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Agricultural Insurance and Development - Present and Future

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My warmest congratulations to the organizers for their excellent work which will greatly facilitate the object of this Congress, the first that TWIC holds in a country of large territorial and human dimensions and with a Socialist regime. Besides, China is a country characterized by its culture, ancient and refined, and by a sense of hospitality which I have already been able to enjoy on past occasions. To be here is by itself a satisfaction, specially for me, since I come from Spain, another country also of ancient and singular culture, and nineteen times smaller.

No less satisfactory is the opportunity to address such a qualified audience, which I feel is aware of the importance of the subject I propose to develop. In short this is "insurance as an instrument for an agricultural-industrial balance in both economy and society". Naturally, insurance in this context does not exclude but rather joins together other elements, becoming part of agricultural development programs. It can also be considered in the traditional manner as coverage for individual risks, but the manner in which I intend to deal with this subject considers the agricultural framework as a socio-economic integral system one of whose elements is insurance. In this manner, our institution acquires its social content, as a tool to absorb such peak-losses which cannot be borne by the existing cooperative and mutual assistance framework, in a greater or lesser degree, from among farmers in most nations.

Precisely, one of the circumstances which make this Congress special is that it is held in a country with unlimited agricultural possibilities, where important steps are being taken towards a great future within world harmony. Besides, Japan is also participating, where cooperative and mutual assistance institutions carry an ancient tradition that the passage of time has

gurged and perfected into their present shape. I am not exaggerating if I say that it can be used as an inspiration to direct the efforts of farmers and agricultural related institutions in several nations of what we in Europe know as the Far East. Naturally, we must not forget that each country must search for its own formulas and adapt them to its economic and social structure, to its history and idiosyncrasy, also taking into consideration the experience of others, specially of those with whom it has historical, cultural or geographical links.

Before starting my lecture, I would like to thank the TWIC Executive Committee for being aware of these subjects in sponsoring the Regional Meeting on Crop Insurance, which is held independently but coordinated with this Congress. Even though this may originate difficulties, I hope they will be compensated by the results of the meeting, to which several representatives of institutions related to Crop Insurance in Latin America will attend representing the Association they have recently created, to which I will come back later on.

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1. Insurance historians say its origins are maritime and commercial, linked to the commercial adventures of antiquity of different peoples. In effect, European, Middle East and Chinese mercantile practice include since time immemorial the principles and mechanisms of risk distribution, easily compatible with those presently used by the insurance industry in every country in the world. However, it would be unfair and a mistake to forget the rich variety of manifestations of solidarity, mutual assistance and reciprocity which have always been present in the rural communities, which in broad terms, are also compatible to the principles and mechanisms of insurance.

It should be noted how some of these initial forms of cooperation grew giving birth to great insurance companies, leaders in their countries and with international projection. Such companies, generally originating as mutual companies, have kept in full their original associative character which has influenced and in part shaped the "culture" of the company. Faithfulness to its own origins, combined with a permanent adaptation to the realities of the moment, are a positive factor of business stability and balanced progress. Today,

several insurance companies leader in important countries were agricultural in origin. STATE FARM INSURANCE COMPANIES and NATIONWIDE in the United States, ASSURANCES MUTUELLES AGRICOLES, RAIFFEISEN UND VOLKSBANKEN VERSICHERUNG in Germany, ZENKYOREN and KYOEI in Japan, and my own company MAPFRE in Spain are examples of the phenomenon of agricultural influence in modern insurance.

I can specifically provide my experience as senior executive of MAPFRE, a Mutual Insurance Company formed by farmers over fifty years ago, which has known how to maintain the mutual spirit while at the same time developing strategies of action which have made it the first company in Spanish insurance. Thirty years ago, only farmers were accepted as members. Faithfulness to the aforementioned origins has made MAPFRE act according to a continuing concept of social responsibility and to participate very actively in agricultural insurance plans and crop insurance, leading the market in this field for years, and we propose to keep doing the same in the future.

