

## Development of agricultural insurance in the system of state support of the agricultural market

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**Abstract.** The article examines the peculiarities and problems of the development of agricultural insurance in the system of state support for the agricultural market. Identified vectors of state support for the development of the agricultural sector in Ukraine and the place of agricultural insurance. The algorithm for the development of agricultural insurance in the system of state support for the agricultural market is substantiated, which is proposed to be implemented in three directions: 1) comprehensive promotion of the growth of mutual trust between agricultural insurance subjects; 2) settlement of consolidated liability among participants in the insurance process on the agricultural market; 3) determination of the conditions for the functioning of an effective insurance environment on the agricultural insurance market. The strategic directions of the development of agricultural insurance in the system of state support of the agricultural market are defined on the basis of systematic coordination of the actions of agricultural market subjects (direct: insurers, policyholders and intermediaries; indirect (state and non-state institutions), proper infrastructural and information support, management of transaction costs of insurance companies). The key condition for the effective interaction of all participants in the agricultural market is to promote the development of agricultural insurance in the system of state support. To ensure the sustainability of the development of agricultural insurance in the agricultural market, it is advisable to carry out its modernization, which is focused on the systematic implementation of strategic measures to maintain a favorable insurance environment in the agricultural market.

**Keywords:** state support, market, agricultural insurance, insurance, agricultural sector, development.

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## INTRODUCTION

The agricultural sector is a separate locomotive of the state economy of the country: the sphere expanded steadily before the start of full-scale intervention, the annual growth was 5-6%, the share of agricultural production in the GDP was 10%, and together with the processing of agricultural products it was 16%. Agriculture was one of the dominators of the world production of certain types of food, guaranteeing the volume of trade in the amount of 6% of the calories of the world consumption. Ukraine had advantages in world trade in sunflower oil (it ranked first in the world), barley and rapeseed (in third and fourth place, respectively) and other products. The sale of agricultural products and products of food importance gave Ukraine almost 22 billion dollars every year. USA and equaled 41% of total sales. Currently, the issue of solving the problems of the agrarian sector, and, accordingly, of personal development and modernization, taking into account the use of new and innovative technologies, is still relevant. Agriculture is constantly in the first place in terms of aid and that is provided for its expansion.

State support should be understood as a system of methods focused on the payment of assets from the state budget to agricultural agrarians, which are aimed at expanding industry and rural areas in the defined areas, and at the expense of the production of necessary agricultural goods has a direct increase in their profitability, the main indicator of which is the rationality of the use of this support and referral to state support for the development of the agro-industrial sphere. This issue activates the need to implement measures of various formal and informal nature, establish an open, democratic interaction of existing institutions of the agricultural insurance market, relevant institutions for proper regulation of basic norms, certain rules, standards and various restrictions of business entities in society. Its ability to play a key role in facilitating the neutralization of various risks in the

agricultural sector largely depends on the ability to provide effective state support in the agricultural insurance market.

## RESULTS

The presence of various, usually opposing socio-economic interests between the respective users of agrarian insurance causes the need for direct formalization of the dynamic process of distribution (or redistribution) of risks and socio-economic responsibility in the temporal order. Therefore, the institutional support for the development of the agricultural insurance market should be interpreted from the point of view of the existing organizational-structural and socio-economic implementation of the complex interaction of existing formal, informal, infrastructural, state and non-state institutions, focused on the formation of a proper culture of provision and consumption of insurance services.

