

TURKISH EXPERIENCE IN AGRICULTURAL INSURANCE (PPP)

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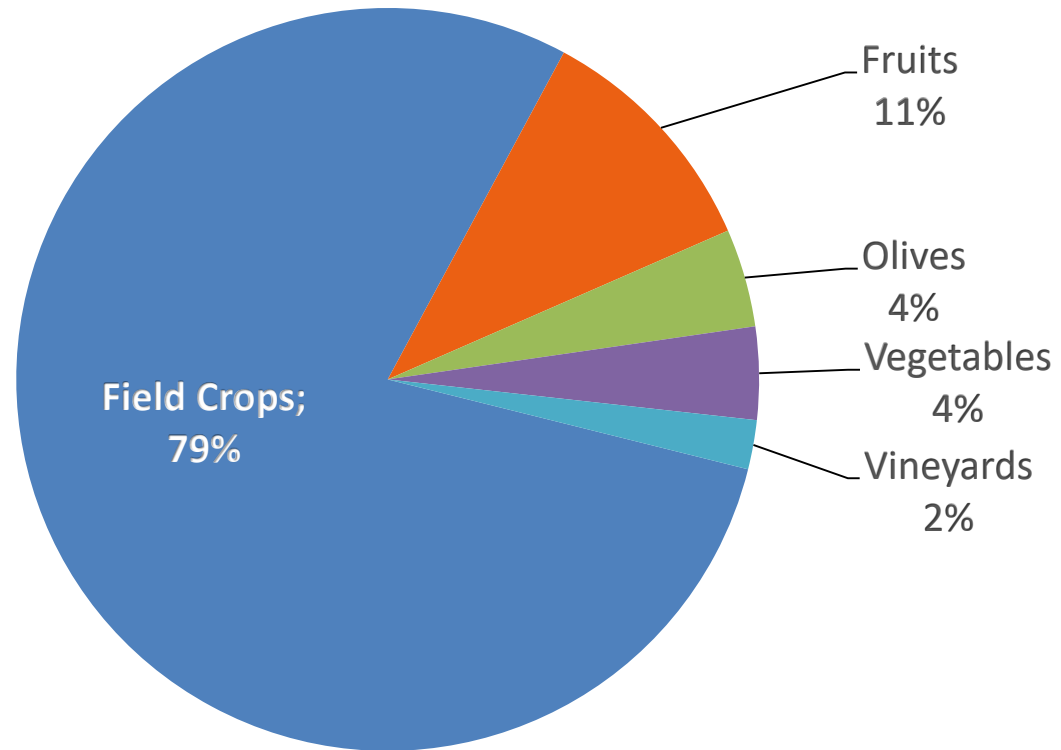
OVERVIEW OF TURKISH AGRICULTURE

OVERVIEW OF TURKISH AGRICULTURE

- **Total Population:** 80 Million
- **Rural Population:** 15 Million (19%)
- **Number of Farmers:** 2,5 Million
- **GDP of Agriculture:** 52 Billion USD (6,1%)
- **Agricultural Export:** 16,9 Billion USD
- **Total Agricultural Area:** 24 Million ha
- **Avg. Size of Farms:** 6 ha.
- **In terms of agricultural economy, TURKEY ranks 1st in Europe and 7th in the World.**

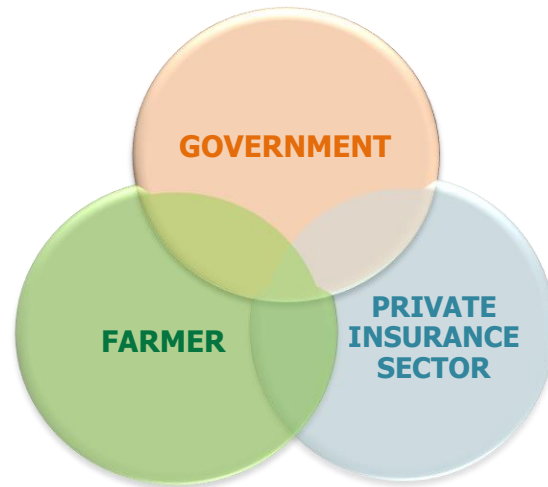


Distribution of Agricultural Lands



AGRICULTURAL INSURANCE SYSTEM IN TURKEY

- 1957 : Private Agricultural Insurance
- 2006 : State Supported Agricultural Insurance (PPP)



Aim for State Supported Agricultural Insurance System (PPP)

- Widest coverage
- Expansion of insurance
- Sustainability of insurance system
- Affordability of high insurance premiums
- Stability of farmer income
- Budget discipline of public sector

Pillars of any Public Private Partnership

- Premium Subsidy
- Access for all farmers
- Central structure and uniform insurance terms
- Government support for insured catastrophic losses
- Authority of the State and Productivity of the Private Insurance Sector



Legal Framework

- Insurance Law
- Agricultural Insurance Law (2005)
- The Regulations for the Application of the Agricultural Insurance (2006)
- The Regulations for the Agricultural Pool Operating Procedures and Principles (2006)
- Decisions of Council of Ministers

Agricultural Insurance Law

Covers procedures and principles of;

