



AGRICULTURE INSURANCE

Country Experience - Albania

PROSPERITY



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Agriculture in Albania

Importance of agriculture in Albania

- Key economic sector for Albania, accounting for 18.5% of GDP whilst employing 36.4% of formal workforce
- There are an estimated 320,000 farms, with average size of 1.2 ha. However, number of registered farmers is only 82,000 (formalization increased due to a fuel subsidy policy following COVID-19)
- Livestock farming generates 52% of agriculture production. Falling cereal production over the last 10 years has allowed greater fruit and vegetable production.
- Other agri-food commodities include fish, olive (and derivatives), nuts, medicinal and aromatic plants

Key risk exposures to crop and livestock production

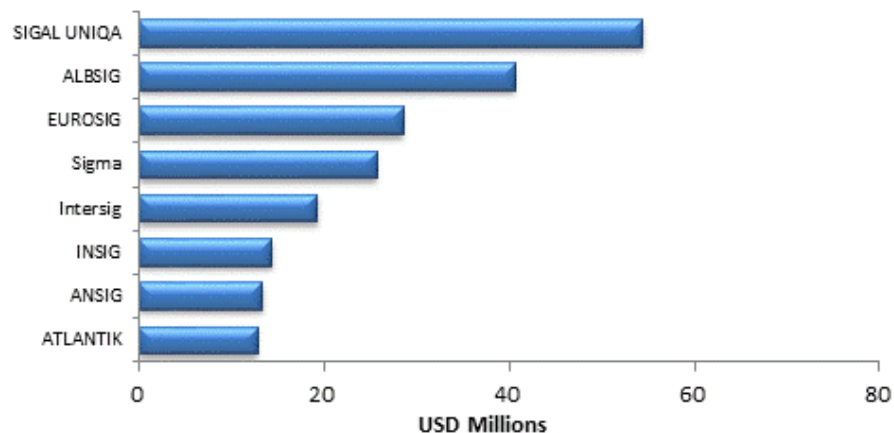


- Losses from natural and climatic hazards are significant and expected to grow. A changing climate could increase annual mean temperature causing rise in extreme heat that would impact labor productivity, mortality and health, triggering both wildfires and drought.

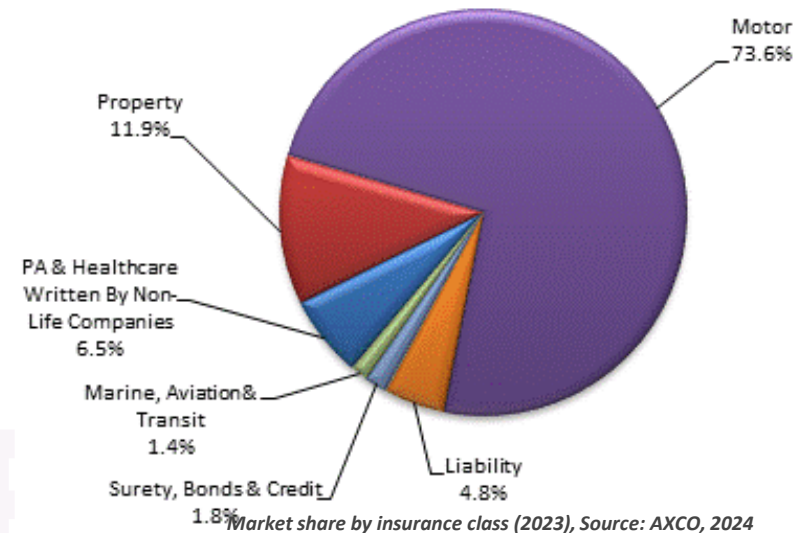


Insurance in Albania

- **The Albanian insurance market has developed only since the early 1990s.** The political and economic history of the country left a legacy of problems that were reflected in the insurance market and the insurance market is one of the smallest in the world (total premium is less than 1% of GDP).
- **The industry is professionally regulated.** There is a comprehensive insurance law and the number of foreign equity participants in the market is increasing. Compulsory motor third party liability (MTPL) still accounts for the majority of market volumes.
- **In 2015, VAT was removed from insurance policies and insurance premium tax introduced,** other than those for life, international health, foreign travel plans and international motor (Green Card) cover. In 2016 the insurance premium tax was increased to 10%.
- **Insurers seem content with the current satisfactory profitability** and there is a lack of corporate dynamism, product development and real growth.
- **Low barriers to entry to foreign companies:** Foreign companies face no barriers to entry in Albanian insurance market. They may establish wholly owned subsidiaries and branches.



