


Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

Crop Insurance Overview


Dr. Laurence M. Crane
National Crop Insurance Services
November 29, 2018



Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

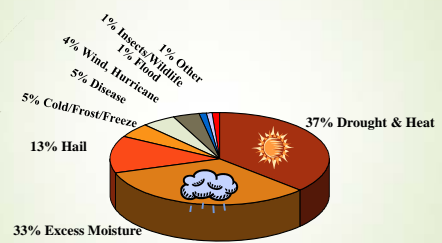
2 The Primary Focus

- Providing the producer with tools to manage their risk is the primary goal of the crop insurance program.
- Make an informed purchase decision.
- Engage the services of a crop insurance agent.



Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

3 Nationwide Recent Crop Losses



Summary: Historically 75% of losses are due to extremes in moisture and temperature.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

4 Insurance Principles

- Basic purpose of insurance is to provide protection against economic loss arising from adverse events.
- Insurance is the pooling/combining of enough small unpredictable risks so that over time the losses for the combined group become statistically predictable.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

5 Insurance Principles

To be insurable, risks must meet this criteria:

- Loss would result in economic hardship.
- Sufficient number/quality of units must be exposed to the same peril.
- Occurrences must be accidental/unintentional.
- Definite in time/place and measurable with reasonable accuracy.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

6 Federal Crop Insurance Versus Private Crop-Hail Insurance

	Federal Crop Insurance	Private Crop-Hail Insurance
Regulator	Risk Management Agency (RMA) of USDA	State Departments of Insurance
Subsidized?	Yes	No
Premium Rate	Set by RMA	Set by individual companies
Perils covered	All risk basis: Yield losses due to natural causes; Also revenue losses due to price movements and yield losses.	Named perils basis: Losses due to hail and others (fire, lightning, transit, etc)

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

Federal Crop Insurance

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Federal Crop Insurance

- Multi-Peril Crop Insurance (MPCI)
- Insurance for natural occurring perils
 - Yield coverage
 - Price protection
 - Inability to plant due to covered cause of loss
 - Loss of quality due to covered cause of loss

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

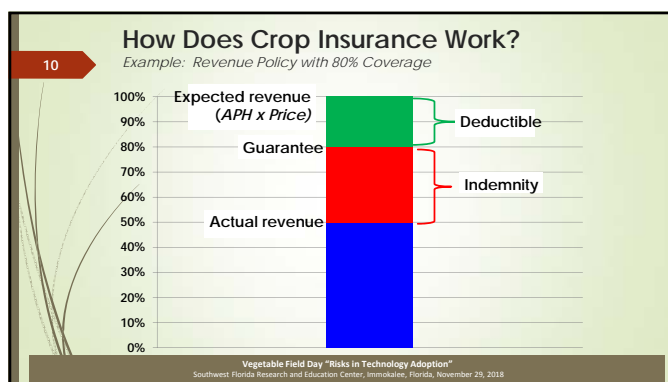
Federal Crop Insurance

9

The Contract: A Crop Insurance Contract is an agreement between the insured and the Approved Insurance Provider (AIP).

- Insured agrees to insure all of the eligible acreage of the crop planted in the county
- The Insurance Provider agrees to indemnify (protect) the insured against losses that occur during the crop year
- Insurance covers loss of yield or revenue exceeding a deductible amount
- Losses must be due to unavoidable perils

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018



Working Together

11

FCIC's role is to establish provisions, rules, regulations, and rates.

RMA oversees the crop insurance program, administers premium and subsidies, and provides support and outreach.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Working Together

12

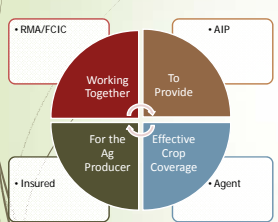
Approved Insurance Providers (AIPs) contract with **licensed agents** to market crop insurance and the agent receives commission.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

13 Working Together

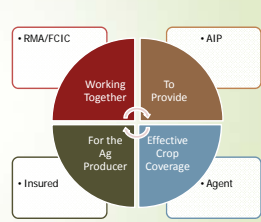


- The **agent**
 - Provides product and premium information to the insured.
 - Collects required information including:
 - Application
 - Production
 - Acreage
 - Builds relationships with customers
 - Must stay current with crop insurance programs.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

