ECONOMIC SCIENCES

UNDERWRITING IN AGRO INSURANCE

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Abstract

Insurance is a risk management financial instrument that involves the transfer of risk in whole or in part to an insurance organization.

Agro Insurance is a specialized and complex group of insurance, which includes the insurance of crops, livestock, aquacrops and greenhouses. The origin of agro insurance was facilitated by the disruption of agricultural activities by unfavorable climatic conditions.

The main goal of agro insurance is to protect farmers and stabilize their income, so that their activities continue uninterrupted for years.

Crop insurance in agriculture is of great importance. The implementation of the agro insurance program is very relevant and vital for the farmer. The development of agro insurance will contribute to the economic growth of the country and increase the well-being of the population.

That is why it is of great importance to correctly assess agricultural risks and properly conduct the underwriting process.

Keywords: Insurance, Pool, Underwriter, Farmer, Risk.

Main text

Underwriting is a risk assessment and acceptance process. and insurance is a kind of single pool, where many people make their contributions and from which a small number of persons will be reimbursed for losses. The underwriter's task is to manage this pool as efficiently as possible in order to make it as profitable as possible.

The functions of the underwriter are:

- assess the risk that comes in a single pool;
- decide whether to take the risk or what part of the risk to take;
- Define and establish the terms of insurance to be offered;
- Calculate the acceptable bonus.

The risk underwriting process is different in relation to other types of insurance and also depends on the insurer's approach to this issue.

Insurers will develop basic guidelines that determine which risks insurance is desirable and what conditions are required to insure these risks.

An application for insurance coverage will be submitted to underwriters. Underwriters review the application in detail, study the dangers that potentially threaten the insurance facility and the people responsible for the maintenance and proper utilization of the insurance facility. All of this helps underwriters to correctly assess the potential financial impact of these risks. The underwriter establishes a risk class, sets the terms of the insurance coverage and only then recognizes the risk and makes a decision to issue a policy.

An important role is played by the information in the application form for the insurance company. Based on this information, the insurer assesses the nature and characteristics of the proposed risk and makes a decision on the conditions under which to take this risk. From this it is clear that the insurer does not take all the risks on his own and does not offer the same premium to everyone and does not offer the terms of insurance.

Agri insurance is a complex type of insurance business by its nature, since agrarian production depends on a number of biological processes and a wide range of risks.

On the other hand, these risks are not homogenous among individual entrepreneurs, and the increased risk levels are often due to individual entrepreneurs' actions. With this in mind, it is clear that agro production losses are caused by a number of factors and underwriting is the risk management tool that defines the main criteria for risk selection and risk taking, based on this criterion, the formation of a healthy portfolio is carried out at a certain time of time.

When conducting the agro insurance underwriting process and determining the feasibility of taking risks, the following key factors should be taken into account, among many other factors:

- Expected losses must be definite and measurable. It is critical that the periods and volumes of the loss are clearly defined;
- The grouping of a large number of individuals with specific characteristics of risks and their pulsation is the main prerequisite for the functioning of insurance in accordance with the fundamental principle of insurance in general;
- Pulitating a large number of independent risks, which allows to determine the expected losses with high credibility in accordance with the statistically large number law;
- the randomness of the expected loss and the inability to simulate it - the expected loss should be random and the speculative nature of the risks should be excluded;

- Determining the frequency of losses and the likelihood of incursion of individuals included in the portfolio - in order to set a fair rate of insurance premium and the portfolio can function healthy. In the underwriting process, the expected frequency and acuity of losses assessed by high credibility should be possible.
- Minimizing the level of antitrust on the part of individual individuals - the main factor contributing to antitrust is the unfair tariff structure, a number of shortcomings of the technical part of the insurance agreement and the ability of individuals to have more information about risk than the insurer has. As a result, individuals prone to low or medium levels of risk cease to use insurance over time, and the portfolio is formed primarily by individuals prone to high levels of risk, which in turn is an unconditional basis for terminating the functioning of the product;
- Defining catastrophic, systemic risks and developing appropriate measures - systemic risks belong to the category of complex or completely uninsured risks, as the majority of the individual facilities included in the portfolio experience significant losses. Therefore, the main factor in insurance of such risks is compulsory and semi-compulsory insurance products, which provide more or less diversification of risk from a geographical perspective and more less stabilization of losses caused by systemic risks.

Conclusion

As we have mentioned, underwriting is a risk assessment and acceptance process. and insurance is a kind of single pool, where many people make their contributions and from which a small number of persons will be reimbursed for losses. This process is managed by an underwriter.

Thus the underwriter plays an important role in agroinsurance. Properly selected risk management criteria determine the full health of the portfolio in the future.

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