



**MINISTÈRE
DE L'AGRICULTURE
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2023
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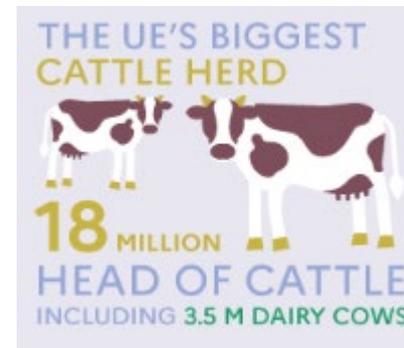
INTERNATIONAL CONGRESS ON AGRICULTURAL INSURANCE

5th October 2023

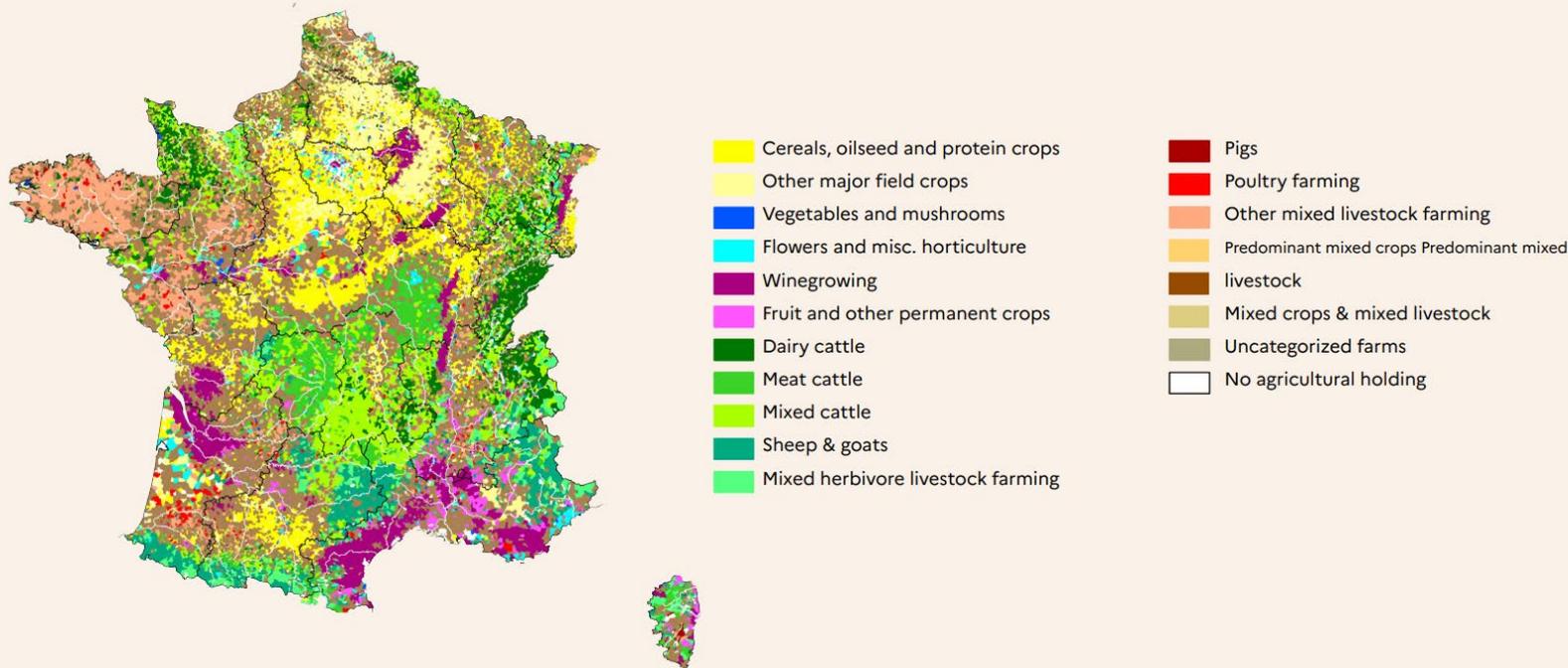
Enhancing agricultural climate risk management: France's 2023 crop insurance reform

