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IMPROVEMENT OF AGRICULTURAL INSURANCE AS A FACTOR OF DEVELOPMENT OF AGRARIAN INDUSTRY IN THE COUNTRY

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ABSTRACT

The article considers the goals and objectives of state regulation of insurance in agricultural production, the theoretical aspects of insurance as a method of managing agricultural risks, the demand and supply for insurance services for future crops. Considerable attention is paid to the methodological principles of actuarial work of insurance organizations in the justification system of tariff systems and underwriting policies.

Key words: state regulation of insurance in agriculture, agricultural risks, insurance of future crops, underwriting.

INTRODUCTION

Agriculture, being the leading sector of the economy of Uzbekistan, provides employment for 3.6 million people (27 percent of those employed in the economy as a whole). The industry's share in the country's gross domestic product is 32 percent.

According to the "Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020 - 2030" the main directions and objectives of the development of agriculture until 2030 are defined:

- ensuring food security of the population, providing for the development and implementation of state policies to ensure food security based on physical and economic accessibility, food security and improving the diet;

-creation of a favorable agribusiness climate and value chains to increase agribusiness competitiveness by further liberalizing trade, developing quality control infrastructure, reducing the cost of trade transactions and stimulating exports, and producing high value-added agri-food products that can compete in target international markets.

The state insurance policy in the agricultural production of the Republic of Uzbekistan requires an adequate concept of insurance protection for the income of rural producers, depending on fluctuations in the gross harvest of crops, since in agricultural production, due to its high dependence on natural and climatic factors, the general methods of risk management are not always applicable. The government’s attempts to legislate some conceptual principles for this protection, to provide it with state subsidies, faced the problem of the lack of a methodology for insurance of future crops in a voluntary form and in the competitive market. The old methodology as a system of methods and principles that determine the scientific knowledge and study of compulsory insurance of this type in the monopoly market has outlived itself, the new one is just beginning to take shape.

Development of a new methodology, which includes theoretical studies of the goals and objectives of the state in the regulation of insurance processes, methods for creating new and evaluating existing insurance tariffs, principles for building rating systems, researching the insurance field, assigning future crop insurance to

the industry classification system, determining the insurance object, insurance dangers and insured events, tariff policy, underwriting procedures, methods of formation and use of insurance reserves, receives the status of an important economic task and therefore relevant.

The main goal of agricultural risk insurance is to partially or fully compensate the agricultural producer for the loss of crops or livestock, which is possible due to adverse natural events, such as drought, hail, hurricane, epidemic, etc.

Important features of the risks in agriculture are:

- High loss ratio
- The uneven manifestation in time
- Locality
- Complexity of risk assessment
- The need for special training of personnel
- Increased moral hazard

In a relatively stable institutional environment (norms and rules are established and well-known), agricultural institutions are dependent on their current state (with emphasis on the development of the farming institute) and previous development (inertial prevalence of a private subsidiary farm in connection with a change in state policy of the predominance of large collective households).

Under the existing institutional agreements, agriculture operates by inertia during the recession phase of the economic cycle and needs to be regulated, the main element of which may be institutional transformations.

The situation in agriculture does not correspond to the definition of a structural recession, which arises due to the imbalance in production between sectors, insufficient production, necessary for the balanced development of the economy and society.

An intermediate recession interrupts for some time the phase of recovery or revitalization of the economy and also does not describe the state of the agricultural sector. A partial recession covers one or several areas of social reproduction and differs from the intermediate one in that not only the entire economy is affected, but only part of it, but also interrupts the course of the phase of economic development.

A sectoral recession covers one or several related industries, may result from imbalances in the development of the industry, structural adjustment, overproduction in industries, and rising prices for raw materials, which also do not fully correspond to the agricultural economy.

As a result of a systemic decline, the main property of the system, its integrity, is destroyed, that is, the elements of the system are not uniform and do not have common properties and behavior. Such an imbalance provides an increase in the wavelength of the phase of the economic recession, which is why the current recession in agriculture does not correspond to all periodic recessions in terms of duration.

The destruction of the integrity of the system occurs until the shoulder of the lever of negative influences outweighs the blocking effect. Without a significant impact (internal or external) that will exceed the effect of negative institutional interactions, the blocking effect will not be overcome.

In addition, overcoming the effect of blocking by inertia leads to the complete destruction of the system and the formation of a new system based on negative evolutionary previous forms.

Such a new institutional agricultural system will be clearly less ambitious and less capable of fulfilling food supply objectives.

