



Crop Coverage



PartnerRe reinsures crops throughout the world, and works with clients to design insurance covers for cereals, pulses, oilseeds and fiber crops. The largest crop insurance market in the world is North America with large-scale programs in Canada, the U.S. and Mexico. Farmers in these countries have many choices in terms of yield threshold and price coverage.

Crop-Hail Insurance and Multi-Peril Crop Insurance (MPCI) are both well-established lines of business. In response to farmers' needs for tailored products the use of specialized named peril protection has substantially increased.

Crop-Hail Insurance

Crop-Hail Insurance has been available for over a century. Present tariffs are based on the last 50 years' loss history. A crop-hail policy is typically indemnifying a percentage of the chosen sum insured with loss assessment in the field.

The standard crop-hail policy provides a monetary amount of coverage per acre (0.4 hectare), in conjunction with a minimum deductible of 5% or 10%. Loss adjustment is typically on a per-acre basis, so a claim payment is made if the deductible is exceeded in one part of a field, even if the damage is partial and not affecting the entire insured land area.

Crop-hail insurance has some special features:

- The coverage is usually for one season only (although it may automatically renew for subsequent years) and claims must be determined before harvest.
- The risks are somewhat independently distributed as hailstorms occur over relatively small areas and there is no greater probability that there will be losses in the area next to the geographic location of a storm. Thus, the catastrophic loss potential is minimized if the underwriting is structured to limit concentrations of business and to assure a spread.
- To maintain spread, underwriters allocate capacity on a district basis. Crop type limits also enhance the crop mix and therefore the spread of a given portfolio.



- Crop insurance underwriters purchase several forms of reinsurance. Quotashare reinsurance is utilized to cede business with concentrations proportionally. Annual aggregate excess of loss reinsurance, commonly known as stop loss provides protection against an accumulation of losses in any year.

Multi-Peril Crop Insurance

The primary growth of crop insurance in the U.S. and Canada has been through MPCl programs that are subsidized by government. MPCl has also been growing in Europe, South Africa and Latin America. For most crops, MPCl provides protection against all unavoidable causes of yield loss, including adverse weather (drought and excess moisture are the most significant causes of loss), insects, diseases, frost, and other adverse growing conditions.

Loss adjustment is usually based upon production records after harvest. The insurance may also cover special risks such as costs to re-seed if weather conditions permit it. Some high value fruit and vegetable crops may be covered only for some specific named specific perils such as frost or rain damage.

Portfolio Planning

A portfolio of MPCl is exposed to significant catastrophic losses, because adverse growing conditions such as drought may occur over large geographic areas, affect numerous crops, and could last for multiple years. Reinsurance for a crop portfolio is usually structured to meet the requirements for catastrophic protection. The reinsurance may be either a Quota Share preferably with a loss limit or Stop Loss treaty.