Simon Tranchant, Head of Risk Management unit
DGPE – French Ministry of Agriculture and Food Sovereignty

A brief overview of French agriculture



THE DIVERSITY OF AGRICULTURAL PRODUCTION



1. OUTDATED RISK MANAGEMENT TOOLS IN THE FACE OF CLIMATE CHANGE



Subsidised Multi-Risk Climate Insurance for Crops

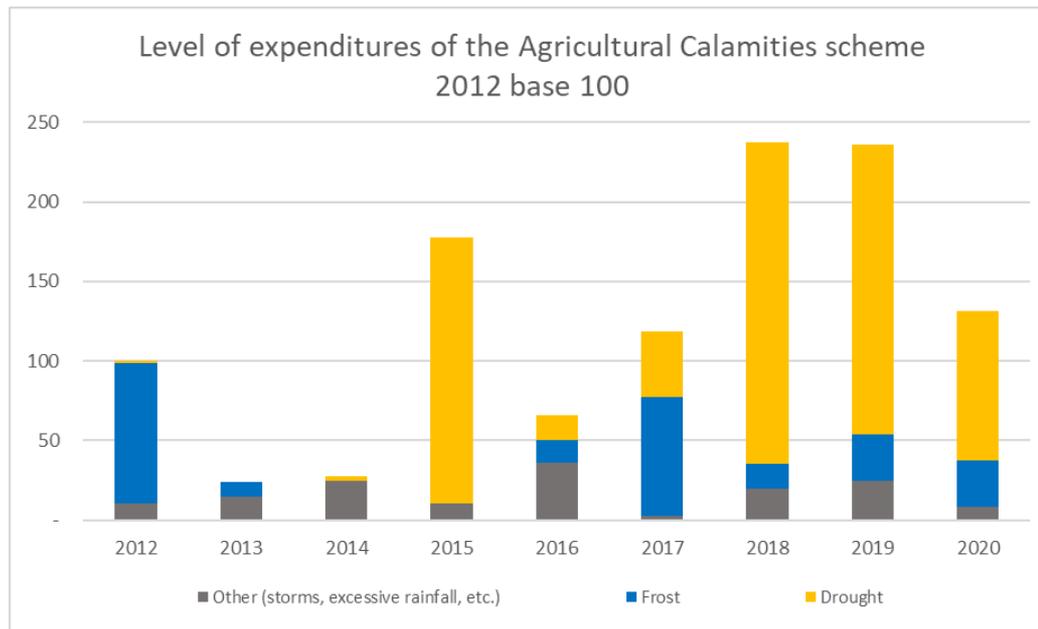
- Established in 2005, it was aimed at enlarging the scope of climate risk coverage from just hail and frost insurance
- Supported farmers' subscription of insurance policies respecting specifications regarding especially minimal level of deductible and trigger threshold
- Individualised compensation based on expert assessment and contract-defined guarantees
- Insurance premiums subsidised by the European Union under CAP

The State Compensation System of “Agricultural Calamities”

- Established in 1964, consisted of a partial state compensation for "uninsurable" losses
- Limited to orchards, meadows, vegetables and specialised productions
- Triggered in case of exceptional weather episodes like natural disasters
- Based on a collective approach: recognition of losses and compensation within specific areas

