subsidy level of 85%. The program will start in 2022. The Insurance Industry hopes access regions and crops not penetrated until now. As a result having in couple of years moving away from flat tariffs.

Thank you!