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PROTECTION OF AGRICULTURE AGAINST CALAMITIES IN FRANCE  
THE NATIONAL FUND OF GUARANTEE AGAINST AGRICULTURAL CALAMITIES  
DESCRIPTION AND APPRECIATION



UNCTAD/INS/27

Roger H. MILLOT

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I - AGRICULTURE IN FRANCE - AGRICULTURAL RISKS AND THEIR INSURANCE COVER - AGRICULTURAL CREDIT

11 - AGRICULTURE IN FRANCE

Farming activities in France, a country with a temperate climate are carried on a "useful agricultural surface" of 32 358 000 hectares (1 hectare = 2,47 acres) distributed amongst 1 148 000 farms (°).

The population of farmers and salaried workers in agriculture rose to 2 026 000 people in 1975. Compared with the whole French active population, the proportion of agricultural active population amounts to 9,8 %.

Agricultural production is much diversified. Its total value was estimated to 24 043 000 European units of account in 1977, before the German Federal Republic (21 538 000) and Italy (17 619 000).

Main productions are (1977) :

Vegetable production	: Cereals	39 480	thousand metric tons
	Sugar beets	27 907	" " "
	Potatoes	7 901	" " "
	Vegetables	4 190	" " "
	Oil seeds	572	" " "
	Wine	52 708	thousand hectolitres
Animal production	: Beef	1 752	thousand tons
	Pork	1 600	" "
	Fresh Dairy Products (milk, cream ...)	4 736	" "
	Butter	551	" "
	Cheese	1 087	" "

12 - AGRICULTURAL RISKS AND THEIR INSURANCE COVER

Based on present information on the agricultural insurance market in France, the inventory of risks which may affect agricultural production is governed by the distinction between insurable and non-insurable risks.

(°) Distribution of farms in France according to their surface - 1977 -  
French Ministry of Agriculture

from 1 to 5 hectares	: 225 000
5 to 10 hectares	: 175 000
10 to 20 hectares	: 250 000
20 to 50 hectares	: 355 000
} 50 hectares	: 143 000

.../

### 121 - Insurable risks

For already more than a century, hail insurance has been established in France. In 1977, 340 000 contracts were counted for an amount covered of 20 538 million francs.

Livestock insurance is traditionally practised. It may cover cattle, horses, pigs, sheep, goats, poultry, battery farming and other industrial farming methods.

Fire risks on farm buildings and crops are also traditionally insured. Guarantees against fire are often completed by storm and hail insurance on roofs.

### 122 - Non-insurable risks

The nature and relative importance of non-insurable risks may be appreciated in analysing losses settled by the National Guarantee Fund against agricultural calamities from 1965 to 1978 :

. Floods	18,00 %
. Frost	51,20 %
. Thunder-storms, bad weather, snow	23,80 %
. Bacteria, pests, rodents, abnormal plant mortality	0,95 %
. Hurricanes, wind storm, tornadoes	2,10 %
. Landslides	0,02 %
. Roots asphyxia (arboriculture)	0,98 %
. Hail (second year losses)	0,03 %
. Miscellaneous (heat, drought)	1,80 %
. Shell fish	1,12 %

### 123 - The Market of agricultural insurance

French farmers, in order to cover their risks have at their disposal a diversified and powerful network of nationalised, private, mutual form of insurance companies as well as the group of agricultural mutual insurance societies.

Adding to the insurance guarantees mentioned above (cf. § 121), the existence of various guarantees is to be noticed, covering liabilities, automobile and agricultural working stock in particular, of specific guarantees of some form of farming (green house cultures) ...

On several occasions, the question has been under consideration whether it could be possible to extend insurability to some other risks, especially as regards frost on orchards and wine. This has come to nothing so far.

### 13 - AGRICULTURAL CREDIT

Among the numerous nationalised or private banks working in France, a special mention must be made of the regional mutual agricultural credit banking organisation supervised on the national level, by the National Bank of Agricultural Credit.