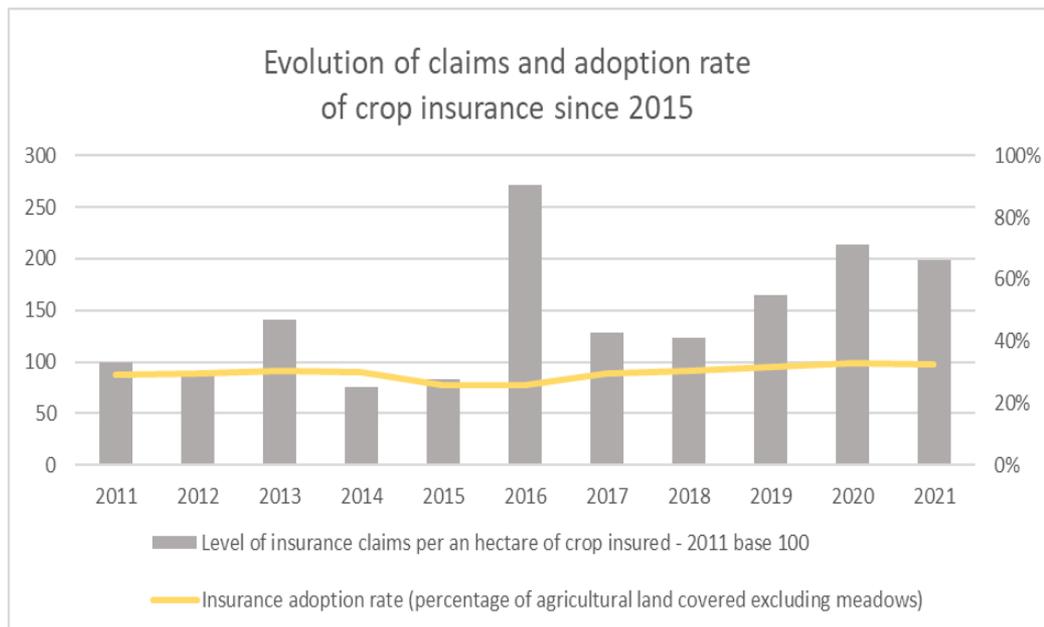
The impact of climate change on climate risk compensation systems during the last decade

Impact on state compensation system



The impact of climate change on climate risk compensation systems during the last decade

Impact on insurance



The drawbacks of previous schemes...

- **Regarding insurance:**

- Repetition of claims increased costs of insurance for farmers and imputed the overall profitability for insurers
- The intervention of direct State compensation in vegetable, meadow and orchard, hindered insurance development in these sectors
- As a result: Limited insurance coverage persisted in 2022

- **Regarding the State compensation scheme:**

- Lack of personalisation led to misunderstandings amongst farmers
- Exclusion of field crops and vineyards from public support left these key crops vulnerable to exceptional events

...call for a reform overhaul

- Reshape the system to enhance agricultural resilience to climate change

Crop insurance reform

The March 2022 law established a new system based on national solidarity and risk sharing between the State, farmers and insurers

Who can benefit?

All farmers in mainland France



How does it work?

The reform profoundly reorganised the previous scheme in a unique **three-tiered risk coverage system**

When did it start?

The March 2022 law is applicable **from 1 January 2023**





2. THE THREE-TIERED SYSTEM

How does the unique “three-tiered” system of risk coverage for crop losses work?

