

## PECULIARITIES OF DEVELOPING INSURANCE SYSTEMS IN AGRICULTURE AND CLASSIFICATION OF THE FACTORS INFLUENCING IT

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### ABSTRACT

*The article summarizes the specifics of the insurance system in the face of new risks in agriculture, and also classifies the factors influencing the development of the industry by their origin. Insurance is one of the strongest financial factors which are especially important among different measures taken for the accomplishment of supplying the balanced development of agrarian sphere. It is impossible to provide the stability of economy without developing the insurance system which is considered to be the important branch of the market infrastructure.*

**KEYWORDS:** *Insurance, Insurance Types, Insurance Case, Danger, Factors, Features.*

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### INTRODUCTION

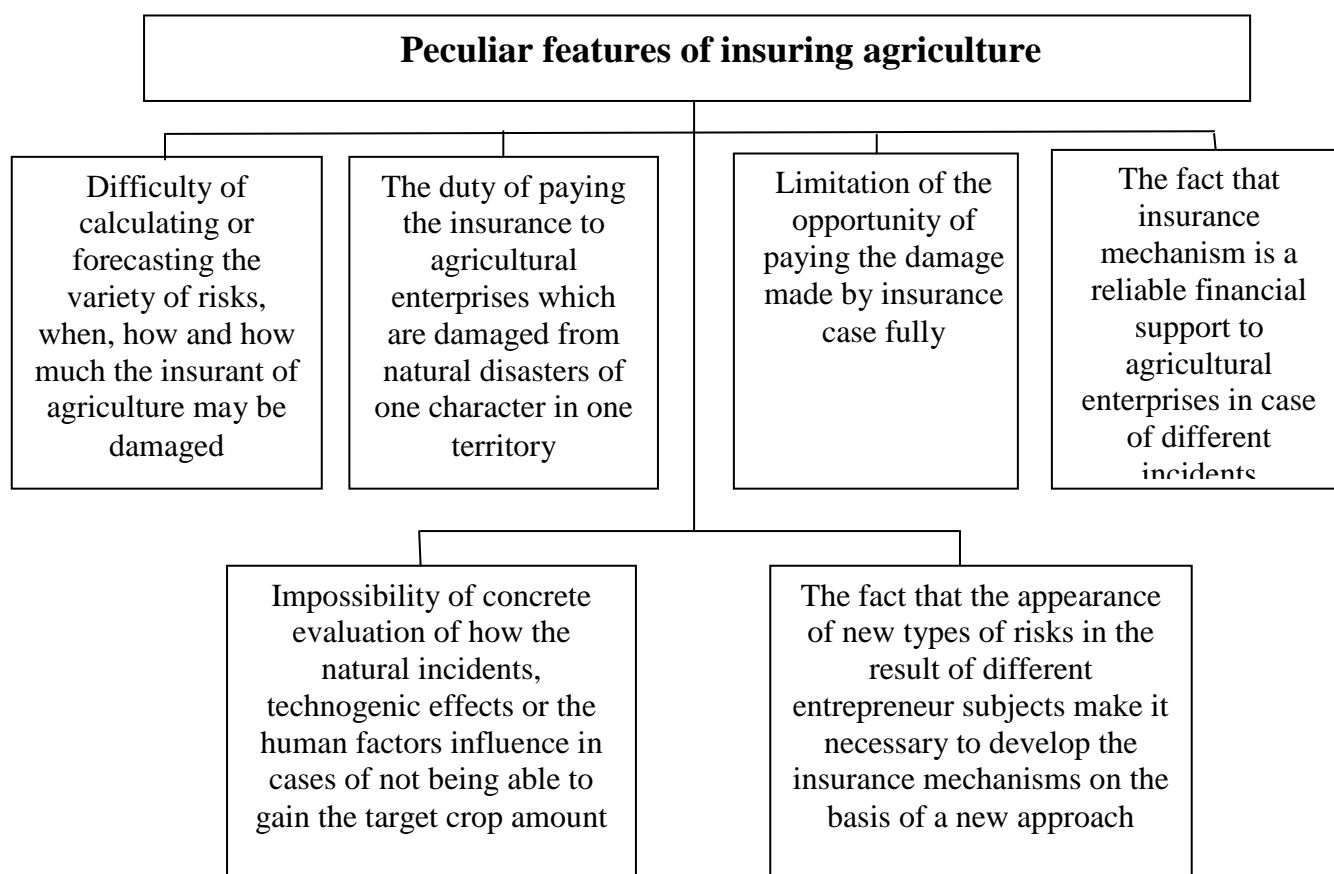
Insurance is one of the strongest financial factors which are especially important among different measures taken for the accomplishment of supplying the balanced development of agrarian sphere. It is impossible to provide the stability of economy without developing the insurance system which is considered to be the important branch of the market infrastructure. Therefore, the stability of agricultural enterprises deals with the development of the insurance system multilaterally, i.e. it is important to develop modern insurance services which can give all the demands in conditions of marketing. Because, the damage made in the result of different natural disasters, dealing with the sharp changes of the weather, influence on the efficiency of the enterprises in agriculture directly. Along with it, the fact that an agrarian sphere has special characteristics as an independent type of activity rather than other spheres, i.e. its interdependence with natural climatic conditions, ecology, agro technical measures in different seasons, continuous increase of technogenic impacts and lots of other factors make it necessary to take these features into consideration in the process of implementation of insurance relations. One should regard that, the sphere of agriculture is always under the influence of natural-climatic conditions and strong natural incidents which are mentioned above, i.e. agrarian sphere is an important and the most dangerous branch of economy. Furthermore, the fact that taking activities in agriculture is very dangerous makes this branch to be costly.