2. Up to now, the priority of almost all development programs in well developed as well as in underdeveloped countries, has been industrialization; in the advanced countries, so as to maintain their supremacy or welfare, it was more often than desirable measured in terms of consumption levels characteristic of an urban culture; in the less developed countries, so as to ease their dependency on import of equipment and products and to favor the surge of their own technicians and scientists.

On many occasions, this has only accentuated the gap between cultures, between rural and urban ways of life, with an increase in the lack of balance and the social antagonism involved, plus the general burden of a scale of social values where individualism is stressed as a positive factor and, in a parallel and necessary manner, the family and the community contents of rural life loses prestige.

The institution of insurance itself has searched for the road to expansion in the industrial spheres, where insurability of risks appears more clearly and are eased by a greater uniformity which makes estimates on frequency and intensity of losses not only more reliable but they do not require a complex, scattered and costly organization. Industrial insurance, target risks, technical risks, have held a privileged place in international meetings and congresses among insurers, with very little attention given to agriculture's own risks.

In my opinion it is necessary to turn about this trend, The undesired consequences of industrialization, lack of regional economic balance, lack of security in employment, contamination and deterioration of the environment, social uprooting and isolation, all of these have harmed the somewhat Utopian model and lead us to the search of greater harmony among the different social and productive sectors, which necessarily must undergo relaunching and development of the economy and, by extension, of the agricultural structures.

3. It is curious to verify how, under the effect of intensive industrialization policies, countries with evident possibilities for agricultural development and self-sufficiency have become importers of agricultural products, even luxury articles, generating foreign debt for concepts largely unnecessary. As an example, Venezuela, which for a while imported milk from Argentina for urban consumption, paying for something which the country was capable of producing, as has been later demonstrated.

It is also interesting to mention Japan, which even though it has an enormous industrial development, has known how to maintain a very structured and influential agricultural life, with a substantial specific weight in the national equilibrium.

In moments such as the present, when the survival of humanity under satisfactory conditions depends in great measure on its capacity for increasing agricultural production, it is necessary to center all efforts in drawing up realistic programs for agricultural development which will allow us to use in an effective manner the human, technical and financial resources employed. It is not possible to consider any longer an industrialization generating lack of balance and national dependencies which are difficult to correct as the sole objective of any model for society.

This takes us to the idea of agriculture as a factor for economic freedom and social balance, which must be present in government programs and specially in the actions of the sectors involved in agriculture, including insurance.

The countries you represent here until now have directed their economic policy towards industrialization, according to the

quality and quantity of natural resources available for industrial use. But they are becoming certain that the development of agriculture will play an important role in the next few years for a number of reasons:

- * Most of your countries have agricultural resources for self-support. Its limitations are to be found in structural, economic and social deficiencies. Every consideration to aspects related to agriculture must be integral and analyzed from such different points of view as health, investment, insurance or social structure. As an insurer, I could limit myself to verify insurability, to analyse risks, to study their frequency and intensity, to design the necessary coverage, etc. But this does not fill up all the space available offered by an area where so many disciplines coincide and where a long term relationship between the insurer and the insured can not only be profitable for both but also for society as a whole. Thus, crop insurance must be placed in the context of the program for integral agricultural development as an "outlet for stress and lack of balance created by nature's risks in farmers' economy".
- * Independence of supplies. Even with interdependency of national economies, it is indispensable to maintain a permanent tension to reduce foreign dependency, specially as to food supply which in many cases depletes national funds and even the accumulated debt.
- * The possibility of promoting their own industries for food processing, a glaring lack in many countries which direct part of their exports towards industrial transformation which could be made by themselves, reducing transportation costs.
- * Preserving the national personality characteristic traits since cultural penetration is difficult in agricultural societies, more isolated and conservative than urban ones, and this is a real and very important factor in the freedom of nations towards a balanced weave of free countries avoiding the massification of humanity.
- * Creation of its own agricultural technology, avoiding the influence of the one applied to agriculture in highly developed countries with positive effects but also with negative ones. For example, indiscriminate genetics can create problems if it is not adapted to different types of soil, climate, traditional farming methods, etc. This, which is new and with increasing repercussions, is important. The

ideal is for each country, or homogeneous group of such, to obtain technology to allow them greater prosperity and autonomy without imitations which destroy their own social framework.