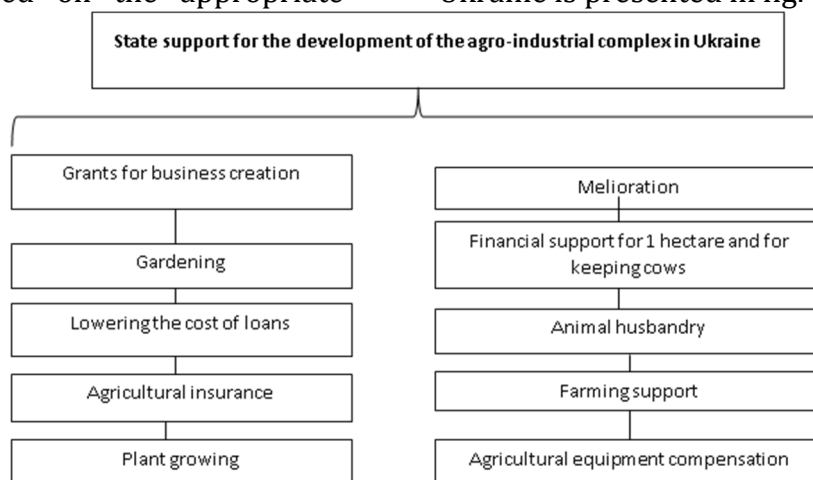
Note that on the basis of institutional support for the development of the agricultural insurance market, the business activity of all its participants is generated, new participants and objects of domestic insurance legal relations are generated, communication links are established between them, and qualitative prerequisites for the insurance of relevant agricultural risks are formed. The interpretation of such potential of agricultural insurance is possible only under the conditions of growth of the institutional capacity of the relevant structural and infrastructural elements for the insurance market, which in a certain way will contribute to the growth of its business and investment attractiveness. The scientific perspective of this argumentation is directly determined by a number of reasons: 1) the interaction between the subjects of the agricultural insurance market directly requires a clear presentation of the "rules of the game" in the direction of determining the rights and strict observance of the defined duties by the participants of the relevant insurance process; 2) implementation of comprehensive socio-economic and socio-

political interests of insurers and policyholders on the basis of existing insurance contracts in the agricultural sector; 3) assistance in ensuring the coordination of relevant actions of state and non-state institutions, various group and individual interests, which are focused on the activation of insurance protection of various agricultural producers; 4) activation of adaptive prospective opportunities (attraction of capacities for the production of innovative insurance products, gradual expansion of the system of coverage of relevant risks in agricultural production, etc.) of the domestic agricultural insurance market until its gradual integration into the European insurance space. It is expedient to consider the existing institutional changes on the basis of the organization of an objective transformation aimed at promoting the provision of effective forms and mechanisms for the establishment of effective socio-economic interaction of all participants of the domestic agricultural insurance market [1-2].

Based on the analysis of the agricultural insurance market, the stages of its formation and institutional support are systematized according to the relevant criteria (normative, market, etc.) of the functioning of relations in agricultural insurance: 1st stage (1993–2000) formation of property insurance institutions, formed on the appropriate

commercial basis; The 2nd stage (2001–2018) is the separation of the level of agricultural insurance and its difference with other types of property insurance and the gradual infrastructural support of the agricultural insurance market; The 3rd stage (2019–2024) includes the development of the agricultural insurance market, which involves the effective functioning of the existing and the organization of innovative specialized insurance institutes, focused on the formation of a transparent and effectively competitive agricultural insurance market in Ukraine [3-4].

State support for the development of the agricultural sector in Ukraine is carried out in partnership with the implementation of the policy of state management of the sphere, according to separate criteria of priority and rationality, in accordance with modeled programs, concepts, tactics and needs of the international community, to which Ukraine has obligations. The global food crisis is intensifying with the coming year, the economic and financial crisis in the state and abroad is spreading, the world's natural resources are being depleted, the ecological situation is worsening, which is informed by climate changes and a decrease in the health and living standards of the planet's population. The scheme of state support vectors for the development of the agricultural sector in Ukraine is presented in fig. 1.



**Fig. 1. Vectors of state support for the development of the agricultural sector in Ukraine**

Source: <https://minagro.gov.ua>

These and other factors indicate the need for intensification of the agricultural sector as one of the most effective methods of increasing the state's competitiveness during the globalization of international economic mechanisms in the agricultural market.

The modern agricultural insurance market needs the proper expansion and improvement of the legal framework for insurance in the agricultural sector, the activation of active solvent demand among potential policyholders, the improvement of service and the raising of the level of quality in the field of provision of appropriate services by relevant insurance companies, wider use of opportunities for establishing insurance mediation with the aim of establishing effective trust relations between market participants and implementing a new model of public-private partnership in the direction of agricultural insurance development. We note that some of the identified tasks are conditioned by the prospect of further activation of the institutional capacity of the modern agricultural insurance market in the respective interests of all participants.