14 Working Together

- The **Insured**
 - Has ownership in a crop and enters into contract to insure it
 - Must report required information
 - Pays applicable premiums and fees
 - Must follow appropriate farming practices
 - Must notify the AIP in the event of a loss
 - Will receive an indemnity payment when an insurable loss occurs if guarantee not met



Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

15 Insurable Commodities & Plans

- Over 100 commodities insured (and increasing)
- Multiple Plans of Insurance (type of insurance coverage)
- Some crops have one plan only while others have multiple
 - EXAMPLES:
 - Wheat has multiple plans available
 - Wine Grapes: APH plan only
- Crop insured under one plan per county

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

16 Rates

- Premium rates, terms, and conditions are established by FCIC.
- Unlike other types of insurance, Federal Crop Insurance rates are the same for all AIPs.
- Companies compete for business by providing better service; not on price of insurance.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Coverage Plans

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

18 Crop Insurance Types

Three Basic Types: All sold and serviced through Private Companies

- Yield Coverage** – Regulated through USDA/RMA
- Revenue Coverage** – Regulated through USDA/RMA
Yield Coverage and Revenue Coverage are commonly referred to as Multiple Peril Crop Insurance (MPCI)
- Crop-Hail Insurance** – Regulated by State Insurance Departments

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

19 **Plans of Insurance**

- An insurance plan, along with the level and price determine coverage
 - Individual Plans – revenue and/or yield
 - Area plans – county information

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

20 **Individual Plans of Insurance**

- **Actual Production History (APH) Plan (90)**
 - Oldest Federal Crop Insurance Plan
 - Guarantees a yield based on production history
 - Calculated by multiplying the average yield by the level of coverage
 - Indemnity may be due if production is less than guaranteed amount
 - Pricing established by RMA (price elections)
 - Applies to crops that do not have revenue coverage available

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

21 **APH and Coverage Level Set Guarantee**

- Actual production history (APH) is 4-10 years of historical yields for the insured unit
- Average APH yield is the simple average of the 4-10 year yield history
- Coverage levels are 50%, 55%, 60%, 65%, 70%, 75% (80% & 85% some crops)
- Average APH Yield x Coverage Level = Guarantee

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

22 **Actual Production History (APH)**


- 4-10 year actual yield history
- Transitional Yield (T-yield) based on 10-year county average
- If < 4 years of actual records, insured receives variable T-yield based on years of actual history:
 - No records, but has grown the crop, 65% of T-yield
 - 1 year of records and three 80% T-yields
 - 2 years of records and two 90% T-yields
 - 3 years of records and one 100% T-yield
- New Producers receive 100% of the T-yield

Message: Keeping good records pays off!!

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

23 **Individual Plans of Insurance**

- **Catastrophic Risk Protection (CAT)**
 - Not a plan
 - An endorsement that provides the minimum level of coverage offered by RMA
 - Not available with revenue protection plans



Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

24 **Yield And Price Shorthand**

- A "70/100" has 70% coverage level and 100% price election (and an implied 30% deductible)
- Catastrophic (CAT) coverage = 50/55
- Buy-up coverage is all coverage > CAT

Message: CAT coverage only pays for truly catastrophic events and is inadequate coverage for most farmers.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

25 **Area Plans of Insurance**

- Area Plans
 - Insure against a county-wide loss
 - National Agricultural Statistical Service (NASS) county data is used to set the expected and actual county yields
 - Insured chooses a percent of the expected county yield or revenue

Area Plans are based on county averages.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

26 **Coverage Levels and Pricing**

- Price Percentages
 - For the APH plan and the YP plan, the producer has the option to select the percentage of the price election based on their level of coverage.
 - For RP and RPHPE plans, the Projected and Harvest Price will be 100% of the projected price and harvest price issued by FCIC.