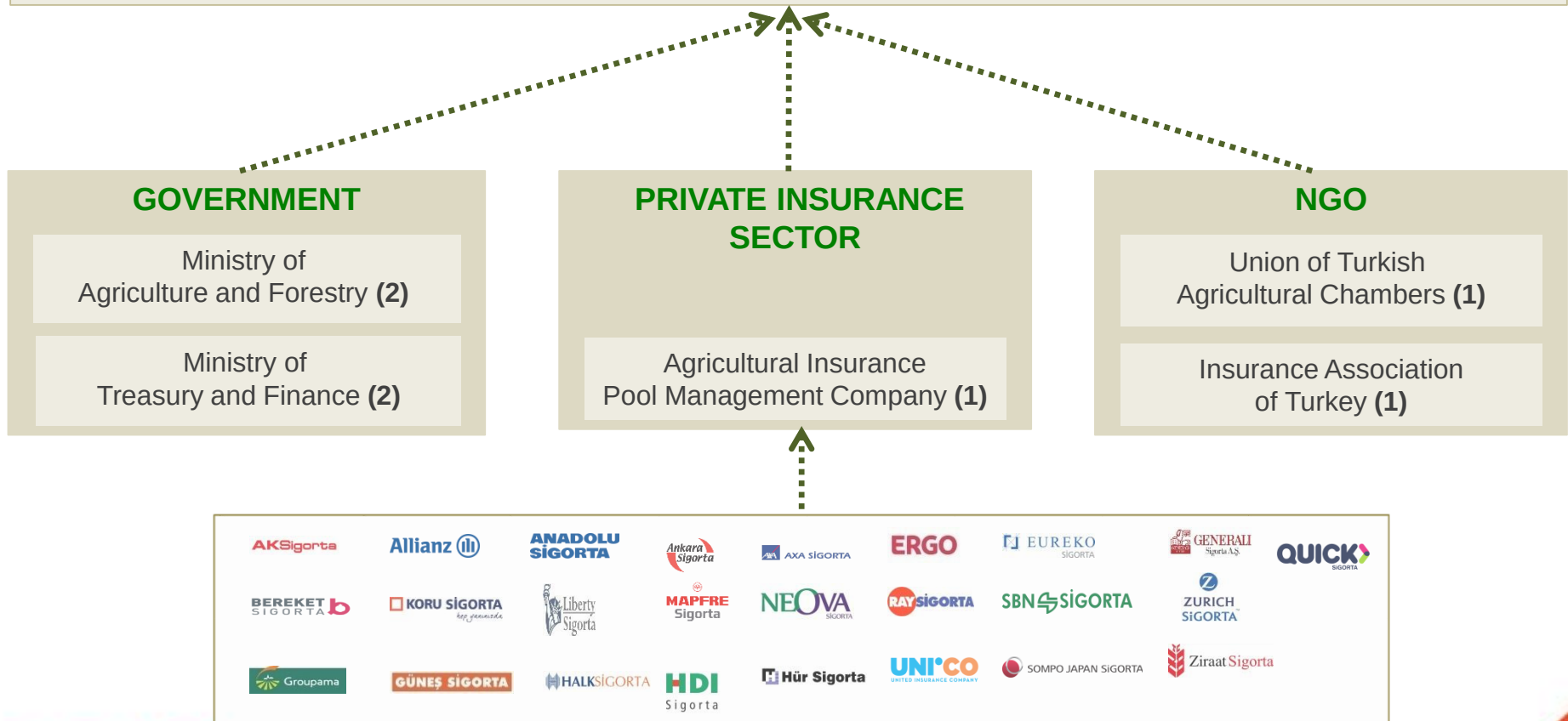
- Establishment of the pool
- Risks to be insured by the pool
- Income and expenses of the pool
- Insurance contracts
- Premium subsidy and financial support for the insured catastrophe losses
- Authority, duties, responsibilities, the contribution and participation of the insurance companies

Basic Characteristics of Tarsim (PPP)

- Voluntary insurance
- Integrated with National Registry of Farmers
- Uniform insurance terms and same premium rates for all companies
- Management of the Pool by the Board of Agricultural Insurance Pool
- Premium subsidy and financial support for insured catastrophe losses
- Management on insurance activities by a non-profit management company

Corporate Structure of the System

BOARD OF AGRICULTURAL INSURANCE POOL (7)



Duties of Agricultural Insurance Pool Management Company

- **To Implement the decisions taken by the Board of the Pool**
- **To Collect premiums and pay indemnities**
- **To Prepare reports**
- **To Manage resources of the Pool for investment**
- **To Carry out all kinds of works and organizations such as:**
 - Development of insurance product
 - Underwriting procedures and principles
 - Actuarial studies
 - Risk inspections
 - Loss handling
 - Training of loss adjusters and distribution channels
 - Public relations and publicity campaigns
 - Coordination R&D projects
 - Data management

Role of the Government

- To cooperate with the Pool and the Management Company
- To organize trainings for loss adjusters in cooperation with the Management Company
- To supervise indemnity payments, income and expenses, works about business and operations of the Pool.
- To make the planning for premium subsidy
- To transfer the premium subsidy to Pool's bank account.
- To provide agricultural and meteorological data

