



Kanat
*Because Nature has
Laws of its Own*

KANAT - Insurance Fund for Natural Risks in Agriculture

KANAT – The Insurance Fund for Natural Risks in Agriculture has been operating since 1967. Its ownership is held equally by the The Government of Israel and The Farmers Marketing Boards and Organizations. Just as Israeli agriculture is at the forefront of technological innovation in agriculture, so too is KANAT, with more than 17,000 policyholders and a wide range of insurance policies. KANAT sees itself as a partner in the daily activity of Israeli Farmers, and is dedicated to supporting the farmers' business stability.

Although progress in technology and production processes, have greatly increased crop production and incomes, farmers are still exposed to natural disasters and weather damage that can destroy crops and cause growers severe loss of income. Modern farming demands that farmers manage their risks and KANAT offers growers a wide range of insurance policies for risk management.

The Israeli government views KANAT as a critical insurance tool that allows farmers, exposed to natural disasters, to protect and develop their income. In order to support Israeli agriculture, the government subsidizes part of the insurance premiums and supports the

financing of innovative insurance programs that provide farmers with the best and most relevant protection. Over the past few years, KANAT has launched a wide range of new insurance policies. Revenue Insurance for Wheat and Barley is one of these new innovative insurance programs. The Revenue Insurance is based on a regional model for determining the expected yield, and expected price of wheat, while providing a response to changes in exchange rates. The model ensures that every agricultural region that does not achieve a predetermined expected income, due to a yield reduction or drop in the price of wheat, or both, will receive financial compensation that will provide a guaranteed income.

KANAT is always looking towards the future and developing computerized systems in order to improve customer service, such as:

·**MABAT** - A computerized system for managing damage assessments conducted by the Loss Adjustment Department. Damage appraisers conducting appraisals in the field receive and manage their assessments according to this system, so that every damage

assessment is sent directly to the office for further handling.

·**Customer Relations Management (CRM)** - coordinates all the company information about policy holders, enabling KANAT to streamline and improve its customer service.

·**Website** - The recently improved website includes all the relevant information for growers about the different insurance policies offered by KANAT, enabling growers to work directly with the company and obtain relevant information round the clock.

KANAT is committed to the agricultural community not only as an Insurance company but also in other areas of daily life. The company awards annual scholarships to M.Sc. students, organizes professional conferences to enrich farmers in marketing and agricultural entrepreneurship, supports research, and holds an annual photography competition on "Agriculture and the Surrounding Nature" in the Israeli Landscape, which reflects agriculture's contribution to Israel's development and thriving economy.

Promotion of Israeli agriculture is one of the pillars of KANAT's vision. We launched an advertising campaign

that shows technological innovation in the industry to a wide audience, and award – "KANAT AWARD" for Agricultural Breakthrough, to the person, company or organization that makes a significant contribution to the promotion of agriculture in Israel and the world.

KANAT sees itself as a full partner in the daily enterprise of Israeli farmers and we will continue to work with dedication and commitment to provide farmers with the most up to date risk management tools in order to allow them to continue and place Israeli agriculture at the forefront of technological innovation.

Sincerely,
David Ginzburg,
CEO, KANAT

About Kanat

Areas of Activity

KANAT deals with Multiple Peril Crop Insurance (MPCI) and Natural Disaster Insurance (NDI) in all sectors of agriculture with full cooperation with the Israeli farmers unions and the government. KANAT currently insures about 17,000 customers, and we are considered a leader in the Western world in agriculture insurance.

KANAT offer two main lines of insurance:

- **Multiple Peril Crop Insurance (MPCI)**
- **Natural Disaster Insurance (NDI)**

Multiple Peril Crop Insurance (MPCI)

Available in most of the different agriculture sectors and provide the farmers coverage against natural disaster risks caused by weather such as hail, frost, storm, flood, snow, rain and many more.

Basic Insurance (obligatory) - Purchased from KANAT for most sectors by its Board and cover all farmers in the sector.

Full Coverage Insurance (optional) - KANAT offers the farmers in most sectors an optional insurance with premium conditions. The optional insurance is purchased by the individual farmer directly from KANAT.

Natural Disaster Insurance (NDI)

Available in most of the different agriculture sectors. The Insurance cover damages caused by adverse weather conditions which are not covered under MPCI, pests and diseases and defined natural damage to the trees. insurance compensations cover the farmer expenses, depending on the type of the insurance. The expended cooperation between KANAT, the Government and the different Agriculture Boards generates the success of this insurance.

Basic Insurance (obligatory) - Purchased from KANAT for most sectors by its Board and cover all farmers in the sector.

Full Coverage Insurance (optional) - KANAT offers the farmers in most sectors an optional insurance with premium conditions. The optional insurance is purchased by the individual farmer directly from KANAT.

KANAT reviews each line of insurance in cooperation with the farmers Board or the Government and update them to the changing needs of the sector. These improvements include expanding the range of crops covered by the insurance, adding additional coverage

to new risks and damages, enlarging the choices between sum insured, deductibles and many more. In additions to the main two Insurance lines KANAT offers other lines of insurances such as Revenue Insurance, Fire and Mechanical Malfunction Damage Insurance and more.

Insured Risks

In the past the ability to produce sufficient yield was the main risk factor for farmer's. Improvements and innovations in agriculture technology and production processes has brought about a change and increased yield production. Today the main cause of risk is adverse weather conditions and different natural disasters.

Nature obeys no laws or rules, damages caused by nature can occur at any time, and often occur year after year in the same region, causing severe harm to crops and economical damage to the farmer's. KANAT offers the farmer's coverage such as MPCI & NDI, Revenue Insurance, Fire and Mechanical Malfunction Damage Insurance and more that covers the different risks which can harm the farmer's crop and economical stability.

