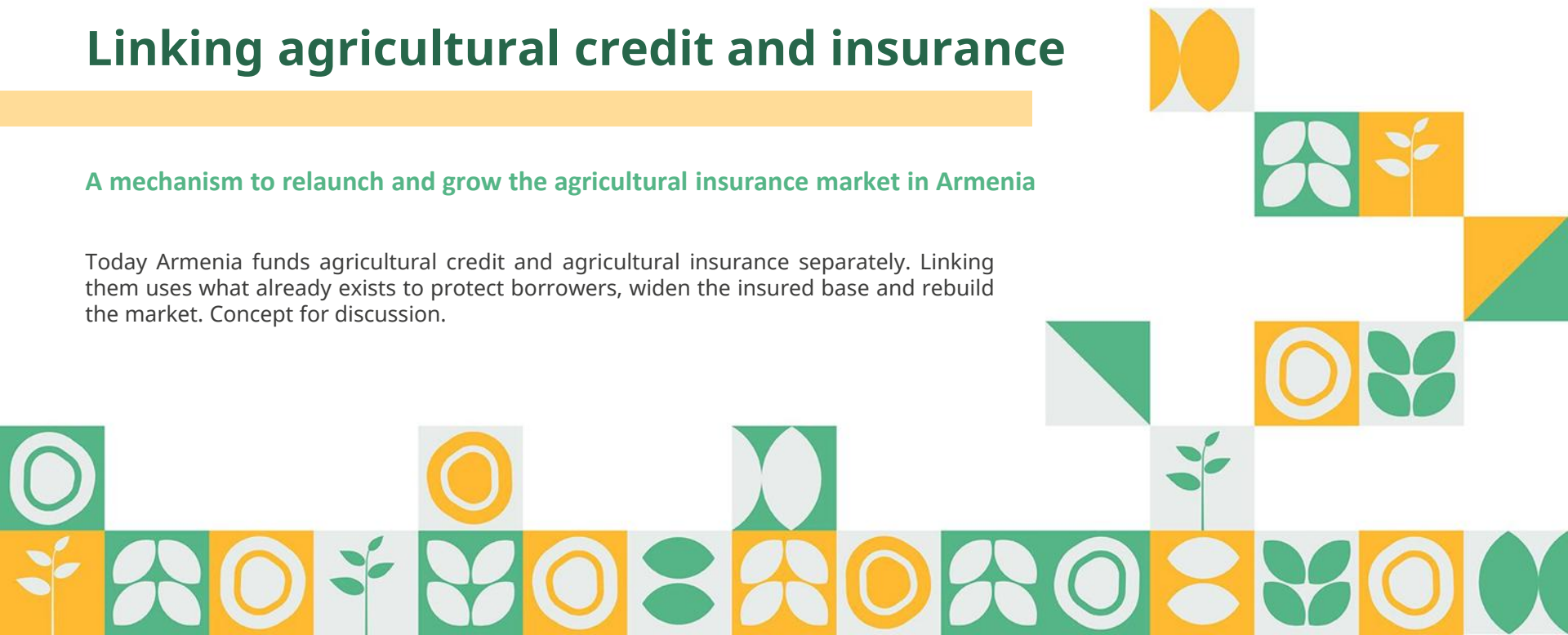


Linking agricultural credit and insurance

A mechanism to relaunch and grow the agricultural insurance market in Armenia

Today Armenia funds agricultural credit and agricultural insurance separately. Linking them uses what already exists to protect borrowers, widen the insured base and rebuild the market. Concept for discussion.



PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 1 · CURRENT SITUATION

Weather is the biggest risk in Armenian farming, and it is getting bigger



Spring frost

65%

of the value of all insurance claims, 2020
to 2023



Hail

USD 100–150m

lost production a year, together with frost



Drought

–143 mm

rainfall in 2019 against the 1961 to 1990
average



Heat and water

+4.7°C

projected warming by the 2090s

+20%

more damaging weather events than a generation ago

30%

of cultivated land hit in a single bad year

Why insurance alone is not enough

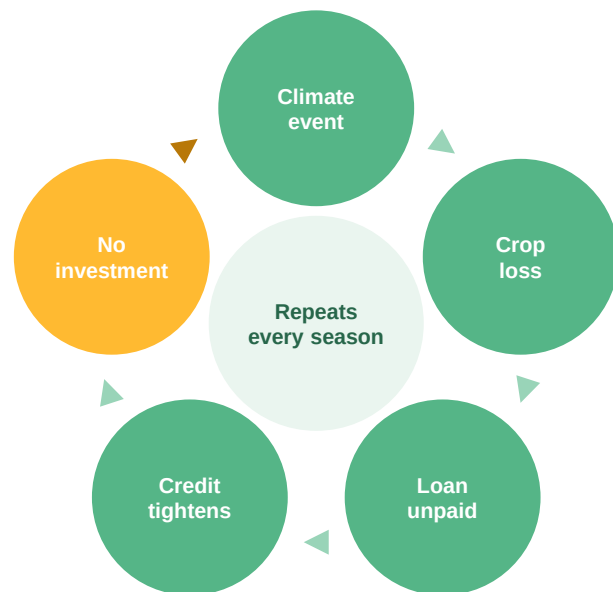
Insurance pays after the event. Only investment in protection reduces the loss in the first place, and most Armenian farms cannot fund that investment on their own.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 1 · CURRENT SITUATION

Weather risk becomes credit risk, and investment stops



Where the cycle breaks

Insurance that travels with the loan cuts the cycle at the third step. The payout clears the debt first, the farmer keeps the remainder and can replant, and the bank carries less risk. That is what keeps credit available to exposed crops, and what makes a discount for protective investment worth having.

4.8%

of planted area insured today

134.7%

paid out against premium, 2020 to 2023

41.3%

of the insured pool is apricot

None

working links between a loan and a policy

PART 1 · CURRENT SITUATION

Public money supports both credit and insurance, but nothing connects them

Loan interest subsidy

Up to 14 percentage points; the borrower pays nothing

Paid to the lender

Insurance premium subsidy

AMD 352.5 million of AMD 798.9 million in 2026, or 44.1 per cent of gross premium

Paid to the insurer

Portfolio risk support

Reimbursement of indemnities above 80 per cent of programme premium

Paid to the insurer

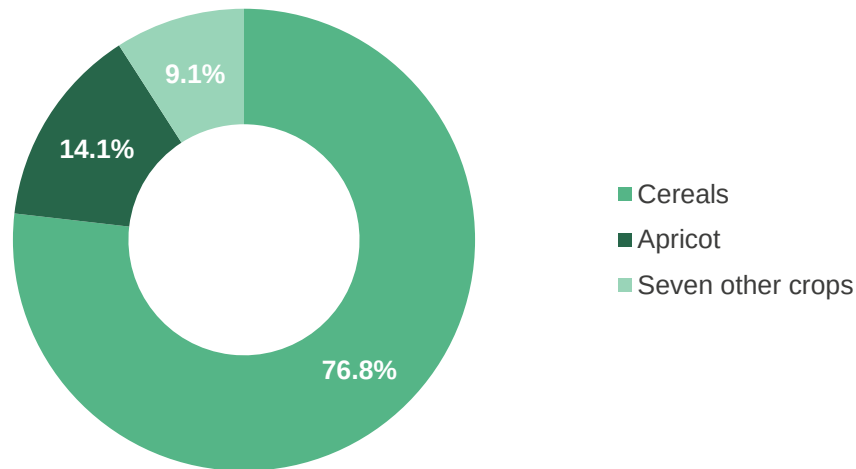
No rule requires a borrower to insure, rewards one who does, gives the lender a role in selling the policy, or gives the lender any claim on the payout.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 1 · CURRENT SITUATION