In our opinion, the systemic decline in agriculture has the following characteristics:

1. Institutions that form the economic basis of the system, which was operating before the recession, cannot be considered as the basic part of the system, which, in turn, can form either another (other) system or disappear altogether. The main institutions before the formation of the new system in agriculture were collective farms and state farms, which institutional change did not bring a full replacement.

2. The integration properties of the elements of the system are destroyed, forming significant relationships between the elements and their properties, superior in strength to the connection of these elements with elements not included in this system. More substantial integration ties are formed in agriculture with trade and processors than with the institutional environment of rural areas. Often, distribution networks (or) their absence dictates the need for a particular agricultural production.

3. The existing order of interaction of elements within the system undergoes a change. In agriculture, a situation has arisen in which most institutions are not interconnected with other institutions, do not use the achievements of scientific research, and do not use cooperation and integration. The fragmentation, among other things, is explained by the course of agrarian reforms in farming, which implies a significant isolation of institutions.

4. From the process of clustering agricultural production that has begun (Decree of the President of the Republic of Uzbekistan No. 3279 dated September 15, 2017), fundamental institutional reform of the agriculture of the Republic of Uzbekistan is expected.

Consequently, the systemic decline in agriculture as a process contains changes in the qualities of the system that are unstable, increasing the imbalance more and more.

As for the quantitative changes (decrease in production volumes, the number of employed people in agriculture, decrease in agricultural land), they serve only as its signs, that is, as a result of a systemic decline.

The manifestations of a systemic decline in agriculture are very diverse and affect almost all institutional components.

The systemic decline is associated with a fall in agricultural production and with its structural predominance towards institutions that do not conduct entrepreneurial activity.

Thus, the current state in agriculture corresponds to the signs of a periodic systemic decline, that is, such a state of development in the economic system in which the links of its constituent elements are broken, the institutional foundations are destroyed, the general properties that characterize the integrity of the system disappear. The restoration of systemic foundations is most acceptable with the help of institutional transformation mechanisms.

To analyze the current system of measures in agricultural insurance, a comparative description of agricultural insurance practices in the EU countries is necessary.

Table 1.

Comparison table of agricultural insurance practices in EU countries

Major characteristics	Avstria	Germany	France	Spain
1	2	3	4	5
Major law		Government laws	National law "about security insurance"	Law "about law security"
Subsidy and governmental aid	Yes	Yes	Yes	Yes
Distrubutor	Fund "Die Osterreichische Hegelversicherung"	Private insurance company	National guaranteed fund of security	Ministry of Agriculture of Spain
Subsidy share on insurance	60 percent	80-90 percent	70-75 percent	80 percent
Period of project	4 years	5 years	5 years	5 years

The main types of agricultural insurance are:

1.Product insurance (yield insurance). Production is usually insured against named hazards, such as hail, which allow us to calculate the probabilistic distribution of possible losses on the basis of statistical data.

2. Insurance catastrophic losses (catastrophic losses) resulting from adverse weather conditions or epidemics of animals. Coverage usually amounts to a certain percentage of the average crop yield and of a certain price of products (average multi-year price).

3.Income insurance. This is a combination of production insurance and product prices.

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In general, the reasons restraining the development of the agricultural insurance market in the Republic of Uzbekistan can be divided into 2 groups:

1. From the side of insurance companies:

-high risks (agriculture is more dependent on natural factors and incurs large losses from natural hazards within 70% of the sum insured);

-high risks;

-high labor intensity;

-high loss ratio of agricultural insurance for insurers;

-lack of a single procedure for calculating the cost of insurance tariffs;

-lack of reliable information regarding the insurance object;

-lack of funds from agricultural producers;

- biased attitude towards insurance companies;

lack of mass demand for this service.

2. From the side of agricultural producers:

-high tariffs;

-lack of free working capital;

-low business profitability;

- Lack of healthy competition between insurance companies;

- the volume of state support is not always clear;

-lack of information on insurance programs and tariffs

CONCLUSION

In the current practice of insurance for future crops, the steady positive dynamics of accrued insurance premiums may indicate an increase in the supply of insurance products from insurance companies. The latter are interested in expanding insurance operations, since the more contracts they conclude, the more payments go into their accounts.

The demand for insurance products for insurance of future crops is characterized not only by the dynamics of the indicator of payment of accrued insurance payments at the expense of the insurers' own funds, but also by accrued insurance compensation, which shows the degree of interest of rural producers in repaying losses arising from decentralized insurance funds.

The most important methodological problem of future crop insurance is determining the place of this species in the industry classification system. Its decision is a key link that affects all other methodological and methodological foundations of the insurance process.

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