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The Model of Insurance Protection of Business in the Agricultural Sector in the Context of Institutional Transformations

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Abstract---The article examines the special role and importance of insurance protection of business in the agricultural sector in the context of institutional transformations in agriculture, their factors, analyzes the main modern concepts of institutional transformations, in accordance with which the directions are identified in which the state can actively influence institutional transformations in agriculture. The construction of an effective, stable agricultural insurance system with state support is possible taking into account the views of all interested parties: the state, agricultural producers and insurers. Further improvement of economic and legal mechanisms will allow modernizing agricultural insurance, improving the well-being of farmers in the Republic of Uzbekistan.

Keywords---development of agriculture, government regulation, government support for insurance coverage of agriculture, institutional transformations in agriculture, insurance coverage, insurance premium, phases of development

Introduction

The most important branch of the Republic of Uzbekistan is agriculture. Agriculture, being the leading sector of the economy of Uzbekistan, provides employment to 3.6 million people (27 percent of those employed in the economy as a whole). The industry's share in the country's GDP is 32 percent. The land used for agricultural production occupies 45 percent of the territory of the Republic, about 50 percent of the population lives in rural areas. The export of agricultural products brings about 20-25 percent of the total export income to the Republic of Uzbekistan (Mahul & Stutley, 2010).

Currently, more than 180 types of agri-food products are exported to 80 countries of the world. As a result of the reforms implemented in agriculture, a cluster method of production has been established, which covers from the entire area of agricultural land by type of crops: in the cotton-textile sector 62 percent, in animal husbandry - 8 percent, horticulture - 7.5 percent. At the same time, there is a number of untapped opportunities for further development of the industry, increasing the income of farmers, ensuring food security and sustainable use of natural resources (Decree of the President: ID-7865). The main directions and tasks for the development of agriculture until 2030 were determined as follows:

- Ensuring food security of the population, providing for the development and implementation of state policy to ensure food security based on physical and economic accessibility, food security and improved diet.
- Creation of a favorable agribusiness climate and value added chains, providing for an increase in the competitiveness of agribusiness through further trade liberalization, development of quality control infrastructure, reducing the costs of trade transactions and stimulating exports, the production of agri-food products with high added value that can compete in target international markets.
- Reducing the role of the state and increasing the investment attractiveness of the industry, providing for an increase in the flow of private investment capital to support the modernization, diversification and sustainable growth of the agri-food sector.
- Ensuring the rational use of natural resources and environmental protection, providing for the rational use of land and water resources, forest resources, as well as the protection of agroecology.

- Development of modern systems of public administration, providing for the restructuring and further development of an effective structure of public administration in order to transition from an administrative to a market economy.
- Diversification of government spending in support of the sector, aimed at increasing the efficiency of the use of government spending to support agriculture by gradually reallocating budget funds in accordance with new priorities of government policy aimed at increasing productivity, product quality, and increasing value added.
- Development of a system of agricultural science, education, information and consulting services, providing for the creation of an effective system for the dissemination of agricultural knowledge and information, integrating research, educational and consulting services with production.
- Development of rural areas, providing for the promotion of a balanced territorial and sustainable development of rural areas.
- Development of a reliable system of industry statistics, providing for the development of an effective system for collecting statistical data and systems for collecting, analyzing and disseminating data.

In addition, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 505 of June 17, 2019 adopted the "Regulations on the procedure for insuring the future harvest of raw cotton and grain crops", which provided for extremely important issues of insurance protection against agricultural risks (Nosov & Kotar, 2012).

Literature Review

The investigated issues are highlighted in the works of various scientists. The works of Arshba (2013), Alieva (2010), Baimisheva (2015), Bizhdov (2012), Borkhunov & Shibalkin (2012), Glotova & Tomilina (2013), Garrido & Bielza (2008), Goodwin & Vado (2007), Vedenov & Miranda (2001), Hazela (1992), Sinan (2008), Smith & Glauber (2012), Yakovlev & Kuznetsova (2013). In particular, the following authors devoted their works to the theory and practice of insurance: V.D. Bazilevich, K.G. Vobly, N.M. Vnukova, O.A. Gamankova, V.I. Grushko, N. Ya. Demyanenko, O. N. Lobova, S. A. Navrotsky, S. I. Nakonechny, S. M. Nedbaeva, S. S. Osadets, N. I. Pavelko, A. Yu. Polchanov, O.V. Sakhno, A.S. Sholoiko.

