

FOREIGN EXPERIENCE OF INSURANCE OF AGRARIAN RISKS AND EXPEDIENCE OF ITS APPLICATION IN UKRAINE

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The features of functioning of agricultural segment of insurance market of foreign countries are investigated. Possibility of involvement of positive elements of insurance with state sponsorship in agrarian sphere in the context of basic models is determined.

Ukraine has considerable potential for development of agriculture and subsequent influence on the European markets. It experiences the period of deep changes. Thus, one of elements of market model of agrarian a sector is creation of the new system of insurance with the purpose of decrease of level of riskiness of production activity. One of the most difficult and most risky types of insurance is insurance of agricultural risks, and today in Ukraine more people begin to realize that they must be insured.

Agro insurance is one of important facilities of diminishing of risks in agricultural production. However, without regard to the substantial necessity of this protection, in our country first steps in this difficult market segment are made. It should be noted that agricultural insurance developed in the whole world as a main instrument of management risks with the purpose of diminishing of negative influence of weather and natural factors. The slow development of insurance in the agrarian sphere of Ukraine is explained by the absence of the complete legislative provision, failings in organization and co-ordination of collaboration of main participants of insurance market services in agrarian sector.

Significant developments concerning borrowing of foreign experience of insurance in agrarian sphere were carried out by the following scientists: V. Bazylevych, O. Gudz', M. Demyanenko, M. Mnykh, S. Navrotskyy, S. Osadets and other. At the same time, the possibility of involvement of positive elements of insurance with state sponsorship in agrarian sphere the context of basic models should be considered.

Research methods. For the scientific solving of the problems, put in the article, the scientific methods of scientific cognition and research of the economic phenomena are used. Theoretical-methodological research basis is works of domestic and foreign research workers and practical workers, and also normative legal acts of Ukraine, which regulate relations in the field of insurance. Such methods of research are used in the article: abstract logical and economical-statistical, in particular monographic, comparison, tabular and graphic.

Borrowing of positive foreign experience of realization of insurance in agrarian sphere can be considered as one of methods of the indicated situation

resolving. However using the indicated approach, it must be borne in mind that positive experience of other countries, transferred to another political and economic environment, can cause negative consequences, strengthening the existent disproportions of agrarian segment of market of insurance services. It is explained that any borrowing of foreign experience begins to co-operate with the already existent mode of country in a certain sphere, and consequently the best and most optimum consequence of such co-operation should be considered a historical synthesis, when borrowing is combined with domestic experience, complementing it.

The purpose of the article is studying and generalization of features of functioning of agricultural segment of insurance market of foreign countries and, accordingly, on this basis providing recommendations concerning improvement of insurance with state sponsorship in the agrarian sector of Ukraine taking into account foreign experience.

Research results. World experience in the branch of insurance of agricultural production indicates functioning in many countries of the national systems of insurance of agricultural risks. Thus every country creates the own, necessary system of insurance protection of agricultural production (Table 1).

It can be seen in Table 1, that presently in the world different approaches concerning the support and development of insurance in the agrarian sphere were distinguished, as a necessary instrument of stabilizing of production process and income of agricultural producers. Attracting positive foreign experience of the effective use of insurance with state sponsorship in the agrarian sector, it should be noted that borrowing and imitation of foreign experience should be maximally comprehended within the meaning of prediction and prognostication of consequences, and consonant with the existent mode of Ukraine in the indicated segment.

Depending on historical, economic, social features which were formed in every separate country, three models of insurance in agrarian sector are selected (Figure 1).

World experience indicates, that in the international practice of insurance of agricultural risks, two basic models which can be named «American» and «European» were formed. For the «American» model which is used in the USA and Canada, considerable support of the state in insurance of agricultural risks is typical. For the «European» model, minimal participation of the state in agrarian insurance is typical, which is reduced mainly to implementation of control functions concerning activity of private insurance companies in this sector of market of insurance services.

Both models have advantages and disadvantages, but as international experience indicates, most effective during insurance of agrarian risks is combination of these two models («mixed» model).

Exactly such system of insurance of agricultural risks operates in Spain, which by the estimations of experts of international project of EU Tacis «Improvement of risks management of farms and small and medium farm

properties risks in agrarian sector», is a country with the developed system of agro insurance in Europe.