- * An improvement in commercial exchange with other countries, with an equilibrium in the balance of payments product of certain specialization which, without being obsessive, adapts to the circumstances of each country and allows the creation of surplus for exports to compensate areas in an inferior situation.
 - * Other reasons strictly political and economic which must be carefully taken into consideration and are the result of a real freedom as to constructive international effects.
4. Within this ample framework I have just mentioned, I will deal generically with insurance related to agriculture, drawing the perspective into which they fit:
- * Socio-cultural isolation. The farmer, the peasant, lives at the city margins, limits his world to relationships with other countryfolk and essentially distrusts exterior contributions which he deems as interested.
 - * The farmer usually has no clear idea of the function of insurance in his context. Paying the premium in advance, he tends to consider it an unjustified charge or a permit to obtain from insurance the maximum possible advantages.
 - * A preventive mentality already settled in industrial limits, hardly has any effect on agriculture. The efforts to lessen losses by accident are sporadic, personal and isolated, and do not arise from systematical programs, product of research and objective analysis.
 - * Agricultural development programs, including agricultural insurance, have been managed by governments, in most cases without success (enough is to remember the American and Swedish experience). This has created a barrier between private insurance, its techniques and procedures, and the agricultural programs with formulas for insurance compensation which are difficult to overcome.

- * Unlike industry, it needs financial support not only for new investments to produce profits, but also to lessen the losses produced by risks of nature and to allow survival of the farmer and his family.
 - * The need for maintaining the level of agriculture in the whole world defines a sampler of aids: political prices, assistance services, compensation for losses, etc.
 - * There are few agricultural products which are consumed as and where they were harvested. They all need transportation or industrial transformation, generally both. Probably transportation is the principal element in agricultural costs and where a productivity program can achieve its best effect.
 - * Agricultural constitutes a favorable environment for associative projects. I have already mentioned Japan, which is worth mentioning for the survival in time of its original mutual aid associations for farmers, adapted to the administrative, financial and technological conditions of a country clearly in the lead, also taking into account other past and present experiences of solidarity among farmers. I recall that in the Basque country, a region rich in traditions where I was born, there existed agreements between farmers in the mountains so as to help each other in emergencies or disasters bringing in farming equipment, which at the time was basically animal, and human labor to reconstruct and restore damaged property. One of my first professional jobs was to inspect some of these Mutual associations in Oñate and Lesaca, which today have unfortunately disappeared.
5. Crop insurance is not the only agricultural insurance. The world of farming, so closely attached to the rural world, offers a wide range of real insurance needs not separated from other insurance, among other things because it is difficult to determine the exact limits between what is and what is not agricultural insurance, and what is and what is not rural insurance.

The examples of ZENKYOREN in Japan and ASSURANCES MUTUELLES AGRICOLES in France proclaim such. Both have obtained an

extraordinary volume of operations, being almost the most important insurers in each country without taking crop insurance and with a sister company for rural insurance not strictly agricultural.

I would like to point out that non-crop agricultural and rural insurance also have great importance and deserve to be studied and analyzed in the TWIC Congresses, and I propose this to the organizers for future years as I am sure that it will be of great importance that some of the large organizations in agricultural insurance I have mentioned, as well as other similar ones, share their experience on agricultural insurance, the manner in which they differ as to operation from rural ones, and the future development estimated.