	CAT		Additional Coverage						
Coverage Level Percentage	50	50	55	60	65	70	75	80	85
Price Percentage	55	100	91-100	84-100	77-100	72-100	67-100	63-100	59-100

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

27 **Individual Plans of Insurance Whole Farm Revenue Protection (WFRP)**

- What does WFRP cover?
 - Revenue from all commodities produced on the farm:
 - Including animals and animal products
 - Commodities purchased for resale (up to 50% of total)
 - Excluding timber, forest, forest products, and animals for sport, show or pets
 - Replant costs (with approval)

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

28 **Individual Plans of Insurance Whole Farm Revenue Protection (WFRP)**

- What are the features of WFRP?
 - All farm revenue is insured together under one policy
 - Individual commodity losses are not considered, it is the overall farm revenue that determines losses
 - Premium subsidy is available and depends on farm diversification
 - Farms with 2 or more commodities (commodity count) receive whole-farm premium subsidy
 - Farms with 1 commodity receive basic premium subsidy

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

29 **Individual Plans of Insurance Whole Farm Revenue Protection (WFRP)**

- What are the features of WFRP?
 - Coverage levels 50-85%
 - 5% increments
 - Diversification of 3 commodities (commodity count) required for 80% and 85%
 - No catastrophic level of WFRP available
 - Historic revenue is adjusted to reflect farm expansion
 - Automatic indexing process accounts for farm growth historically (insured may opt out of indexing)
 - Expanding operations provision allows for up to 35% growth over historic average with insurance company approval

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

30 **Individual Plans of Insurance Whole Farm Revenue Protection (WFRP)**

- What kinds of farms can benefit from WFRP?
 - Well-suited for:
 - Highly diverse farms
 - Farms with specialty commodities
 - Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
 - Available to all farms or ranches that qualify
 - There are some limits for qualification

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

31 Individual Plans of Insurance
Whole Farm Revenue Protection (WFRP)

- What will my agent need from me?
 - Five years of farm tax forms
 - For 2019, requires tax forms from 2013-2017
 - Exceptions are made for Beginning Farmers and Ranchers: Qualifying persons not required to file a US Tax Return (tribal Entities); and, producers that were physically unable to farm one year.
 - Needs to know if you are a
 - Calendar year tax filer
 - Fiscal year tax filer and what your fiscal year is
 - Information about what you plan to produce on the farm during the insured year
 - Used to complete the Intended Farm Operation Report
 - Other information as applicable
 - Such as supporting records, your organic certification, inventory or accounts receivable information

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

32 What insurance plan and coverage level is right for me?

- Ask yourself:
 - What plans are available for the crops I grow?
 - For what coverage levels do I qualify?
 - How much can I afford to lose?
 - What makes the best financial sense?
- Engage with a crop insurance agent to help answer these questions.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

33 Process—Application

- Completed by the insured at agent's office
- Continuous policy unless canceled in writing
- Insured elects:
 - Which crop(s) to insure
 - Must insure all acres of the crop
 - By crop/county:
 - Plan
 - Level
 - Price

Apply for all of the crops that you may possibly plant.
Note: You will only be charged for the crops you actually plant

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

34 Process—Acreage Report

- Completed:
 - Annually by producer, with agent
 - After crops are planted
 - Due by a specific date
- Reported information:
 - Includes acres, share, and plant date
 - Determines coverage and liability

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

35 Process—Schedule of Insurance

- Generated after acreage report is submitted
- Details coverage and liability on each unit
- Should be reviewed carefully for accuracy

If information is not correct, contact your agent immediately.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

36 Process—Determining a Loss

- If loss expected, insured must file a notice of loss
- Adjuster:
 - Contacts insured
 - Visits farm
 - Determines actual production by using standard Federal procedures
 - Completes loss paperwork
- Loss payment is made, by company

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

Crop Insurance Overview

Dr. Laurence Crane, National Crop Insurance Services

37

Producer Obligations

- Report required information accurately.
- Meet policy deadlines.
- Pay premiums when due.
- Report losses immediately.

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

38

Summary:

How do I get coverage and who can help me?

- Visit a crop insurance agent
- Discuss coverage options with and get help from an agent
- Complete and submit an application to an agent

Main Message: Make an informed decision!!

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018

39



Websites

Risk Management Agency
<http://www.rma.usda.gov/>

NCIS
www.ag-risk.org

Crop Insurance in America
*Just the Facts Tab
www.cropinsuranceinamerica.org

Social Media

Twitter
@USCropInsurance

Facebook/Pinterest
CropInsuranceInAmerica

YouTube
NCISAmerica

Vegetable Field Day "Risks in Technology Adoption"
Southwest Florida Research and Education Center, Immokalee, Florida, November 29, 2018