

# Osigurala **CROATIA**



**UTEMEJ.1884.**

Closing the  
protection  
gap: Climate  
risk  
management in  
agriculture

Kresimir Francic  
Workshop "Climate Change  
Impact on Agriculture in  
Croatia", Zagreb,  
22.09.2020.

[OSIGURANJA](#)[ŠTETE](#)[PRIJAVITE SE](#)

# Osiguranje usjeva i nasada

Osigurajte svoje usjeve i plodove vinograda, maslinika ili voćnjaka od šteta nastalih djelovanjem prirodnih nepogoda, a EU će vam pokriti do 70 posto premije.

[ZATRAŽITE PONUDU](#)[Što je pokriveno](#)[Dodatne opcije](#)[Korisne informacije](#)

# CROATIA OSIGURANJE HAS BEEN AROUND FOR 136 YEARS

- CROATIA osiguranje is the **oldest Croatian insurance company** and one of the oldest in Europe
- CROATIA osiguranje is the **leading insurance company in Croatia**; in the domain of professionalism and expertise, it can compete with foreign insurance companies
- CROATIA osiguranje is the **leading CROP insurance company** in Croatia with a market share more than **72% in 2020**
- The "favourite neighbour" - available at **more than 1.000 retail outlets** in every corner of Croatia (the company has an internal sales network and partners such as banks and post offices)





**Croatia Osiguranje**

**Protection  
Gap**

**Effects of  
Climate  
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**Public Private  
Partnerships**

**Outlook**

# Protection Gap



The term „Protection gap“ describes the difference between the total economic losses generated by natural catastrophes and the economic value insured over a given time period!

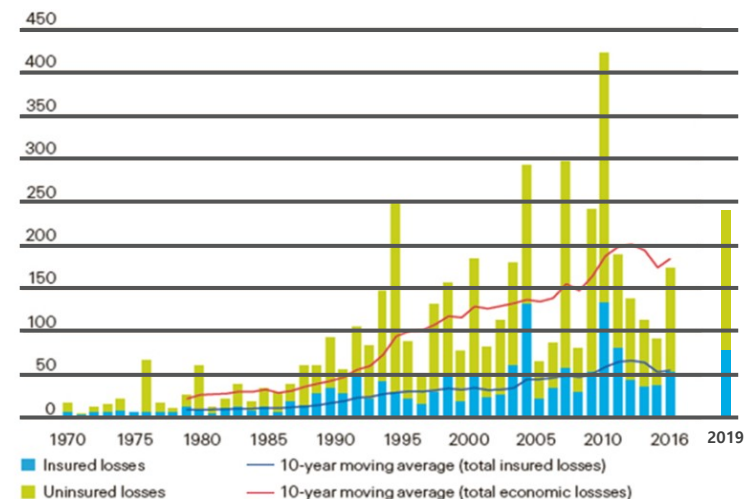
- Steadily widening in developed and emerging markets
- Agriculture in particular affected by new weather patterns (increased frequency & severity)
- Gap can be closed by **managing** the impacts of factors such as climate change, systemic risks, technology, etc.

**“Our sector will struggle to reduce this protection gap if our response is limited to avoiding, rather than managing, society’s exposure to climate risk”**

Maurice Tulloch, Chairman of Global General Insurance at Aviva

CRO Forum (2018)