I do not want to forget this today because the development of insurance in the agricultural and rural environment is indispensable, I would even say for the success of crop insurance, which will face many more difficulties to take root where no insurance experience nor network of agents exist which can collaborate in promoting and assisting in this type of insurance with a relatively low cost, probably quite less than the organizations specializing in these.

I have not mentioned livestock insurance which is really part of agricultural insurance, as is the case in Spain of AGROSE-GURO.

6. Crop insurance answers the need of agricultural development and its function is that of maintaining an economic and social balance. The crops are the key element of the whole agricultural life. The volume and quality of the crop harvested condition the social and economic variables in very large regions, specially in the countries you represent here, whose economic structure demands special measures to protect agriculture and motivate farmers. The importance of the objectives to be reached therefore justifies the efforts of the insurance industry to collaborate in the creation of insurance programs for feasible crops. These, coordinated within an integral plan for agricultural development, contribute to promote farmers' responsibility, risk prevention and the establishment of long term relationships with farmers, taking into consideration their complete range of risks.

Crop insurance should lean heavily on this framework of agricultural and rural insurance, but it also helps these expand and prosper upon increasing the idea of insurance among

farmers, most of all promoting their sense of economic responsibility.

7. As is well known, there are contrasting opinions regarding the feasibility of crop insurance. Here I shall mention the most representative and clearly defined.

* Insurance can only be effective for risks defined as "insurable" in the classic definition of such. This posture is defended by Hans Scharpf, among others, General Manager of the "Swiss Hail Insurance Company". The subjective risk entailed by crop insurance in its variety of "yield coverage" is unsurmountable and can become an instrument to reward the unsuccessful farmer and penalize the successful one. This is confirmed by the errors of the crop insurance programs in the United States and Sweden. Hans Scharpf believes that the introduction of deductibles, premium rates according to the individual loss experience and individual yield estimates, limit the subjective risk but do not prevent certain farmers from obtaining unjustified benefits from insurance.

* Crop insurance as the result of technical coordination is the approach used by Mr. William J. a. Dick, of "Agricultural Risk Management Ltd." of London, who feels that crop insurance is a need widely felt by societies and governments in the most developed countries as well as in the less developed ones where insurers and reinsurers can collaborate without losing, making it necessary to overcome the present deficiency which in developing countries can be summed up thus:

- . Development of new technologies and management skills;
- . Advances in insurance technical knowledge of risks, so that insurers as well as reinsurers have the possibility of long term benefits;
- . Avoiding of political pressures due to the presence of the State in this process;
- . Improvement of rural infrastructure so that insurance operations can be possible;
- . Creation of technical centers to coordinate variables of the problems and design specific programs for each country, taking advantage of common elements.

* Crop insurance as an additional element in the structure of agricultural development is the posture of M. Jean-Yves Nouy from SOREMA (SOCIETE DE REASSURANCE DES ASSURANCES MUTUELLES AGRICOLES) of France. In agriculture different and opposing interests coincide: the State, banks, insurers and farmers, whose interests are legitimate and should be satisfied, but it is the farmer himself who should be the center of all activity related to agriculture, whether technical, financial or preventive. The element of agricultural life which is most interesting to insurance is the traditional tacit solidarity which originates non-monetary reciprocal services. Taking advantage of this element should be the basis of all agricultural insurance programs.

Agricultural risks can be typified as insurable or non insurable. The first ones offer more difficulties than any other branch of insurance. However, for dealing with the second ones, a system of local Mutual Insurance companies should be established controlled by farmers and coordinated at provincial and national level through a procedure of "internal reinsurance" which would distribute the risk among them. The remaining share of risk would be absorbed by "external insurance" (private insurance institutions) and by international reinsurance. All the system revolves around the farmer and develops on the basis that the insurability of risks is progressive.