Since 1931, a system of special loans with a low rate of interest has been organised with the support of public funds, for the benefit of farmers and victims of non-insurable losses. These provisions have been modified several times in 1948, 1950, 1959, 1968, 1971, 1975 and a new reform is presently under consideration.

As will be examined further on, the modalities of these special loans to victims of agricultural calamities are integrated within legislation and regulations concerning agricultural calamities.

## II - THE 10TH JULY 1964 ACT

### 22 - PREVIOUS SYSTEMS

It is generally acknowledged in France that insurers have provided suitable answers to the requests from farmers, especially as regards hail insurance, even though its cost in some regions and for some crops is considered high.

Yet, some risks remained : frost, drought, floods, ... that on the one hand agricultural insurers did not consider could be covered at a reasonable price and on the other hand were likely to cause losses, sometimes heavy, to crops and farming stock, even if they were exceptional.

When losses brought about by one of these causes occurred, these were essentially procedures of relief and assistance which were used. Some traces of these procedures may be found as far as 1567 !

In 1857, a state fund was set up in order to cover hail, frost, animal mortality and flood risks in agriculture. This fund locally relied on school masters ! This experiment did not succeed and did not work over ten years.

In 1928, appeared an Insurance, Reinsurance and Protection Fund in favour of victims of agricultural calamities (hail, frost, floods, hurricanes). This scheme was slightly modified in 1932. It gave birth to a compensation Fund financed by a budgetary credit and taxes on the National Lottery ! Compensations paid could not exceed 20 % of the losses suffered by farmers. Technically poorly designed, this compensation scheme disappeared at the beginning of World War II.

It already contained some interesting arrangements which will be met again in the rules of the 10th July 1964 Act :

- . the principle of supplementing existing agricultural insurance covers and mainly hail insurance. Compensation guarantees only concern losses considered as being non-insurable,
- . the principle of encouraging the development of existing insurance guarantees, freely underwritten by mutual societies or insurance companies. A scheme of subsidies concerning hail insurance premiums was initiated,
- . the principle of a participation of farmers in the work of the guarantee system through departmental committees of agricultural calamities.

In 1931, a system was set up of middle term special loans with low rate of interest (3 %) by the Agricultural Credit Fund in favour of farmers struck by losses amounting to a minimum of 25 % of the crops, cultivations or livestock, caused by frost, hail, floods, hurricanes and avalanches, as well as cryptogamic diseases. These dispositions will also be kept and arranged within the 10th July 1964 Act scheme.

As regards special loans, a particular mention must be made to the Viticulture Section of the National Agricultural Solidarity Fund. Created in 1950, this section was concerned with the taking over, wholly or partly, of the two first yearly redemptions of loans granted to vinegrower victims of losses thanks to a budgetary subvention and a para-fiscal tax for wines.

Lastly, fiscal dispositions permit tax reductions to farmer victims of losses. These reductions may concern the yearly income or land tax.

## 22 - THE 10th JULY 1964 ACT - PRINCIPLES

As it may be considered, the French legislator was not standing in front of a complete blank as regards agriculture protection in case of losses :

- . insurance covers were already quite developed (hail, fire, livestock insurance) and profiting by subsidies (hail) in some departments (°),
- . special loans in charge of the Agricultural Credit Fund,
- . possibilities of fiscal reductions,
- . departmental committees at a local level.

Nevertheless there was a need for a particular cover against losses caused by "non-insurable" risks for which the special loans system seemed to be an insufficient remedy.

Therefore, the legislators sought to :

- . maintain and develop what already existed and was giving satisfaction : the traditional agricultural insurance, special loans,
- . create a new loss compensation system against non-insurable risks, taking inspiration from the 1928-1932 experiment but avoiding some of its mistakes,
- . harmonize the whole of the dispositions and to associate all the partners contributing to agriculture protection : agricultural professional organizations, agricultural mutual insurance societies and insurance companies, representatives of the interested administrations,
- . make use as much as possible of the existing structures : insurance companies and agricultural mutual societies in order to take advantage, from the beginning, of some technical capacities and to limit administrative costs to the minimum.