1. The systems of insurance of agrarian risks in the countries of the world

Country	Participants of the system of agro insurance	Basic measures, predicted by the system of insurance of agrarian risks
USA	Federal Crop Insurance Corporation of Department of Agriculture; insurance companies; mutual insurance societies	Providing of implementation of the Federal program of insurance of harvest, which includes: - Transfer to insurers from a federal budget for farmers 60% of insurance bonuses; - providing of additional insurance coverage for farmers who take part in the Federal program of insurance of harvest; - control of reinsurance organization; - providing of reinsurance over 40% of risks of agro industrial complex abroad.
Canada	Agriculture Financial Services Corporation; insurance companies; mutual insurance societies	Providing of implementation of the State program of insurance of agrarian risks, which implies: - subsidiary savings for farmers; - implementation of the program of income provision (income level for farmers not less than 70% from a previous level for the last three years); - control of reinsurance organization; - providing of reinsurance over 40% of agro risks abroad.
Portugal	System of «state and private partnership»	State: subsidies for farmers on insurance and organization of reinsurance. Private insurance companies (integrated in the system insurances of agricultural risks): insurance program development and control of their implementation; compensation of part of risks, which were not reimbursed by the state.
Italy, France, Austria, Germany	System of insurance under control of the state and with participation of mutual insurance societies (transition to Spanish model of agro insurance)	Insurance companies: development of insurance products from insurance of agrarian risks. State: control of realization of insurance and reinsurance protection of agricultural commodity producers.

Taking into account the mechanism showed in Figure 1, in detail to consider possibilities of adaptation of foreign experience of realization of insurance in agrarian sphere with state sponsorship to the domestic terms in the context of the above-mentioned models should be considered in details. The classic example of the American model of insurance is the system of insurance of the USA, where for the conduction of public policy in the field of agrarian insurance at Ministry of

Agriculture was created Risk Management Agency, RMA. The main functions of Agency is control of activity of insurance companies, involved in the state programs, control of concluding insurance agreements and distributing of insurance subsidies [2; 3]. RMA also manages the Federal Crop Insurance Corporation (FCIC), which is a state company through which a control of activity of producers and insurers is carried out, the actuarial balance of the state crop insurance programs is checked, standard agreements on reinsurance of risks are given, the programs of state support are realized [1; 4].

