PartnerRe, Worldwide Specialty

**Agriculture**

Multi-peril Crop Insurance & Crop Hail

## With farming livelihoods, food supply and indeed the economic health of nations threatened by crop failure or destruction, re/insurance risk solutions for crops continue to grow in importance alongside government support initiatives. PartnerRe provides clients in diverse world markets with customized solutions for crop exposures.

### MPCI: A public-private solution

Government incentives and premium subsidies increasingly help to fill the gap between the price that most farmers can pay for MPCI insurance and the premium required for the high exposure and high anti-selection risk (given accurate long-term weather forecasts and as many risk parameters are constant at the regional level, e.g. weather, soil type, farming practice and water management).

Given strong government support and control within a national MPCI scheme, market price fluctuation risk can sometimes be added to the policy.

### Multi-peril Crop Insurance (MPCI)

Protects standing crops against all weather-related risks and can be extended to include insects and plagues, as well as other risks such as delayed planting and non-emergence of seedlings due to top-soil slaking. For annual crops, coverage incepts soon after planting and continues until completion of the harvest.

The cover compensates for the shortfall between the actual harvested yield and the insured yield. Unless heavily subsidized, deductibles tend to vary between 15–35% of the sum insured per crop type and farm to reduce moral hazard and help maintain rates at more affordable levels.

The sum insured is set at inception of the policy as the agreed crop value per yield unit (values are often based on production cost or average market price), multiplied by the expected yield per area unit, multiplied by the number of area units. The expected yield is based on a 3- to 10-year average.

### Crop Hail Insurance

Protects the crops standing in the fields. Coverage incepts once the plant emerges above the ground or, for perennial crops, after the appearance of the first green leaves, and continues until harvest. Extension can be given for an acknowledged delayed harvest or need for swath practice.

Sum insured is set at policy inception in exactly the same way as described above for MPCI. Automatic renewal is standard, with crop rotation declared on a yearly basis by the farmer before the concerned crops are on risk and with all fields of the same crop type generally insured on the same policy.

The policy typically indemnifies up to a given maximum percentage of loss per field and is subject to a deductible. It is commonly sold together with additional perils such as windstorm and spring/autumn frost, on a compulsory or voluntary basis.

### Specialist role of loss adjustors

For both insurances, a solid team of experienced loss adjusters is of vital importance to determine the best estimates and actual crop yield before harvest, excluding all non-insured causes of yield reduction. It can be necessary to assess a large number of claims over an extensive area within a very short period of time.