The insured area is small and concentrated in two crops



10,923 ha

insured in the 2026 season, under 9,528 contracts

76.8%

of that area is cereals

14.1%

is apricot; all other crops together are 9.1%

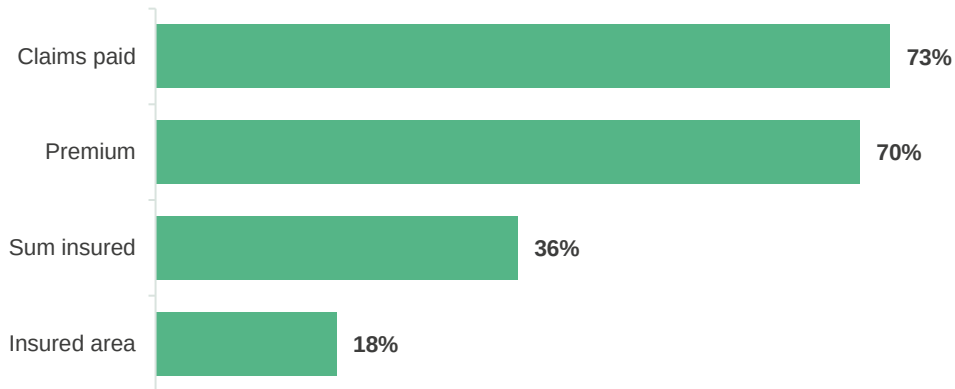
PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 1 · CURRENT SITUATION

One crop drives the claims, and the programme paid out more than it collected

Apricot's share of the programme, %



AMD 4.52 bn

paid in claims, 2020 to 2023

AMD 3.36 bn

collected in premium over the same period

134.7%

loss ratio: the programme paid out a third more than it took in

Frost accounted for roughly two thirds of the value of all claims. Loss ratios reached 165 per cent in Ararat and 143 per cent in Armavir. Claims were paid on 8,950 of 21,218 policies.

Source: World Bank, Armenia agricultural insurance diagnostic, 2025, covering 2020 to 2023.

PART 2 · THE PROPOSAL

The bank sells the existing policy, and the payout repays the loan first

Public support unchanged: interest subsidy · premium subsidy, 44.1 per cent of gross premium in 2026 · reimbursement above 80 per cent of premium

Farmer

Declares the whole area of the crop, pays its share of the premium, and receives the balance of any payout.



Lender

Grants the loan and acts as a registered insurance agent. One application for both. No role in assessing the loss.



Insurer

Accepts or declines the risk, issues the approved policy, assesses the loss and pays the payout.

No new insurance product. The approved policy, tariffs, sums insured and 15 per cent deductible stay as they are.

PART 2 · THE PROPOSAL

Compulsory where the state pays, voluntary where the lender carries the risk

COMPULSORY

Subsidised loans

The condition sits in the programme decision

The state has already paid the interest and loses it if a climatic event causes default

Automatic inclusion removes selection at the point of purchase

VOLUNTARY, WITH INCENTIVES

Commercial, IFI and donor loans

Rate, approval, amount or tenor at the lender's discretion

Technical assistance and other incentives from donors and international financial institutions

The lender decides what an insured borrower is worth

One rule applies in both: wherever the financed expenses are insured, the payout repays the loan first.

PART 2 · THE PROPOSAL

The payout clears the loan first, and the farmer keeps the rest

One hectare of apricot at the highest published sum insured, total loss, against a loan at the programme minimum

To the lender **AMD 1,000,000**

AMD 190,000

Sum insured, 1 ha, limit 3	AMD 1,400,000
Less the 15 per cent deductible	– AMD 210,000
Payout payable	AMD 1,190,000
1 Outstanding principal	AMD 1,000,000
2 Borrower-payable interest	AMD 0, the borrower rate is zero
3 Balance to the farmer	AMD 190,000

Future interest, penalties and unrelated debt are excluded. Where the payout is smaller than the loan, the unpaid part stays outstanding and may be rescheduled.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 2 · THE PROPOSAL

Where climate risk enters the lending decision

1

At application

The file records the crop, the plots and the risk zone that the insurance programme already publishes. An apricot orchard in a high frost zone and cereals in a low hail zone are not the same loan. Today the loan file does not say which it is.

