International Conference

„Agricultural Insurance as a Tool for Risk Management“

15 - 17 November 2006, Madrid
Survey

- Austria’s Agriculture in Figures
- The Austrian Agricultural Multi-Peril Insurance System
Austria’s Agriculture in Figures
(Source: Green Report 2006/year 2005)

Share of agriculture in the gross domestic product: about 1.6%

Persons working in agriculture (annual work units) 187 300
Share of unpaid (family) workers 84%

Holdings:
Agricultural holdings / pure forest enterprises 190 382 / 13 273
Average size of agricultural holdings / incl. forests 18.4 ha / 34 ha

Areas:
Agricultural area 3 260 000 ha
– Arable land 1 375 000 ha
– Permanent grassland 1 810 000 ha
– Permanent crops (wine, fruit) 72 500 ha
Forested land 3 202 000 ha

Foreign trade:
export € 97.71 bn
imports € 96.50 bn
→ about 80% of the foreign trade within the European Union
Austria’s Agriculture in Figures
(Source: Green Report 2006/year 2005)

Crops:
- Grass land and pasture 1 810 000 ha
- Cereals 796 000 ha
- Oil seeds 112 000 ha
- Sugar beets 45 000 ha
- Wine 46 000 ha
- Potatoes 22 000 ha
- Market gardening and horticulture 14 000 ha

Animal husbandry:
- Beef production 2 011 000 cattle
- Pork production 3 170 000 pigs
The Austrian Agricultural Multi-Peril Insurance System
Business organisation

- Mutual insurance association
- Founded by the insurance industry 1946

Corporate objectives

- Comprehensive risk management for agriculture
- Non profit organisation
Private-Public Partnership

Hail Insurance Promotion Act
Subsidies to farmers to reduce the hail and frost insurance premium

Return of premium in case of little claims
In case of a return of premium the Federal Government and the provinces will each receive 25% of the returned amount
Private-Public Partnership

Use of databases available from the Austrian marketing board (AMA)

- Without access authorisation to AMA - data (95%)
- With access authorisation to AMA - data
AMA - Premium Discount due to direct farm data access
In Million €

1998: 2
2000: 3
2002: 4
2004: 5
2005: 3.49

Note: The number of years between 1998 and 2005 is not consistent in the data provided.
### Target: Comprehensive Risk Management
from a pure hail insurer to a comprehensive partner

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<tr>
<th>Arable crops and field vegetables</th>
<th>Grassland farmers</th>
<th>Beet-growing farmers</th>
<th>Horticulture and tree nurseries</th>
<th>Wine growers</th>
<th>Fruit growers</th>
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<td>Damage from slugs and snout beetle</td>
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<td>Permanent rain in times of harvest</td>
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<td>Damage from crows</td>
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Grassland

Fruit-growing

Horticulture (greenhouse)

Arable land

Wine-growing

Insured since 2006

Insured

Not insured

Area:

Livestock:

Market Penetration 2006

Area:

Livestock:

Cattle

0% 25% 50% 75% 100%
Multi-Peril Insurance

Five reasons to take out a multi-peril insurance:

* Compensation of income losses
* Structural changes
* Specialisation
* Subsidisation
* Climate change
Preliminary Key Figures 2006

Hail-insured acreage: 1,115,000 hectare
  78.5 % overall coverage of farmland
  62.0 % overall coverage of viticultural land

Multiple-risk insured acreage: 703,000 hectare
  63 % overall insurance

Premium: € 53.8 million

Sum insured: € 2.3 billion

Sum of indemnification: € 40 million

Loss ratio: 74 %
Area Insured in Austria
1985 – 2006

1985: 1,115,000 ha
2006: 703,000 ha

1,115,000 ha
703,000 ha

Hail Insurance
Multi-Peril Insurance (incl. Hail)
Claims 2006

- Frost
- Flood
- Hail
- Sprouting
- Drought
Loss Assessment and Compensation

- Loss adjusters assess each claim at every crop and every field
- Indemnification depends on the chosen insurance product
- Retention from 0 – 50%, in most cases 4%
- Drought damages are compensated if yield falls below determined limits
Summary

In Austria

- **hail and 9 other risks** are insurable

- there is an **established private-public partnership**: 50% grants to insurance premiums for hail and frost

- there is an **active risk management** in agriculture: 80% of the total arable land is insured against hail, of which 60% is also insured against multiple risks.

- 25% of the entire cattle is insured