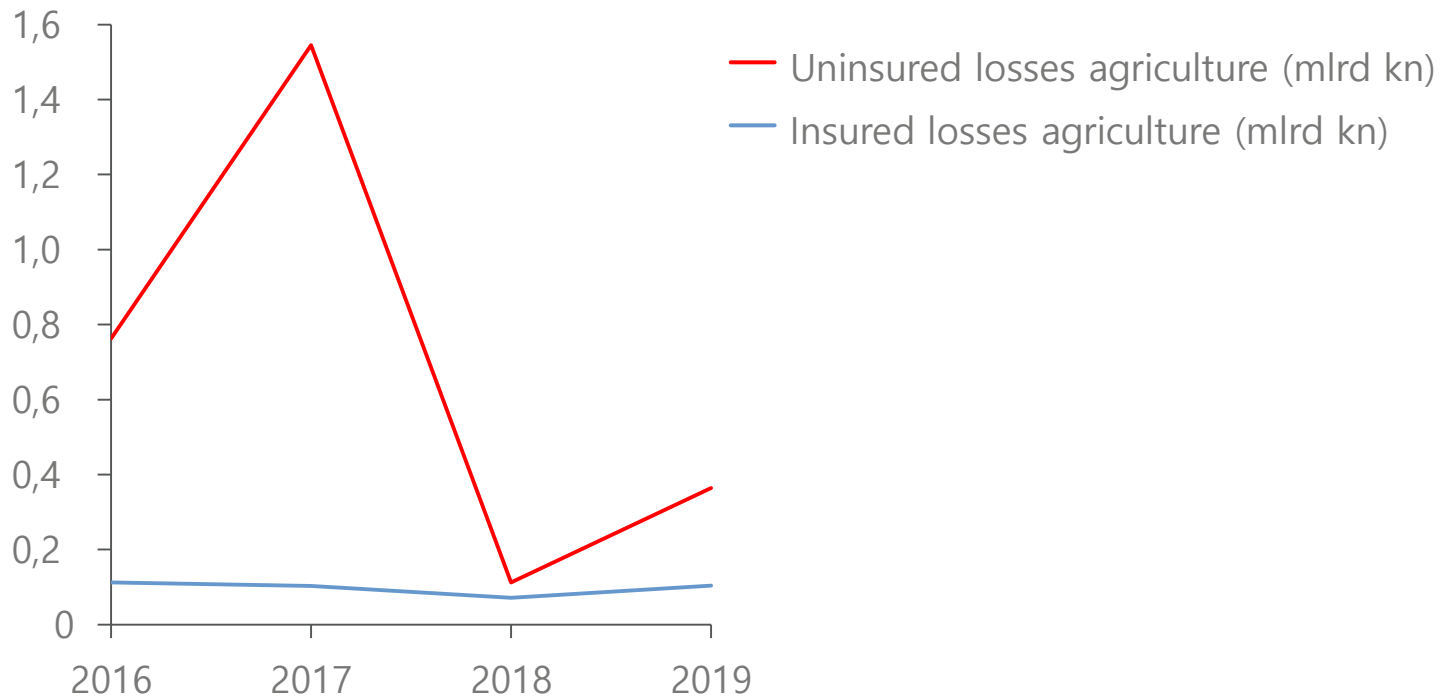
“The heat is on”.



Source: Cat Perils and Swiss Re Institute.