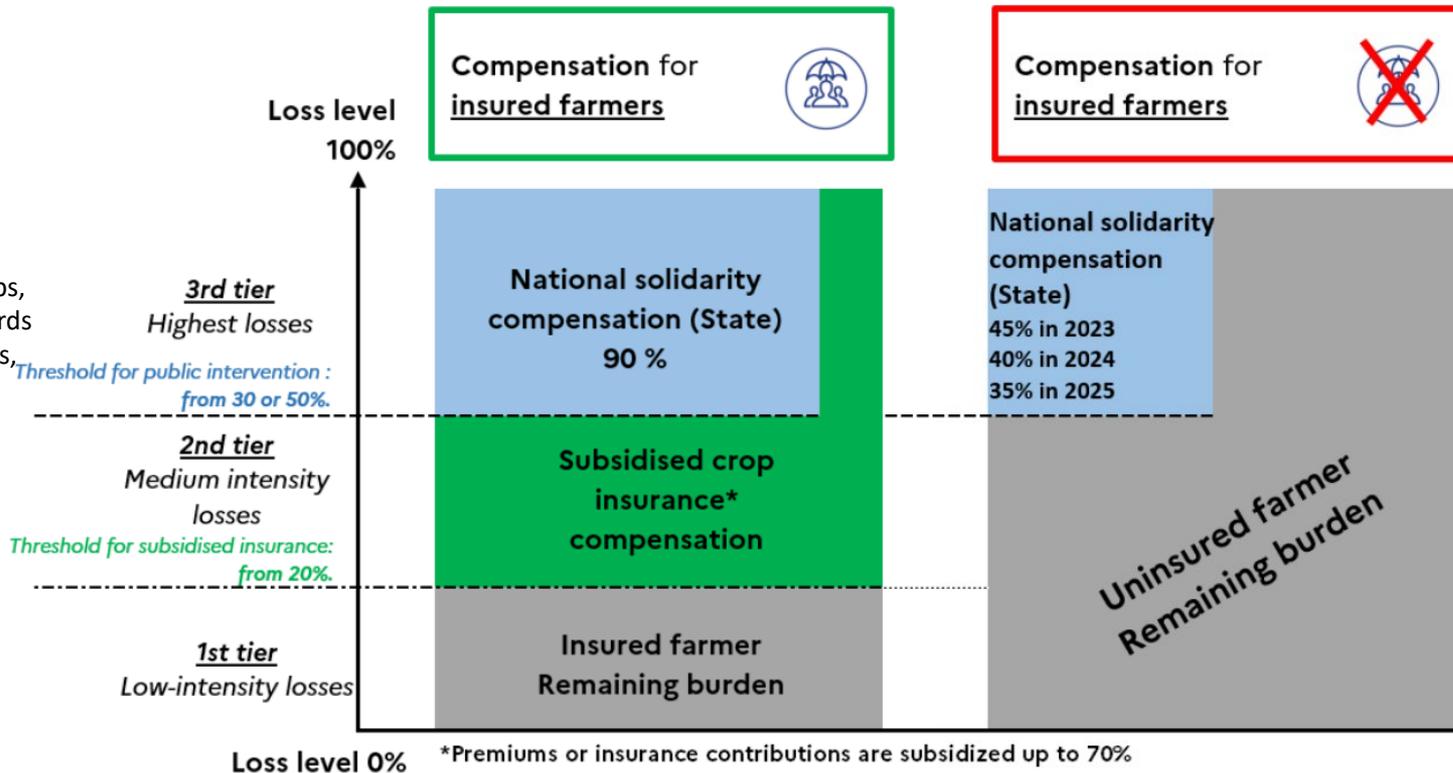
- **Tier 1:** For low-intensity risks, the farmer takes responsibility
- **Tier 2:** For medium-intensity risks, compensation by the **subsidised crop multi-risk climate insurance policy** (if subscribed)
- **Tier 3:** For risks of exceptional magnitude, **national solidarity compensation (“indemnisation de solidarité nationale”)** paid by the State and the insurer:
 - **If the farmer is insured for crop losses**, the State compensates **90%** of “Tier 3”, and the remaining 10% is compensated by the insurer
 - **If the farmer is *not* insured for crop losses**, the State compensates **45%** of “Tier 3” in 2023, the rest being borne by the farmer

Progressive reduction of the compensation rate for uninsured farmers is foreseen to incentivise insurance and to consolidate the financing of insurance subsidies

Overall scheme of the reformed system

The national solidarity is triggered for losses:

- Over 50% for field crops, vegetables and vineyards
- Over 30% for meadows, orchards and other specialised crops as horticulture



Examples of compensation for field crops

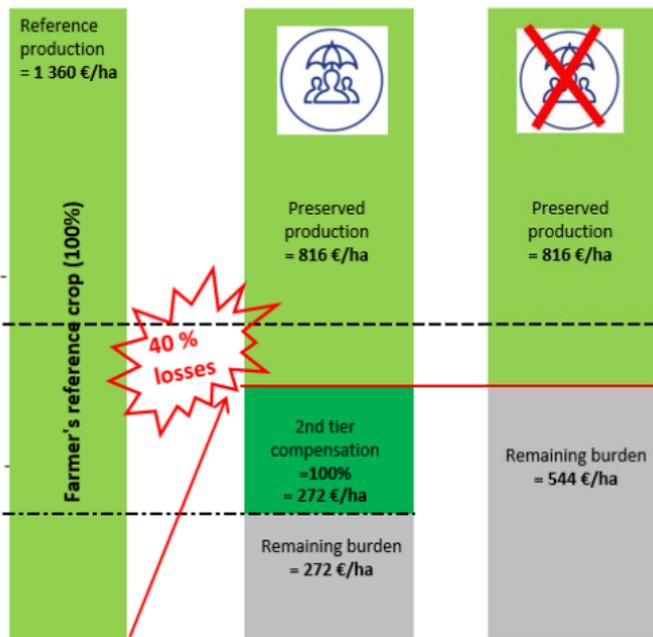


Situation: Spring barley with a yield history of 8 tons/ha. The insurance scale price of €170/ton.