Leading non-life insurance companies in 2023 ranked by premium income. Source: AXCO, 2024



Market share by insurance class (2023), Source: AXCO, 2024

Agricultural Insurance Market

- **Currently Albanian farmers are largely unprotected from natural hazard risk**
- **Lack of Demand from Farmers:**
 - Limited awareness and understanding of the benefits of agricultural insurance among farmers.
 - Farmers often perceive the premiums as too expensive and not tailored to their needs.
 - Traditional reliance on ad-hoc ex-post compensation provided by the public sector (a legacy of the pre-1990s centralized economy) is one of the main causes.
- **Lack of Supply from Insurers:**
 - Insurers are reluctant to offer such products due to perceived risks, such as unpredictability in agricultural yields and the exposure to climate-related events.
 - Insurers don't seem to consider agriculture commercially rewarding and prefer to focus on more profitable lines of business.
 - The Albanian insurance market need to improve the infrastructure and incentivize development of agricultural-specific products.
 - In Albania banks are aware that agricultural insurance may offset only part of the risks that the famers are exposed to and hard collateral is still considered a key requirement for accessing credit.

Period	2019	2020	2021	2022	2023	Total
No of policies issued	3	3	1	5	3	15
Gross Written Premiums (ALL)	6,457,004	486,963	159,091	2,617,908	3,048,806	12,769,772

Agricultural insurance policies issued between 2019 and 2023. Source: AFSA, personal communication, May 2024

The Government to Determine Clear Policy Objectives

Determine the policy objectives for an agricultural insurance program,

- *Help stabilize farming incomes*
- *Incentivize investment and promote a more efficient use of resources*
- *Contribute to adaptation to climate change*
- *Improve access to formal sources of financing by providing collateral for production risks*
- *Reduce and rationalize ad-hoc government expenditure for disaster relief*

Detailed risk assessment is needed to design suitable public-private insurance program

The WB has proposed to work with Albania on a risk assessment to indicate:

- *What type of risk management solutions would apply to the different situations?*
- *Where would agricultural insurance be recommended?*
- *What type of insurance product would be suggested?*
- *The risk assessment exercise would also help to estimate of the resources required to establish and operate an insurance program?*

The role of Albanian Authorities could vary:

- *Provide an enabling legal and regulatory environment*
- *Provide financial support (e.g. premium subsidies)*
- *Act as a reinsurer in the start-up phase of new programs*
- *Invest in data strengthening for insurance purposes and developing risk management framework*

In view of a potential future access to the European Union (EU), reviewing the agricultural risk management measures implemented by the EU Common Agricultural Policy would be an important starting point.

Learning from the Turkish Agricultural Insurance Fund (TARSIM)

Key Agreement: Agricultural Insurance Cooperation

In October 2024, the Albanian Ministry of Agriculture and Rural Development signed an agreement with the Turkish Ministry of Agriculture on cooperation in the field of agricultural insurance, modeled after TARSIM. Aim to increase financial support and enhance stability for Albanian farmers.

Impact on Albania's Agricultural Sector

Improved Stability: Strengthens the resilience of the agriculture industry in Albania.

Support for Farmers: Offers better financial protection, helping farmers face challenges in the sector.

Long-Term Benefits

Sustainable Growth: Promotes the sustainable growth of Albania's agriculture.

Institutional Collaboration: Creates a framework for further cooperation and institutional exchanges