<https://www.aon.com/protection-gap/default.jsp>, 05.08.2020

# Protection Gap - Croatia

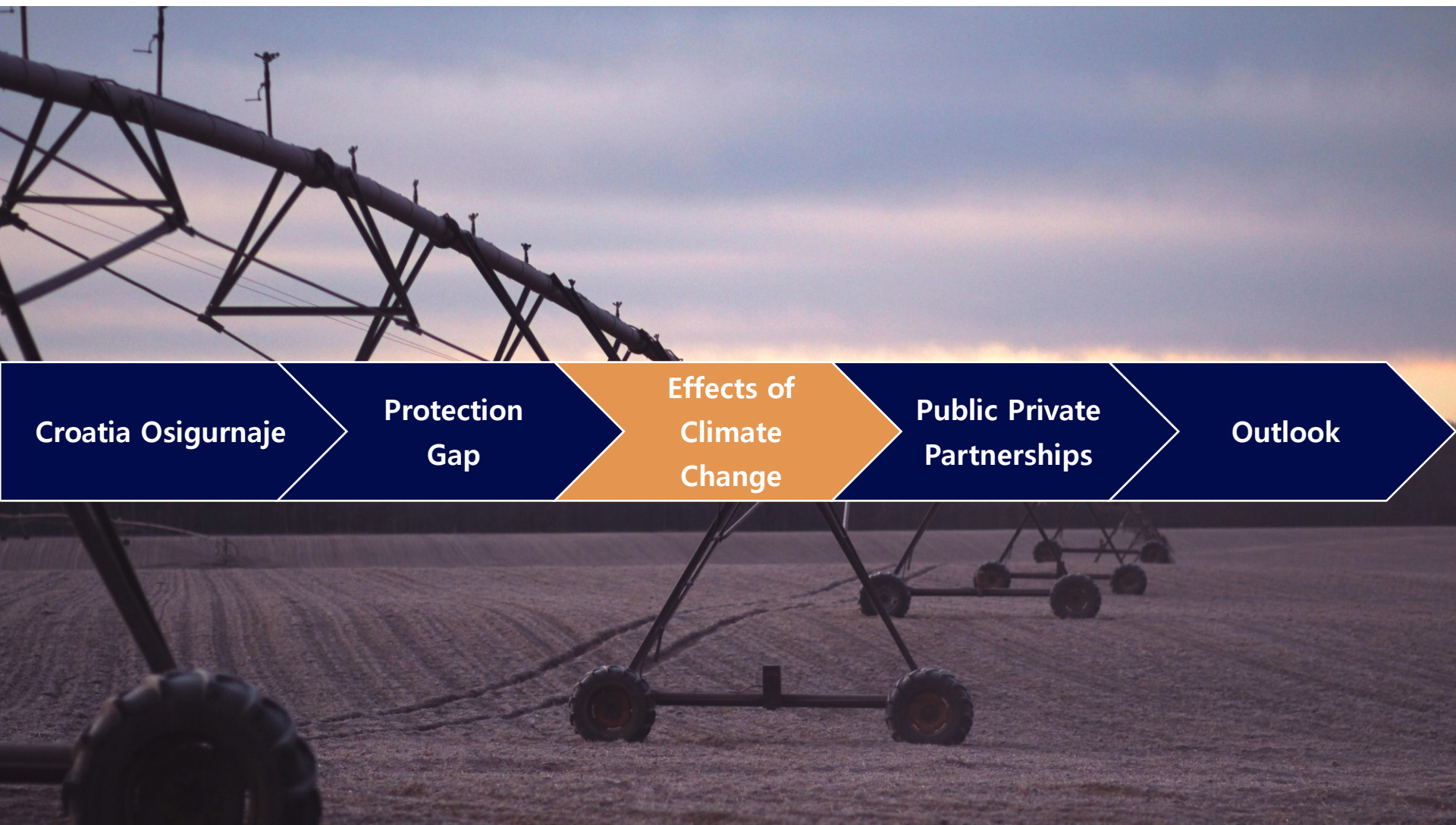


# Protection Gap

- Efforts addressing the various challenges facing current agriculture are often **done in isolation** and **not holistically**
- Agricultural Insurance
  - is unpopular due to "financial literacy" and limited scope → **Education** needed
  - does not address systemic catastrophe risks such as **drought** → **Product innovation**
  - **remains unattractive** when substantial amounts of **disaster payments** are paid by governments







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# Effects of Climate Change - Systemic Risk Drought

- Scientists have observed various ongoing changes in the climate system due to Climate Change with influence on Agricultural production:
  - Increased probability of drought years in the Mediterranean
  - There is already evidence that certain extreme Events (e.g. heatwaves, **drought**) are **more frequent**
  - It is estimated that 60% of global cropland may be degraded as **soil moisture falls dramatically** in many key regions
  - **Heat stress** reduces yields from crops
  - Weather damage causes cumulative destruction

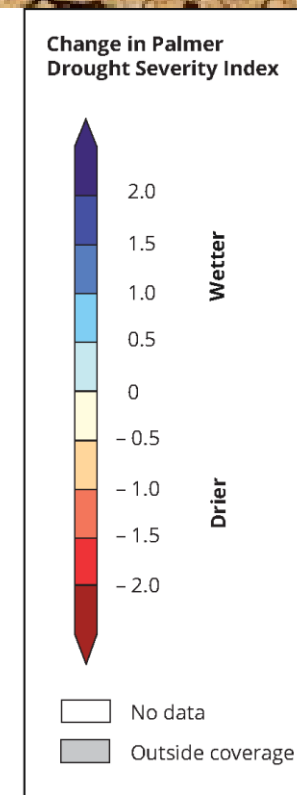
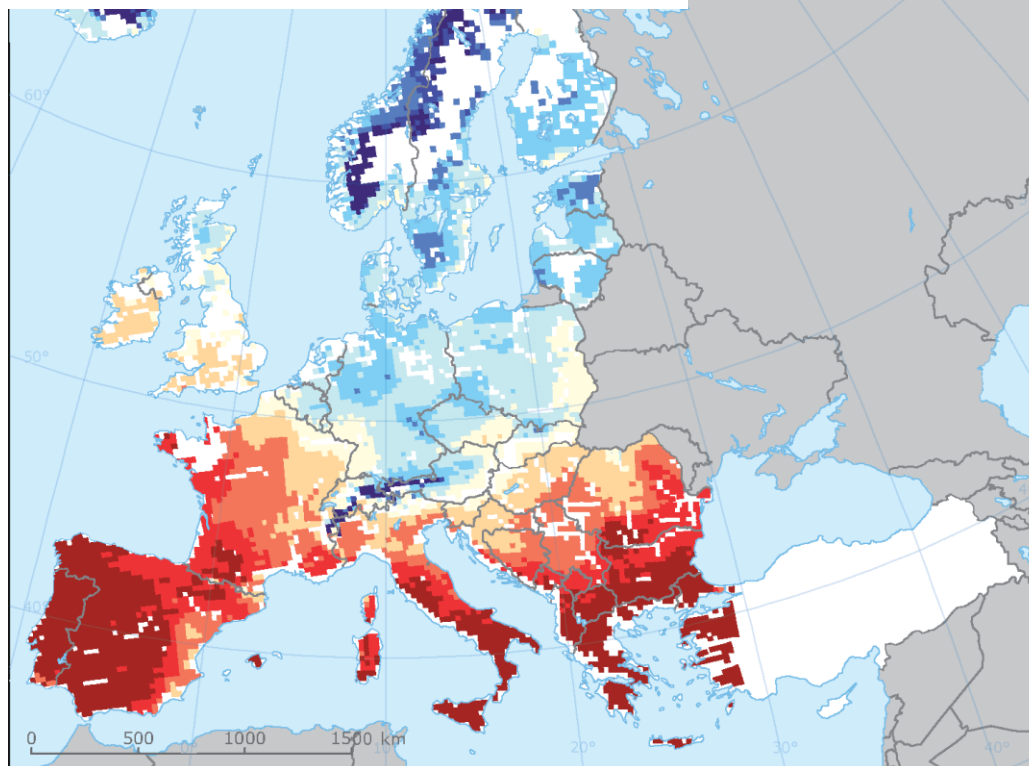