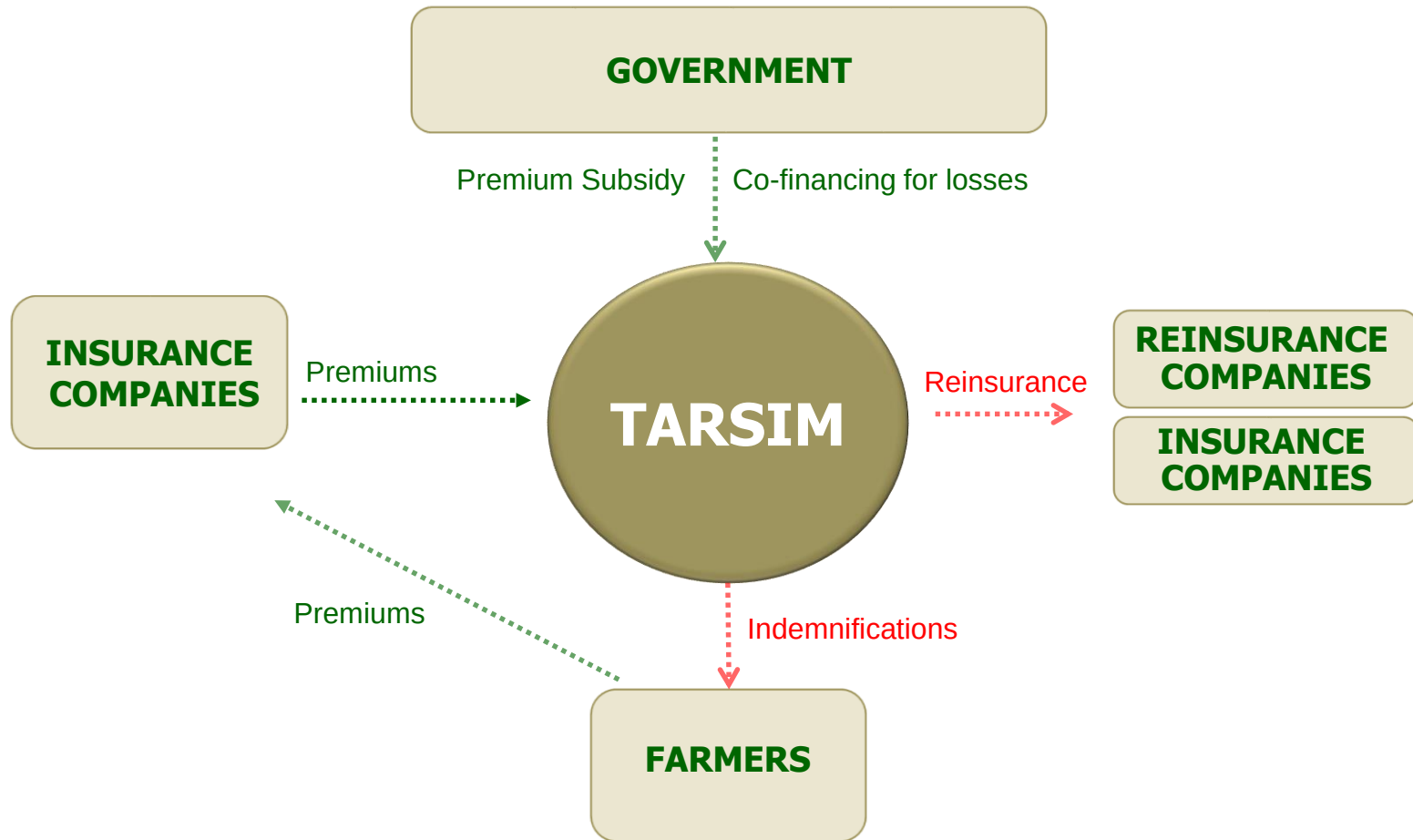
Regional Organization



Loss Adjusters

Insurance Lines	Number of Loss Adjusters
Crop Insurances :	1.883
Livestock Insurances:	1.142
Aquaculture Insurance:	63
Total :	3.088

Risk Transfer Mechanism



Type of Distribution Channels

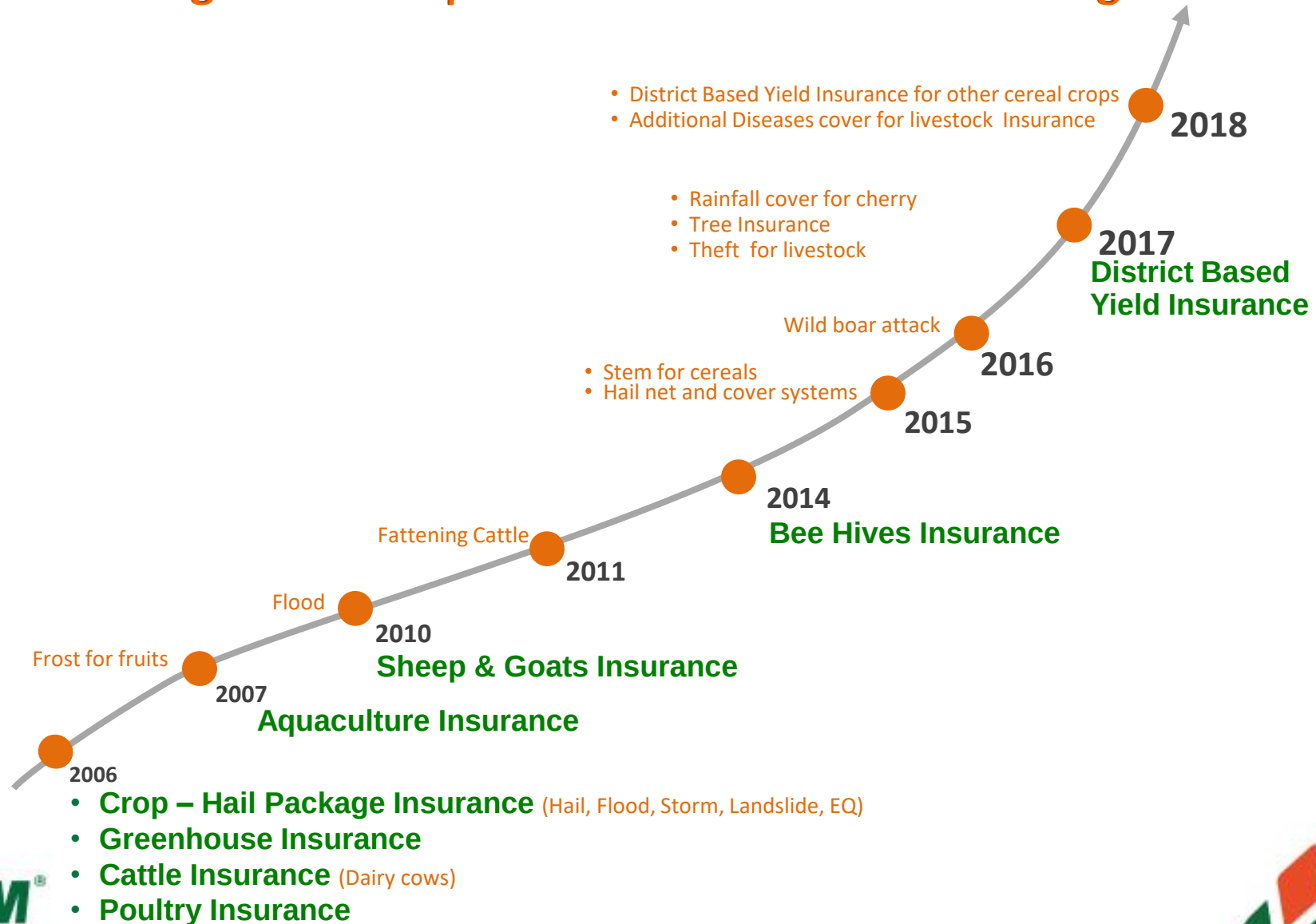
Type of Distribution Channels	Number of Agents	Share in Premium
Agricultural Bank (Ziraat Bank)	2.976	%55,4
Private Agents	2.172	%25,8
Agricultural Credit Cooperatives	2.457	%16,7
Others (Ins. Company, Broker, Other Cooperatives,..)	36	%2,0
Total	7.641	%100

