



## Swiss Re issues Focus Report on Agricultural Insurance in China

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**Zurich, 8 January 2009 – Agricultural insurance plays an important role in stimulating investment in agriculture and in stabilising farmers’ income. In a Focus Report titled: *Setting up sustainable agricultural insurance: the example of China*, released today, Swiss Re suggests that China’s experience with agricultural insurance subsidies could point the way for other emerging markets to drive growth and secure food supply. The report also recommends that all stakeholders in the agricultural insurance sector collaborate to ensure risk-adequate pricing and to develop viable risk assessment procedures and solutions for local markets.**

China is one of the fastest growing economies in the world and one of the major agricultural producers. As demand for food is rising to satisfy an increasingly affluent population, the country is also facing the growing challenge of securing the necessary food supply in the face of events such as floods, typhoons, droughts or epidemic livestock diseases.

### **Subsidies spur significant growth in agricultural insurance**

Recognising the importance of the agricultural sector for its economy and social stability, China introduced subsidies for agricultural insurance in 2007, making insurance protection more affordable to large groups of farmers.

The subsidies spurred an instant demand, generating premiums to a value of USD 800 million in 2007. In 2008, premiums are expected to reach an impressive USD 1.8 billion, which makes China the second biggest market for agricultural insurance after the United States. Further growth can be expected in the coming years.

Roman Hohl, Co-Head Agriculture of Swiss Re, and one of the authors of this Focus Report said: “China’s use of agricultural insurance as an incentive for farmers to expand agricultural production, and its efforts to develop a robust agricultural insurance industry, is a good example for other emerging markets that currently lack such a framework.”

### **Creating a robust agricultural insurance market**

While the introduction of subsidies has given agricultural insurance a broader base, the challenge remains to create a robust market able to cover a large variety of crops, different climatic regions as well as China's predominantly small-scale farming operations.

Access to the domestic and global reinsurance market is helping Chinese insurers to absorb peak risks. China is now also seeking to benefit more from the global experience and know-how of international reinsurers with dedicated agricultural specialists. Swiss Re is one of the companies that has been approached by Chinese insurers and local governments.

Agostino Galvagni, Head of Insurance & Specialty at Swiss Re, said: "In view of the diverse agricultural conditions there can be no one-size-fits-all solution for the whole of China. However, Swiss Re has the experience and know-how to help create the structures that could nurture a sustainable insurance system, and further, assist the country in addressing the priorities of their agricultural development programme in an efficient way."

"With its profound risk management expertise, Swiss Re can also assist in developing solutions to issues where conventional agricultural insurance is difficult to implement. Solutions can include index-based structures covering volume and price risks," said Juerg Trueb, Swiss Re's Head of Environmental and Commodity Markets.

### **Call for closer cooperation with the Chinese government**

In conclusion, the Focus Report calls for all stakeholders in the agricultural insurance sector to collaborate to gather the necessary loss information that would allow for risk-adequate pricing of insurance products at the local level, and to develop viable loss assessment procedures. Both of these belong to the challenges that need to be addressed, to make the burgeoning agricultural insurance market in China truly robust.

### **Notes to editors**

To access the Focus report **Setting up sustainable agricultural insurance: the example of China** please go to [our website](#).

### **Swiss Reinsurance Company Ltd**

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 25 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA-" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.