

Features of agricultural insurance in Uzbekistan

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Abstract: *The analysis of the development of insurance in the agricultural sector of Uzbekistan is carried out. On the basis of the studies carried out, the features of the state, shortcomings and problems of agricultural insurance were identified. Recommendations are given for the development of the insurance market and improving the quality of services provided through the introduction of mutual insurance in the field of agriculture.*

Key Words: *insurance services, agriculture, agricultural insurance, mutual insurance, commercial insurance, farming.*

1. INTRODUCTION:

Agriculture in Uzbekistan is one of the leading sectors of the economy, providing almost 27% of employment and producing socially significant goods - food for the population and raw materials for industry. Accordingly, sustainable development of the agricultural sector is the most important priority of any development strategy of the country aimed at economic growth and improving the welfare of the population.

Meanwhile, Uzbekistan is in the zone of risky farming, which makes the country's agricultural sector extremely vulnerable to the impact of natural factors, undermining the sustainability of its development. One of the most effective tools for managing natural risks is their insurance. International experience shows the high role of agricultural insurance in ensuring the efficiency and stability of the functioning of agriculture. An effective agricultural insurance system allows preventing sharp fluctuations in the income of agricultural producers associated with adverse natural phenomena, creating conditions for improving their financial situation (by expanding lending opportunities), and increasing the investment attractiveness of the agricultural sector.

2. ANALYSIS AND RESULT:

Despite the high degree of relevance for Uzbekistan, agricultural insurance coverage (with the exception of cotton and wheat crop insurance) is still very small. This is primarily due to the peculiarities of this insurance sector. Let's highlight the most important of them:

1. The systemic nature of most risks. All risks can be divided into local (affecting individual economic units) and systemic, which simultaneously affect numerous economic entities. Systemic risks are characterized by a difficultly predictable probability of occurrence and are the source of the greatest losses. In agriculture, as a rule, insurance events cover simultaneously many or almost all policyholders over a large area. The catastrophic nature of most agricultural risks also means that agricultural insurance is more risky than other types. This is especially true for crop production, where production results directly depend on the influence of weather and climatic conditions. Accordingly, the cost of insuring against such risks is very high.

2. The presence of two categories of risks: risks that can be prevented, and risks that appear independently of any actions. Agricultural producers are able to effectively resist some types of risks on their own. For example, flexible agricultural technology helps to significantly reduce the negative consequences of certain adverse weather events, diversification of production - to reduce losses from fluctuations in prices for certain agricultural products, etc. However, a significant part of agricultural risks is objective and cannot be directly controlled by farmers (risks associated with natural disasters, unfavorable changes in the situation on world markets). In these cases, support measures for farmers are aimed at creating mechanisms to reduce the impact of adverse factors on the functioning of agricultural enterprises. Prevention of these factors (prevention) is almost impossible.

3. Agro-risks are characterized by uneven manifestation over time. At the same time, years favorable and unfavorable in terms of weather conditions alternate in an indefinite sequence.

4. The large role of the specificity of the local market / territory, which requires the development of insurance programs that take into account this specificity. For example, in Western Europe and Australia, hail and fire insurance of crops is very popular (and sometimes the only one). Attempts to massively introduce such insurance in Russia and Ukraine have shown that it is not in great demand here. The thing is that the countries of Western Europe and Australia have a warmer (subtropical) climate, where the frequency of hail is high. In colder continental climates, hail occurs less frequently and causes less damage. Therefore, it is not always advisable for agricultural producers to buy such insurance. This shows that the same level of yield fluctuation can be due to completely different reasons in different countries.

5. High complexity of risk assessment, determination of criteria for the occurrence of an insured event, assessment of the impact of insurance events on the real income of agricultural producers. This is primarily due to the presence of many factors affecting the productivity and profitability of agricultural production. In years different in terms of the totality of natural conditions, at the same costs per unit of area and / or a conventional head of livestock, different volumes of production can be obtained. At the same time, an increase or decrease in production volumes does not mean a corresponding increase and decrease in the income of agricultural producers, which also depend on the dynamics of price parameters of the market.

6. The need for special training of insurance personnel. Underwriting (processes of risk analysis, determination of terms, conditions and amounts of coverage, etc.), sale of policies, monitoring of compliance by clients of insurance companies with insurance conditions (in particular, their compliance with agricultural technologies), determination of losses under agricultural risks insurance contracts require special training of personnel, attracting specialists not from the insurance sector (agronomists, veterinarians) and other additional costs. Accordingly, the investments of insurance companies should be made not only in product development, but also in the training of sellers, underwriters, agents.

7. The spread of insurance is often accompanied by an increase in moral hazard. This term is usually understood as a situation in which a person or organization that received a policy deliberately makes decisions that increase the risk of an insured event (or do not take actions aimed at reducing it), in order to cover possible losses through insurance compensation. Since there are many ways in agriculture to increase the stability of crops, reduce the mortality of livestock and poultry, etc., the use of which is difficult or impossible to control, the problem of moral hazard is especially acute here.

To protect against moral hazard, it is recommended to apply a franchise, i.e. provide in insurance contracts for the release of the insurer from compensation for losses not exceeding a certain amount. The use of an unconditional deductible by reducing small payments allows you to dramatically reduce the number of insurance claims, covering crop shortfalls really only from natural disasters. In addition to reducing the work of insurance organizations and reducing moral risk, this circumstance also solves another important problem - it significantly reduces the rates of insurance payments. Another important way to reduce moral hazard is the practice of refunding a portion of the premium. It is widely used in the West. For example, in Germany, in the absence of insurance payments, up to 50% of the insurance premium is returned at the end of the animal insurance contract.