Insurance Premiums

KANAT's financial strength and stability enables the company to provide different lines of insurance. With the knowledge that KANAT will fulfill its commitments in any situation, farmers can enjoy peace of mind. The premium for each crop and each growing method within the sector is calculated separately. The premium is calculated in accordance with the historical results of the specific crop, with particular emphasis on the last ten years. The Government finances 35% of Multiple Peril Crop Insurance premiums and 80% of Natural Disaster Insurance premiums, which makes it possible for farmers to purchase insurance in order to protect their income. We also offer premiums discount when no claims are filed for Multiple Peril Crop Insurance that can reach up to 60%.

Compensation

KANAT's compensation can be as high as the production cost of each crop. Compensations are paid to the farmer after examination by the loss adjuster, and if all conditions of the insurance contract are fulfilled.

Damage Appraisal

KANAT's teams of insurance loss adjusters have received extensive training and are highly qualified and renowned for their accurate and reliable appraisals. All have background in the field of agriculture. After receiving notifications of damage, a KANAT loss adjuster visits the site in the presence of the farmer or his/her representative. The appraisal procedures are transparent and farmers are informed of the process in advanced. This enables the farmer to examine whether the appraisal accurately reflects the damage.

Arbitration Committee

KANAT has established an arbitration committee, which provides the company's policyholders with rapid, efficient, and inexpensive arbitration in the event of disagreements. The committee comprised of a chairperson (appointed by the director general of the Ministry of Agriculture), a representative of the growers, and KANAT's representatives. The committee's decisions are final and binding.

Avocado

Avocado is one of Israel's most important crops, grown on 6,000 hectares throughout the country. Avocado is highly sensitive to weather conditions. Through the years, the major causes of damage have been storms, frosts and heat waves. Even unstable temperatures during flowering can result in serious damage.

KANAT offers two lines of insurance: **Multiple Peril Crop Insurance (MPCI)** covers quantitative damage to the fruit caused by heat waves, frosts, storms,

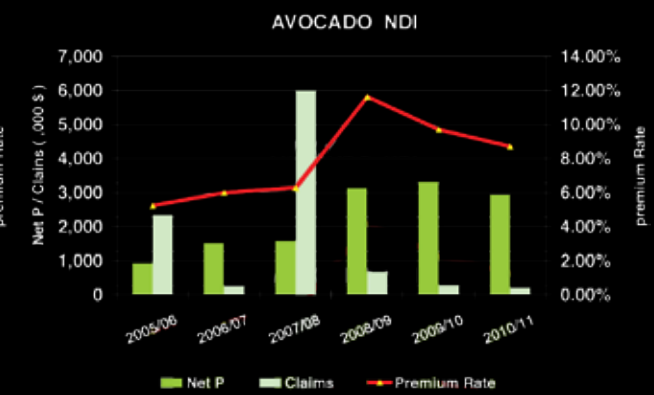
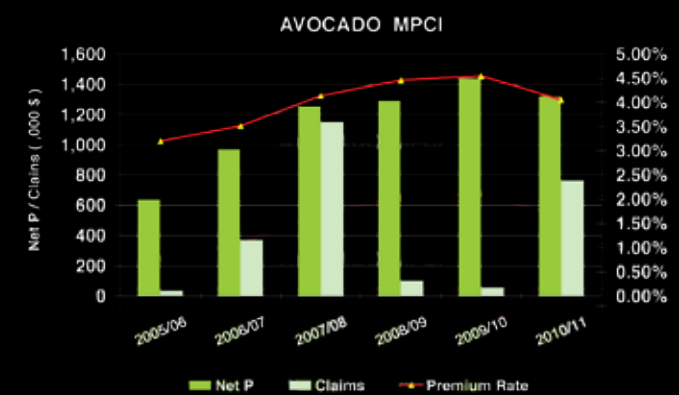
hail and snow.

Natural Disasters Insurance (NDI) covers cases when crop yields fall short due to adverse weather conditions which are not covered under MPCI, pests, diseases (on a regional scale only) and natural damages to trees.

All Avocado farmers are covered by **Basic Insurance (obligatory)** which is purchased by the Plant Production and Marketing Board. KANAT offers **Full Coverage Insurance (optional)** for MPCI & NDI. The optional insurance, offers

the farmers a lower deductible and higher yield insurance per hectare.

The insurance starts on March 1st and ends on July 31st of the following year.



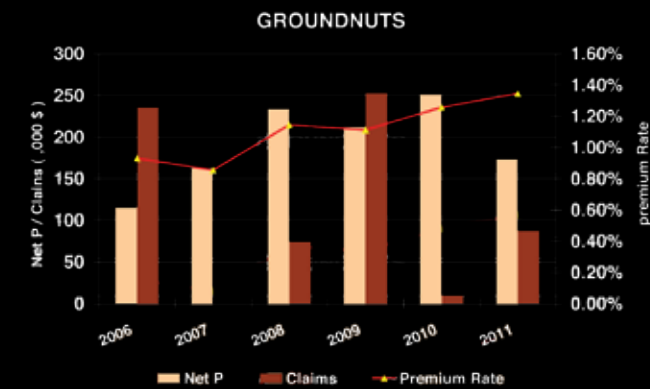
Groundnuts



Groundnuts are a summer crop. Most of the cultivated peanuts are grown in the south of the country. The main risk to peanuts is early rain, which damages the yield during harvest. The insurance also covers qualitative and quantitative damage caused by storms, adverse weather conditions, pests and diseases. The insured yield is the individual farmer's average of the last four consecutive years. Farmers can choose from a number of different levels of insurance, differentiated by the sum insured and the deductibles.