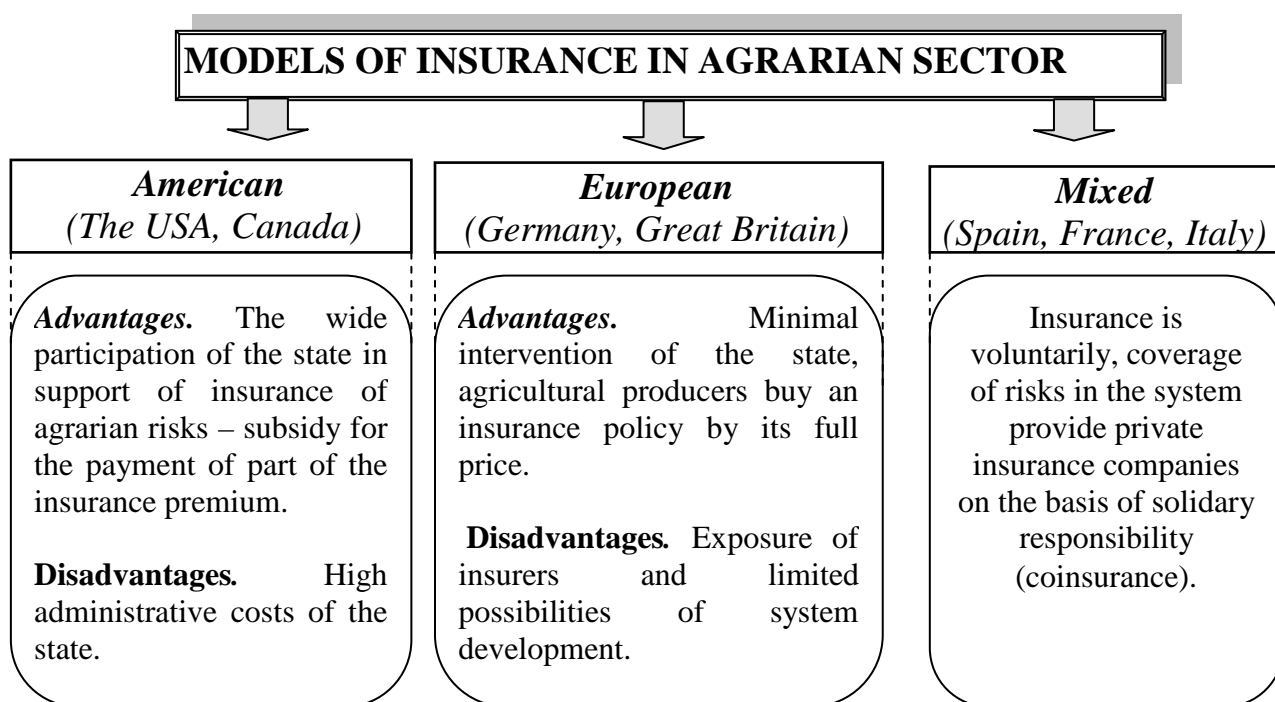


Figure 1. Complex of models of insurance in the branch of agricultural production

To the main state programs of crop insurance and income belong: Catastrophic Risk Protection (CRP), Multiple Peril Crop Insurance (MPCI), Group Risk Plan (GRP), Income Protection (IP) and others [5].

At the same time for the separate subsidized programs of insurance in the USA, establishment of the differentiated insurance subsidies depending on the level of selected insurance coverage of harvest and price is typical, that, to our opinion, should be borrowed for the Ukrainian practice of insurance subsidies provision with the purpose of avoidance of subsidizing of formal insurance.

In contradistinction to the USA, in Canada the state and private systems of insurance and reimbursement of losses are created, intended to compensate financial and economic losses and to promote restoration of production potential in agriculture. Sphere of activity and function of two systems are demarcated, although the object of their attention can be the same segment. Reason for such distribution is, firstly, different nature of factors which cause financial and economic losses in agriculture, and, secondly, final result of activity of every system.

The ultimate goal of any insurance company is receipt of commercial benefit, while the state follows national interest concerning maintenance and development of production potential, as a bases of food safety of the state and economic value in more wide aspect [3; 4; 6, p. 6].

Voluntary state programs of insurance of results of production activity and indemnifications of losses, as a result of extraordinary circumstances, will be realized through the specialized state institutions – Royal Corporations. The examples of such programs is Program of Crop Insurance in case of complete or partial destruction of harvest (CIP), Program of insurance of products which is intended for realization at the market (RIP), National trilateral stabilizing program (NTSP), Program of stabilizing of producers income (CAIS), Insurance of production (PI), and others [6, p. 7-10].

Acceptance of the indicated programs of insurance of economic activity of farmers is considered as one of methods of economic support of development of agricultural production. It is dictated by understanding of the fact that viability of industry depends on economic position of primary producer.

Royal corporations propose the packages of different products of financial aid for producers, access to which is given only at participation of agrarians in the programs of insurance. Such approach concerning the introduction of original insurance permit of agrarian to the budgetary programs is efficient in Ukraine. Its essence will consist in the necessity of insurance at participation of agricultural producer in the programs of state support of agrarian production, as presence of insurance policy will serve as the guarantee of reliable relations, effectiveness and efficiency of allocation of budgetary costs in the indicated sphere.

The typical example of the European model of insurance in the field of agrarian production are the private systems of insurance of Great Britain and Germany, that don't include the special programs of insurance with state sponsorship in agrarian sector [7; 8]. The system of insurance of agrarian sector in Germany is presented by private insurance which offers insurance products from hail, including the decrease of quality of products. In Ukraine insurance products which take into account the risk of products quality loss are not used yet. Also in Germany the programs of situation state payments in case of natural disasters. The indicated programs are structured, and payments are carried out only after permission of EU [4].

On the whole for the countries of Europe, three models of indemnification of losses from natural disasters are typical (table 2).

It should be noted that exactly the third model which is presented in a Table 2, acquires greater popularity in the countries of Europe, as in it the most effective warning and overcoming of destructive consequences of natural disasters are realized through creation of the system of partnership between the state, subjects of menage and insurance companies, by distribution of important duties and tasks between them.