Resulting from peculiar features of agriculture there appear plenty of risks that with time, changes of social-economical conditions, development of society these risks get changed too. Taking all these into consideration, it would be necessary to determine the types of risks appearing in the result of global climatic changes and which are gradually intensified in agriculture and it would be necessary to implement the methods of their effective insurance. In the result of stability of market relations in agriculture, a wide range of opportunities are being created. Along with it, it is resulting in the appearance of new types of risks which deal with the activity of agro business.

This also enables continuous development of insurance system. These factors are: the risk of not getting back the expenses spent on manufacturing, the risk of late delivery of financial-technical resources, risks of radical fall in the demands and prices of the good in the market, the risks of not getting the profit from application of innovative technologies, the risks of violating the rights for an estate in innovative news (copying by stealing) and others [4].

Especially, in conditions when land-water resources are limited, supplying the demands of the population to food can only be achieved by applying achievements of science, innovation work-outs in manufacturing. Here, in order to increase innovative activity in agriculture it is necessary to implement the methods which encourage insurance widely. For instance: in the result of applying innovative technologies, insuring the products from damage or loss; insuring the unique sample of innovative device from damage or loss and others.

These danger and risks require their insuring mechanisms to be worked out scientifically and practically. Thus, the fact that the economy of agrarian sphere deals with different risks, is causing the appearance of the following peculiar characteristics in implementation of insurance mechanisms, i.e. (picture 1): variety of risks of the insured agriculture and calculation of when, how and how much it was damaged or the difficulty of forecasting; the fact that insurance mechanism can be reliable financial protection in stability of agricultural enterprises under the influence of natural circumstances of general character (earthquake, avalanche, droughts, floods and others); the fact that new types of risks emerge in the result of the appearance of manufacturers of different forms of estate, cooperatives, clusters, servicers, suppliers and various business subjects in agriculture and the changes in the relations between them make it necessary to develop insurance mechanisms on the basis of special approach and others.



**Picture 1. Peculiar characteristics of insuring agriculture<sup>1</sup>**

The characteristics which are mentioned above serve as an important factor in working out strategic programs on developing the insurance activity in agriculture and developing insurance mechanisms, in implication of these measures and in supplying their vitality.

A number of factors influence on the insurance of agriculture that identifying these factors, arranging them in one system and considering their importance will supply the vitality and efficiency of these measures in working out the measures accomplished on developing agro insurance types and mechanisms in future.

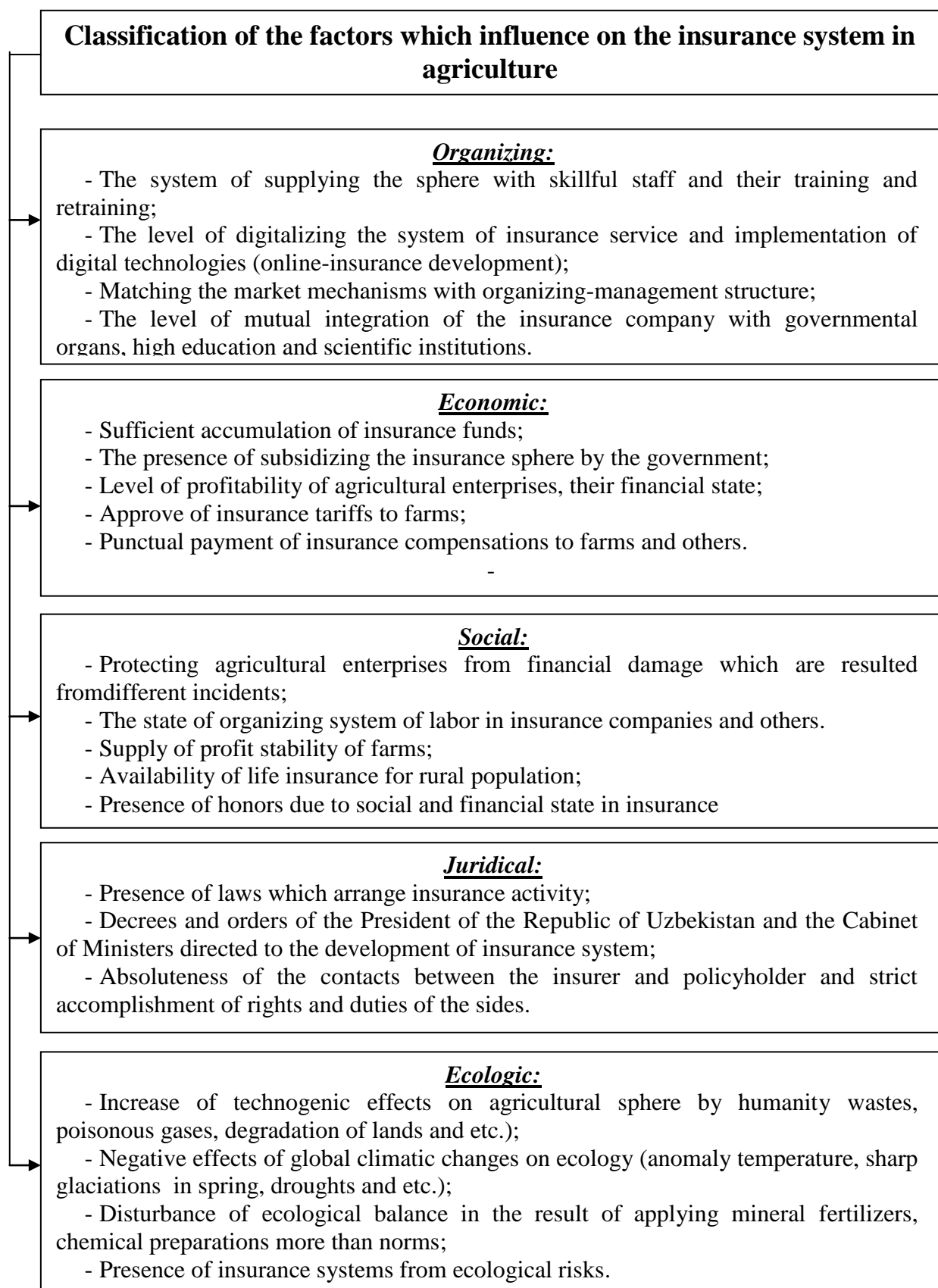
In our opinion, it is recommended to classify the current factors into *organizing*, *economical*, *juridical* and *ecological* factor groups (picture 2).