KANAT offers **Full Coverage Insurance (optional)** for MPCI only.

The insurance starts on March 25th and ends on October 31st.



Bananas



Bananas are subtropical plants that have been cultivated in Israel for hundreds of years, mainly in Jericho, the Jordan valley and along the coast. Bananas are very sensitive to low temperatures, frosts and heat waves. The clusters of the bananas must be covered in order to protect them from various weather damages.

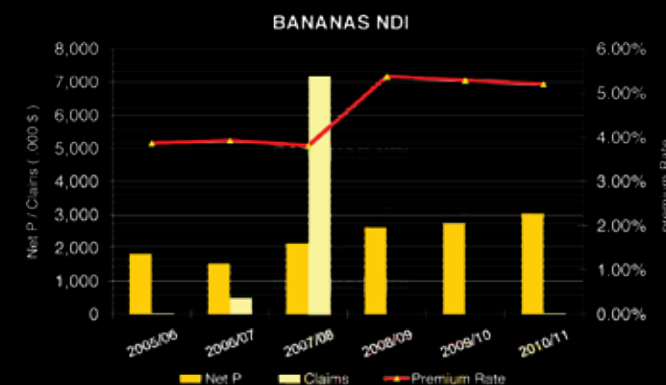
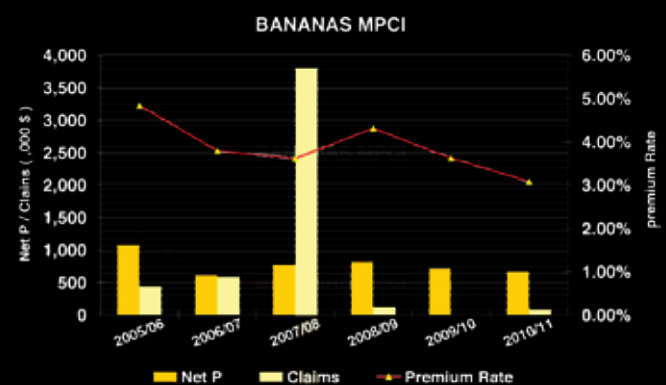
KANAT offers growers two lines of insurance: **Multiple Peril Crop Insurance (MPCI)** covers quantitative

damage to the fruit clusters caused by heat waves, frosts, storms, hail, low temperatures, floods and snow. Compensation is paid after the damaged clusters are collected and destroyed.

Natural Disasters Insurance (NDI) covers cases when a yield falls short due to adverse weather conditions which are not covered under MPCI, pests, diseases (on a regional scale only) and natural damage to the banana plants. All bananas farmers are covered by **Basic Insurance**

(obligatory) which is purchased by the Plant Production and Marketing Board. KANAT offers **Full Coverage Insurance (optional)** for MPCI & NDI. The optional insurance offers the farmers a lower deductible and higher yield insured per hectare.

The insurance starts on July 1st and ends on June 30th of the following year.



Dairy Cattle



Dairy produce holds a position of great importance in Israeli agriculture. The local dairy cattle, Israeli-Holstein, have achieved record levels of milk production efficiency and are renowned throughout the world.

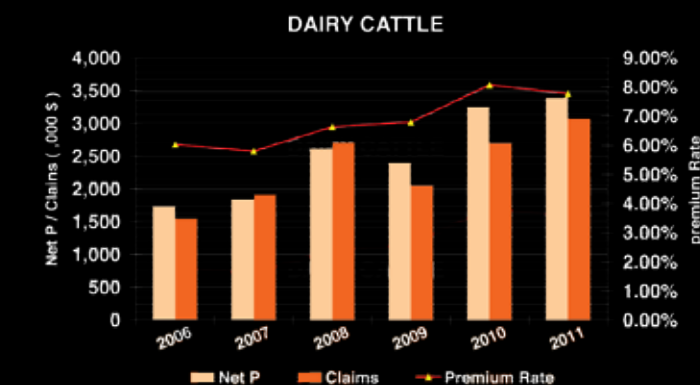
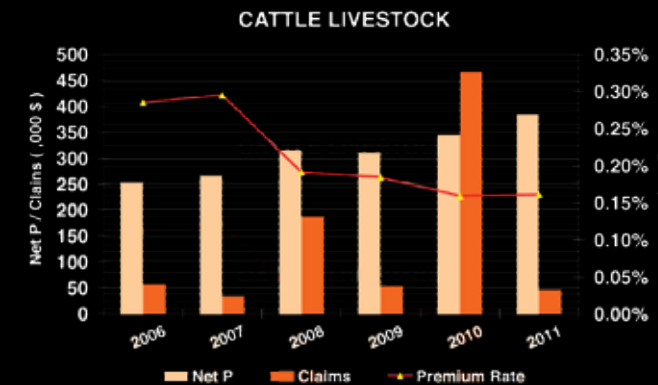
The main causes of damage in this sector are diseases. KANAT covers damage caused by disqualification of beef slaughtered in the abattoir and the full cost of carcass disposal. In order to meet stringent environmental

standards, a system was established in 2001 to dispose of cattle carcasses. All dairy producers throughout the country benefit from a national service that transports carcasses to the incineration plant. This service is covered by **Basic Insurance (obligatory)** which is purchased by the Israeli Dairy Board for all dairy cattle farmers.