AGRICULTURAL INSURANCE APPLICATIONS

Insurance Lines

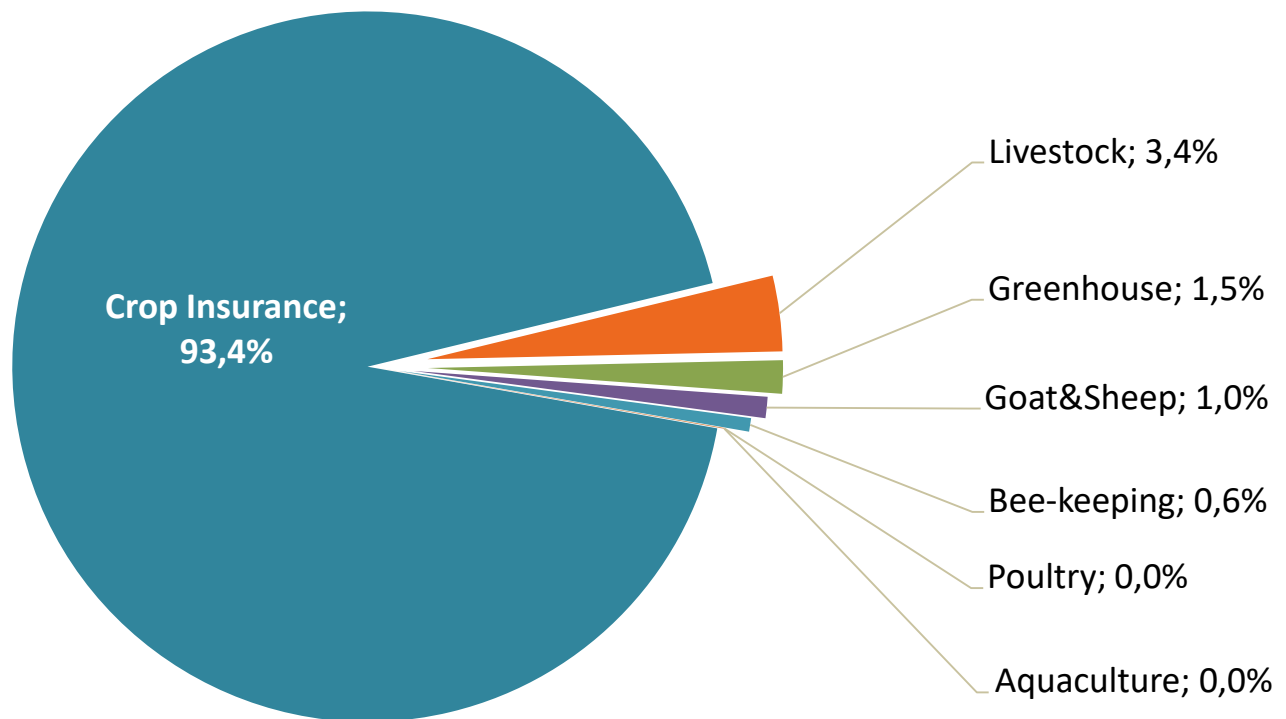
- ✓ Crop - Hail Package Insurance
- ✓ Crop - District Based Yield Insurance
- ✓ Greenhouse Insurance
- ✓ Cattle Insurance
- ✓ Sheep & Goats Insurance
- ✓ Poultry Insurance
- ✓ Aquaculture Insurance
- ✓ Bee Hives Insurance