Successful can be only the implementation of foreign experience, which does not cause contradictions and is adapted to base experience of realization of insurance in Ukraine (Fig. 2).

2. The European models of indemnification of losses from natural calamities*

Model type	Basic features
<i>Indemnification of suffered by the state through a decision-making on every separate case in fact (ex post)</i>	After the occurrence of natural disasters, the state officially proclaims that this case is a «catastrophe» and determines terms by which suffered persons can receive financial aid. Such approach creates a considerable vagueness. <i>(Netherlands, Germany, Italy, Sweden)</i>
<i>Payment from the assistance fund at natural disasters (ex ante)</i>	The state operates by expectations, and a sum of reimbursement of incurred losses is limited, only financial aid is given, but not complete indemnification of loss. The minimum limit of the incurred losses, which means possibility of appeal for the help, is set <i>(Belgium, Austria)</i>
<i>Regulatory government interference in the private insurance market</i>	A duty is imposed on persons which purchased the policy of voluntary insurance, to carry out additional payment on the obligatory insurance against natural disasters. Thus, a model provides for legislative limitations concerning competition and free choice of insurance services by users through addition of state financial aid by services of private insurance market. <i>(France)</i>

* Generalized by data of source [4].

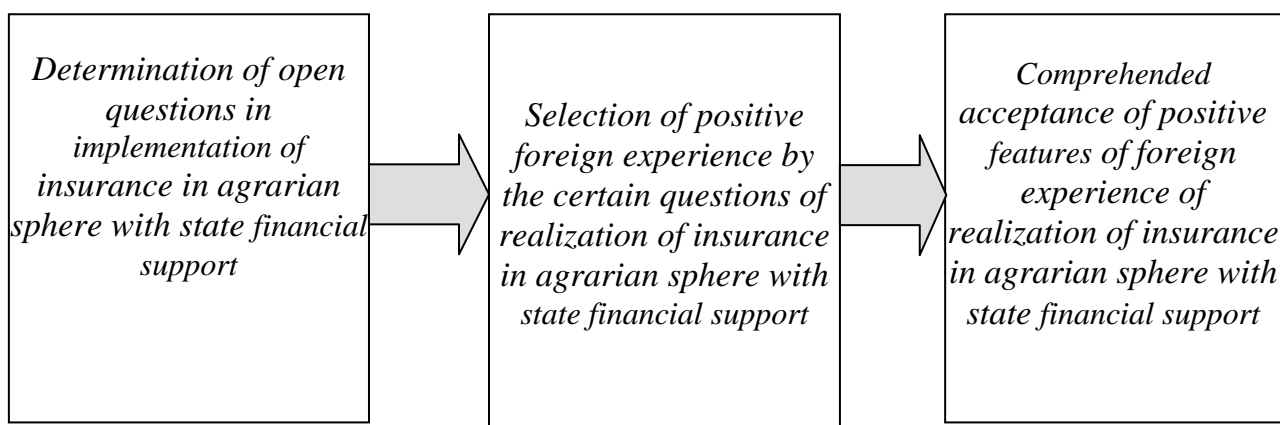


Fig. 2. A mechanism of implementation of foreign experience of realization of insurance in agrarian sphere with state sponsorship

Consequently, the key features of models of insurance with state financial support in agrarian sphere in different countries are grouped in Fig. 3.

At the same time, it should be noted that most effective at insurance of agrarian risks is combination of advantages of the American and European models of insurance, the example of which is agro insurance of Spain.