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(°) A geographical division in France

## 221 - Organization and Operation

The 10th July 1964 Act has created a National Guarantee Fund against agricultural calamities. This fund did not give birth to a specific administration. Its accounting and financial management has been handed over to an existing organization : the Central Reinsurance Office. Each of the two interested administrations : Ministry of Agriculture and Ministry of Finance take part in the administrative operations by assigning to this task the necessary number of civil-servants.

At the National level, a National Commission of Agricultural Calamities has been created presided by a highly placed official and composed of representative of agricultural professional organizations, of insurance organizations and of the two above mentioned Ministries.

The National Commission makes recommendations. It is competent in everything concerning orientation and management of the Fund. Particularly, it plays an important role in the loss-payment procedure.

In each department, there is a Departmental Commission of Agricultural Calamities, composed according to the same principles as the National Commission. Departmental Commissions are consulted in the matter of loss compensation, special loans, definition of insurance conditions ...

The Prefect, assisted by the Departmental Board of Agriculture holds important powers :

- . for admitting the agricultural calamity, for the examination, assessment and payment of the corresponding claims,
- . for the procedure of special loans of the Agricultural Credit Fund.

Since 2nd May 1976, a reform of the compensation procedure has entrusted a Communal Commission presided by the Mayor with a particular role. It is to warn the Department Prefect in case damages occur, which are likely to be admitted as a "calamity".

This Commission is also empowered to register and control claims. This control deals especially with declarations of damaged surfaces and with the importance of losses.

## 222 - Financing the National Guarantee Fund

Financing the National Guarantee Fund for compensation operations is supported by incomes from :

- . on the one hand, from farmers by way of an additional contribution to agricultural insurance premiums. Its rate is 10 % for fire insurance and 5 % for hail insurance. Particular provisions concern shell fishing operators (oysters, mussels ...),
- . on the other hand, from a budgetary subsidy at least equal, in principle, to the amount of the additional contribution.

.../



As regards insurance incentives operations, the Fund is supplied with a budgetary appropriation.

Following very important losses from frost and floods which occurred in 1977, the Fund resources were insufficient to meet compensations to be paid (°).

The rectifying appropriation bill for 1978 has established a 5 % complementary additional contribution on all premiums concerning liability and casualty insurance for farm vehicles. In principle, this disposition must apply to premiums collected in 1980 and 1981. Simultaneously, the budgetary subsidy will be increased in due proportion.

For the year 1977, the Fund income for compensation was as follows :

. additional contribution	123 650 000 F
. budgetary subsidy	99 470 000 F

and amounted to 53 550 000 F for insurance incentives.

Financing loan interest reductions is supported by a budgetary subsidy directly placed at the disposal of the Agricultural Credit Fund. Its importance has been rising significantly over recent years.

	<u>Budgetary subsidy</u>	<u>Amount of special loans with interest rebates</u>
1975	134,9 millions F.	2 014,9 thousand millions F.
1976	212,0 millions F.	2 112,6 thousand millions F.
1977	531,2 millions F.	8 355,0 thousand millions F.

### 23 - THE THREE LINES OF ACTION OF THE GUARANTEE FUND

The three lines of action of the Guarantee Fund :

- . insurance incentives,
- . loss compensation of claims acknowledged as linked with agricultural calamities
- . special loans,

are the logical translation of the above explained principles of action. They will be now presented separately. It should be added that the National Agricultural Calamity Commission has also considered it had to assign some money to subsidize experimental studies concerning hail prevention.