➢ So the reference production taken into account by the insurance and by the State is $170\text{€} \times 8 \text{ tons/ha} = 1\,360\text{€}/\text{ha}$.

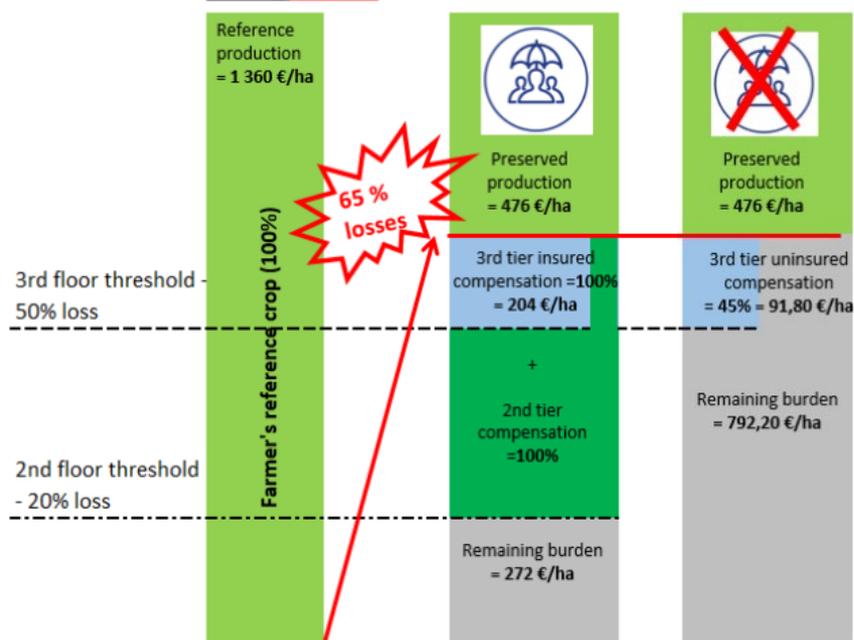
Compensation in the event of a climatic hazard