2

As a condition

Where the state subsidises the loan and cover exists for that crop, the policy is issued together with the loan, for the whole area of the crop rather than the plots the farmer fears most.

3

In the terms

Because the payout goes to the bank first, the bank carries less risk. That is what supports a grace period through the risk season, and lighter capital treatment if the Central Bank accepts it.

4

In what is financed

Equipment that lowers the risk qualifies for the better terms. The insurer checks it when the policy is written, so the bank never has to judge technology or assess damage.

What this means for a bank

Three questions decide everything else. Does the file show the crop and the place? Is there a policy on the whole area? Does the payout reach the bank before anyone else? If the answer is yes to all three, the exposure on an agricultural loan is measurable for the first time, and it can be priced, provisioned and grown.

Sources: AINA tariff and sum insured annexes, 2026; Government programme decisions, 2026; Central Bank of Armenia. Full detail in the speaker notes.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 2 · THE PROPOSAL

Which measures earn better terms, and how a farmer proves it

Measure	Risk it reduces	Austrian reference	How it is checked
Hail netting	Hail	80% lower premium	Seen at the underwriting visit; the loan can finance it.
Fixed frost protection: wind machines, sprinklers	Spring frost	30% lower premium	Seen at the visit. Can reopen apricot in high frost zones.
Mobile frost protection: heaters and fire posts	Spring frost	20% lower premium	Checked each season before cover starts.
Drip irrigation	Drought	Not priced in Austria	Seen at the visit. Applies to drought cover on cereals.
Certified planting material and rootstock	Weak and uneven yields	Not priced in Austria	Supplier certificate. Eligibility, not a discount.

A measure counts only if

it reduces a risk the policy actually covers, it can be seen on an inspection, and it stays in place for the whole season.

Farmers who already have it

qualify straight away. The discount is for having the protection, not for buying it this year. These are the lowest-risk customers the pool needs most.

The discount alone is not enough

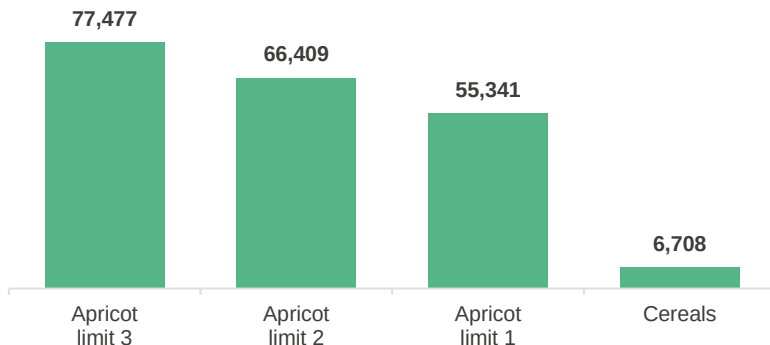
it will not pay for a hail net. The loan is what makes the equipment affordable, and that is exactly why the two have to be joined.

Sources: Austrian Hail Insurance; European Commission market analysis, 2025; World Bank agricultural insurance diagnostic, 2025. Shown as reference points, not as rates proposed for Armenia. Full detail in the speaker notes.

PART 2 · THE PROPOSAL

What the farmer actually pays, using published figures only

Farmer's share of premium, AMD per hectare



How each figure is reached, AMD per hectare

	Apricot limit 3	Apricot limit 1	Cereals
Sum insured per ha	1,400,000	1,000,000	250,000
Tariff, zone 3	9.9%	9.9%	4.8%
Gross premium	138,600	99,000	12,000
State share, 44.1%	61,123	43,659	5,292
Farmer pays	77,477	55,341	6,708
At 1.24 ha, the average	96,072	68,623	8,318
As % of a 1 m loan	9.6%	6.9%	0.8%
As % of a 2 m loan	4.8%	3.4%	0.4%

Apricot has three published limits per hectare. Moving from the highest to the lowest cuts the farmer's cost by 29 per cent, but does not make it small.