Source:

<https://www.eea.europa.eu/data-and-maps/figures/changes-in-summer-soil-moisture>, 27.08.2020

# Effects of Climate Change - Systemic Risk Drought

Projected change in summer soil moisture, EEA (2015), presented as mean multi-model change between 1961-1990 and 2021-2050



Source:

<https://www.eea.europa.eu/data-and-maps/figures/changes-in-summer-soil-moisture>, 27.08.2020

# Effects of Climate Change - Systemic Risk Frost



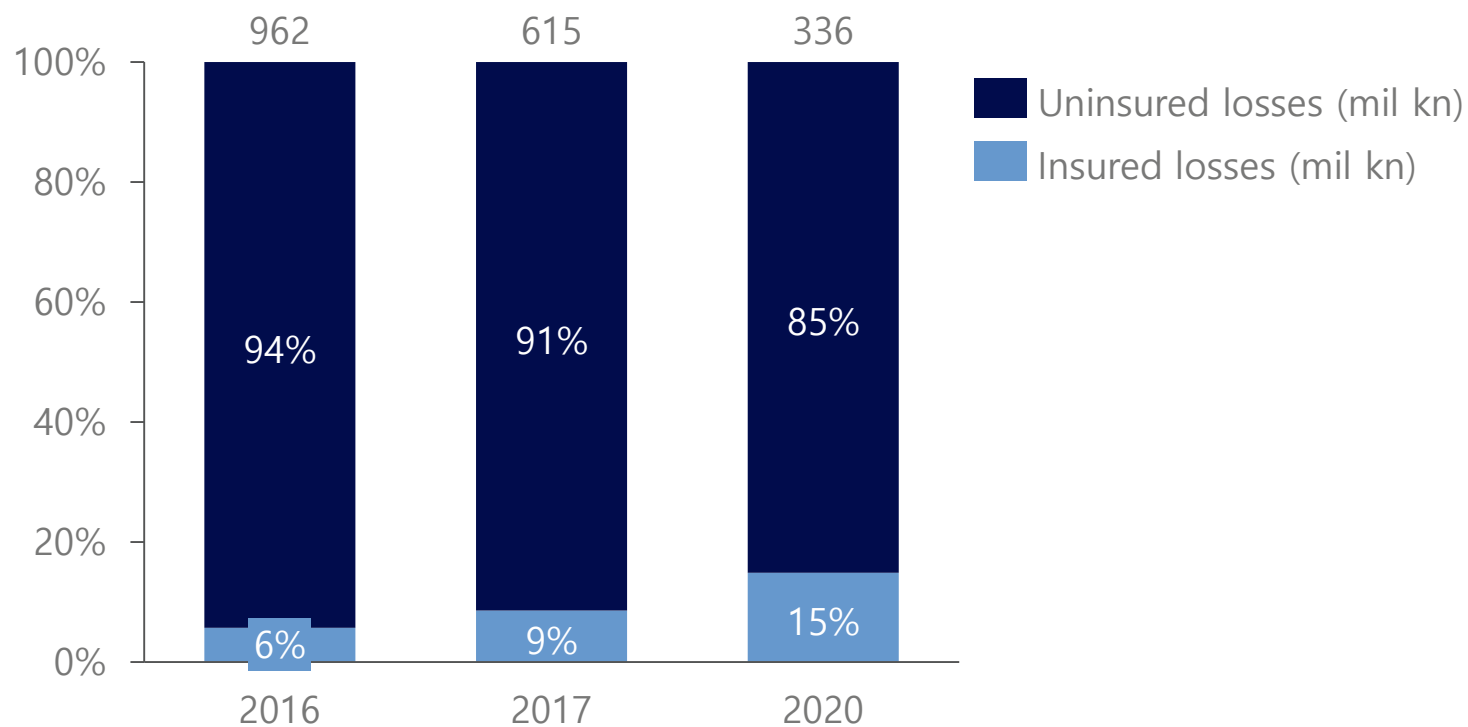
- Climate change will lead to warmer winters having serious effects on orchard production (but not limited to) in two major ways:
  - Because blossoming occurs earlier in spring, late **Frost events** lead more often to significant damage
  - Blossoming is less successful because the winter was too warm (blossoming depends on temperature history in winter and spring)<sup>1</sup>
  - In 2019, exceptionally warm February (+2.0 to +4.0 °C) in Eastern Europe and very cold May throughout Europe (-2.0 to -3.0 °C below normal)<sup>2</sup>