Chronological Development of the Insurance Coverage

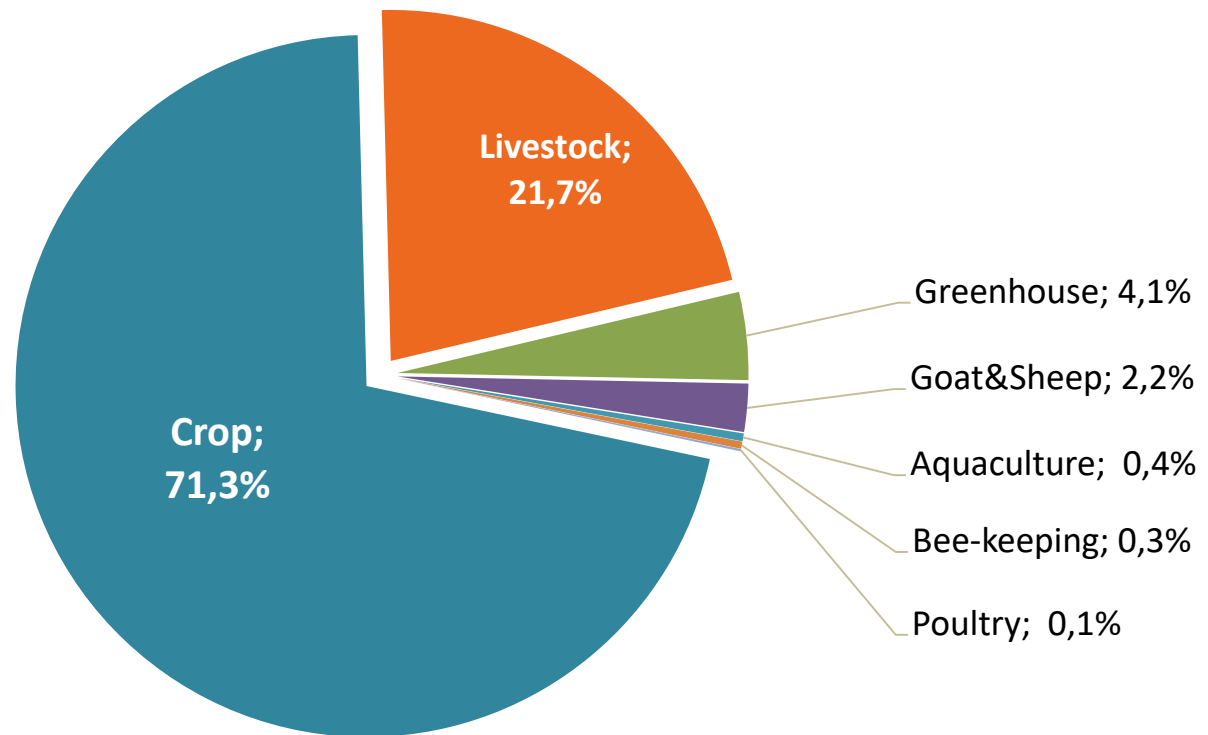


AGRICULTURAL INSURANCE IN FIGURES

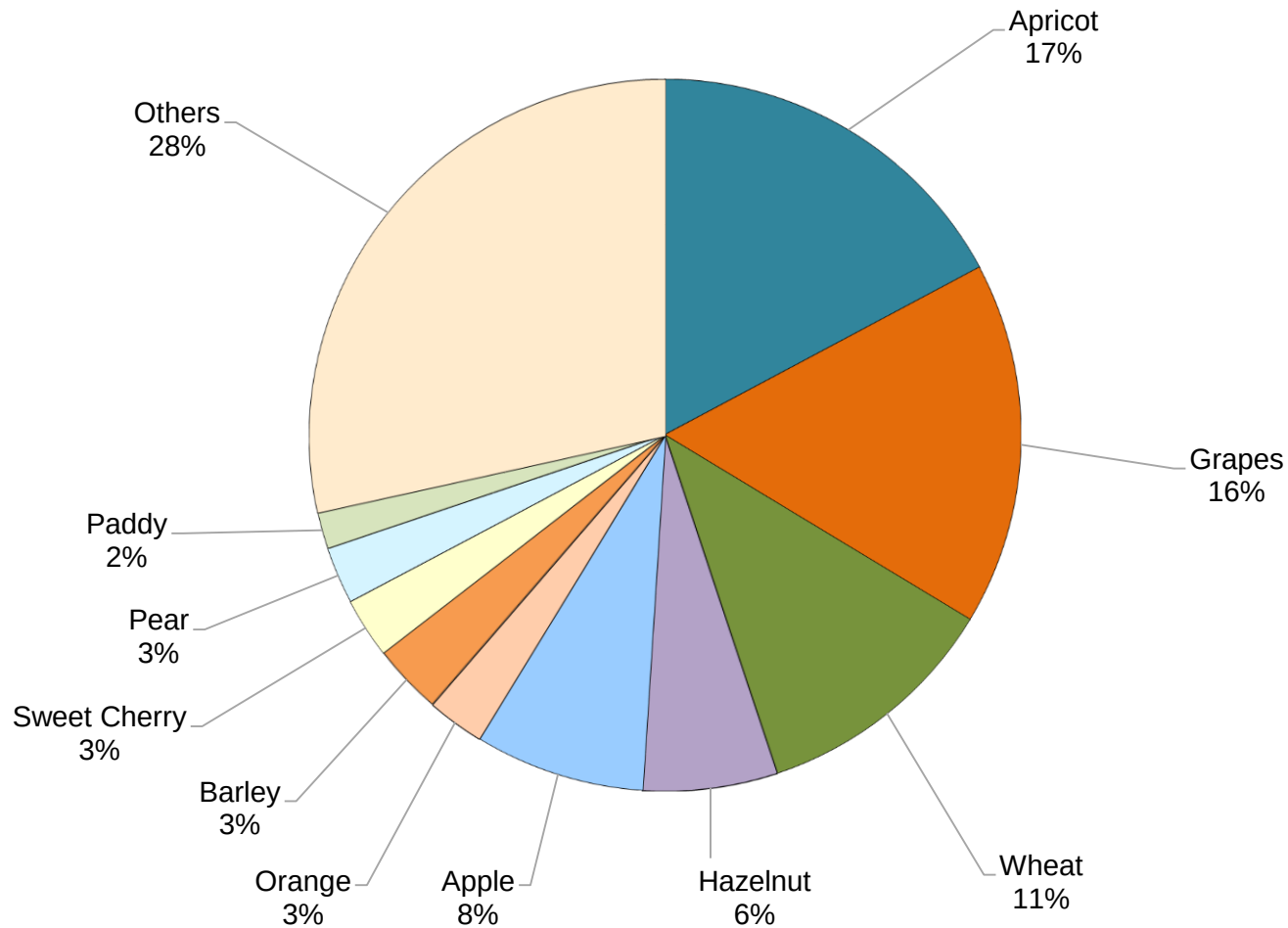
Distribution of Policy by Insurance Line



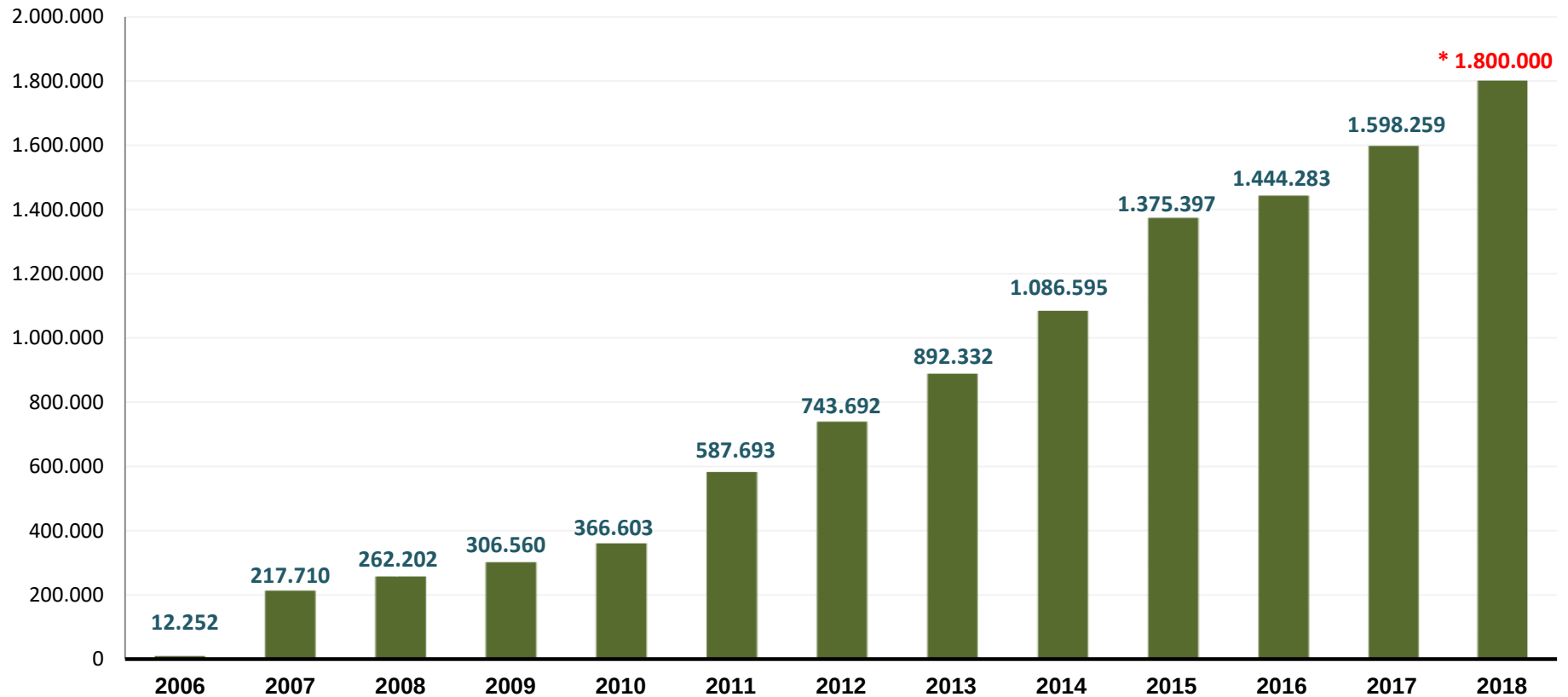
Distribution of Premium by Insurance Line