8. International reinsurance, which must necessarily act with a balanced result, distrusts crop insurance, as it feels that the programs today can only be considered as experiences more or less advanced, which have not generated a steady practice on which to base reinsurance activity. To this they add the inconveniences derived from the inevitable political character of such insurance since it demands government intervention, the possibility of large accumulated volumes, the need for a large capacity and anti-selection. All of this forces careful reinsurers to condition their participation. Besides this, few reinsurers have available the technical equipment and human resources necessary to provide adequate advice and technology. In any case, and probably there are more, MUNCHENER RUCK's support in this field should be pointed out, which allows us to hope that when crop insurance coverage is cleared up and technified, international reinsurers will hold important positions in the global structure. I really feel that in small countries nothing can be achieved without these, and that for their capacity as well as for their relationship with many experts in crop insurance, such companies as the Japanese NATIONAL AGRICULTURAL INSURANCE ASSOCIATION can contribute in

an important manner, specially in countries lacking insurance experience.

9. From all the above, some conclusions could be obtained, which in short would be as follows:

* Crop insurance answers a need felt in every country, specially developing countries, and the essential drawbacks are:

. Costly management. Risk division demands an extended service network, qualified, expensive and hard to control, whose productivity must be maintained at very high levels so as to prevent it from becoming an additional load to agriculture and insurance.

. Possibility of fraud. It is indispensable to limit, or if possible, to eliminate the non-selection generated by this type of insurance, and this could be obtained through several channels: limiting the amounts insured to a bare minimum so that the farmer will continue to operate after a loss; compulsory deductibles; maximum individualization of rates and of yield estimates if these are also covered.

* Coordination with the insurance structure of the agricultural organization in each country, specially with State Departments responsible for agricultural programs.

* It thus becomes essential to obtain a general overview of all the technical, financial, social and political elements which are present in the problem.

* It also becomes essential to obtain the farmers collaboration through their basic organizations in the management of the insurance with active work in preventive measures and either direct or indirect participation in the outcome of insurance.

If these conditions are met and the obstacles mentioned are removed, it would be possible to take consistent measures towards the project - long and difficult but at the same time very suggestive and attractive - of making crop insurance a part of the insurance institution and an element of solidarity among national and international institutions, and most

important of all, a factor of socio-economic balance in many countries.

Now, after the above general considerations, I will briefly refer to the measures taken since the last TWIC Meeting in Casablanca, where this subject was so widely discussed.

At the time, a compared report on crop insurance in almost the whole world was made available, and maybe many of you still have it, which provides an important starting point for projects to be carried out in the future. To this meeting in Peking, I have brought a few copies of a new edition of this study in English, which updates several situations and data.

At the Casablanca Congress, whose organizers in Morocco I wish to congratulate at this moment, a recommendation was made to hold regional meetings among countries similar in geography, language and culture. To this end, a Seminar was held in Panama in October 1985, with the participation of 23 Latin-American countries, who contributed their experience and opinions which were published in the Record of that Seminar. I have brought with me to Peking several copies of the Record for the TWIC Management Committee and will also mail copies to those requesting them, although I must point out they are available only in Spanish.

The most important outcome of this Seminar was the creation of the Latin American Agricultural Insurers Association (ALASA) which brings together all the institutions related to this subject in this area, and which has had its first meeting in Santo Domingo last February. In this Peking Congress we have several representative from ALASA and Dr. Herbert Nogueira of Brazil will present on their behalf a paper in the Regional Meeting of English-speaking countries to be held within this Congress. It has been called together by the Insurance Institute for Asia and the Pacific (IIAP) and it will deal with interesting related aspects in this part of the world. I hope it reaches the same success and good results as the one held in Panama and I also hope it fosters an association with the same objectives as ALASA.

Since many of you will not be able to attend the Regional Meeting whose program you will receive together with my paper, as it

coincides with an important act in this Congress I will make a brief summary of the most important crop insurance formulas presently being used:

1. Philippines

The program started operating in 1981 with the creation of the Philippine Crop Insurance Corporation (PCIC).

- * The development of the program is based on State participation. The State has provided the necessary funds to support, with the yield on its investment, the management costs of the program.

