



## FOREIGN EXPERIENCE IN INSURANCE OF AGRICULTURAL RISKS THROUGH THE CREATION OF MUTUAL INSURANCE SOCIETIES

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### **Annotation**

The article describes the risks associated with the activities of agricultural enterprises, the features and benefits of their insurance through the creation of mutual insurance societies, as well as the Canadian experience as the experience of foreign countries with a long history, and recommendations are developed for the application of this experience in Uzbekistan.

**Keywords:** Agriculture, agricultural enterprises, agricultural risks, risk management, crop yields, mutual insurance, mutual insurance societies.

### **Introduction**

The insurance industry at its developed level acts as one of the basic systems of the economy. Upon reaching this level, it is important that there are two main forms of insurance organization. These are: commercial insurance and mutual insurance. Mutual insurance provides a large volume of insurance services in both developed and most developing countries of the world. A mutual insurance company is an organization of a separate non-commercial form, the purpose of which is to insure the risks inherent in their activities, by uniting among themselves individuals or legal entities who have the same or similar direction of activity and are at the same time in a close mutual territory, the purpose of which is protection of property and other property interests of members of society.

In the practice of most developed countries, mutual insurance has long and effectively been used in agricultural insurance.

We believe that in this regard, the study of the experience of Canada, which is a leading country in the world production of grain crops, will give good results. More than two hundred years ago, farming associations began to operate in this country, which organized their activities according to the principle "neighbor helps neighbor", that is, "a neighbor helps a neighbor". These associations are created in the form of mutual insurance societies, which mainly provide insurance against fire and agricultural risks. At the beginning of the 20th century, a process



of consolidation (merger) took place between such associations, as a result of which an association of mutual insurance societies was formed. Now such companies are engaged not only in insurance of agricultural risks, but also in the insurance of cars and the liability of car owners and other types of insurance with the help of money created with the participation of the mutual insurance societies that are members of the association. But insurance against fires and agricultural risks associated with farmers' activities remained their main focus.

### **Literature Review**

Mutual insurance activities in Canada are organized in three phases, which include: First Level of Management: Local Mutual Insurance Societies One of the many members of the Canadian Association of Mutual Insurance Societies of Ontario, Oxford Mutual Insurance Company was founded in 1973 through the merger of two mutual insurance societies. The two organizations were founded in 1878 by the Farmers' Association of Oxford, Middlesex, Elgin and Perth counties. To date, the obligations received by Oxford Mutual Insurance Company are guaranteed by the assets of 51 mutual insurance companies that are members of the Association. The volume of the company's own assets is 16 million US dollars. The annual premiums collected by the company average US \$ 7.5 million. Since 1984, the company has made 4 major insurance payments, each amounting to an average of US \$ 1 million. 4500 members, which make up 90% of the members of the mutual insurance society, live and work within a radius of 40 kilometers from its headquarters. From these members, they elect office leaders, while the elected leaders elect their representative to the Association from within. This system provides a high degree of democratic organizational structure, while mutual trust between its members is ensured through their good acquaintance with each other. These associations, which are members of the association, mainly carry out the following types of insurance as standard types of insurance: insurance of agricultural machinery and equipment; real estate insurance; insurance of crops and other agricultural products; livestock insurance; loss of profit insurance; liability insurance, including insurance against environmental pollution.

Second Level of Governance: Associations of Mutual Insurance Societies In Ontario, Canada, the following three USJs work closely together (historical origins and development also coincide:



1) "Association of Mutual Insurance Societies of Ontario", uniting in its structure 51 mutual insurance societies. More than 250 thousand people use the insurance services of the association. At the same time, the Association is engaged in education, collection and analysis of statistical data and protection of farmers' interests before the state.

2)"Association for mutual reinsurance of agricultural risks" (Farm Mutual Reinsurance Plan, FMRP). The association was founded in 1959 and unites 51 mutual insurance companies engaged in the reinsurance business. Today the association is engaged not only in mutual reinsurance of the risks of its members, but also, reinsurance of risks of commercial insurance organizations.

3)" Fire Mutual Guaranty Fund. The association specializes in the consolidation (consolidation) of fire insurance operations.

At this second level of self-control, there is no direct dialogue with insurers. The main tasks performed by these associations are the accumulation of insurance reserves, the distribution of accepted risks in time and place, and the organization of reinsurance coverage. In addition, one of the important tasks performed by the associations is to carry out actuarial calculations. Mutual insurance companies are not entitled to apply tariffs lower than the tariffs recommended by the Association.

Third level of government: Union of Associations.

This is the highest level of control over the insurance conglomerate Farm Mutual Financial Service Inc. (FMFS), founded by the three associations listed above.

The main tasks of the FMFS are:

- 1) formation of a strategy for the development of the institute of mutual insurance in Canada;
- 2) formation of marketing policy and development of the service of associations in the insurance market;
- 3) attracting new policyholders to local Mutual Insurance Societies;
- 4) coordination of the activities of associations;
- 5) consulting services.