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(°) In order to meet the 1977 year losses (1,4 thousand millions F.), the Guarantee Fund has borrowed 350 millions F. from the Agricultural Credit Fund, has made use of its previous reserves (550 millions F.) and has received an exceptional advance from the State amounting to 330 millions F.

24 - INSURANCE INCENTIVES

It is possible to make a distinction between two incentives, one being direct by means of subsidies to farmers insured against hail, the other indirect on the account that the only farmers who may eventually benefit from a Guarantee Fund compensation are those who can prove they have on their own initiative subscribed the insurance covers defined as normal in their region and for their type of farming.

241 - Direct incentives

The 1964 Act had arranged to take over for a minimum period of 7 years a part of the premiums of some agricultural insurance contracts covering risks defined by a decree. This in fact concerns hail insurance.

This was not to exceed 50 % of the total premium for the first year and come down to 10 % on the seventh year. The possibility of modulating this subsidy according to the nature of crops, the importance of risks was also arranged.

As there remained in several departments practices of departmental subventions in favour of hail insurance (cf. § 21 - Previous systems) the 1964 Act arranged that these departmental subventions could not reduce those of the Guarantee Fund.

This line of direct incentive has been maintained. It presently takes the following form :

- . a "principal" subsidy granted to farmers calculated on the amount of their premiums paid for delicate crops,
- . a "complementary" subsidy granted to farmers in the departments who have themselves taken the initiative of a hail premiums subvention. The rate of this complementary subvention is proportionnal to the effort decided by the department.

For the year 1979, farmers insured against hail will benefit from the following subsidies (°) :

- . fruit-crops : 25 % raised to 42 % when the contract goes with a deductible equal or exceeding 20 % of the insured value,
- . vine, market gardening, horticulture, hop fields and colza : 15 % raised to 32 % in some cases.

The special complementary subsidy will be determined for each interested department with a maximum rate of 10 %.

242 - Indirect incentives

Indirect insurance incentives result from the necessary conditions in order

to benefit from a Guarantee Fund compensation in case of calamity or from a special loan from the Agricultural Credit Fund. The 1964 Act, modified by a law of 1968 (°) specifies this condition : damaged farmers must prove ... "that the principal elements of their farms were insured against at least one of the risks considered, within the bounds of the region, as normally insurable" ...

In all cases fire insurance covering farm buildings and their contents, farm implements, livestock and crops was required as well as storm insurance for the contents of farm buildings. Hail insurance on crops was added in some defined regions.

These conditions were the matter of a general regulation in 1971 (°°) and their result was that a certain number of farmers were turned down from the benefit of the Guarantee Fund. They have been made less severe by a ministerial order from 28th March 1975.

Henceforth a distinction is made between two levels of compensation :

- . a basic compensation if the farmer proves he has subscribed a fire insurance covering farm buildings,
- . a compensation with a higher rate if the farmer is also insured against storm (farm buildings) or against hail (crops).

As, in actual fact, all farmers are insured against fire, the first condition does not go to make a cause of exclusion.

The second condition itself also became more subtle as hail insurance is no longer required on all crops of the farm but only on the damaged crops.

## 25 - AGRICULTURAL CALAMITIES CLAIMS COMPENSATION

The principles concerning agricultural calamities loss compensation have been laid down for the first time by the decree dated 4th October 1965.

They have been twice quite substantially modified, by the decrees of 29th July 1970 and of 19th March 1976. The dispositions of the latter decree gave way to important criticisms and a new reform is presently being prepared.

### 251 - Beneficiaries

These are farms ... "whose principal purpose is to obtain animal or vegetable products by the development of rural properties" and also shell fishing plants (oysters, mussels), fish-breeding (°°°). Lumbering plants are excluded from the benefit of the 10th July 1964 Act.

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(°) Law n° 68-690 - 31 July 1968 - Article n° 28-II

(°°) Ministerial order 14th October 1971 - Official Gazette 23 November 1971  
Page 11 498

(°°°) Decree n° 76-271 - 19th March 1976 - Article 23th

It is to be noted that this definition is built upon criteria of economic and not social nature.