There is a system of government subsidies according to the type of crop and the credits to which the farmer has subscribed, which as an average, amounts to more than two thirds the premiums.

The Ministry of Agriculture supervises the development of the program and studies which new crops should be covered.

PCIC is in charge of the administration and management of the program in very close contact with Land Bank of the Philippines and the Philippine National Bank.

- * Covered crops are palay, the staple food of the country and, from 1982, corn. Special programs are being studied for cattle, tobacco, cotton and yellow corn.
- * It applies to the whole country through 12 regional PCIC offices, the Land Bank of Philippine's branches and the Philippine National Bank. Insurance is compulsory and automatic for credits granted within the Government Credit Plan. For other farmers it is voluntary. It provides coverage for natural disasters and losses due to plant disease and pest infestations, solely excluding damages which can be attributed to farmer's negligence. Production costs are the only ones compensated, with Government ceilings set on credits estimated at 28% for expected yield of palay and 48% for corn. From 1984 it also covers an additional 25% of the amount of credit obtained. The cost of the premium increase is shared by the farmers and the government.

- * The premiums structure is determined according to data provided by the Bureau of Agricultural Economics and the Agricultural Guarantee Fund, and it is the same for the whole country. There is a share for international reinsurance. Agricultural insurance is part of a cooperative system which also affects other aspects of agricultural economy and which is also the result of a long tradition in mutual cooperation among farmers.

2. Japan

Agricultural insurance is part of a cooperative system which also affects other aspects of agricultural economy, the result being a long tradition in cooperation and mutual assistance among farmers.

It works in three levels: local, prefectural and national. Local cooperatives, with the aid of local government, establish at the same time Mutual Insurance Companies which insure their risks. The Federation of local Mutuals at prefectural level backed by the prefectural governments, act as reinsurer for the first ones, thus absorbing an additional share of risk. Finally, the Federation of Cooperatives, on a national level, absorbs an important share of risk and transfers the rest through reinsurance.

- * As part of an agricultural protection and expansion policy, the government subsidizes a share of the premium, which varies according to the region and to the importance of the losses. To a greater loss, a larger share. This can fluctuate between 50% and 70% for paddy, and between 50% and 80% for rice, wheat and barley. National Government plus local and prefectural governments participate in the results through stop-loss formulas.
- * The system is permanent, with periodic adjustments, and it applies to the whole national territory. It covers rice, dry-farming crops, vegetables and fruit trees, as well as cattle and silkworms. They are protected against natural disasters, including damages caused by insects, birds, etc.

Insurance is compulsory for farmers members of a cooperative when their land is larger than a determined surface. For small

surface farms both participation in the local Mutual and insurance are voluntary.

* There are three types of coverage:

- a) "Parcel by parcel". The insured amount is 70% of the standard production of a parcel. Indemnity is paid if losses exceed 30% of the standard yield.
- b) "Semi-offset". Indemnity is paid when the losses of all the parcels exceed 20% of the average of the total crop of a farmer. The insured amount is 80% of the average yield.
- c) "Whole offset". Percentages of the previous formulas are established at 10% and 90% respectively.

The Ministry of Agriculture determines the minimum premium rate according to the losses experience of each local Government and Mutual for the past 20 years. The resulting rate is quite personal. State subsidies affect as an average, about two thirds of the premium.

This system adequately fills the needs of both farmers and Government.

3. Brazil

The Brazilian experience, different in each State, is mainly based on the State of Sao Paulo through this State's own insurance company COESP. It aims at obtaining social benefits rather than economic ones. There is no private participation.