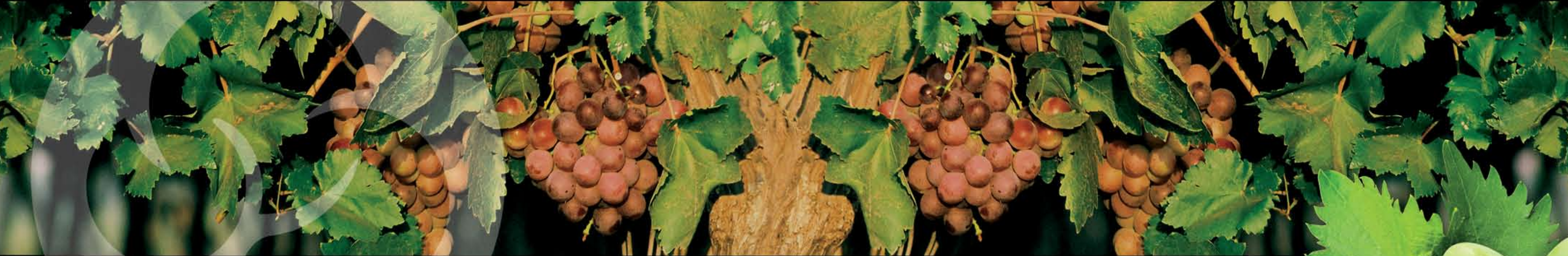
KANAT offers **Livestock Insurance (optional)**. The insurance provides protection against large scale mortality

that may occur from time to time (such as botulism etc). It also covers theft and loss of milk production due to a high mortality rate.

The insurance is annual, starting on January 1st and ending on December 31st.



Wine Grapes



Wine Grapes are one of the biblical seven species. There is archeological evidence that shows they were grown in Israel from the time man began to cultivate the land. Vineyards are located throughout the country, from the Golan Heights and Galilee in the north to Ramat Arad in the south. Both large and small wineries use these vineyards to produce wine, and have attained the highest international standards. The major causes of damage to vineyards are frost and heat waves.

KANAT offers growers two lines of optional insurance: **Multiple Peril Crop Insurance (MPCI)** the farmer can choose a different yield and sum insured for every variety and plot individually. The insurance covers damage caused by hail, floods, storms, frost and heat waves.

Natural Disasters Insurance (NDI) covers cases when a yield falls short due to adverse weather conditions which are not covered under MPCI, pests, diseases (on a regional scale only) and natural damage to the vines.

The insurance is annual, starting on January 1st and ending on December 31st.





Citrus fruit has been growing in the Middle East for hundreds of years. It was not until the end of the nineteenth century that commercial growing began. In recent years, orchards have 'migrated' to the south of the country, including the northern Negev, so today, citrus fruit is grown all around Israel covering thousands of hectares.

KANAT offers growers two lines of insurance: **Multiple Peril Crop Insurance (MPCI)** covers damage to the fruit caused by hail, frosts, storms, floods, unusually

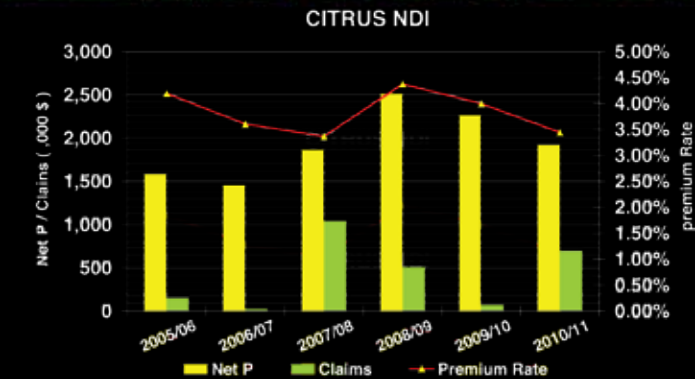
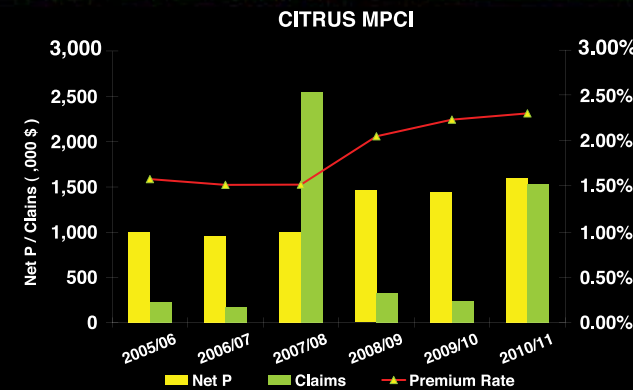
heavy rainfall, snow and extreme heat. The insurance policy allows compensation to be paid to growers in a number of other cases, including transporting the yield for industrial use and destroying produce unsuitable for export due to damage caused by the cold. KANAT compensates growers after examining the shipments at the packing house or during an in-depth appraisal to determine the amount of fruit remaining at the orchard.

Natural Disasters Insurance (NDI) covers cases when yield falls short due to adverse weather conditions which

are not covered under MPCI, pests, diseases (on a regional scale only) and natural damages to the trees.

All Citrus farmers are covered by **Basic Insurance (obligatory)** which is purchased by the Plant Production and Marketing Board. KANAT offers **Full Coverage insurance (optional)** for MPCI & NDI. Farmers can choose a different yield and the sum insured.

The insurance starts on February 1st and ends on January 31st of the following year.



Olive Oil



Olives, one of the seven biblical species, hold a longstanding and well-established position in the Israeli economy. Olive trees that have been growing for hundreds of years can be found all over the country.