### **Research methodology**

Representatives of the self-regulatory systems of the two lower levels act as managers of the FMFS. Thus, the formation of all management structures is carried out on the principles of election and consideration of the interests of all members. This will preserve the principles of democracy and flexibility.



It should be noted that the relationship of mutual insurance societies with the state is not part of the direct task of the FSFS. This task is included in the second level of management, that is, in the task of associations. From this it becomes clear that the bulk of scientific and analytical work is carried out at the second level of self-control. Legislative and economic regulation of the activities of participants in mutual insurance is carried out mainly within the framework of this second link. At the third highest level of self-government, future relations with the state take place on strategic development issues.

Thus, in Canada, the risks associated with agriculture are carried out through a three-tier form of mutual insurance, and the advantages of this system are that the insurer simultaneously participates in the activities of the society as an insurer, which ensures the availability and reliability of the insurance services provided with the characteristics desired by the insured. ... The fact that each member of the Mutual Insurance Society is interested in the fact that in this society there were fewer insured events and, at the same time, higher income from the direction of insurance reserves in investments, ensures the effectiveness of its activities.

### **Analysis and results**

As you know, in Uzbekistan there are a large number of personal subsidiary plots, and farms. There are frequent cases of bankruptcy due to the lack of sufficient capital for their functioning, the low possibility of risk diversification. The only way to avoid this situation is to use insurance services. But in commercial insurance organizations, the high cost and at the same time the unreliability of this service creates financial difficulties for them in purchasing such a service, on the one hand, and reduces interest, on the other.

The active use of the mutual insurance mechanism will ensure full coverage of farms with agricultural insurance in Uzbekistan. For this, taking into account the specifics of the conditions of Uzbekistan, we consider it necessary to use the experience of Canada. Owners of private household plots operating in rural areas can consolidate their material resources on the basis of makhallas in order to insure their property interests. As a legislative basis for this, the law "on farms" of April 30, 1998 (Article 22) and the law "on farms" of August 26, 2004 were adopted. (Article 25), according to which farm enterprises on a voluntary basis, including on a share (share) basis, are transformed into partnerships, societies, unions specializing in the production, purchase, processing and sale of products,



material and technical, we would like to point out that they are marked as being able to form associations and other associations. By creating a mutual insurance society, the peasant is entitled to insurance compensation in exchange for the contribution he made. By paying an premium insurance, he enters into a relationship as a participant in a common cause, gets the right to participate in the management of this society, to develop new insurance products (based on his own needs) together with other members. Each member can make proposals providing for the development of this society, increasing the amount of insurance compensation, etc., and these proposals are considered at the general meeting of the society and decisions are made. In a mutual insurance company, a member or other person cannot be the sole owner or manager of this company. No person can own their property separately. Each peasant member receives only one vote, regardless of the amount of his contribution.

### **Conclusion/Recommendations**

In the event of the formation of a surplus of funds based on the results of annual activities, these funds can be directed to the formation of an insurance fund for the next year or distributed equally among the participants. Members who have worked without loss during the year may be subject to reduced insurance rates for next year's premium. This will be a factor so that they can continue their further activities without prejudice. With this method, a double effect is achieved: it creates the possibility of constant monitoring, as a result of which the number of insured events decreases, and this in itself leads to a decrease in the cost of insurance coverage.

There is another aspect of this issue related to mutual insurance, that is, in mutual insurance, the activities of all members are similar, good knowledge of each other allows other members to better assess how conscientiously this member approached the process associated with the occurrence of an insured event. They are well aware of the fundamental nature of such problems. Therefore, from time to time, as a preventive measure, all participants must jointly monitor their activities, be able to foresee the risk that may arise, and give recommendations on this matter to the property owner based on their experience, which has a good effect in reducing insurance claims. Thus, in mutual insurance, measures to prevent the occurrence of risk are carried out not only administratively, but also by the participants' own actions. In these conditions, there is no need for the state



to take measures that are contrary to market requirements, such as the introduction of compulsory insurance in order to reduce damage to agriculture. The advantage of mutual insurance for agricultural producers is that: insurance reserves are directed to investments based on their interests; investment funds can be used to enrich this activity and main activity with new technologies. Accumulated insurance premiums can also be used for short-term loans. Due to insurance against a low harvest, the tax burden of an agricultural enterprise is reduced. Because, according to the established legislation, the funds allocated for these purposes are included in the cost of production and are excluded from the taxable base. For agricultural producers, the organization of the organizational and legal form of mutual insurance as an agricultural cooperative (partnership) will be favorable in all respects. The existence of special legislation for agricultural cooperatives (partnerships) based on membership in all other forms of non-profit organizations further facilitates their activities. This law clearly establishes that the satisfaction of the material and other needs of the participants of an agricultural cooperative is carried out by combining their property share contributions, on the basis of which this company is able to fulfill its obligations to its members.

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