

CURRENT ISSUES OF AGRICULTURAL INSURANCE AND WAYS OF DEVELOPMENT IN ARMENIA

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JEL- Q140

Abstract. Agriculture is one of the main sectors of the economy of the Republic of Armenia. The efficiency of agricultural production in the province is mainly due to climatic conditions. For this purpose, first of all, a systematic study should be carried out on the situation in the provinces, the agricultural features of each province, the dangers posed and the agricultural work being carried out. The features of this system are different in different countries, and their study will allow us to find similarities that can be applied in Armenia. Assessing the importance and difficulties of agricultural insurance, it is necessary to introduce an insurance system that equally expresses the interests of both the insured and the insurer. In other words, to neutralize farm risks, insurance companies will not increase their risks, so a reasonable way to balance them is to introduce a state-subsidized agricultural insurance system.

Key words. agriculture, risk, insurance, plant species, disaster.

Agriculture has a unique place and role in any real sector of any country, which is one of the most important areas for economic development, employment and the general living standards of the population. It plays an important role in the development and stabilization of Armenia's economy, providing more than 20% of the country's gross domestic product, about 40% of employment, and at the same time accounting for more than 20% of exports and agricultural products. All regions of Armenia are in the middle or high risk zone of natural disasters. Being a mountainous country, Armenia has an disproportionate distribution of droughts and water resources. Subject to erosion and natural disasters, the country is more sensitive to adverse climatic changes, making the livelihoods of rural areas vulnerable. And the agricultural sector is of great importance for Armenia.

It provides the significant part of livelihoods, food security, rural development and export in rural areas. Current mechanisms for financing the sector and state policy aimed at promoting export products, mainly related to insurance, lending and investment processes.

Agricultural insurance is one of the types of property insurance, which includes insurance of agricultural crops, crops and perennial seedlings, insurance of agricultural animals, insurance of property (farms) of agricultural organizations and farms, insurance of other risks related to agriculture.

The insurance of crops and perennial seedlings is insured against complete loss or damage due to drought, storms, floods, frost, hail, as well as from various diseases and plant pests.

In the case of crop insurance, the crop reduction from 1 hectare to the average of the last five years is considered an insurance case. The amount of damage is determined by the purchase price specified in the insurance contract. Harvest insurance contracts are concluded in advance, ie before sowing, taking into account the biological characteristics of crops and the conditions of their growth. Insurance ceases immediately after harvest.

Harvest insurance premiums are calculated separately for each crop or crop group, multiplying the value of the crop expected from the entire sowing area by the insurance rate. Insurance tariffs vary depending on crops and regions. The value of the crop can be determined by one of the following two options: [2]

1. Based on the average yield of 1 hectare and the average purchase prices of the last five years. In the latter case, the value of the crop is determined for each crop and crop group.
2. Based on the average yield from the harvest of the last five years.

All insurance contracts, as well as the crop insurance contract, are concluded on the basis of a written application-questionnaire of the insured, where it is obliged to indicate all the information known to him, which is essential for determining the degree of risk. The development of agriculture has a direct impact not only on food production, but also on the sustainable employment of people, involved in the sector and their adequate income and poverty reduction.

In order to introduce and develop the agricultural insurance system in the Republic of Armenia, the number of measures are needed, including: [3]

- ✓ Comprehensive study of international experience in the operation of the agricultural insurance system,
- ✓ Design the startagy for agricultural insurance system, future to formate and develoe
- ✓ Create the normative-legal base for the formation and effective operation of the agricultural insurance system,
- ✓ Clear regulate and distribute of powers of state and non-state bodies involved in state support programs for agricultural insurance;
- ✓ Create the system of accreditation of experts and managers of the agricultural insurance market, management staff, specialists,

✓ Developme and implement other mechanisms of insurance companies' standards of operation, insurance products, procedures and tools.

In order to regulate the process of introduction of the insurance system in the field of agriculture of the Republic of Armenia, to present measures, the terms of their implementation and to clarify the executors, we will present the following road map.

Table 1

Roadmap of the implementation for the agricultural insurance system in RA. [1]

Goal	The name of the measure	Durartion	Performer
Ensuring the limits and mechanisms of compensation of insurance tariffs by the state	The limits of insurance compensation by the state and the mechanisms will be defined by the provisions of the following legal documents. RA Law on Agricultural Insurance, Medium-Term Expenditure Framework for Relevant Years, RA Law on Budget for Relevant Years.	2019	Government of the Republic of Armenia, RA National Assembly. Central bank of Armenia, Ministry of Finance of Armenia
Establishment of institutional opportunities for regulation of agricultural risk insurance activities in the Republic of Armenia	Rename of Bureau of Motor Insurers , and formatie regulating body of the activity of agricultural risk insurance (hereinafter referred to as the RA Agricultural Insurance Fund) as the part of the renaming of the Bureau of Car Insurers of the Bureau of Motor Insurers of Armenia.	2019	Government of the Republic of Armenia, Central bank of Armenia
Regulation of the size and mechanisms of participation of insurance companies under the RA Agricultural Insurance Fund	Defining the size and mechanisms of participation of insurance companies under the RA Agricultural Insurance Fund in accordance with the provisions of the following legal documents RA Law on Agricultural Insurance, Decision of the RA Government on Approval of the Charter of the RA Agricultural Insurance Fund. [6]	2019	Government of the Republic of Armenia, RA National Assembly. Central bank of Armenia, Ministry of Finance of Armenia [7,8]
Ensuring the operation of a unified database of agricultural risk insurance systems [6]	Collection, processing and archiving of information on different branches and sub-branches of agriculture, by regions and regions.	2019	Central bank of Armenia, , Natonla Statistical Committee e of Armenia
Ensuring the calculation of insurance amount for crop insurance tariffs and units of crops and perennial plantings	Calculation of insurance tariffs for agricultural crops (main types of grain and grain crops, potatoes, main types of vegetables, vegetable crops) in the regions of the Republic of Armenia in case of 75 և 50% crop insurance.	2019	Central bank of Armenia [7]

We do believe, that the proper implementation of all these measures will give an opportunity to form and develop the effective agricultural insurance system in Armenia, the operation of which, as already mentioned, is very important for ensuring the sustainability of production and income generation in the agricultural sector, to reduce budget expenditures, to compensate for losses caused by disasters, and in general, taking into the account, that it's share to GDP has also important in terms of ensuring the sustainability of economic development.

The prospect pf agricultural insurance is quite vague at the moment in the Republic of Armenia. There are many countries where there are other ways to insure agricultural risks. We are talking about loan insurance. The main problem is always related to the payment of loans in Armenia. Loan insurance will significantly help solve the problems of the sector, which will allow banks to provide loans at lower interest rates. And the clear introduction of the crop procurement commitment system will allow solving the main problem of procurement. Agriculture is the establishment of reasonable insurance tariffs as the one of the preconditions for the introduction of the insurance system in such an area as Armenia's. The latter is a complex process, which is conditioned by the peculiarities of rural economy, spatial distribution, diversity of sub-branches, as well as by unpredictable and undesirable influences due to climatic factors. The establishment of substantiated insurance tariffs should serve as the basis for clarifying the mechanisms of the insurance system, assessing the opportunities of the insured, determining the number of crops included in the insurance, perennial plantings and livestock composition, assessing the load of economic entities in the agricultural sector and exchanging insurance premiums

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