#### 252 - Agricultural Calamity - Definition

By the terms of article 2 of the 10th July 1964 Act, a prejudicial even must answer to three conditions in order to be considered as an agricultural calamity :

- . it must be a damage of exceptional importance,
- . this damage must be caused by the abnormal variation of a natural agent,
- . it must be granted that usual means of defence against these damages have proved to be insufficient or ineffective.

#### 253 - Admission and claims payment procedures

When an event occurs, in a department, likely to be considered as an agricultural calamity, the Prefect is responsible for obtaining all necessary information, if need be by appointing an information mission.

Then, the Prefect convenes the Departmental Commission of Agricultural Calamities, in order to collect its opinion. Within seven days of the sitting, the Prefect decides :

- . Either to close the case definitely,
- . Or to propose to the Ministers of Agriculture and Finance, the admission of the nature of agricultural calamity for a given area and period with a precise list of damaged properties.

The Prefect can also, on his own initiative, take an order which will open up the possibility of applying the special loans procedure.

When the Prefect hands the case over to the Ministers in order to have the nature of agricultural calamity admitted, he informs all the Mayors of the damaged villages. In their turn, the Mayors inform the interested farmers.

Damaged farmers must then put down their names within ten days on a register in the town hall, and next send to the Mayor different documents intended to constitute the loss record : general questionnaire and special questionnaire on the type of property or of damaged crop, insurance certificate, copy of the harvest declaration, ...

No losses record will be taken into consideration if the farmer has not put his name down on the town hall register within this 10 days period.

During the following month after the publication of the Prefectorial decision, the Mayor convenes the Communal Commission. This Commission is in charge of a double mission (cf. § 221) :

- . to help damaged farmers to fill up their loss record,

. to give its opinion on the factual elements described in the loss records.

Then, the Communal Commission passes the loss records to the Departmental Board of Agriculture. This Board is in charge of examining them, to control and to provisionally estimate the losses.

The 1976 decree contains precise rules for the appraisal of different natures of damaged properties (cf. § 254).

Some loss records are then eliminated after discussion by the Departmental Commission :

- . if the farmer does not meet the minimum insurance conditions,
- . if the total amount of compensatable losses (cf. § 242) does not reach a minimum value originally fixed at 500 F. This minimum value has been increased by a ministerial order of 3th March 1976 and raised to 1 000 F. In some special cases (unfavoured areas in the meaning of a rule issued by the European Economic Community) this minimum can be reduced to 700 F.

At the end of a two months delay from the reception of the loss records transmitted by the Mayors, the Prefect must then send to the Minister of Agriculture and to the General Secretary of the National Agricultural Calamity Commission :

- . a general report in order to have the agricultural calamity admitted as regards the occurred damages,
- . a report on individual loss records, assessment rules, amount of compensatable losses.

Then, the National Commission gives its opinion on the admission of the agricultural calamity. If it is favourable, it also determines on the basis of the available assets of the Fund and the general estimates of payments and receipts, the applicable compensation percentage and the amount of corresponding budgetary supplies for each interested department.

The opinion of the National Commission is not limited to a strict admission of the agricultural calamity. It also deals with the area where it occurred, the damaged properties and the assessment rules. The Commission can even ask for a complementary inquiry if it feels insufficiently informed.

When the National Commission has given its opinion, it is transmitted to the responsible Ministers :

- . in case of refusal of the demand presented by the department, the Ministry of Agriculture immediately informs the Prefect while pointing out the reasons of this refusal. The Prefect informs the Departmental Commission and the Mayors of the interested communes,
- . if the Ministers accept the favourable opinion given by the National Commission, the decision entails two ministerial orders :
  - a calamity admission order ; this text will eventually specify some clauses of assessment, thresholds or deductibles determined at the national level,

- a compensation order determining compensation rates and supplies.