Distribution of Premium by Crop Type

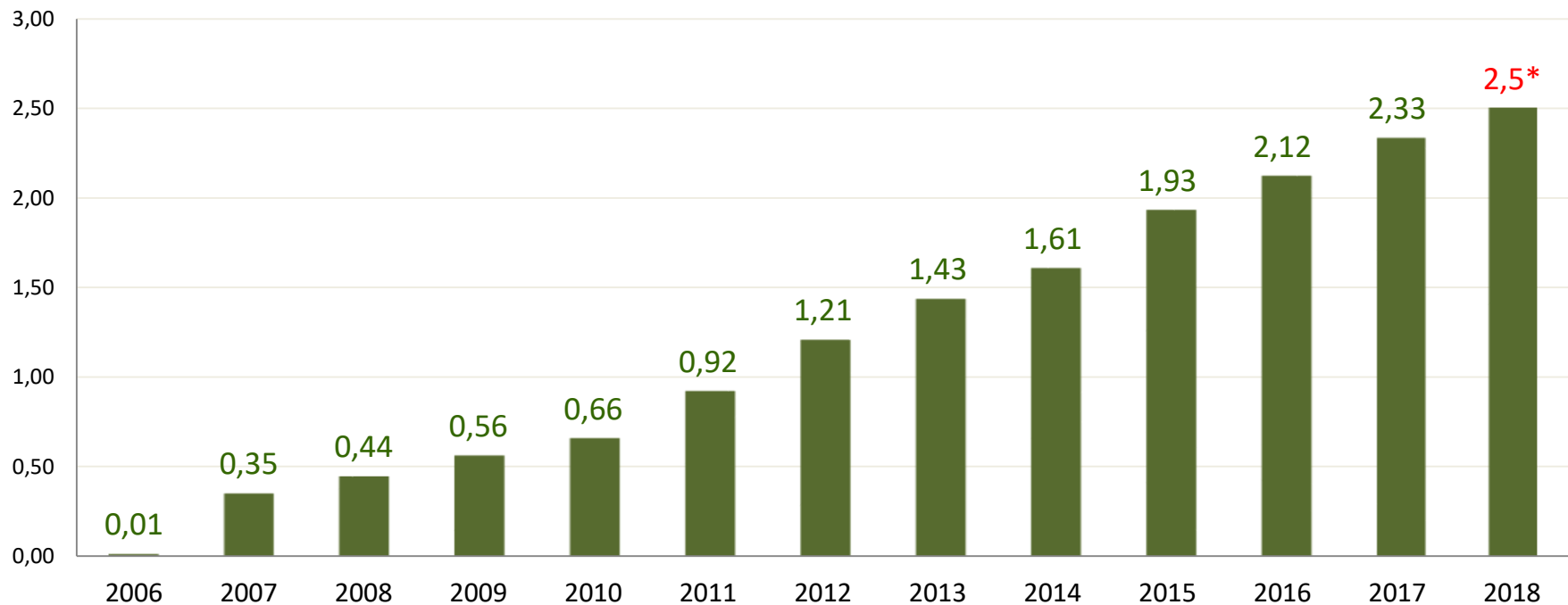


Number of Policy



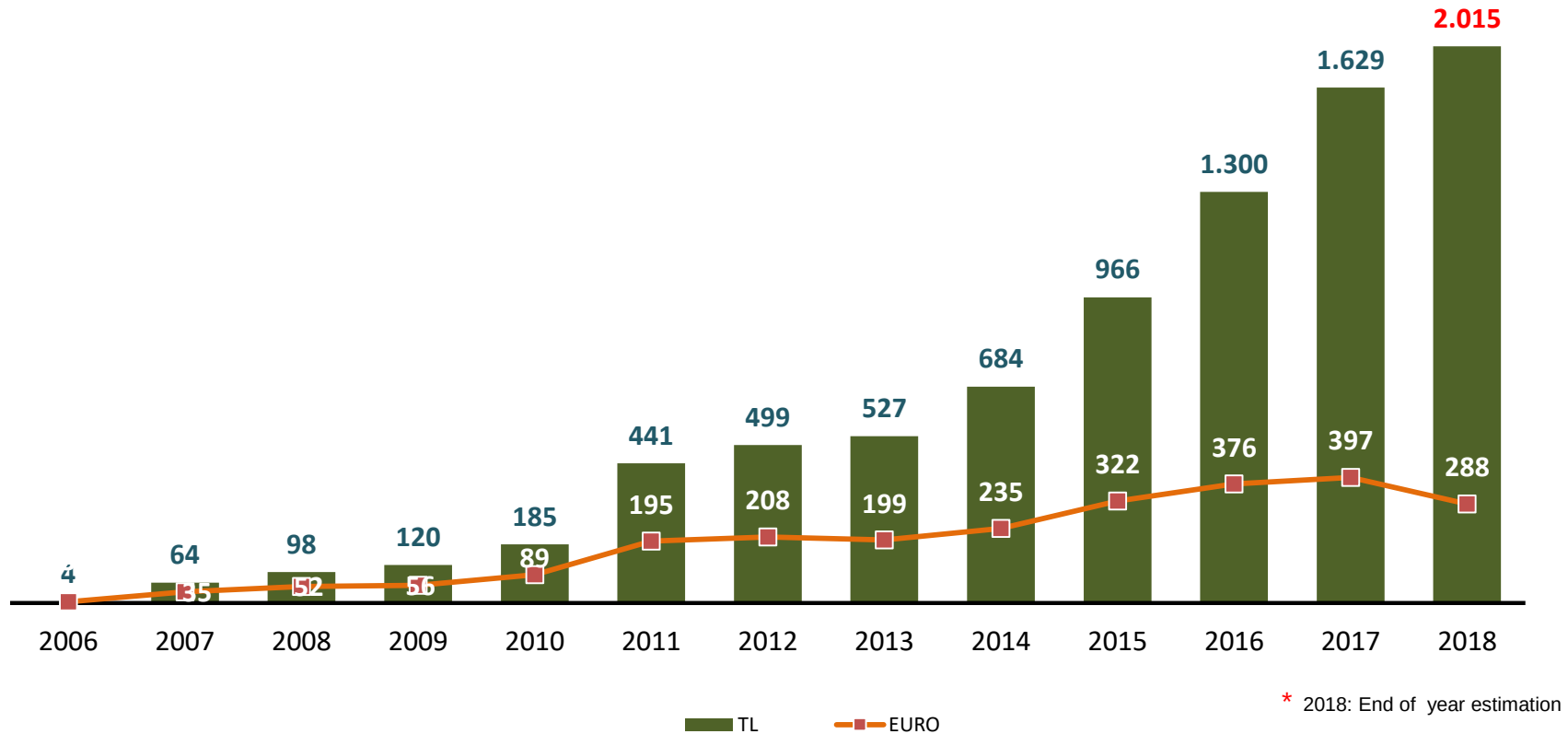
* 2018: End of year estimation

Insured Area (million Ha)