The development of the agricultural sector of the economy of Uzbekistan is entering a new phase, the basis of which should be an increase in the quality and competitiveness of products, the transition of the industry to an innovative path of development (technical and technological modernization and renewal, decentralization of management, improvement of market relations and an increase in the export potential of the industry and the profitability of agricultural producers).

Agricultural insurance in Uzbekistan is a voluntary type of insurance. The rather slow development of voluntary insurance is associated with the lack of free funds for agricultural producers to pay insurance premiums, as well as the lack of understanding by farmers of the very essence of insurance as a mechanism to protect financial well-being.

Let's highlight the features of the agricultural insurance market in Uzbekistan:

1. A high degree of dispersion and a large number of potential policyholders. A feature of modern agriculture in Uzbekistan is the dominance in the industry of small-sized production units: farms and dekhkan farms. The share of agricultural products produced by dekhkan and private farms is 97% of the gross agricultural output.

Diffusion and a significant number of potential policyholders create many problems for the timely conclusion of insurance contracts in crop production. A significant number of potential policyholders cause no less problems in matters of livestock insurance. It is important to bear in mind that animal husbandry accounts for 49.8% of the agricultural products produced in the country. On average, one dekhkan farm accounts for 2-3 units. cattle. Considering that the total size of the cattle herd in dekhkan farms is 12.1 million heads, the number of potential insurers reaches several million.

2. Currently, the main incentive for crop insurance for farmers is the requirements of commercial banks for insurance when issuing loans, primarily soft loans to finance the production of raw cotton and grain. Thanks to these requirements, insurance is widespread in crop production.

3. Lack of competition in the field of agricultural insurance. Currently, there is only one company in the industry that provides insurance services for agricultural crops - Uzagrosugurta. This state of affairs is most likely due to the following reasons:

High risks. If on average across the entire insurance industry payments are 25-30% of the received insurance premiums, then in the agricultural insurance sector this figure is 60-70%.

The need to create an extensive insurance infrastructure, taking into account the high degree of dispersion of potential policyholders, which requires significant initial investment. A high degree of moral hazard and the need for specialized knowledge in agricultural insurance also restrict market access for new insurance companies.

The above specifics of the sector restrict market access for new companies, increase the cost of insurance, and hold back the expansion of insurance coverage.

Based on the studied experience of foreign countries, it is necessary to develop a law on insurance of agricultural risks, which defines the legal framework and features of insurance of risks in agricultural production and applies to agricultural property, as well as harmonizing legislation on agriculture of the Republic of Uzbekistan. The law should be aimed at creating and ensuring the political, economic, social, environmental and legal conditions for the profitable functioning of agricultural enterprises, increasing the profitability of farms, developing market relations, economic and food security, further strengthening the agricultural sector of the country's economy.

3. RECOMMENDATIONS:

The best way to develop agricultural insurance, as in other segments, can be insurance based on reciprocity. This form of insurance allows, on the one hand, to reduce insurance premiums, on the other, to increase the confidence of policyholders. Therefore, this type of insurance in agriculture should also be reflected in the law.

Unlike commercial insurance companies, mutual insurance companies do not pursue the goal of making a profit, and therefore all their reserves remain at the disposal of the founders, that is, the policyholders.

Historically, the first organizational form of mutual insurance is that in it the policyholder and the insurer are united in one person, and it has a non-commercial nature. [5]

In mutual insurance, members of the society for insurance of property interests pool their funds in order to create an insurance fund, and the ownership of each insured is converted into the joint ownership of the entire community of insurers at the expense of this fund [6]. The specificity of mutual insurance lies in the fact that each insured, while being a member of the fund, actively participates in the management and financial activities of the company, with the right to one vote. Members of a mutual insurance society can determine the development policy of the company, the list of insured risks, the cost of services, the formation of insurance reserves, etc. Material resources can be combined with the resources of other policyholders who have a similar intention to insure property interests. Such a union takes place on the basis of an agreement between its participants. To create insurance products, they participate with their own funds in the formation of the insurance fund, and the right of ownership of each insured to these funds is retained [7].

Considering the signs that determine the reciprocity of insurance relations, many researchers pointed out, firstly, the equal position of policyholders, secondly, the participation of policyholders in the management of the mutual insurance society established by them, and thirdly, the so-called bonds of solidarity linking policyholders on the basis of reciprocity [8].

The main means of reducing the amount of participants' contributions is to carry out preventive measures on an ongoing basis. Therefore, in practice, one of the main organizational measures of a mutual insurance society is to carry out preventive work.

Practice shows that the mutual form of insurance in the insurance markets of Japan, the USA, and a number of European countries is not inferior to the commercial one in importance and efficiency. At present, six of the ten largest insurance companies in the world in terms of assets are mutual insurance companies, two of these six belong to Japan.

One of the most promising spheres of activity of a mutual insurance society is insurance of agricultural producers.

Agriculture is a strategic sector of the economy, the effective development of which is largely determined by the degree of government regulation and depends on the amount of government support. One of the main ways of the state's economic impact on agricultural production is the use of insurance as a tool to reimburse agricultural producers in risky situations of a natural nature.

For Uzbekistan, the experience of agricultural insurance in industrialized countries of the world is of practical value. There, state support for the agricultural business is provided by market insurance mechanisms, which are a component of the state agricultural policy.

In foreign countries, agricultural insurance is carried out with the participation of the state in the form of subsidizing insurance premiums, compensation for damage, organizing a state system of reinsurance coverage on a commercial and reciprocal basis in domestic and foreign markets [9].

Based on the practice of developed countries, mutual insurance societies could occupy a special position in the agriculture of Uzbekistan, being in fact one of the forms of rural cooperation.

The system of mutual insurance is close to the farmer, since it is based on the ideas of community and mutual assistance, traditional for the Uzbek mentality. This can facilitate the involvement of farmers in insurance.

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