



Tom Zacharias, NCIS President

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“Write this Down”

Welcome to 2017! Captain Obvious would be first to note we have a New Year, a new President and a new Administration to look forward to, so in the words of Elvis Presley, one would expect *“...a whole lotta shakin’ goin’ on...”*

It is, of course, early days, both in terms of the New Year and the change in the Administration. That said, it might serve the crop insurance industry well to take stock of our role and why we are here as we enter a New Year and what would appear to be a new political era by most accounts.

To “motivate” this homily, let us selectively draw upon the lyrics of George Strait’s *“Write this Down”* — a catchy little Country-Western ditty, which will hopefully provide some inspiration and insight in the days to come.

“Write this down, take a little note to remind you in case you didn’t know...”

We should always remind ourselves, and our supporters, that the purpose of crop insurance is to be the primary financial safety net for U.S. agriculture. Serving the risk management needs of American agriculture is our fundamental enterprise.

How is this accomplished?

The U.S. crop insurance system is a public-private partnership drawing upon the strengths of both the public and private sector. The public sector’s role ensures that crop insurance is equitably administered across the country. Through premium support, crop insurance remains affordable for all farmers and ranchers, which provides the foundation for an adequate risk pool and helps contribute to an actuarially sound insurance system.

The private sector is the engine of delivery. It was the intention of Congress to enlist the private sector beginning in 1980. The benefits of private sector delivery are multi-faceted. First and foremost, through market incentives, crop insurance agents and companies have achieved incredible levels of crop insurance participation. In 1980, when the private sector insurance companies joined with the Federal government to sell crop insurance, there were only nine insurance plans available for 29 crops. Today, there are more than 60,000 county/crop programs nationwide. In 1980, insurers sold \$156 million in premium on 26 million acres protecting \$3 billion in liability. Today, those numbers have increased to \$9.3 billion in premium on 290 million acres protecting \$100 billion in liability.

Second, through private sector risk-bearing, taxpayers do not face the entire brunt of agricultural

Continued on page 26

disasters. The financial terms of the Standard Reinsurance Agreement (SRA) are such that crop insurance companies bear the majority of the working layers of risk. For example, when losses occur for Corn Belt states, companies bear 65 percent of the underwriting losses for the majority of loss situations. Keep in mind, companies have limited underwriting authority for Federal crop insurance. Companies must accept all eligible farmers, regardless of past individual loss experience, charging uniform premium rates set by the Risk Management Agency (RMA).

Third, through market-based incentives, the private sector is incentivized to minimize its cost of delivery, since reducing costs contributes to the bottom line. In addition, the profit motive incentivizes companies and their adjusters to pay claims fairly and accurately, thus minimizing fraud, waste, and abuse.

“So you’ll remember what I forgot to say, write this down.”

Competition and Service

Because USDA/RMA has the responsibility and authority to establish actuarially sound premium rates, the industry does not compete directly on price for Federally regulated crop insurance. However, crop insurance companies compete on service, as well as competition in the Crop-Hail and named-peril lines of business, which are state regulated. The profit incentive motivates companies, along with their agents and adjusters, to provide the very best service possible to America’s farmers and ranchers.

Three prime examples of service are the responses to the 2011 drought in Texas, the drought of 2012, and the 2013 government shutdown. In 2011, Texas farmers, primarily those growing cotton, received \$2.6 billion in indemnities, of which more than \$1.3 billion was paid by mid-September of that year. In 2013, during the 16-day government shutdown, crop insurance companies continued processing farmers’ claim checks and paid out several hundred million dollars in indemnities while government offices were closed.

Most notable, of course, was the efficiency and speed of the industry’s loss adjuster corps during the historic drought of 2012 when USDA Under Secretary Michael Scuse traveled across rural America and gave farmers his business cards with the instruction to call if there were any problems or concerns about crop insurance or

the speed of assistance delivery.

“I have yet to have a single producer call me with a complaint about crop insurance,” he said. “That is a testament to just how well agents, adjusters, the companies, and RMA worked together in one of the worst droughts in the history of this nation.” (*Write this down...*)

“Take my words, read ‘em every day, keep ‘em close by, don’t you let them fade away...”

Why are we here?

Recently, a farmer sent NCIS a letter and portions of her letter are below. Her words are powerful, humbling, and a reminder of why we must continue to fight to keep crop insurance strong for our customers.

“My family was standing by our picture window, watching the storm move in. The wind picked up. The sky turned completely black. It pretty much decimated every field we had and threw our lives into chaos.

“We’re not big farmers. We basically have it all on the line every year.

“After the storm, I just stood there and thought about all the years, and the labor, and the effort. We poured the best of our physical strength, our youth, our sanity and ourselves into the farm. Then, I thought about our children and how we do it all for them. We do it to have something for them, something to give them. Now what?”

“I thought about my great-grandparents and my grandfather who started farming after serving in the army during WWII. He and my grandma didn’t have much, but when they died, they passed what they had onto their children. Now the land belongs to my brother and I. They overcame so much. And after all that, the idea of me being the one who drops this torch kept me awake at night. The idea that it was all for nothing was too much to bear.

“We then started talking to the insurance people. There was an uncertain period where we had no idea what was going to happen. And then, the crop insurance money started coming through. For us, it was a miracle. We’re going to be okay for now, and we’ll farm another year.

“Crop insurance changed our whole world, situation and outlook. I feel very fortunate.

“Our society has got to be made to understand that the stresses of farming have a very real human cost, and that there is a very real human cost to attacking federal crop insurance and the Farm Bill.”

That, my friends, sums up what crop insurance is all about. It sums up why we get up and go to work every morning. It sums up why we must always strive to do our jobs better. *“Write this down...”*

In This Issue

If you found value in reading the words of the farmer testimonial in this article, you will also enjoy reading about two farmers in the Crop Insurance in Action stories in this publication. This issue features Kenneth Kirschenmann, a third-generation farmer from Shafter, California, who has been dealing with the effects of a drought for several years.

“Crop insurance...doesn’t solve all of the problems if we had a 100 percent wipe-out, but it does keep us in business,” Kirschenmann said.

And there is Stanley Wilson, who grows cotton, potatoes, carrots, beans, alfalfa, almonds and raisin grapes on his 100-year-old farm in Shafter, California. He told us he uses crop insurance “...to give us a bottom line so we can go another year.”

You can read and listen to more stories like Kenneth and Stanley on the Real Stories section of the Crop Insurance in America website (www.cropinsuranceinamerica.org) and you will be able to experience first-hand why crop insurance is so vitally important to farmers across the country.

This issue also has a very interesting piece about farmers’ views on the 2016 election season and their opinions on the status of American agriculture. Sara Wyant, a renowned journalist and her company, Agri-Pulse, commissioned the survey shortly before the November election and it is very interesting to see how well these survey results reflected in the will of the people on November 8th.

We also feature a piece that touches on a few of the activities NCIS staff participates in or hosts on behalf of our membership and the entire crop insurance industry. We work hard to support our members in all that we do. Whether it is by analyzing a new policy or procedure change recommended by RMA, or by hosting a train-the-trainer conference for 300 of the industry’s trainers, underwriters and supervisors so they are prepared to provide agent or adjuster training, NCIS services are extremely important to the success of the industry.

We wish you much success in 2017 and look forward to the daily reminders of why we are all involved in this industry.