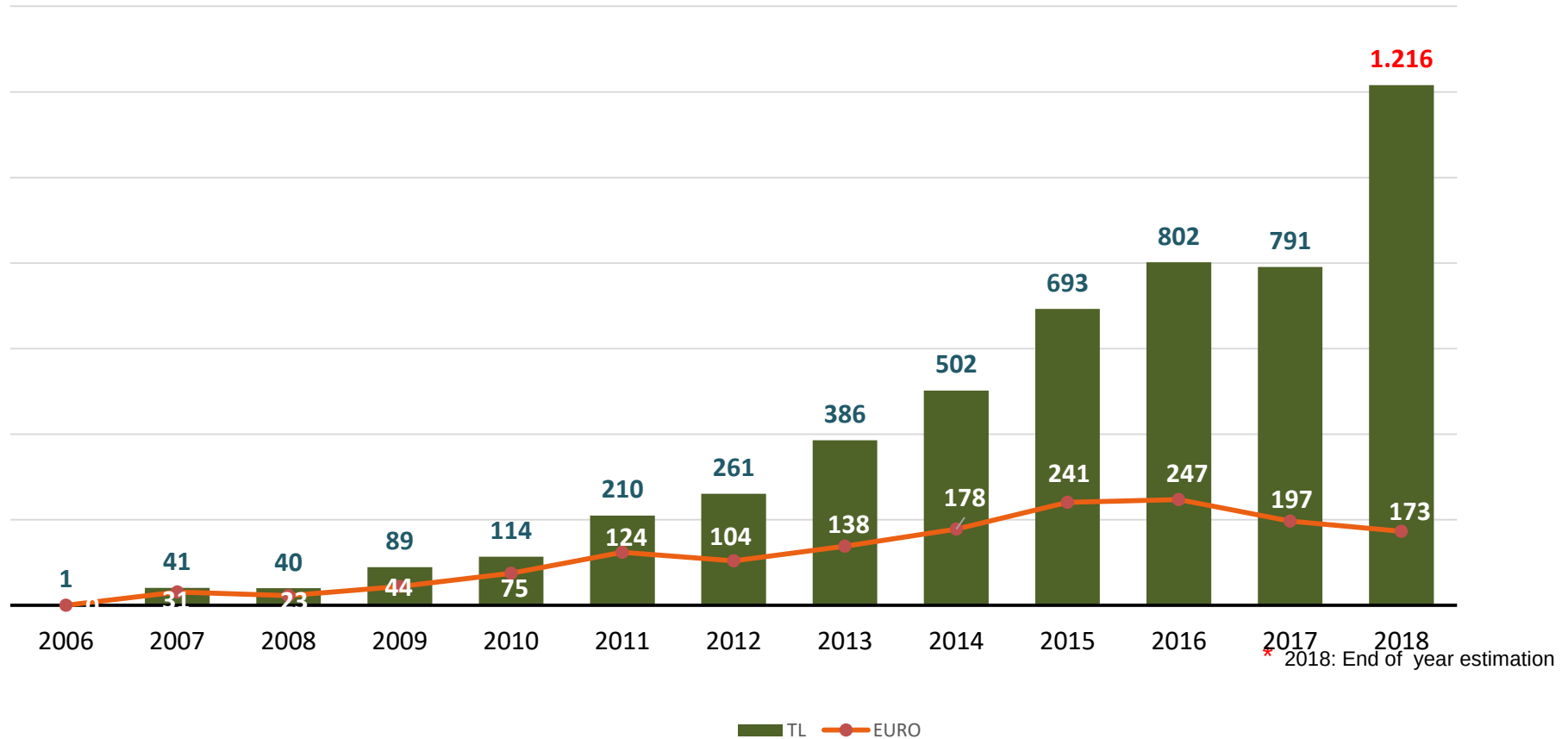


* 2018: End of year estimation

Premium



Loss



Major Losses



25 million € (2014)



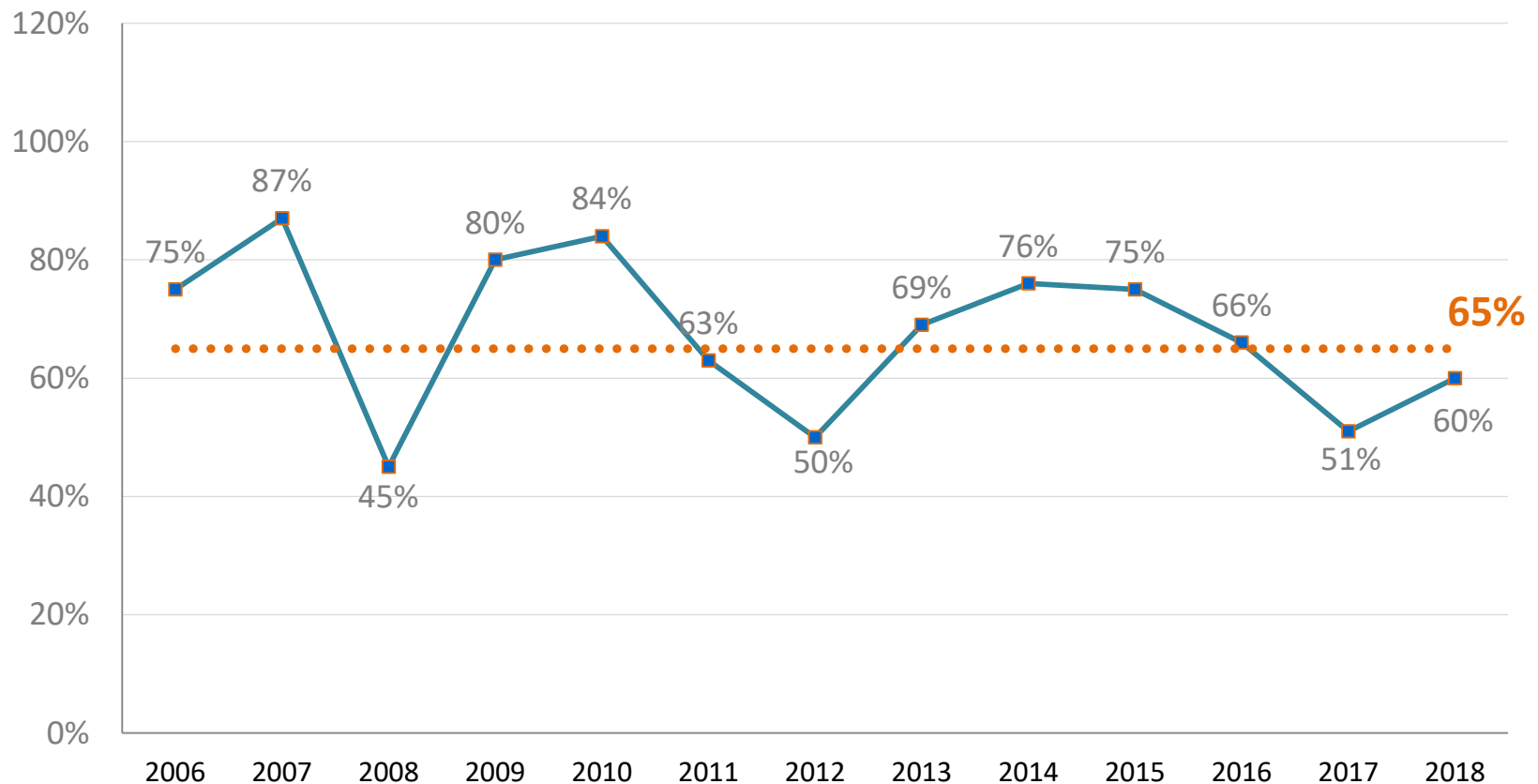
77 million € (2015)



