

RISK HEDGING OUTSIDE THE CAP

SPANISH AGRICULTURAL INSURANCE SYSTEM



EUROPEAN PIGMEAT REFLECTION
GROUP

25th May 2022



THE SPANISH AGRICULTURAL INSURANCE SYSTEM

General features of the AIS.

- **Agricultural Insurance System (AIS) is 44 years old.**
- **Public/private system**
- **Risks covered** are the damages caused by natural disasters or exceptional occurrences, adverse climatic events which can be assimilated to a natural disaster, animal diseases and plant pests, the removal and destruction of fallen stock and damage caused by protected animals, as well as by other adverse climatic events and/or damage caused by environmental incidents.

These risks are covered in a combined way (multi-peril policies). Exceptionally isolated.

- **Participation is voluntary for farmers.**
- **Insurance policies are subsidised.**

Central Government subsidies are deducted from the premium paid by the farmer at the moment of underwriting the polic. Autonomous governments grant additional subsidies, within their territories.

Subsidies to the payment of insurance premiums are compatible with the internal market under the EU Guidelines for State Aid.

Subsidies reduce the prices paid by the farmer and make it affordable.



THE SPANISH AGRICULTURAL INSURANCE SYSTEM

Insurance products available.

- The AIS is a dynamic system, and it has greatly evolved since its creation.

The Agricultural Insurance Plan (AIP), adopted annually by the government, is the main strategic document. It establishes the general aspects of the AIS:

- Insurance lines and products available.
 - Risks covered.
 - Contract periods.
 - Subsidy levels.
- Initially, Agricultural Insurance was limited to certain crops (mainly cereal crops) and risks (hail, fire)
 - Currently, Agricultural Insurance covers all sectors (plant crops, livestock, forest and aquaculture productions), and all the relevant climatic risks and some pests and animal diseases.



THE SPANISH AGRICULTURAL INSURANCE SYSTEM

Insurance products available.

- Insurance products for plant crops.
- Insurance products for livestock: Farm insurance (Basic + Additional guarantees). Removal & Destruction of fallen stock. Pasture loss.
- Insurance products for aquaculture : Farm insurance (Basic + Additional). Additional guarantees for diseases and Removal & Destruction of dead animals.
- Insurance products for forest productions: Multi-peril insurance (fire, wind, flood...).

43th's Combined Agricultural Insurance Plan Lines (2022):

30 Agricultural and forestry lines

- All crops covered.

15 Livestock's lines

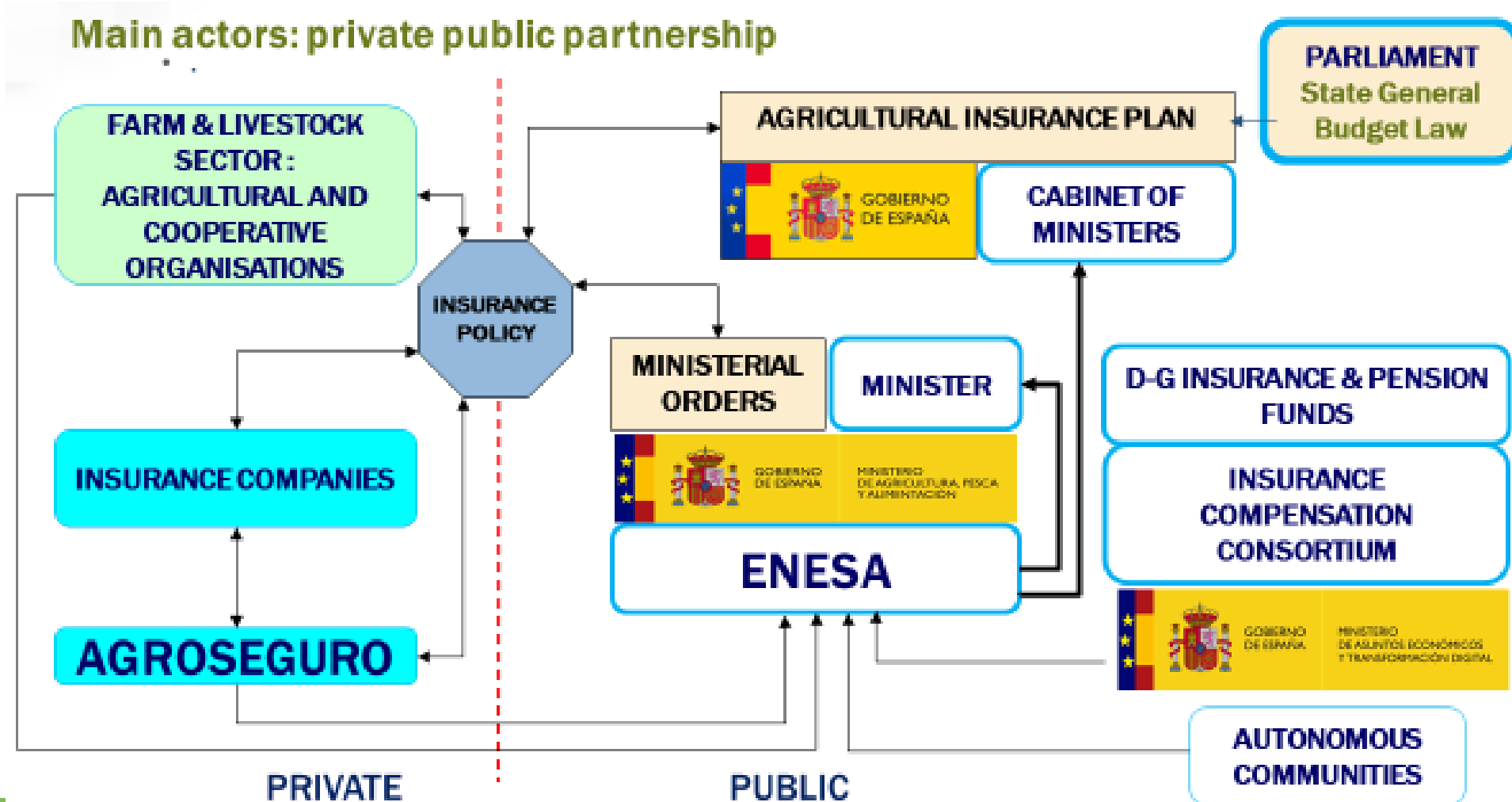
- 11 livestock lines + 3 aquaculture lines + 1 removal and destruction of fallen stock