Sums insured: AINA Annex 3 as amended 5 March 2026. Tariffs: AINA Annex 2, zone 3, hail and fire. State share: 44.1%, the 2026 programme average (AMD 352.5m of 798.9m). Average insured area 1.24 ha and the AMD 1 to 2 million loan range are as reported; no value is assumed.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 3 · MARKET DEVELOPMENT

Lending already reaches far more farmers than insurance does

AGRICULTURAL LENDING TODAY

AMD 362.4 bn

outstanding at end-2023, up
24.6% since 2021

60,469

farm borrowers at one bank
alone

15

institutions run the subsidised
loan programme

AGRICULTURAL INSURANCE TODAY

9,528

contracts on 10,928 hectares

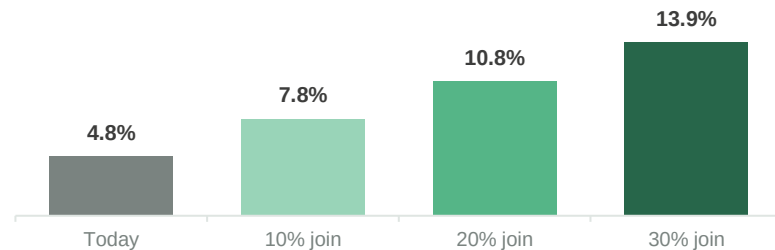
AMD 5.15 bn

sum insured

AMD 799 m

premium in the season

Share of the country's planted area insured, %



If that share of one bank's farm borrowers takes cover together with the loan.

One lender, one in five borrowers

If a fifth of a single bank's farm borrowers insure alongside their loan, the national pool reaches about 24,800 hectares and 11 per cent of planted area. That is the point at which apricot falls to a quarter of the insured pool and the risk becomes insurable at a sensible price. No new product, no new subsidy, and no new customers to find.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 3 · MARKET DEVELOPMENT

What happens if more farmers join: three scenarios

Scenario, not a forecast. Growth is measured as additional insured area. All additional business is priced on the published cereals configuration — winter-sown, irrigated, hail and fire, risk zone 3: AMD 250,000 per hectare sum insured, 4.8% tariff. The 2026 book is held unchanged.

	2026 book	+5%	+25%	+50%
Insured area, hectares	10,928	11,474	13,660	16,392
Contracts, at 1.15 ha average	9,528	10,004	11,910	14,292
Coverage, % of planted area	4.8%	5.0%	6.0%	7.2%
Sum insured, AMD billion	5.15	5.29	5.83	6.52
Gross premium, AMD million	799	805	832	864
Average rate on sum insured	15.5%	15.2%	14.3%	13.3%
Apricot, % of sum insured	41.3%	40.2%	36.5%	32.6%
State subsidy at 44.1%, AMD m	352	355	367	381
Premium per insured ha, AMD 000	73.1	70.2	60.9	52.7

Sources: AINA 2026 data; AINA tariff and sum insured annexes, 2026; World Bank agricultural insurance diagnostic, 2025. Full detail in the speaker notes.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 3 · MARKET DEVELOPMENT

Prices can only fall once the insured area roughly doubles

	2026 book	Apricot 30%	Apricot 25%	Apricot 20%
Insured area, hectares	10,928	18,687	24,359	32,867
Growth on today's book	—	1.7×	2.2×	3.0×
Contracts, at 1.15 ha average	9,528	16,293	21,239	28,656
Additional contracts needed	—	+6,765	+11,711	+19,128
Coverage, % of planted area	4.8%	8.2%	10.7%	14.4%
Sum insured, AMD billion	5.15	7.09	8.51	10.63
Gross premium, AMD million	799	892	960	1,062
Average rate on sum insured	15.5%	12.6%	11.3%	10.0%
State subsidy at 44.1%, AMD million	352	393	424	468

Reinsurance becomes placeable

A pool of AMD 8.5 bn sum insured with apricot at a quarter is a risk a reinsurer can quote. The country limit Swiss Re accepted in 2021 was AMD 25 bn.