Then, the Prefect with the opinions of the Departmental Commission for litigious cases especially, proceeds to the final calculation of compensations to be paid and gives orders for the payment to the Chief Treasurer and Paymaster of the Department.

#### 254 - Losses assessment rules

Losses assessment rules are determined by the 1964 Act (Article 7) and specified by the 1976 Decree (article 29) :

- . for the buildings, it is referred to the declared value in the insurance contract which was used for the assessment of the premium covering the period during which the calamity occurred ; if insurance is not possible or if the buildings value is not shown on the contract, it is then referred to the true replacement value less an allowance for depreciation,
  - . for farm implements, it is referred to the market value in the time of the calamity of average quality implements similar to the damaged properties, based on their actual condition,
  - . for animals, it is referred to the true market value of the damaged animals or in default, of the value of similar quality animals according to the prices of the nearest markets to the farm, before loss occurred, except if it is a matter of animals of exceptional value,
  - . for the seasonal cultivations and crops, a distinction is made between two cases :
    - if it is possible to start a new cultivation and if its commercialization can be normally expected, the expenses of the new cultivation (labour and material, fertilizers, seeds prices commonly observed in the given agricultural region) are estimated,
    - if it is not possible to start a new cultivation, the market value of the damaged products is estimated as if they had come to maturity according to some precise rules : the quantitative importance of crops is given by application of the regional average yield to the damaged surface. The regional average yield itself is that observed in the course of the five last years, excluding the two extreme years with the higher and the lower yields.
- Some crops are assorted with a yearly crop declaration (wine). In that case, the calculation is made from these yearly declarations.
- . for permanent cultivations, it is referred to the value of crops which will not be harvested, as for the seasonal crops, and eventually, in addition, expenses of replanting, taking into account the age of the damaged cultivations,
  - . for soils and different works, it is referred to costs of repairs determined by taking account of labour and material, fertilizer prices ruling in the agricultural region. In case of partial losses on buildings, material, soils

or works, it may be referred to costs of repairs and reinstatement within the limit of the whole properties evaluated as described above.

From the losses amount thus evaluated is deducted the amount of the possible recoveries and of other indemnities paid on other grounds and particularly as an insurance payment.

255 - Compensation rates

Since the beginning of the Guarantee Fund activities, a progression in the rates of compensations may be noted.

Since 1975, the National Commission has inserted a modulation of the compensation rate. It makes a distinction between a "basic" and an "increased" rate depending on the extend of insurance covers subscribed by the farmer.

Progression of the average compensation rates since the creation of the Fund:

Years	Fruit trees Vineyards	Soils works	Buildings Implements Stocks	Crops	Shell fish	Meadows Fodder
1965-1969	25 to 28	20 to 30	20	25	7	20
1970-1974	30 to 35	25 to 30	28	28	7	25
1975	b 20 i 45	35	b 20 i 35	25 35 α 38	7	35
1976	b 20 α 37 i 45	35	b 20 i 35	b 25 i 38 α 40	b 10 i 12	35
1977	b 25 α 35 i 35 α 45	38	b 20 i 35	b 28 to 35 i 38 to 45	b 10 i 12	35

b = basic rate  
i = increased rate

Sources : Audit Office Report  
National Assembly 28th June 1979 - n° 1 28

26 - AGRICULTURAL CREDIT - SPECIAL LOANS (°)

261 - General conditions

Conditions of access to Agricultural Credit special loans are similar to those of compensation as regards insurance conditions and the opinion of the Departmental Commission.

(°) Rural Code - articles 675 to 680 - Decree 19th March 1976 - articles 37 to 41

A damaged farmer may possibly simultaneously obtain a compensation payment and a special loan. The amount of the loan will then be limited to the difference between the amount of losses incurred and the total sum already received by the damaged farmer. Should this compensation sum added to the granted loan go beyond the value of the damaged property, then the excess would have to be assigned to the partial and anticipated return of the loan.