The implementation of the modern model of the agricultural insurance market requires the establishment of an effective regulatory and legal basis, focused on the gradual reproduction of the ability of its participants to realize potential property interests based on the functioning of the organizational and economic mechanism of concluding agricultural insurance contracts. It should be noted that the existing legal field, according to which the insurance of domestic agricultural products takes place, is properly formed. In turn, there is a need to introduce specific changes and additions to the current legislation. According to the authors, the legislative level should expand the range of agricultural insurance participants. First of all, there is a need to involve relevant insurance relations (relevant insurance companies, agricultural producers (potential policyholders)), mutual

insurance organizations, relevant reinsurers and state authorities (on the conditions of its participation in strategic public-private partnership programs) as active subjects. The changes to the domestic legislation that we have identified will allow for a comprehensive combination of various commercial and state interests regarding the distribution of possible agricultural risks and socio-economic responsibility between various participants in the insurance process [5].

Today, there is an urgent need to intensify the tasks of the authorities at all levels of management for compliance with the provisions of this Law and other legislative acts in order to ensure a dynamic process of annual allocation of certain state subsidies for the gradual compensation of insurance payments to relevant producers of agricultural products. The defining characteristics of institutional support for the development of the agricultural insurance market should be considered: a) first of all, for insurance companies, the ability to gradually generate the process of gradually providing a wider range of appropriate services, thereby gradually increasing capitalization in the process of implementing insurance activities; b) potential policyholders - a promising opportunity to form the appropriate solvent demand in order to obtain the appropriate range of insurance services, in accordance with the existing needs for effective insurance protection; c) in relation to insurance intermediaries - to directly professionally defend the various socio-economic interests of the relevant insurers and policyholders at the stage of preparation, direct conclusion, implementation and compliance with the terms of the specified agreement on agricultural insurance, thereby contributing to the growth of the level of business activity of all participants in the insurance process in the agricultural sector. The integration of opportunities for agricultural insurance market participants should directly ensure the achievement of the planned synergistic effect from the

gradual distribution of risks and responsibilities in space and time. Thus, there is a need to present a variant of the strategy for the further development of the domestic agricultural insurance market [6].

The activation of agricultural insurance relations is the use of an effective strategy for the modernization of the agricultural insurance market. The interpretation of such a strategy is aimed at: a) modernization of the institutional basis capable of ensuring the growth of socio-economic activity of agricultural insurance market participants regarding their possible readiness to bear joint responsibility for various manifestations of possible risks; b) increasing competition between organizations for potential policyholders on the domestic insurance market; c) effective socio-economic interaction between operating insurance companies, relevant intermediaries (direct and indirect) and domestic agricultural producers; d) increasing the level of functional responsibility of institutes operating in the agricultural insurance market with the aim of goal-oriented provision of the necessary level of their self-sufficiency and responsibility for effective management decisions. The strategic orientations of institutional support for the development of the agricultural insurance market have been determined, which directly provide for two groups of interrelated measures (the creation of a favorable agricultural insurance environment and the interaction of state and non-state institutions), aimed at achieving a more gradual realization of the existing potential for the development of the agricultural insurance market. The process of gradual reproduction of the optimal insurance environment in the field of agricultural production should be started with the gradual organization of the process of interaction of various institutes of the agricultural insurance market on the concept of mutual tolerance and transparency of relevant insurance relations. The basis of the institutionalization of the agricultural

insurance market should be considered a system of key values of a moral-ethical and socio-economic nature, the ability to comply with which helps to maximize the use of insurance opportunities in countering emerging agricultural risks. Thus, the manifestation of tolerance should be interpreted as a concept aimed at establishing trust and democracy between various participants in the relevant insurance process [7-8].