The state stops being the reinsurer

The public backstop attaches at 80% of premium, so it moves from AMD 639 m to AMD 768 m — on a pool half as concentrated as today's.

Tariffs can be cut on evidence

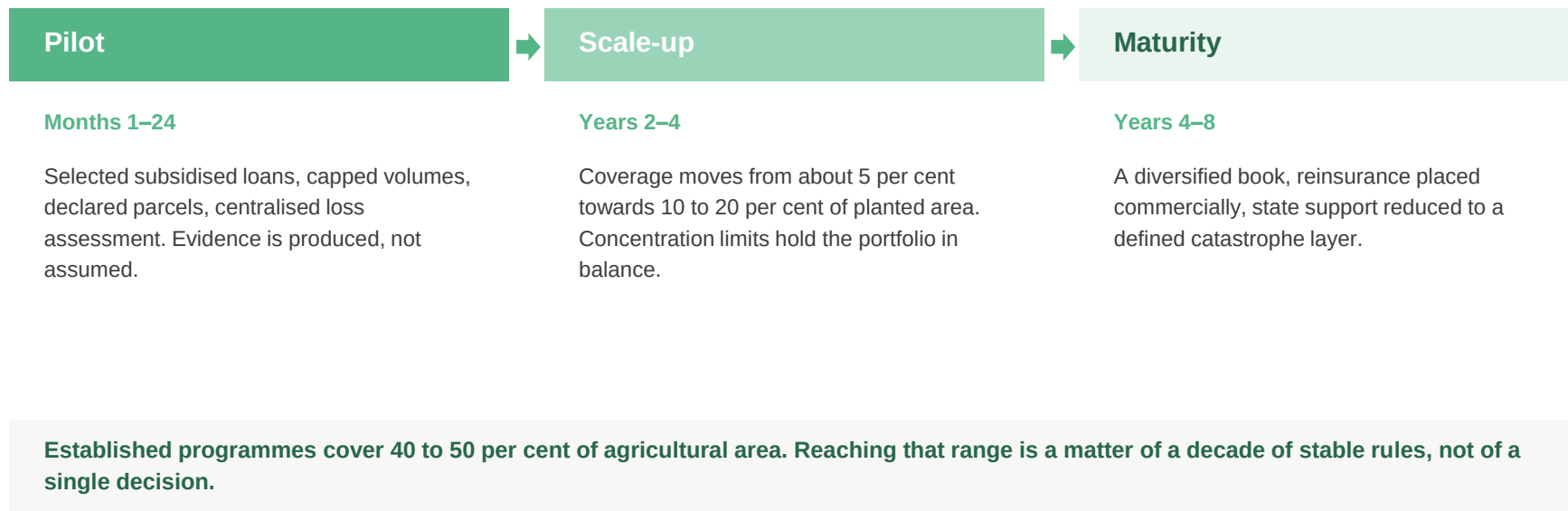
Loss cost moves towards the 12–14% of Armenia's less fruit-heavy books, against 19.1% for the programme. Only then is a price reduction defensible.

PROGRESS

Promoting Green Deal Readiness in
the Eastern Partnership Countries

PART 3 · MARKET DEVELOPMENT

A staged path from a pilot to a market that can stand on its own



Five questions for discussion

Answers to these determine whether the pilot can start on time

- | | | |
|---|--------------------------|--|
| 1 | Scope | Which subsidised loan purposes carry compulsory cover? |
| 2 | Sum insured | Is a cost-based level below the maximum still subsidised? |
| 3 | Whole area | Must the entire crop area be insured, and does the subsidy follow? |
| 4 | Lender incentives | What commission basis, and will the Central Bank consider capital treatment? |
| 5 | New products | What timetable for raspberry and livestock cover? |