In recent years, consumption of olive oil and canned olives has increased due to a strengthened awareness of their health benefits and culinary value. This has led to the expansion of olive groves, today covering approximately

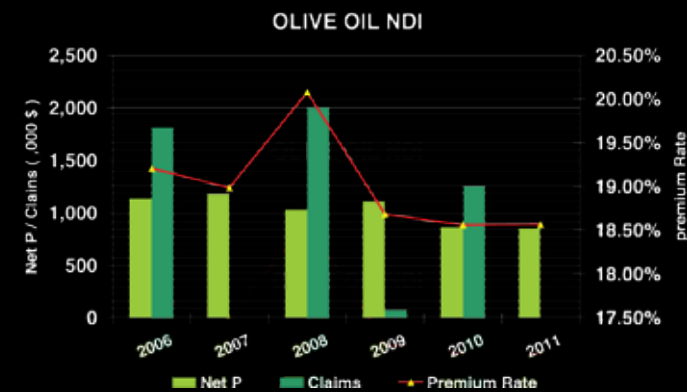
25,000 hectares. Today many of the olive orchards are grown according to modern irrigation techniques, although there are still sectors which grow the olives using traditional methods.

KANAT offers growers two types of **optional insurance**: **Multiple Peril Crop Insurance (MPCI)** covers damage to yield caused by floods, hail, storms, frosts and extreme heat waves. In cases of quantitative damage, which leads to

loss of yield, the farmer will be compensated in accordance with the level of the insurance policy.

Natural Disasters Insurance (NDI) covers cases when a yield falls short due to adverse weather conditions which are not covered under MPCI, pests, diseases (on a regional scale only) and natural damages to the trees.

The insurance starts on January 15th and ends on January 14th of the following year.



Vegetables



Vegetables constitute one of the most important areas of agriculture in Israel. The local climate is particularly suited to growing vegetables. Combined with technological advances such as greenhouses, allows a continual supply of produce through all seasons. Each year vegetable farmers supply the local market, industry and export over two million tons of more than 50 varieties of vegetables.

KANAT offers growers two lines of insurance:
Multiple Peril Crop Insurance (MPCI) covers qualitative

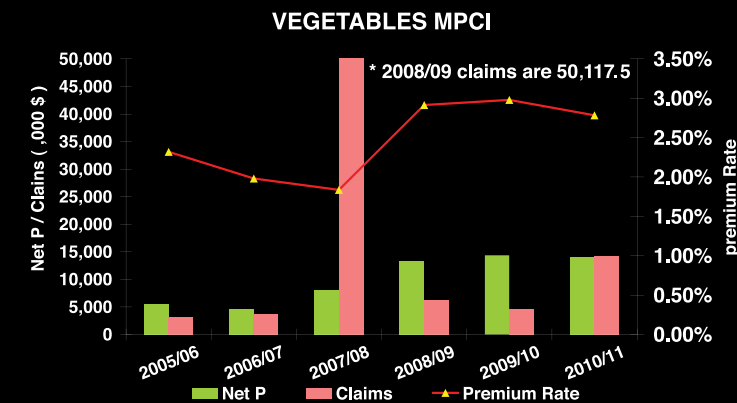
and quantitative damage caused by a wide range of natural risks, such as hail, snow, storms, floods, heat waves, birds and many more.

Natural Disasters Insurance (NDI) covers all adverse weather conditions which are not covered under MPCI as well as pests and diseases.

All vegetable farmers are covered by **Basic Insurance (obligatory)** which is purchased by the Plant Production and Marketing Board. KANAT offers **Full Coverage**

insurance (optional) for MPCI & NDI. The optional Insurance offers the farmers a lower deductible and higher levels of the sum insured per hectare.

The insurance starts on July 1st and ends on June 30th of the following year.



Cotton

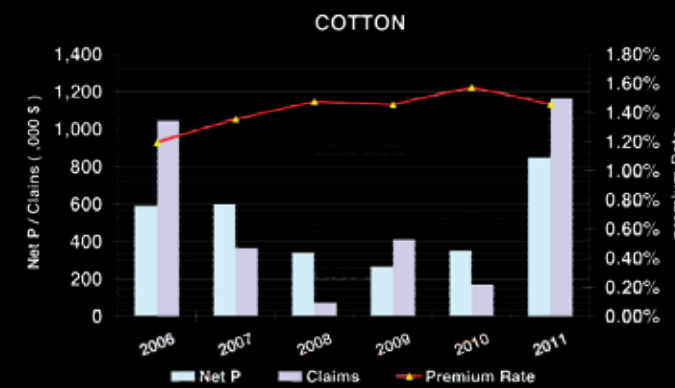
Commercial growth of cotton in Israel began in the 1950s. Today, cotton fields can be found in various areas of the country, covering nearly 8,500 hectares. They are primarily irrigated with recycled water. Both Israel's climate and soil, especially red loam, are particularly suited to growing cotton.

The harvest season can be adversely affected by natural risks which are covered by KANAT's insurance package: rain, hail, storms, frosts and floods. Likewise, the insurance

covers reduced yield caused by pests and diseases or by adverse weather conditions which are not covered under MPCl.

All cotton farmers are covered by **Basic Insurance (obligatory)** which is purchased by The Israeli Cotton Board. KANAT offers **Full Coverage Insurance (optional)** in which farmers can determine the insured fiber yield in each plot.

The insurance starts on March 15th and ends on February 29th of the following year.