Analysis and Results

A fundamental trend in the growth of material losses, as well as the vulnerability of the agricultural sector, associated with the impact of negative weather conditions, has formed in the world today. The influence of weather risks on the results of the productive activities of farmers is only increasing from year to year, and climate change leads to more and more frequent and intense manifestations of extreme weather conditions in the form of torrential rains, droughts and hurricanes (Saravanadurai & Manimehalai, 2016). In the last decade alone, the number of natural disasters in the world has increased several times, which brings multibillion-dollar losses to the agricultural sector. The catastrophic losses of agricultural producers and the expenditures of budgetary funds to cover them could potentially be significantly less, provided that there was a functioning model of the national agricultural insurance system with state support with the mechanisms of interaction between the private sector and the state stipulated in it (Zilberman et al., 2008). Such a system is capable of ensuring greater financial stability of farmers and the state in cases of catastrophic weather risks. International practice indicates the need to develop effective models of insurance of agricultural risks in the format of public-private partnership (PPP - Public-Private Partnership).

In international practice in agricultural insurance, five types of agricultural risk insurance (RRP) models can be distinguished: a model of high efficiency of interaction between the state and the private sector; models with a dominant degree of state influence; a model for the implementation of agricultural insurance through an insurance pool; the model of functioning in the market of a single agricultural insurer and the model of scanty participation of the state in the agricultural insurance system, which differ from each other due to the peculiarities of each model (Vera et al., 2017). The classical insurance model provides for the participation of only two parties - the insured and the insurer, however, in the conditions of the public-private partnership model in agricultural risk insurance with the financial support of the state, there are three subjects of insurance relationships - the insured, the insurer, and the state. The leading role in this model belongs to the state, which plays the role of initiator, organizer and guarantor of these relations. In the model of public-private partnership, the state is the controlling and supervisory body for the insurer, it ensures its activities within the framework of the current legislation. In addition, a special law on state support for agricultural insurance regulates the relationship of all participants in a particular model of public-private partnership (Hazell & Varangis, 2020; Lybbert & Sumner, 2012).

In most existing models, the state negotiates and approves insurance conditions, subsidizes insurance premiums, can cover part of the insurer's administrative costs related to the provision of insurance services, and provides state protection in the event of catastrophic risks. In the event of catastrophic losses, the state offers insurers its own subsidized reinsurance program to stabilize income and applies international reinsurance mechanisms. The role of the insurer in this partnership is to administer, organize and promote insurance services. The insurer, which specializes in agricultural insurance, sells insurance policies to farmers, collects insurance premiums, assesses and regulates risks. In the event of an insured event, he determines the amount of losses and pays monetary compensation. Also, the insurer shares with the government the risks associated with income and losses from insurance activities (Henson & Loader, 2001; Ribaudo et al., 2010).

Reinsurance in this model of agricultural insurance with state support is a prerequisite for the insurer. Most insurance companies get the opportunity to reinsure the held risks in international markets on more favorable terms, due to the accumulation of risks of different companies in a single reinsurance pool, one or another PPP model (Chen et al., 2017; Stephens et al., 2018). Today, in international practice in agricultural insurance, five types of models of state support and public-private partnership can be distinguished: a model of high efficiency of interaction between the state and the private sector (USA); models with a dominant degree of state influence (Canada, Israel); a model for the implementation of agricultural insurance through an insurance pool (Spain, Turkey); a model of functioning in the market of a single agricultural insurer (Austria, Switzerland) and a model of scanty participation of the state in the agricultural insurance system (Germany), which, due to the peculiarities of each model, differ from each other (David, 2015; Bertero et al., 1999). The characteristics of the models in the context of their advantages and disadvantages are presented in table 1.