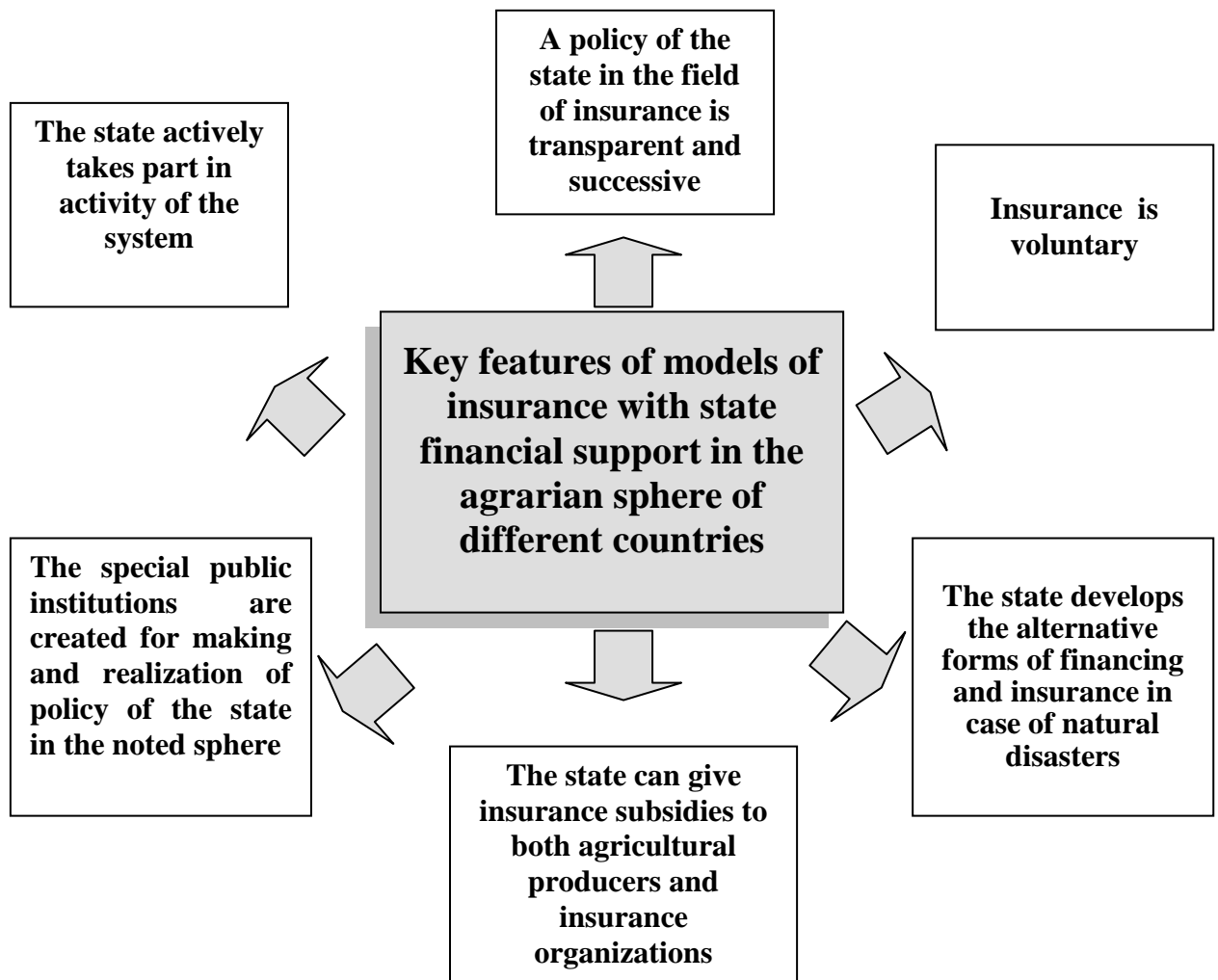


Fig. 3. Features of models of insurance with state financial support in agrarian sphere in different countries

Conclusions. Consequently, the models of insurance with state financial support in agrarian sphere in different countries are characterized by the following key features: the state actively takes part in activity of the system; a policy of the state in the field of insurance is transparent and successive; insurance is voluntary; the special public institutions are created for making and realization of policy of the state in the noted sphere; the state can give insurance subsidies to both agricultural producers and insurance organizations; the state develops the alternative forms of financing and insurance in case of natural disasters. Each of models has the advantages and disadvantages, however more countries express interest exactly to the mixed model, which is typical for Spain. It provides, on the one hand, the necessary level of insurance in agrarian sector, and on the other – creates the certain personal interest of agrarians in relation to strengthening of protection of property interests. Certainly, it is difficult enough to define a universal model which would befit to all countries. However adapting the certain positive moments of foreign experience, the most optimum for agrarians model of insurance with state financial support should be developed and implemented. Thus,

it is necessary, firstly, to introduce differentiated approach in determining the amount of insurance subsidies. Secondly, to clarify expediency of introduction of insurance permit of farmers for participation in programs of state support. Thirdly, by the participation of agrarians, qualitative insurance products including those that take into account the decrease in quality of agricultural products should be developed.

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