causing **40% loss**



Compensation in the event of a climatic hazard

causing **65% loss**



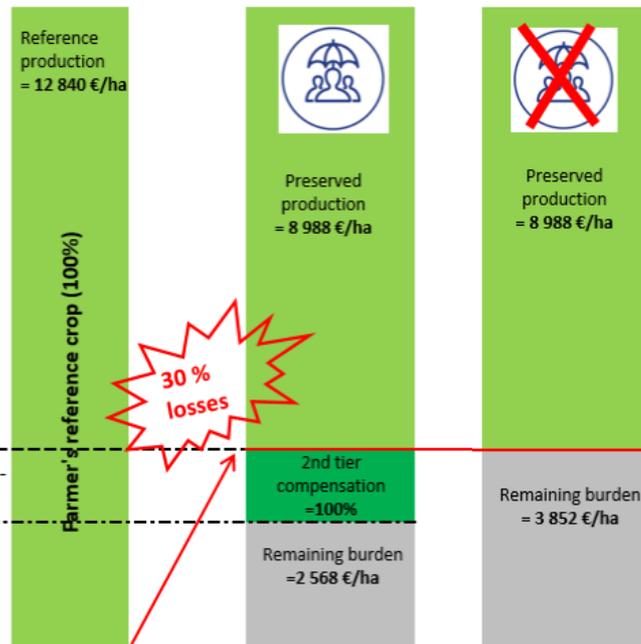
*in 2023

Examples of compensation for fruits

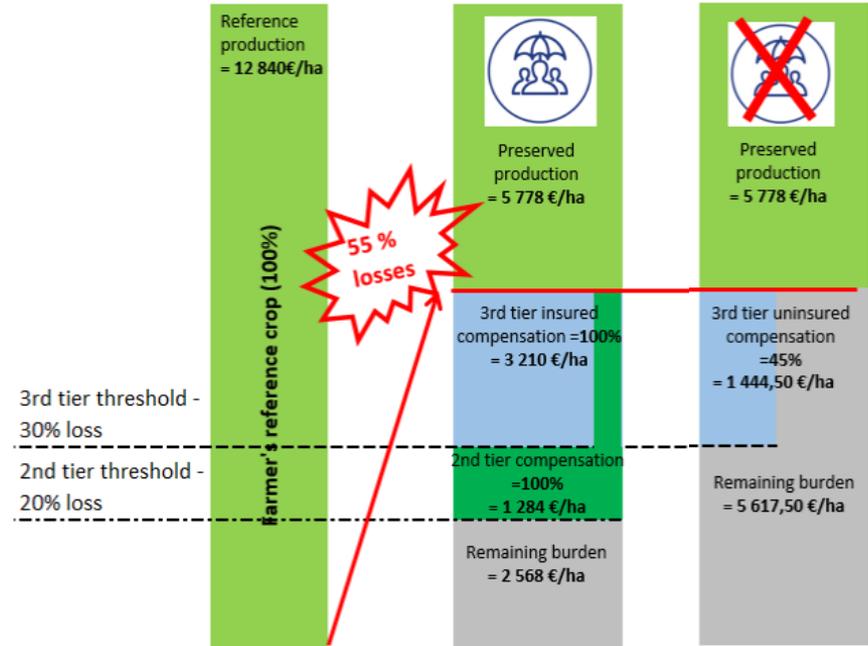


Situation: Pears with a yield history of 20 tonnes/ha.
 The insurance scale price of 642 €/ton.
 > So the reference production taken into account by the insurance and by the State is 642€ x 20 tons/ha = 12 840 €/ha.

Compensation in the event of a climatic hazard causing 40% loss



Compensation in the event of a climatic hazard causing 55% loss



*in 2023

3. SUPPLEMENTAL TOOLS INTRODUCED BY THE REFORM



The Network of Approved Intermediaries

- **Composition and objectives**
 - Composed of insurers distributing subsidised multi-risk climate policies
 - Responsible for disbursing compensation based on national solidarity on behalf of the State
 - Adopts a single-window approach for farmers

- **Perimeter Expansion**
 - Implemented in 2023 for insured crops of farmers.
 - Future plans to gradually extend coverage to non-insured crops.
 - Aims to harmonise the approach to loss evaluation between insured and non-insured farmers.

Co-Reinsurance pool of insurers

- **Composition:** Insurance companies offering climate multi-risk insurance
- **Objectives**
 - Share loss data
 - Determine optimal pure risk insurance premiums
 - Mutualise risks by co-reinsurance of a part of pure insurance premiums
- **Implementation process**
 - The insurers have until July 2024 to negotiate and submit a draft of convention and status
 - In the absence of an insurer agreement and if the adoption rate of insurance amongst farmers remains unsatisfactory:
 - The State can issue a call for interest to encourage pool creation
 - Alternatively, the State can establish the pool by decree at a later stage

CONCLUSION



Conclusion: Building Climate Resilience in French Agriculture

- **A comprehensive Agricultural Risk Management**
 - The new agricultural risk management framework, stemmed from the 2023 crop insurance reform, strikes a balance between individual responsibility and national solidarity
- **A Three-Tiered System**
 - The subsidised multi-risk climate insurance is a pivotal component of the new three-tiered approach
 - The National Solidarity Compensation offers protection for farmers in case of extreme climatic events while incentivising insurance adoption for more common climatic risks
- **Supplemental Tools for Enhanced Resilience**
 - The single-window approach simplifies compensation processes for farmers. It will promote a harmonised approach amongst insured and non insured farmers
 - The co-reinsurance pool will eventually enable data sharing and risk mutualisation amongst insurers, optimising risk assessment and pure premium determination