Poultry

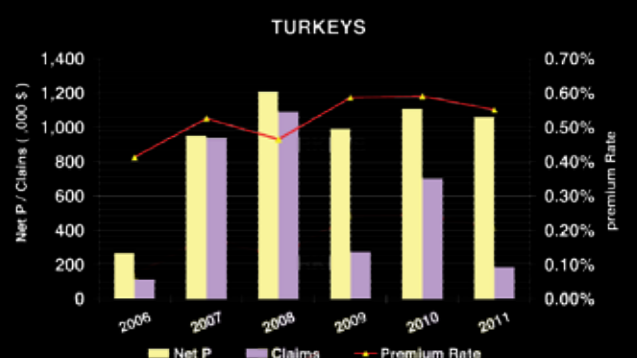
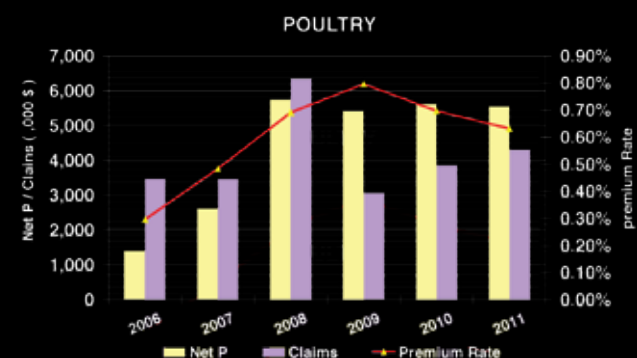
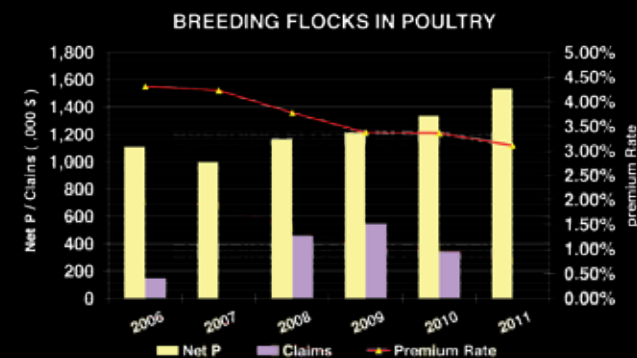


Poultry comprises a central part of the Israeli agricultural industry. The sector's total produce is worth approximately 4.2 billion NIS per year—approximately 17% of the country's agricultural production. The annual consumption per person rises every year, and today stands at approximately 42 kg (processed meat). In the 1950s the sector boomed, and fattened livestock became an important source of animal protein for the increasing population. Innovative technologies brought about the industrialization of the sector, which today focuses mainly on poultry farming, egg production, and hatcheries.

Turkey fattening, egg production and breeding flocks are covered by **Basic Insurance (obligatory)** which is purchased by The Egg and Poultry Board. The insurance covers mortality quarantines due to Newcastle disease and reduction of egg production. KANAT offers **Full Coverage Insurance (optional)** the optional insurance offers the farmers lower deductible and higher levels of the sum insured for fattening lines of turkey and poultry. KANAT also offers an optional insurance for breeding flocks that covers culling due to Micoplasma Galisepticum Disease. The underwriting system examines previous

results and carries out surveys to determine the sanitation conditions of the site.

The insurance is annual, starting on January 1st and ending on December 31st.



Fish in Ponds



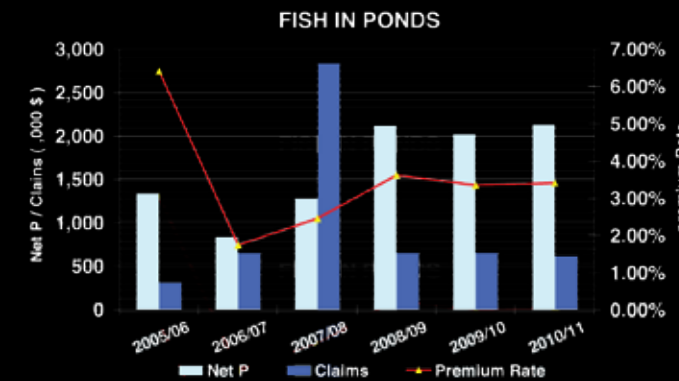
Fish farming began in Israel in the 1930s. The first farm ponds were established around Haifa Bay. Soon after, ponds were established along the coastline, in the Jordan Valley and in many other locations. The sophisticated methods that were developed in Israel broke world production records. Despite this, aquaculture has suffered from a decline in profits in recent years and ever-increasing water shortages. These problems have brought about intensive, industrialized farming methods to reduce the use

of water. The disbanding of the marketing cooperative in 2000 was a significant turning point in terms of insurance. The insurance system was modified, and is now based on limited liability for each pond in accordance with its type.

The most common type of fish farmed in ponds is Carp, although in recent years the farming of other species, such as Tilapia, Mullet and Trout, has increased due to the growing consumer market.

KANAT offers **Full Coverage Insurance (optional)** and covers mortality caused by diseases, low temperatures and other perils, including low oxygen levels in the water and collapse of the ponds walls.

The insurance starts on July 1st and ends on June 30th of the following year.





Fruit is a central branch of Israeli agriculture, covering over 26,000 hectares throughout the country. The annual produce is approximately 680,000 tons. The fruit sector is very diverse, and the different fruits are exposed to natural risks all year round.