29 million € (2014)



Loss Ratio – All Insurance Lines



Average Premium Rates for Some Crops

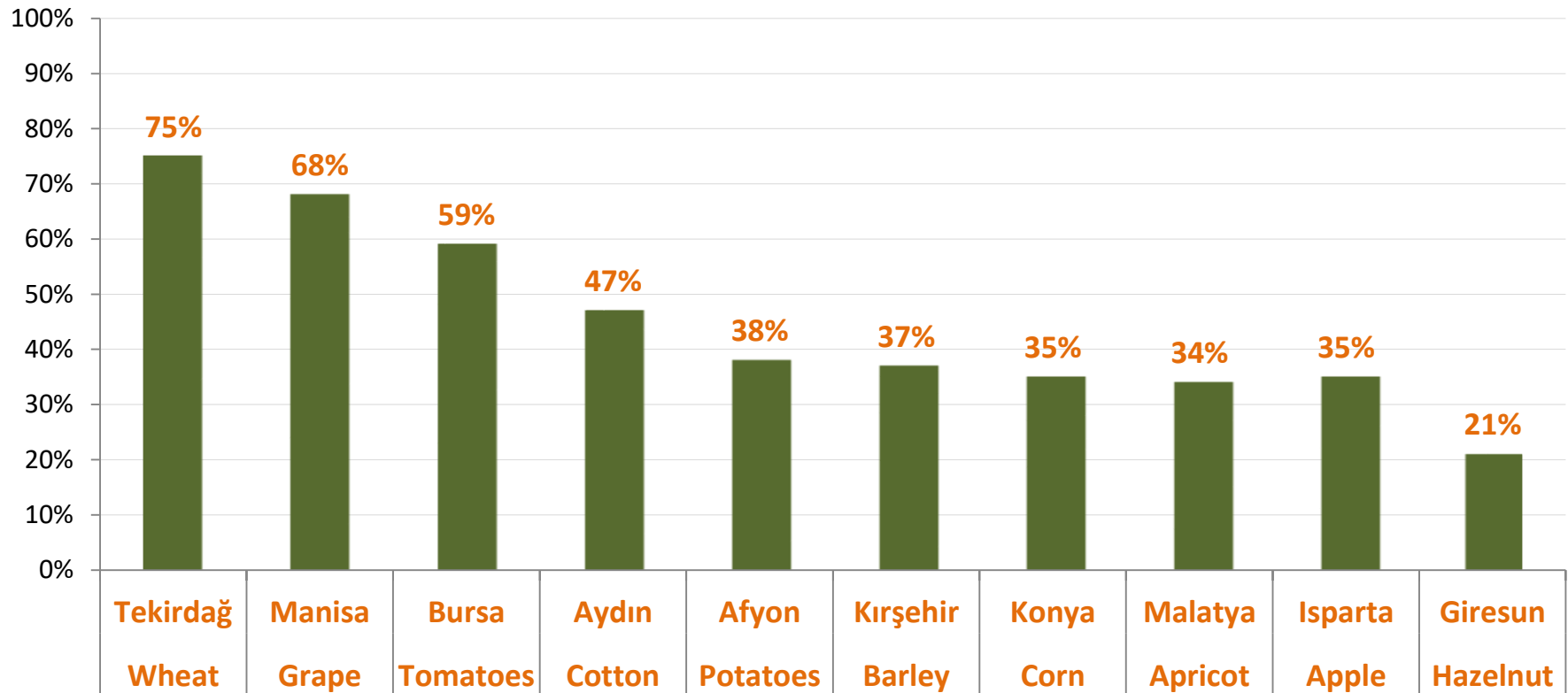
Average Premium	6,0%
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Hail Package *	
Barley	3,1%
Wheat	2,8%
Cotton	2,5%
Corn	2,0%
Sunflower	1,7%

Hail Package* + Frost	
Pear	27,8 %
Cherries (incl. rain)	26,8%
Apple	21,5%
Grape (for table)	15,4%

* **Hail Package:** Hail, Storm, Tornado Fire, Landslide, Flood

Insurance Penetration Rates in Some Provinces



New Technology

- ✓ Use of tablet in loss adjustment
- ✓ Control of loss adjusters on the field
- ✓ Claims notifications on website/mobile
- ✓ On-line transfer of loss adjustment report
- ✓ Use of drone in loss adjustment for fire and flood losses
- ✓ Use of daily satellite images and NDVI scores in policy production, monitoring phenological stage, loss adjustment and risk inspection
- ✓ Using modelling softwares (SAS) in actuary, scoring and data analysis

Achievements in 12 years

- Almost all perils have been covered
- Insurance penetration rate increased from 1% to 20%
- Budget stability of the Government has been realized by removing ad-hoc payments for the covered risks
- Trust of all stakeholders has been gained.

Challenges

- Penetration rate for low-income farmers
- Production share of private insurance agencies
- Basis risk for district based yield insurance

Plans for the Near Future

- Introduce Individual Yield Insurance
- Study on revenue insurance for certain crops
- Use satellite technology in underwriting / loss handling
- Develop micro-insurance program for small-scale farmers
- Focus on increasing the share of the private distribution channels

Main Drivers to the Success of Tarsim

- ✓ No political interference
- ✓ Continual training of loss adjusters
- ✓ Strong legal and regulatory framework
- ✓ Sufficient human resource for loss adjusters
- ✓ Reasonable and consistent government subsidy
- ✓ Working with integrated Farmer Registry System
- ✓ Managing loss handling by a central organization
- ✓ Setting and updating of premiums on actuarial basis
- ✓ Widening of coverage gradually in terms of risks and scope
- ✓ Compulsory insurance for farmers receiving subsidized loans
- ✓ Strong IT infrastructure and intensive use of new technology
- ✓ Strong cooperation and decisions by consensus between all stakeholders of the Pool
- ✓ Uniform insurance conditions (premiums, deductibles, guidelines for sales and loss adjustment)



Thank you for your attention...

Yasal uyarı

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