



Insurance is vital to further grow Russian agriculture and to ensure financial stability of its farmers, says a new Swiss Re report

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Munich, 23 June 2010 - Swiss Re today launched a publication entitled "Sowing the seeds for record harvests: risk reduction a must for Russian agriculture". The new report gives an overview of the development of Russian agriculture and discusses reasons for the low insurance penetration. It also proposes measures to help develop a more robust agricultural insurance framework.

Insurance is an important stepping stone to food security and financial stability for farmers. While risk perception is high amongst Russian farmers, the report, which was presented in Moscow today to members of the agricultural insurance sector and the Russian government, shows that Russian farmers are reluctant to consider insurance due to concerns related to high premium costs and inadequate claims settlements.

"Russian farmers need financial risk management tools that address their concerns related to the current offering", said Reto J. Schneider, Head of Swiss Re's Europe & Africa Agriculture unit. "Such solutions could take the form of index insurance products which facilitate an objective, fast and cost-effective loss settlement. Furthermore, with better financial risk management farmers may use their funds for investments into infrastructure such as on-farm storage instead of covering the self-insured losses".

Survey identifies risk perception of Russian farmers

The new Swiss Re report is based on the company's market expertise, as well as the results of a survey conducted among Russian farmers. Commissioned by Swiss Re, the survey evaluated the risk perception and risk management strategies of 250 large farms.

Farmers agreed that extreme weather, low output prices and high input costs were the most significant risks. Drought was the most often mentioned weather-related cause of financial impact.

Surveyed Russian farmers had excellent knowledge of risk and loss preventing measures. In spite of this, their attitude towards insurance

proved largely negative, perceiving insurance as too expensive and loss settlements as inadequate.

Constructive solutions

To deal with these concerns, Swiss Re recommends that operational issues should be addressed first. This includes the establishment and optimisation of the agriculture insurance infrastructure in the field.

Geographic Information Systems (GIS) could be used for processing field specific information, underwriting, loss assessment and the allocation of resources. Further, the insurance industry should invest in online sales platforms to allow farmers better access to product offerings and reduce insurance costs.

Solutions based on remote sensing data such as weather or yield statistics that can be gathered quickly even for extensive areas, would allow for greater transparency and faster loss settlement. Revenue covers could address farmers' concerns over commodity price risks.

More investment in agriculture needed

In order to accelerate the progress of agricultural production, Russia has to continue to attract more investment into the entire agricultural value chain, the new Swiss Re publication concludes. Access to agricultural insurance and futures markets, tailored to the needs of farmers and the agricultural industry, are pre-conditions for such investments. A more robust agricultural insurance framework would ultimately increase financial stability for farmers, improve food security, and allow for an increase in exports.

Notes to editors

Full report

The full Swiss Re report "Sowing the seeds for record harvests: risk reduction a must for Russian agriculture" can be downloaded from www.swissre.com.

Swiss Reinsurance Company Ltd

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 20 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 "A+" by Standard & Poor's, "A1" by Moody's and "A" by A.M. Best.

Swiss Re in Russia

Swiss Re is a leading reinsurer in the Russian agricultural insurance market. The company intends to continue growing its presence in this market.