



The role of Consorcio de Compensación de Seguros in the Multi-Peril Agricultural Insurance

Spain has an agricultural insurance scheme in place that is among the most advanced in the world. It is a valuable tool to manage the risks faced by farmers and breeders.

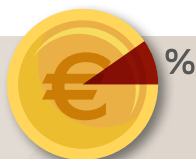
Multi-Peril Agricultural Insurance (SAC) is available for almost all agricultural productions in the country. Their premiums enjoy substantial subsidies from the public administrations (at national and regional levels).

Perils covered are, mainly, weather and climate related, although fire, some diseases and, even, damage to warehouses and facilities can be optionally covered.

Consorcio de Compensación de Seguros (CCS) adds stability and solvency to the SAC scheme by performing different roles, as determined by CCS Statute.

CCS' functions in SAC are:

COINSURANCE



Several insurers share agricultural risks by taking part in a coinsurance pool.

CCS has taken part in this pool since 1985. It currently takes a share of 10 % of the risk.

REINSURANCE



CCS is the reinsurer of SAC, covering the potential excess loss of the coinsurance pool.

Reinsurance characteristics are set annually by decree of the Ministry of Economic Affairs and Digital Transformation.

ASSESSMENT OF ADJUSTMENTS



Agricultural claims have to be adjusted by specialized experts. These appraisals have to follow regulations: assessment procedures and contract terms.

CCS assesses that adjustments are done in accordance to these regulations, being therefore a guarantee for both contract parties and the public administrations involved.

How does the system work?

Agricultural insurance can be underwritten with any of the insurers belonging to the coinsurance pool, exception made of CCS that has no commercial activity. Management and administration of the coinsurance is made by the company AGROSEGURO S.A.

The Spanish State subsidizes a share of the premiums through the National Agricultural Insurance Agency (ENESA), subsidies to which regional governments can add their own ones providing the total does not exceed above 65 % of the insurance cost.



SAC is a voluntary insurance whose premiums depend on the kind of crop or livestock and its particular risk level, on the condition that if insurance is taken out for a crop, it must be taken out for the entire crop being raised.

A surcharge is applied on agricultural insurance premiums in order to fund CCS reinsurance.

In excess loss situations, CCS reinsurance comes into operation, compensating the coinsurance pool with the majority of the excess loss, according to the terms established in the ministerial decree in force for each exercise.

With reinsurance surcharges and the positive results of its participation in the coinsurance pool, if any, CCS builds up an equalization reserve used to carry out payments in excess loss exercises.



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