45 insurance's lines: 29 agricultural, 1 forestry, 12 livestock y 3 aquaculture



THE SPANISH AGRICULTURAL INSURANCE SYSTEM

System structure and main actors



The agricultural insurance as income stabilizer for the farmer as substitute for extraordinary public aid

- High **loss rate**, much greater than other sectors → high Premium's cost → **public subsidies** needed.
- **Without subsidy** → contract fall → **Agricultural Insurance System unfeasibility**.
- **Without Agricultural Insurance** → unprotected sector against many risks → **farm's feasibility and survival in danger**.
- **The Insurance System avoids the necessity of extraordinary public payments to disaster relief for insurable losses.** Extraordinary payments (or ex-post) have many **disadvantages** versus compensations from the Agricultural Insurance (or ex ante)

***ex-post* aids**

- Extraordinary Aids
- European Solidarity Fund

***ex-ante* aids**

- Risk Transfer to a Third Party:
Agricultural Insurance System



INSURANCE PRODUCTS FOR LIVESTOCK


- **Farm insurance**

- All livestock species (cattle, sheep, goats, horses, pigs, poultry, bees)
- Risks are hedged in a flexible structure:
 - One basic guarantee package (common to all policies)
 - Several additional guarantees for specific risks (optional).

- **Insurance for the Removal & Destruction of fallen stock (R&D)**

Offers the removal and destruction of animals dead in the farm.

Can be contracted as a stand-alone insurance or as an additional guarantee.



Agricultural Insurance
System's products
available for
Swine Production

- **Pastures loss insurance:**

Compensates the extra costs of feeding grazing animals when there is insufficient growth of the pasturage.

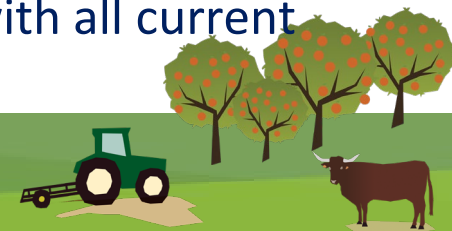
It is based on an index calculated using satellite images.



PIG FARM INSURANCE – LINE 408

BASIC PRINCIPLES:

- **Insurable farms:** pig farms for **breeding, rearing and fattening**.
Non-insurable farms: those of commercial operators; those dedicated to recreational uses, teaching and research; self-consumption; confined establishments, where the animals are kept or bred for the purposes of exhibitions, education, the conservation of species or research; slaughterhouses.
- Farms must be assigned a **farm number**, as established by Royal Decree 479/2004, of 26th March, which establishes and regulates the General Registry of livestock farms (REGA).
- Farms must comply with the provisions of article 7 of Royal Decree 205/1996, of 9 February, establishing systems for the **identification and registration of bovine, porcine, ovine and caprine animals**.
- Minimum technical conditions for operation and management: the farms must comply with all current **zootechnical, health and animal welfare regulations**.