For instance, organizing factors may include: the supply of the sphere with skillful staff and the state of the system of their preparation and retraining; the level of digitalizing of the insurance system and implementation of digital technologies (development online insurance); matching the organizational-management structure with market mechanisms; mutual integration levels of insurance company and a governmental organ, high education and scientific institutions and others. Especially, the development of online insurance supplies the truthfulness and clearance of the date by limiting the human factor in the insurance system. Mutual effective cooperation of an insurance company and a governmental organ, high education and scientific institutions is an important factor and it is essential that local governmental organs are helpful in making propaganda of insuring; mutual cooperation with high educational establishments on training the staff on updated specialties in the sphere of insurance is set and scientific projects by leading scientists in scientific provision of the sphere are widely applied.

Economical factors include sufficient accumulation of insurance funds; the presence of subsidization of the insurance sphere by the government; the level of profitability of agricultural enterprises, their financial state; favorability of insurance tariff for farms; punctual payment of insurance compensation to farms and others.

In such developed countries as the USA, Canada, England and China the practice of separating subsidies is implemented in granting premium insurance and insurance compensations to agricultural enterprises. Here, in Uzbekistan the practice of paying 50% of insurance compensation to clusters of fruit and vegetables (cooperations) and farms in case of using the service of insuring the harvest of fruit and vegetable in case of the presence of export contracts and supplying 1% of the insurance amount have been implemented in Uzbekistan since March 1, 2022 with the order No. PK 52 of the President of the Republic of Uzbekistan "On measures of supporting the sphere of fruit and vegetables by the government, further development of cluster and cooperation systems in the branch" adopted on December 15, 2021.

Social factors are included in the factors of great importance too: protecting agricultural enterprises from financial damage resulted from different incidents; the state of organizing labor in insurance companies, supply of profit stability of farms; the presence of life insurance for rural population; the presence of honorable approaches in insurance to the farms with different social and financial state.



**Picture 2. Classification of the factors influencing the insurance system in agriculture<sup>2</sup>.**

Juridical factors include: the presence of laws which arrange insurance activities; decrees and

orders of the President of the Republic of Uzbekistan and Cabinet of Ministers directed to the development of insurance system; absoluteness of the contracts signed between insurers and policyholders and strict accomplishment of rights and duties of both sides and others. One should regard that, a law “On insurance activity” was adopted in our country and this law comprises a lot of general and peculiar features of insurance [1]. However there exist other peculiar features of the economy of agrarian sphere that this makes it necessary to adopt a special law on insurance of agriculture.

In present period of urbanization development some ecological factors are indicating their importance too, i.e.: necessity of developing insurance mechanisms of damages resulted from the increase of technogenic effects on agricultural sphere by humanity (wastes, poisonous gases, degradation of lands and etc.); negative effects of global climatic changes on ecology (anomaly temperature, sharp glaciations in spring season, droughts and others); disturbance of ecological balance in the result of applying mineral fertilizers, chemical preparations more than in norms and implication of insuring methods from other ecological risks are becoming very important.

In conclusion, taking into consideration all the above mentioned peculiar characteristics and factors in working out the strategic governmental programs and measures on further development the insurance systems in agriculture are considered very important in supplying the stability of this sphere in future.

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