Source:

<sup>1</sup>Pfleiderer et al., 2019. Climatic Change 157: 515-525.

<sup>2</sup>Blunden, J. and D. S. Arndt, Eds., 2020: State of the Climate in 2019. Bull. Amer. Meteor. Soc., 101 (8), S364–S365  
<https://doi.org/10.1175/2020BAMSStateoftheClimate.1>

# Effects of Climate Change - Spring frost in Croatia



Source:  
\*Ministarstvo financija  
\*\* HUU





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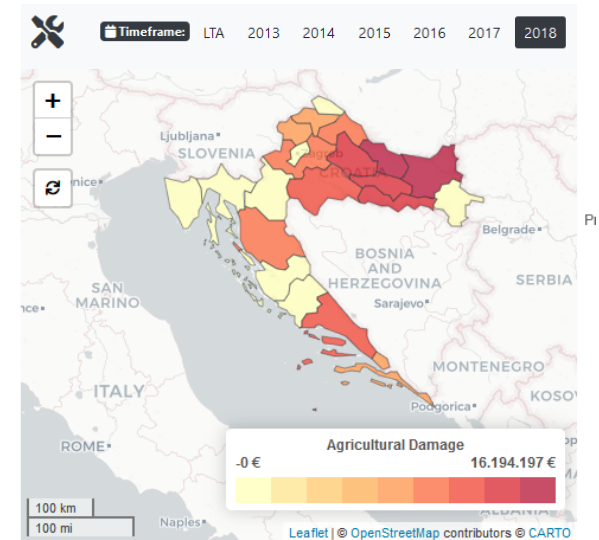
Public Private  
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Outlook

# Public Private Partnerships

## STATUS QUO CROATIA

- Croatia is one of the countries in the EU with the largest annual losses due to natural hazards (on average 0,2% of Croatia's GDP)
- European Funds (CAP) cover up to 70% of the total premium
- Agricultural insurance penetration is estimated to be ~15%



Rural structure factsheets:



### Total population (2019) in

Predominantly rural regions:  
42,6%

Intermediate regions:  
37,6%

### Farm holdings (2016):

Total	134.460
UAA* < 5ha	69,5%
Economic Size < 4000€	48,2%
Holder < 35 years	5.1%
Holder > 64 years	32.7%
UAA* per holding (ha)	11,6

