



Tom Zacharias, NCIS President

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## "Sharing is Caring..."

The expression "sharing is caring" might seem a bit trite these days and perhaps a bit underwhelming. That may well be the case for some, but in all seriousness, "sharing is caring" has a great deal to do with how one might think about crop insurance and agricultural risk management in general. In my view, there is a great deal of sharing going on in crop insurance and that sharing contributes significantly to the success of the modern-day crop insurance program. So, let me just "share" with you a few of my thoughts on the matter.

### Risk Sharing

First and foremost, crop insurance is about risk sharing and is the most obvious and most frequently discussed aspect of sharing in crop insurance. Risk sharing is fundamental to the economics of the crop insurance industry and in essence is the underlying mechanism that holds crop insurance together. Farmers share in the risk of crop insurance through their choice of often numerous available crop insurance products and the associated deductible that best fits the need of their farm operation. With respect to product mix, farmers can select from basic yield coverage or revenue coverage. In the case of many specialty crops there are also dollar plans. Whole farm coverage and various area plans such as the Supplemental Coverage Option (SCO) or Enhanced Coverage Option (ECO) are also available. Coverage level or deductible choices for many of the individual plans range from 50 percent to 85 percent. No one size need fit all farms or farmers, and although it is not often explicitly discussed, there is a great deal of risk sharing taking place within a policy depending on the chosen coverage level or deductible. Take 2012 for example. In

one of the most extensive Midwest droughts in years, farmers absorbed approximately \$13 billion dollars of loss within the deductible space. Farmers absolutely share in the risk of the crop insurance program.

For the Approved Insurance Provider (AIP), individual policy-holder risks are shared between the AIP and USDA through the Standard Reinsurance Agreement (SRA). In general, AIPs share risk on approximately 80 percent of the total premium written within the program.

AIPs have risk exposure on every single policy. Critics of crop insurance are often heard to say that the industry enjoys a guaranteed "rate of return." However, this is simply not accurate as underwriting gains or losses are driven by the same yearly loss experience of farmers which can result in profitable years or years of loss. Crop insurance companies face greater volatility within the Federal crop insurance program than with other lines of insurance. While crop insurers do not set the premium rates upon which they bear risk, they are required to insure all farmers and ranchers who wish to participate in the program. Crop insurance carriers absolutely share in the risk, good or bad and look to private reinsurers and federal reinsurance through the SRA to remain financially viable and responsive to farmers and ranchers. From a risk-sharing perspective, everyone has "skin in the game."

### Cost Sharing

In addition to risk sharing, there is significant cost sharing that takes place in our industry. Starting from "Square 1" farmers and the public sector share in the costs of the program so the safety net for a reliable and safe food

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supply remains affordable and available. In 2023, farmers paid \$6.8 billion out of their own pockets. Unlike other federal programs, farmers absolutely share in the cost of the crop insurance program. Through Administrative and Operating payments made on behalf of farmers and ranchers to the private sector delivery system, AIPs make the necessary investments in technology and staffing in order to support both the crop insurance agents and the crop loss adjusters that service America's farmers and ranchers.

## Information Sharing

Although not oftentimes recognizable, information sharing may be the most essential form of sharing in our industry. NCIS's predecessor organizations were founded on the principle of information sharing and collective research. Starting with the development of the agronomic research program and later the investment in actuarial data collection, the industry established an infrastructure that has allowed for the expansion of crop insurance observed over time.

The research program, along with the investment in actuarial data collection services and analytical support, illustrate the various information sharing dimensions of NCIS. Because NCIS members share in the cost and development of these services, NCIS members have access to industry-level resources that would be cost prohibitive if pursued from a single company basis. Through the active participation of the NCIS membership and the joint working relationship with RMA there is even greater information sharing. This results in an effective public-private

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partnership effectively serving the risk management needs of U.S. agriculture.

Information sharing is, in essence, one of the key missions of NCIS and the foundation of our existence.

## Shared Experiences

At least a few of us have been working in crop insurance for more than just a few years now. Many of us have worked through several Farm Bills, reinsurance renegotiations, drought years or years of excessive moisture, hailstorms, and somewhat recently, the prevented planting losses of 2019 and the Iowa derecho of 2020. And it seems like only yesterday...we have survived a few government shutdowns—with hopes of avoiding any more in the future.

These events are our "shared experiences." In working through these events over the years we have been able to take what we know and apply it to the task at hand or the pressing issues of the day. We have done this as an industry and as a partner with USDA and the Risk Management Agency. These "shared experiences" become the source of our institutional knowledge and the basis for strengthening and improving crop insurance for the future. As an industry we should never un-

derestimate the value of collective learning and sharing that acquired knowledge with fellow colleagues to continue a successful future existence.

## Shared Responsibility

Lastly, we all have a shared responsibility in crop insurance. Coupled with our fiduciary responsibilities we all have a shared trust and responsibility with the farmers and ranchers we serve along with shareholders, taxpayers, state and Federal regulators, as well as elected officials. Crop insurance has emerged over time as the key farm safety net for U.S. agricultural beginning with the entry of the private sector in 1980 and continuing with the incredible growth in the program we have experienced since the past two Farm Bills. By sharing in the risk, sharing in the cost, and sharing information and experience, this industry has achieved unimaginable heights while exceeding the expectations for our industry. It is our shared responsibility to continue meeting the challenges set before us to sustain this unique public-private partnership.

## In This Issue

In this issue we introduce you to farmers from California who rely heavily on crop insurance to protect their farms, many of which have been in their families for multiple generations. We hope you will watch their full stories at [CropInsuranceInAmerica.org/RealStories](https://CropInsuranceInAmerica.org/RealStories).

NCIS hosted 14 loss adjuster schools this year with most of them highlighted in the article beginning on page 19. We thank all the participants for attending these important training sessions and give a special shout out to all of those who helped plan and teach in the classroom and field. We couldn't do these sessions without you!

The 2022 agronomic research results article starts on page 5 and highlights the various research studies NCIS is conducting on behalf of our membership. The results are used in conjunction with past and future years' research to ensure that NCIS loss procedures are accurate.

This summer, NCIS hosted four interns for a mostly virtual introduction to crop insurance and the career opportunities that exist. You can meet the interns in the article that two of them wrote to highlight their summer experiences beginning on page 29.

We also highlight the important information presented at the 2024 Fall Train-the-Trainer Conference, which was held in July with attendees participating in person or virtually.

We hope you enjoy this issue!