Table 1
Advantages and disadvantages of government support and public-private partnership models

Model	Benefits	Disadvantages
Model of high efficiency of interaction between the state and the private sector (USA)	The insurance of agricultural producers provides for the active participation of state bodies; subsidies for the payment of insurance premiums provided by the state help to reduce the cost of insurance for agricultural producers and ensure the multiple nature of insurance; the keen interest of private insurance companies in providing services to the agricultural sector of the economy; the protection of agricultural producers is at a high level (there is no dependence on the type of risk); interaction between farmers and insurers is carried out on a clear and transparent basis; development of the agricultural insurance system on a continuous basis through continuous improvement of available insurance products	High government costs associated with administration; limited profitability of insurance companies
Models with a dominant degree of state influence (Canada, Israel)	Minimization of the cost of insurance products for agricultural producers (the possibility of obtaining government subsidies to pay the insurance premium); protection of farmers in the event of catastrophic risks; the agricultural insurance system in the country is developing on a continuous and planned basis.	Quite large administrative expenses of the state; private insurance companies have rather limited profitability
Model of implementation of agricultural insurance through an insurance pool (Spain, Turkey)	Interaction of three parties (insurers, policyholders and the state) on an effective basis; protection of agricultural producers in the event of catastrophic risks; participation of agricultural producers in an active form in decision-making regarding agricultural risk insurance, through professional associations of agricultural producers included in the pool management	Quite large government costs associated with administration; reducing the importance of the private sector (administration and implementation of all agricultural insurance processes by the pool)
Model of functioning in the	The only model that showed the ability of market participants in the country to self-organize and first-	The protection of agricultural producers is insufficient in the event

market of a "single" agricultural insurer (Austria, Switzerland)	class implementation of agricultural insurance by creating a single specialized insurance company (competition in the agricultural insurance market is limited); a significant reduction in the cost of insurance for farmers - the provision of government subsidies for the payment of insurance premiums; provision of discounts to farmers for the purchase of an insurance policy (Austria) when they provide statistical data on yields	of catastrophic risks; subsidized insurance is characterized by strict agricultural insurance rules (Austria); drought insurance in these countries is being introduced with difficulties (this risk is of a systemic nature, specific features of the climate in the region prevail)
Model of scanty participation of the state in the agricultural insurance system (Germany)	Low administrative government spending; predominance of private insurance	Lack of protection for farmers in the event of catastrophic risk events; losses associated with loss of crops are not included in the state aid system; the cost of insurance for agricultural producers is quite high (there is no developed program for subsidizing agricultural risks insurance in the country); the possibilities for the development of the agricultural insurance system are quite limited

Agricultural risk insurance is one of the most difficult to market types of insurance from an organizational point of view (Järnberg et al., 2018; Faulkner & Schauffler, 1997). Agricultural producers are not able to mitigate the consequences of negative agricultural risk events on their own. Insufficient commercial insurance coverage is forcing the Government of the Republic of Uzbekistan to allocate significant amounts of funds in the form of subsidies to compensate for damage in agriculture. All this determines the urgent need to improve the system of state support for agricultural insurance in order to increase its efficiency and improve the country's food security system as part of the implementation of the import substitution program (Müller et al., 2017; Labarthe, 2009).

Conclusion

- The deplorable state of agricultural insurance with state support in the country lies, in particular, in the violation of the parity of interests of the insured agricultural producer and the co-insured state, on the one hand, and agricultural insurers, on the other. Therefore, it is necessary to restore this parity.
- The construction of an effective, stable agricultural insurance system with state support is possible taking into account the views of all interested parties: the state, agricultural producers and insurers. Agricultural producers are interested in obtaining insurance coverage at a minimal cost, insurance companies want to conduct insurance operations with a sufficient degree of profitability, and the government wants to create conditions for the stable operation of the national agricultural sector, to protect the producer, but spend as little public funds as possible on this.
- Agricultural insurance of the Republic of Uzbekistan with state support should be a clearly organized system in which insurance organizations, mutual insurance and credit societies, regional consulting centers, credit organizations, agricultural holdings, agricultural producers, and government bodies interact.
- It is impossible not to come to the conclusion that the legislation on agricultural insurance with state support is tilted towards serving primarily the business interests of insurance companies, and the agricultural producer is assigned the passive role of a payer of contributions and an "expectant" of dubious receipts of insurance payments; the state itself finds itself in the same position, having announced the state support of the agricultural insurance sphere.
- Further improvement of economic and legal mechanisms will allow modernizing agricultural insurance, improving the well-being of farmers in the Republic of Uzbekistan and ensuring the economic sustainability of domestic agriculture and solving the problem of food security in the country.

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