### Economic importance of Agriculture- Contribution to GDP

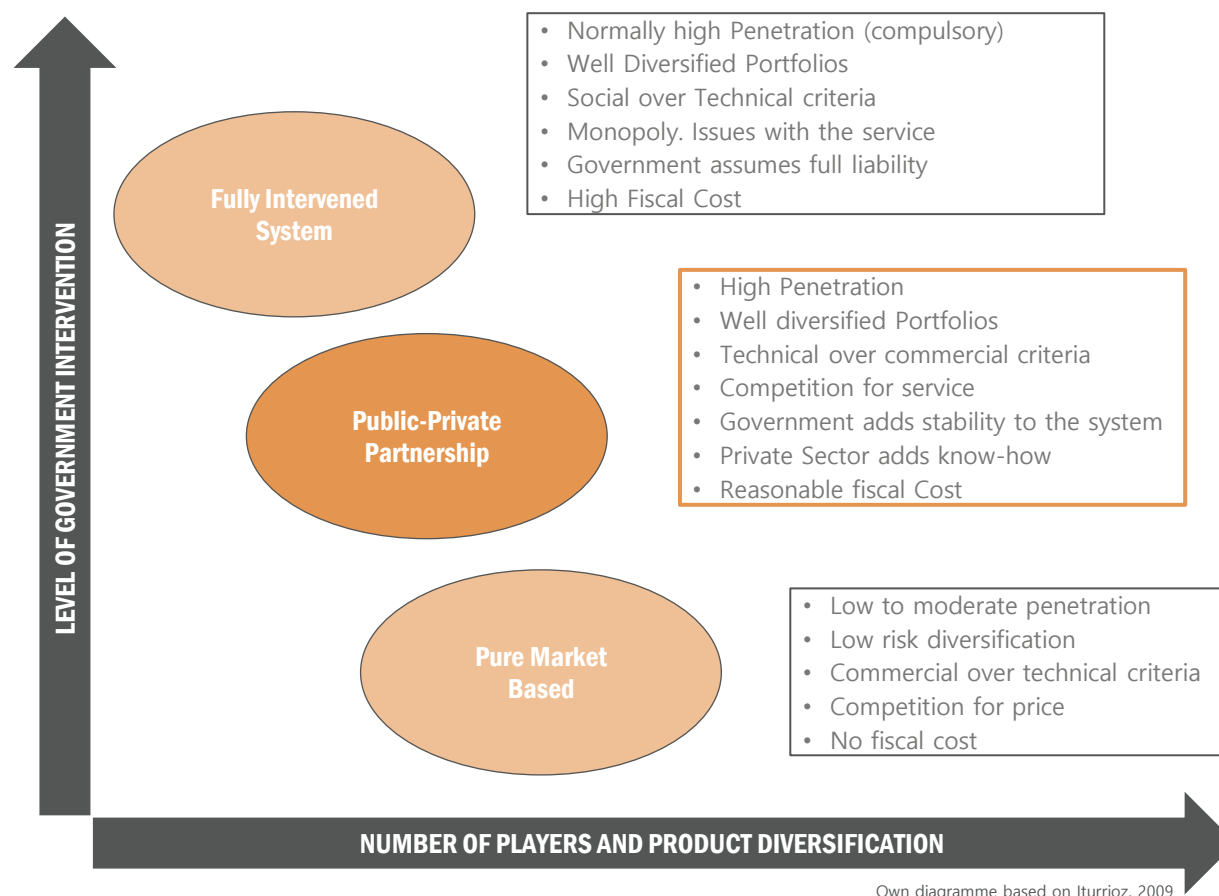
In comparison:

Worldwide	3.8%
EU-28	1.5%
Croatia (2019)	2.5%

\*UAA = Utilised Agricultural Area

# Public Private Partnerships

## DIFFERENT INSURANCE SCHEME DESIGNS



# Public Private Partnerships



## ADAPTATION NEEDED



The public sector and the insurance industry have to adapt to...

- ...the changing climatological and environmental situation in Croatia
- ...specific demand and requirements by the farming society
- ...changing patterns of the Agricultural sector
- ...EU regulations to be taken into account with the new CAP 2020

... by understanding, monitoring & managing the risks in the sector:

- Implementation of basic tools to monitor the risks for a market's agricultural sector
- Evaluate and model the entire spectrum of natural perils (incl. Climate change) & commercial risks (crops& livestock)
- Close cooperation involving national Insurance Industry, the Ministry of Agriculture and other stakeholders
- Design a complete risk profile & financing model across government grants, bank lending and insurance
- Provide capacity building across the entire agricultural insurance value chain



# Importance of insurance for agricultural production

## For Farmers

- outdoor factory
- large investments
- high risks – effects of climate change
- material damage up to 100%, while at the same time current liabilities remain the same: delivery of products / services, liabilities to suppliers, payment of salaries, etc.

**(Subsidised) Insurance premium should be a certain, fixed and planned cost!**

## For State

- higher financial stability and protection of the agricultural sector
- reducing the "dependence" of agriculture on the state in the event of natural disasters
- better strategic budget planning by the Government

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Hvala  
na pažnji!