Loans can only be granted when losses reach at least 25 % of the crops or livestock values.

When the losses amount or go beyond 60 % of the value of the damaged property, the Guarantee Fund may take over part of the loan interests during the two first years and within the limit of 50 % maximum of the amount of these interests.

There are presently two types of loans :

- . for damages to soils, plantations, livestock and buildings, the rate of interest is fixed at 4 % and the term may exceed four years,
- . for damages to crops, seasonal cultivations, the rate of interest is fixed at:
  - 5 % if losses exceed 50 %,
  - 6 % if losses do not exceed 50 %.

The term of these loans cannot go beyond four years. In case of losses to permanent cultivations in the course of two consecutive years and if the loss on the second year crop exceeds 50 %, the farmer may obtain a 5 % loan for a maximum term of 7 years.

#### 262 - Attribution procedure

Reckoning from the publication of the Prefectorial order, damaged farmers are allowed a variable time (but not exceeding one year) to present a loan demand to their Regional Agricultural Credit Fund.

Loss assessment is operated on the basis of scales prepared by Departmental Board of Agriculture and approved by the Departmental Commission. The examination of the records is operated by the Regional Agricultural Credit Fund.

The Departmental Commission decides the admissibility of the records (insurance conditions ...) and the amount of calculated losses.

The Departmental Commission is also empowered :

- . to close the aggregate estimation of the amount of the attributable loans corresponding to the calamity Prefectorial order,
- . to transfer, if necessary, the demand for the taking over of a part of the interests to the Central Reinsurance Office.

.../



The share in the interests which is taken over is paid, for each returns expiration date, by the Central Reinsurance Office to the Regional Agricultural Credit Fund which has granted the loan.

The Regional Agricultural Credit Fund shall finally decide on the amount of the loan to be granted to the farmer in consideration of his financial position, his reimbursement capacities and the guarantees he offers.

### III - RESULTS AND PRESENT PROBLEMS

#### 31 - FROM 1964 TO 1976

Setting up the protection system has been carried out in a spirit of effective collaboration between the interested civil-servants, representatives of farmers, of agricultural insurance mutual societies and insurance companies. Under the impulse of its first animators : Chairman, General Secretary, General Rapporteur, the National Commission of Agricultural Calamities had debated on the application texts, created a sound and reasonable basis of "Jurisprudence" for the admission of agricultural calamities.

The examination of individual loss compensation demands was under the control of agricultural mutual societies and insurance companies operating agricultural insurance. They had the necessary permanent skilled staff.

Yet, some criticisms had been heard concerning delays in the loss compensation procedure. Some negligences in the rapid transmission of the departmental documents to the National Commission in order to admit the calamity, delays from farmers in constituting their loss records, temporary work overloading in the Department Boards of Agriculture were the essential reasons for these delays. In fact, more than one year always passed between the arrival of the calamity and the payment of the corresponding compensation.

Two weaknesses of the system also became evident :

- . the deficiency of controls. Originally, for reasons of management economies, this risk was accepted,
- . a "contagious effect". The calamity admission procedure not being limited by an imperative period, it occurred that after the admission of a calamity for a given department the nearest departments, under the pressure of their farmers "discovered" they had been victims of the same calamity and had an admission record presented to the National Commission.

Exceptionnally, towards the end of this period, some loss compensation procedure had been accelerated, but partly to the detriment of the loss assessment quality.

#### 32 - FROM 1976 TO 1979

It is in order to bring a remedy to the listed deficiencies that the reform decree of 19th March 1976 was carried out.

In order to give better local control (!) and a better association of farmers in the compensation procedure, in spite of some vehement warnings and neglecting the unfortunate experiment of the system before the 1964 Act (cf. § 21), Communal Commissions have been set up.