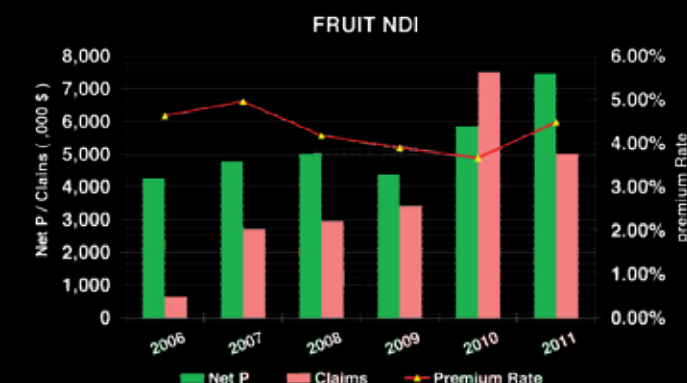
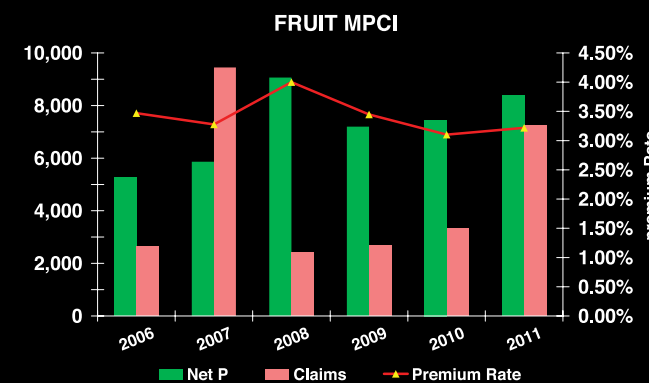
KANAT offers two lines of insurance: **Multiple Peril Crop Insurance (MPCI)** covers qualitative and quantitative damage caused by hail, frosts, storms,

early rain, heat waves and snow **Natural Disasters Insurance (NDI)** covers cases when a yield falls short due to adverse weather conditions which are not covered under MPCI, pests, diseases (on a regional scale only) and natural damages to the trees.

All Fruit farmers are covered by **Basic Insurance (obligatory)** which is purchased by the Plant Production and Marketing Board. KANAT offers **Full Coverage**

Insurance (optional) for MPCI & NDI. The optional insurance offers the farmers a higher yield and higher levels of the sum insured per hectare.

The insurance is annual, starting on January 1st and ending on December 31st.



Arable Crops

Since the founding of the State, arable crops have held a key position in Israeli agriculture. The most impressive development of arable crops took place during the 'Green Revolution' of the 1960s, as farmers sowed high yield varieties of wheat, which were developed in Mexico and modified to suit the climatic conditions in Israel. As a result of improvement in arable crop varieties and sophisticated growth methods growers can produce over 7,000 kg per hectare. Israeli growers supply about a quarter of the national yearly consumption.

Damage to arable crops is mainly caused by lack of rain, spring frost and rain during the hay harvest time. KANAT insures crop growers against damage caused by hail, snow, fire, rain shortages, frosts, floods, storms, extreme heat waves, rain and birds.

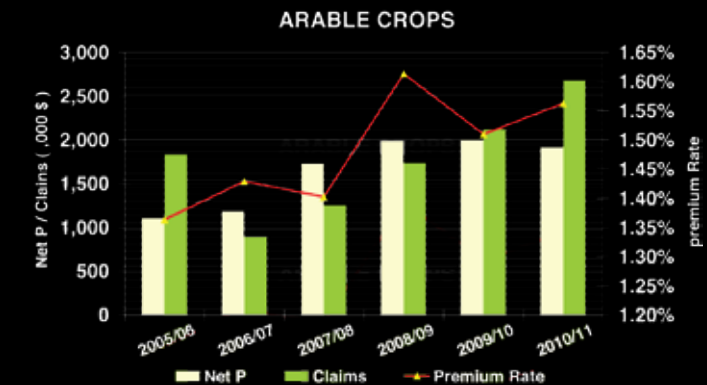
KANAT offers growers two lines of **optional insurance: Multiple Peril Crop Insurance (MPCI)** The farmer can choose a different yield for every variety and plot individually. The insurance covers damage caused by hail,

snow, fire, rain shortages, frosts, floods, storms, extreme heat waves, rain and birds. **Revenue Insurance for Wheat and Barley** was first offered by KANAT in 2010. The insurance program was designed in collaboration with the government. Revenue insurance guarantees the product of the expected yield and expected price of wheat and is in great demand among growers. This insurance was designed with awareness of the national importance of holding and maintaining the open fields across the state, stabilizing farmer's income and improving the grower

ability for economic planning.

*Damage caused by drought is covered by the state and is therefore not insured by KANAT.

The insurance starts on October 20th and ends on October 19th of the following year.

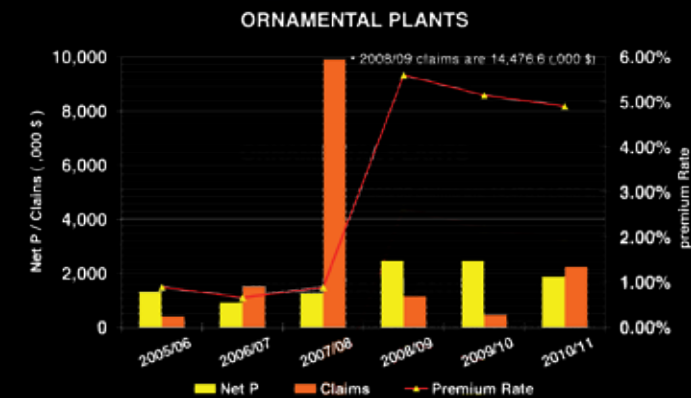


Ornamental Plants

The ornamental plants sector has been developing continually in Israel, since the 1960s. Today, ornamental plant farming is a field that is rich in knowledge, opportunities and capital. Most of the produce is designated for the export market. A large proportion of the flowers are grown in greenhouses and net houses although some flowers are still grown in open fields.