- * Government subsidies for premiums are included in the program, specially for small and medium sized farmers. The Federal Government, through a "special fund" managed by the IRB (INSTITUTO DE RESSEGUROS DO BRASIL) takes on part of the losses when results are very adverse. IRB studies the premium rates and takes over an 80% of reinsurance in quota-share, and additionally handles losses over a pre-set amount.
- * Insurance is contracted at bank agencies of the Sao Paulo State Bank. A share of private reinsurance is allowed. There is compulsory coverage for cotton crops and for subsidized crops like peanuts, rice, beans, soybean and potatoes. Other

insurance is voluntary, although Banks request it for granting loans.

- * Only direct farming costs are covered except for insurance premium. Voluntary insurance has deductibles. The program has a stable character and foresees its expansion.

4. Portugal and Spain

There exist quite similar systems which could be summed up in the following manner:

- * The State participates with a subsidy program of 20% in Portugal and 20%-50% in Spain, both countries having State institutions (Special Compensation Fund for Crop Insurance in Portugal and Insurance Compensation Consortium in Spain) which absorb extraordinary losses.

In Spain there is a State Company for Agricultural Insurance (ENESA) which acts as the coordinating body on behalf of the Public Administration in activities related to agricultural insurance. The rates are set by AGROSEGURO, but they are supervised by ENESA and approved by the Insurance Supervisory Department.

Insurers participate through a "pool". In Spain, AGROSEGURO has 82 companies and enjoys an independent legal status, and Portugal counts with 15 companies. In Spain, participation of each company in the pool is previously set, while in Portugal it is proportional to their share in operations.

- * As to the program, in Spain there are two types of coverage: "specific risks" and "yield coverage" (65% to 80%), while in Portugal there is only a wide range of "specific risks".

Losses are paid by both pools, in Spain assessed by AGROSEGURO's own experts and in Portugal by those from the Insurance Institute of Portugal.

Results in Spain for the last two years have been very negative and an important restructuration is being carried out in all insurance lines, specially in the "yield coverage" types, which it is hoped will reestablish the balance of

results and make it possible to carry out a technical and stable program in the future. In Portugal, the results have been more balanced.

5. United States

There exists a system of yield coverage where the Federal Crop Insurance Corporation (FCIC) participates on behalf of the State, and the American Associated Crop Insurance Association (AACIA) for the insurance companies.

- * Federal Government provides subsidies for paying premiums according to the surface covered, and the less the yield coverage percent, the higher the premium compensation. Besides, it provides reinsurance for insurers and sets coverage regulations and tables for average yields, plus collaborating in setting the rates.
- * Private insurers independently handle their own operations together with the aforementioned organisms. In 1985 about 100 seem to have participated in this program.
- * The program is nationwide and affects all crops, subject to periodic adjustments. FCIC establishes average yield tables and the farmers set their production and choose the percentage of coverage and price from among the three offered, which fixes the premium. This program places great importance on the experts acting not only as appraisers but as advisors to farmers.
- * The results for these last two years have not been good, but this will not affect the continuity of the program.

6. Canada

The "yield coverage" system is based on the Central Government but in a very important manner, on Provincial Governments.

- * The Central Government carries out studies, subsidizes part of management costs, acts as reinsurer and besides, provides financial aid and credits so that provincial governments can prepare their programs.

- * Provincial Governments subsidize an additional share of management up to 100%, provide subsidies to farmers for payment of premiums up to 50%, and carry out the work itself of handling insurance.

No private insurers participate in this program. It is voluntary, although the whole surface planted with one same crop must be insured. Crops covered vary for each province, except for fodder and pastures, which are only covered in some of them. 80% average yield for the area is guaranteed, or the individual one of the policyholder. Yield is estimated according to "expected prices". The experts are active or retired farmers.

I certainly hope my words and information have caught the attention of the prominent insurers present here today, specially because our activity participates in an effective manner through public, private and reinsurance companies, in the great task of increasing the agricultural potential of many countries and collaborates in this way in the sociological stability of the rural world, so important to the balance and peace of all nations.