The responsibility of loss records investigation and assessment is withdrawn from agricultural mutual societies and insurance companies to be entrusted to Departmental Boards of Agriculture who have to meet these temporary work overloads by recruiting temporary staff with often insufficient professional capacities.

Then, in order to reduce delays, it simultaneously proceeded to the constitution of a departmental admission record to be transmitted to the National Commission and on the other hand, to the registration of individual demands and the constitution of the loss records (in the procedure previous to the 1976 Decree, demands were only acceptable after the publication of the calamity ministerial order). From that time onwards, it becomes quite difficult for the public Authorities as well as for the National Commission to reject an admission record !

### 33 - INSURANCE INCENTIVES

An inaccurate analysis had led the Parliament to believe that by means of hail insurance subsidies, sometimes expensive for farmers, it could be possible to increase the number of contracts and the covered value and accordingly ... to lower premium rates. This was forgetting that insurance is not ruled by the economic law of mass production decreasing costs but by that of risks statistics !

From 1964 to 1977, the number of hail insurance contracts only increased from 303 860 to 340 550 and the insured value from 5 to 20 thousand millions francs.

What is important, on the other hand, is the help brought by national and departmental subsidies for hail insurance of some delicate or vulnerable crops whose cost could otherwise be considered by farmers as unbearable.

### 34 - SPECIAL LOANS

Admission procedures to special loans which remain within the Prefectorial competence have been inclined to increase overmuch without it having been really possible to note real calamities or real needs, burdening in that manner the budget expenditures for the reduction of special loans interests.

### 35 - THE "CALAMITIES" IN 1976 AND 1977

Whereas, since 1964, the Guarantee Fund had been able with its resources, to meet the admitted calamities and the corresponding compensation payments, crop year 1976 has been marked by a long draught. Damages were compensated by means of a special regulation which did not involve any growth in compensation payments for the Guarantee Fund but a large increase in the special loans amount.

.../

In 1977, severe floods happened in the South West regions of France adding to spring frosts, different bad weather situations and excessive rains. When compensation payments for the preceding years had never exceeded 150 millions francs, the amount of compensation payments for 1977 rose to 1,426 millions francs ! The insufficiency of the Fund resources has been temporarily covered by different measures (cf. § 222).

### 36 - THE AUDIT OFFICE REPORT

This financial crisis of the Fund played the part of a violent catalyst for the Parliament and public opinion of the working deficiencies of the Guarantee Fund.

As required by the Finance Commission of the National Assembly, the Audit Office wrote an inquiry report which plainly brings to light the deficiencies and anomalies of the present procedures.

The sincerity of this report, issued to the public in July 1979, provoked several reactions often sharper than convincing.

### 37. - TOWARDS A NEW REFORM

The 1976-1977 crisis unfortunately proved the practical harmfulness of the 1976 Decree dispositions. The question is now for the Parliament, the Public Authorities and the National Commission of Agricultural Calamities to build new dispositions, more reasonable and adequate.

New regulation drafts have already been submitted in April 1979 to the National Commission for consultation.

There would be a going back to the original distinction between the first phase of the agricultural calamity admission and that of loss compensation which would not be simultaneously carried out anymore.

The Departmental Board of Agriculture would be given additional control powers and resources.

The loss estimation would not be calculated referring to the damaged crop but to the global gross production of the farm.

The access conditions to special loans would also be modified in the direction of increased strictness.

## IV - CONCLUSION

It may be noticed, especially reading the Audit Office Report (cf. § 36), that a deviation has grown, little by little, between the quality of the purposes of those who created the system in 1964 and what it is now looking like under

the erosion of different pressures, of some laxities not restrained by sufficient controls. This could happen in a country having technical means (agricultural land registry, computer software ...) and a network of competent agricultural civil-servants at its disposal.

It will be easier to measure all the difficulties which a developing country has to meet, if it has the intention to operate an insurance or compensation system for its agricultural risks.