KANAT offers **Full Coverage Insurance (optional)** for **Multiple Peril Crop Insurance (MPCI)** only. The insurance coverage against damage caused by hail, frosts, storms, floods, heat, fire, snow, poisonous gases and salination of the soil in greenhouses due to flooding or rainfall. Farmers can choose from a number of different levels of insurance, differentiated by the sum insured.

The insurance starts on July 1st and ends on June 30th of the following year.



Bee Hives (Honey)



Most of the bee hives are located in proximity to blooming areas across the country. Honey is gathered twice a year during spring time and autumn. In arid winters, there is a shortage of available flower nectar, which can influence the development of the honey bee colonies and accumulation of honey in the hive.

Basic Insurance (obligatory) is purchased by the Honey Board. KANAT covers the depletion in the honey yield during spring time accumulation only.

The insurance starts on February 1st and ends on May 31st.

Beef Cattle

photographer: dorin lavron



Beef cattle have undergone a tremendous amount of changes in recent years, from the native cattle raised through different genetic hybrids in order to improve their genetic characteristic. The annual consumption of beef is around 107 tons a year, and the average consumption per person is approximately 14.5 kg per year. As a result of urbanization and a rise in the quality of life the intake of beef is expected to increase in the following years.

as rabies and an increase in the native predators, mostly wolves and vultures. In order to maintain a stable low population of predators and vultures it is important to reduce their food sources by evacuating and cremating the carcasses.

The insurance is optional and covers the cost of evacuation and cremation as well as a pre determined amount of compensation per cattle.

The insurance is annual, starting on January 1st and ending on December 31st.

Cattle carcasses left in the field can cause illnesses such

Other Sectors

Greenhouses, nurseries and livestock are all sectors rich in knowledge, technology and capital. KANAT offers specially adapted insurance policies for each.



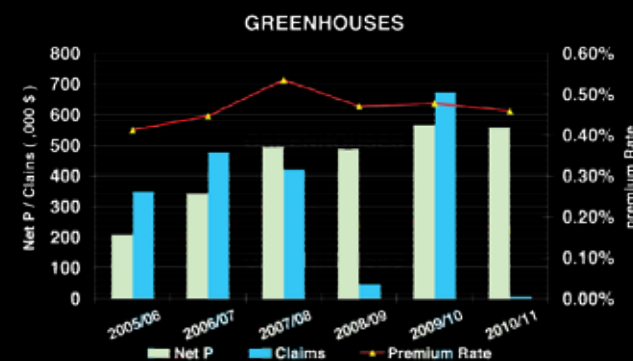
Greenhouses

The sector has developed rapidly over the past few years in order to supply produce all year round. This has created many technological improvements and innovations. Today, more and more farmers in the vegetable, ornamental plant and fruit sectors grow their produce in greenhouses, and so are protected from natural risks.

The insurance is optional and covers damage caused to the greenhouses by hail, storms, snow and fire. The

insurance is conditional to a preliminary engineering survey conducted by KANAT's appraisers.

The insurance is annual, starting on January 1st and ending on December 31st.



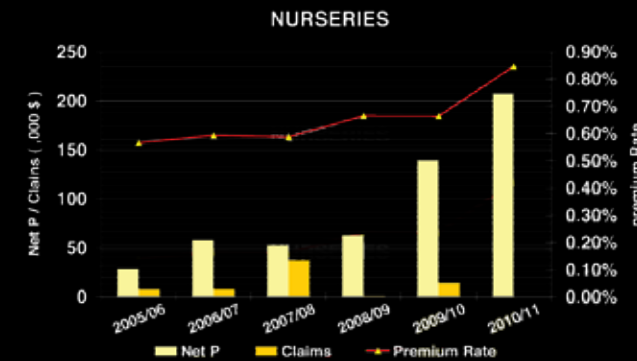
Nurseries

Nurseries are vital to agriculture for the production of initial crops, and are the primary factor that determines the crop's future and character. It is a specialist area of agriculture, farming a wide range of plants. KANAT insures both the structure and the crops.

KANAT offers **Full Coverage Insurance (optional)** for **Multiple Peril Crop Insurance (MPCI)** only. The insurance

covers damage caused by floods, storms, hail, frosts and fire. The insurance is conditional to a preliminary engineering survey conducted by KANAT's appraisers.

The insurance starts on October 1st and ends on September 31st of the following year.



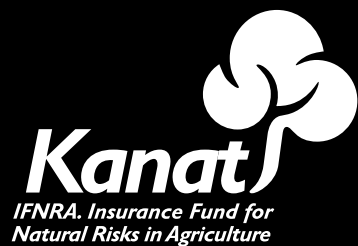
Other Sectors

Fire and Mechanical Malfunctions Damage

All poultry farmers are covered by **Basic Insurance (obligatory)** which is purchased by The Egg and Poultry Board. KANAT offers the farmers an optional insurance for poultry in addition to the basic insurance that covers mortality due to fire, smoke and mechanical malfunctions of equipment at the insured site. The insurance is conditional to a preliminary engineering survey conducted by KANAT's appraisers. **Fire Insurance (optional)** can be

purchased by farmers for different crops.

The insurance is annual, starting on January 1st and ending on December 31st.



This Guide is of general, overview nature only. KANAT is not legally bound by any information contained in this Guide. For further information on any of the fields covered by this Guide, you are invited to contact KANAT.
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