In this last part of my paper, I wish to mention something I feel is of great interest for the countries attending this Congress. I have never desired for insurance, to which I have practically dedicated all my active life, the restricted role of a simple profit-making business or of an activity solely compensating economic risks. I have always wished insurance to be ample and socially constructive, and to use its economic power for the protection and safety of goods and people, and its investment capacity and accumulated assets for the service of the internal economic balance of nations. To these ends I have tried to organize the MAPFRE System, and I would even dare to say that this is where its business success lies.

Insurance is not only compensation, it must also extend to the prevention of risk and to the fostering and spreading of safety measures and concepts. The policyholder is not properly cared for if he only receives correct payment for losses and damages and nothing else. He must be helped, even encouraged, to prevent damages and to reduce their effect, contributing in this manner to avoid material losses not only to the individual but to the

community. When these affect human health or lives, they can never be measured in economic terms.

Although with difficulties, the idea of the active participation of insurers in the world of safety is breaking through, from which in general they have been absent for many years with the prominent exception of "Factory Mutual System" with over 150 years of existence and activity in the industrial field. But with or without efforts of insurers, important steps have been taken in the field of safety and prevention, specially in industrialized countries, although they all forget safety in agriculture.

I also wish to mention in this respect the objectives and aims of the THIRD WORLD INSURANCE CONGRESS and its meetings. I believe none of the TWIC Congresses held to now have dealt with prevention and safety, and much less in agriculture. But I would risk saying that neither the original organizers (I recall the grand dame of Asian Insurance, the prominent Philippine Lady Gregoria Cruz Arnaldo) nor the present ones, feel that these meetings should be limited to the interests of insurance companies managers in a set of markets, but rather that they should extend to the interests of each country's insurance institution. That is, to the service rendered by each insurance market to their respective peoples in its different positions and modalities. TWIC fortunately is, and should continue to be in the future, an instrument for the improvement of insurance in your countries, that in this manner, will become an indispensable piece towards obtaining social balance.

TWIC is still young, it is being shaped and finding its own identity, and each meeting studies in depth the subjects affecting it. I do not know how the idea of crop insurance came about in the Casablanca meeting (and I take this opportunity to congratulate my Moroccan neighbors and their insurance authorities and staffs), for which I was summoned and which is now fully integrated into this Congress. I now wish to propose that in the next meetings, the subjects of "Prevention and Safety", "Safety and Insurance" and specially "Safety in Agricultural Activity" be included.

Prevention is important in all fields. It is fundamental to reduce the number of victims in large industrial plants, but the great businessmen worry about this in their own interest and the improvement of collective action, although always important, is limited.

But in agricultural activity, tens of thousands of farmers die each year, due to accidents or professional illness as consequence of misuse or abuse of phytosanitary products and machinery, and practically nobody in the world worries about it. Agricultural insurance could, and of course should, collaborate in this great human task, which also has an economic effect.

Please allow me to self-indulge, as among the few institutional preventive actions for agricultural accidents carried out in the world, we may mention those carried out by MAPFRE MUTUA PATRONAL DE ACCIDENTES DE TRABAJO (Workmen's Compensation Mutual Insurance Company) in Spain, and those carried out by the "National Safety Associations" of several Latin American countries with the collaboration of FUNDACION MAPFRE which sends professional experts directly to extend safety methods and techniques.

Agricultural income is the most important, by a wide margin, for most of the countries members of the TWIC, and it is obvious the great interest which they would have in taking advantage of agricultural insurance institutions, and crop insurance in particular, to collaborate in safety programs for man in the agricultural activity as an integral part of the development of those nations in which agriculture and stockbreeding are the most important activities.

Thus I wish to finish by proposing that one of the conclusions of this Meeting in Peking be the decision to deal in the next TWIC Congress with the subject of prevention of personal injuries and the protection of personal goods and material resources in general, and in particular in agricultural activity. I trust that this proposal be accepted and that it may be the start of the expansion of safety concepts and techniques in the countries represented here, so important for the future of mankind.

Thank you very much.

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