At the stage of the gradual growth of information and communication technologies, the tasks of ensuring transparency for the agricultural insurance market are being updated. According to the legislation in force in Ukraine, each insurance company must create a personal website, which must gradually display public information in the field of financial reporting, relevant owners, managers, etc.

In turn, the issue of transparency also determines the interest not only for potential policyholders, but also for the relevant insurance companies. This is primarily due to the fact that the relevant insurers, providing services related to the insurance of certain agricultural risks, experience asymmetry of information, which generates the appearance of the so-called moral risk. The danger for such companies from the occurrence of a corresponding risk is associated with the actions of specific policyholders, who gradually change their production activities immediately after concluding an insurance contract, and also deliberately provoke the occurrence of various insurance events. Thus, overcoming information asymmetry by a specific insurer is possible thanks to the organization of diversification of services on the agricultural insurance market. To date, domestic insurance companies usually use almost classic insurance products (insuring against one risk or certain combined insurance), which are not aimed at satisfying the full demand of policyholders in the direct protection of their various property interests. The international experience (of countries such

as the USA, Canada, Spain and other countries) first of all proves that effective interaction between participants of the agricultural insurance market is possible under the conditions of direct use of insurance programs that are aimed at covering emerging agricultural risks [8].

Among the main prerequisites for the effectiveness of agricultural insurance in the system of state support for the agricultural market, it is worth considering the provision of actuarial balance directly between various participants. Based on the achievement of price parity, two main tasks are regulated for insurance services, respectively: 1) potential policyholders confirm their solvent willingness to carry out risk transfer based on insurance methods; 2) relevant insurance companies regulate the issue of gradual synchronization of the insurance portfolio on the basis of presenting the optimal ratio between the determined level of risk and the expected income directly from the insurance activity.

It is suggested that the main strategic incentives capable of generating business and innovation-investment activity of participants in the insurance process should include:

1) allocation of a specialized body within the structure of the Ministry of Agrarian Policy and Food to facilitate the coordination of the actions of the relevant participants of the agricultural insurance market and their infrastructural support. That is, the Agency for Agrarian Insurance can become such a body.

2) among the restraining factors of ensuring the development of agricultural insurance relations is the lack of a developed information base on the consequences of the direct manifestation of various risks in agriculture. Accordingly, there is a need to create a national analytical network for the organization of monitoring emerging emergency events in the agrarian sector. The State Service for Emergency Situations, the Ministry of Agrarian Policy and Food of Ukraine,

specialized companies, etc. should also become direct participants in the process of forming such a network.

3) for the agricultural insurance market, the issue of the organizational structure accordingly becomes especially relevant, taking into account the territorial distance between the participants and objects of agricultural insurance. The settlement of this issue should take place on the basis of the establishment of inter-district representative offices of the relevant insurance companies in order to provide appropriate insurance services in the relevant territorial communities. The effectiveness of the functioning of the organizational structure of the agricultural insurance market should be determined by the ability of insurance organizations to expand insurance coverage, and therefore, the increase in the level of insurance protection for agricultural producers.

4) the key stimulus for the further sustainable development of agricultural insurance relations can be, first of all, the adoption at the legislative level of decisions regarding the participation of the state in the processes of covering part of the catastrophic losses directly for the policyholders, provided that their amount in the event of an insured event significantly exceeds 70% of the specified insured amount.

5) starting the activities of the coordinating council for agricultural insurance directly under the Ministry of Agrarian Policy and Food of Ukraine, which can focus attention on the processes of choosing a strategy for mutual cooperation between governmental, non-governmental and various commercial institutions of the agricultural insurance market.

## CONCLUSIONS

Therefore, agricultural insurance in the system of state support of the agricultural market shows the perspective of its reformation in the direction of the formation of effective organizational-structural, normative-legal, socio-economic and cultural-moral aspects between the

relations of the participants of the insurance process. The presented measures are aimed at increasing the capacity of insurance market entities in order to ensure the reproduction of complementary responsibility for relevant

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risks in the agricultural sector. The best option for organizing the joint formation and use of the accumulated insurance fund is the activity of mutual insurance societies and insurance cooperatives in agriculture.

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