PIG FARM INSURANCE – LINE 408

BASIC GUARANTEES

- **EPIZOOTIES: FOOT-AND-MOUTH DISEASE AND CLASSICAL SWINE FEVER.**
- **BASIC GUARANTEE AUJESZKY'S DISEASE.**

ADDITIONAL GUARANTEES

SEIZURE IN SLAUGHTERHOUSE

RESTRICTION OF MOVEMENT AND VACCINATION BY AUJESZKY

SLAUGHTERHOUSE WITH DEPOPULATION, CLEANING AND DISINFECTION BY AUJESZKY

REMOVAL AND DESTRUCTION OF CARCASSES

MASS MORTALITY AND LOSS OF PRODUCTION



PIG FARM INSURANCE – LINE 408

BASIC GUARANTEES

➤ EPIZOOTIES: FOOT-AND-MOUTH DISEASE AND CLASSICAL SWINE FEVER.

- Death and the obligatory sacrifices decreed by the competent authority.
- Official restriction of movement, for a minimum period of 21 days and up to a maximum of 17 weeks throughout the insurance period.

➤ BASIC GUARANTEE AUJESZKY'S DISEASE.

- Slaughter in the slaughterhouse of the positive breeding animals decreed by the competent authority.
- According to management, the time animal breeding farm loses its free or officially free qualification for this disease (maximum of 20 weeks).



PIG FARM INSURANCE – LINE 408

ADDITIONAL GUARANTEES

➤ MASS MORTALITY AND LOSS OF PRODUCTION

- Death or agonizing state of animals caused by an event that occurred in the same place and at the same time.
- Loss of production associated with this massive mortality will also be covered.
- In the case of outdoor fattening pigs: death or agonizing state caused by wild animals or feral dogs attacks.

➤ RESTRICTION OF MOVEMENT AND VACCINATION BY AUJESZKY

- For farms with A3 or A4 health qualification.

➤ SLAUGHTER WITH DEPOPULATION, CLEANING AND DISINFECTION BY AUJESZKY

- For farms with A4 health qualification.



PIG FARM INSURANCE – LINE 408

ADDITIONAL GUARANTEES

➤ SEIZURE IN SLAUGHTERHOUSE.

- For outdoor fattening productions.

➤ REMOVAL AND DESTRUCTION OF FALLEN STOCK

- Costs of the removal and destruction of fallen stock in the farm for whatever reason.
- Dead animals during transport to slaughterhouses or other places of destination are also covered by the insurance guarantees.
- Dead animals during their stay in exhibitions or markets are also covered by the insurance guarantees.
- Pig farms with administrative authorization for the process of hydrolysis with subsequent disposal are included.



PIG FARM INSURANCE – LINE 408

For insurance purposes, are established:

➤ **Groups of breeds:**

- Purebred animals.
- Iberian and Duroc pig males.
- Celtic pig.
- White pig breeds.

➤ **Management system:**

- Artificial insemination.
- Piglet production.
- Closed or mixed cycle.
- Piglet weaning.
- Fattening/intensive rearing.
- Outdoor fattening.

➤ **Types of animals:**

- Male select breeders.
- Select breeders.
- Breeders.
- Weaners.
- Fattening/intensive rearing pigs.
- Outdoor fattening animals.
- Piglets.



SAIS - MAIN FIGURES FOR THE YEAR 2021

Nº Policies	Insured animals (million)	Insured crops (1000 tons)	Insured capital (M€)	Cost (M€)	ENESA subsidy (M€)	Aut. Com subsidy (M€)	Claims (M€)
409.087	341	40.981	15.620	828	261	99,29	723

31,6%

11,9%

PIG FARM INSURANCE YEAR 2021

Autonomous Community	Nº Policies	Insured animals	Insured capital	Cost	ENESA subsidy	Aut. Com subsidy
Andalucía	75	42.670	13.516.750	51.503	11.955	265
Aragón	43	116.970	14.057.554	73.826	19.428	0
Asturias	1	400	54.000	259	20	4
Baleares	3	151	41.340	207	0	24
Canarias	1	3.889	558.783	2.833	777	747
Castilla y León	7	44.791	5.174.683	17.595	3.182	1.159
Castilla-La Mancha	2	2.025	276.800	564	59	0
Catalunya	13	45.005	4.634.763	24.359	5.942	1.519
Extremadura	13	25.769	8.166.165	33.920	9.532	2.773
Galicia	55	310.687	38.725.059	60.356	15.631	7.563
La Rioja	2	2.400	272.185	1.529	409	200
Navarra	2	2.078	297.306	1.469	535	316
País Vasco	2	1.680	558.300	2.972	578	0
Valencia	2	3.782	474.732	2.548	585	416
Total	221	602.297	86.808.420	273.940	68.634	14.986

Asegura **tú** futuro

THANK YOU VERY MUCH FOR YOUR ATTENTION

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