CROP INSURANCE

The Federal Crop Insurance Program (Program) is a hybrid of Federal administration and private insurance company delivery of multiple peril crop insurance (MPCI) to American farmers and ranchers under the Federal Crop Insurance Act. MPCI is offered to qualified producers through the Program. MPCI covers production and revenue loss (commodity prices) for natural perils including hail, fire, wind, drought, flood, insect infestation and levee dynamiting. Crop insurance policies also typically indemnify the insured for other adverse events, such as the inability to plant or excessive loss of quality due to adverse weather. The Program provides only MPCI. Farmers can purchase additional crop-hail coverage from private insurers.

The Federal Crop Insurance Corporation (FCIC), which is a government corporation within the U.S. Department of Agriculture, carries out the Program. The Risk Management Agency (RMA), on behalf of the FCIC, oversees and administers the Program under the Federal Crop Insurance Act.

To be an Approved Insurance Provider (AIP), an insurance company must be in good financial standing and in compliance with the state laws where domiciled and writing business. AIPs enter into one year insurance contracts with farmers, share the insurance risk with the Federal government and compete with each other for business. They operate within the rules and conditions in the Standard Reinsurance Agreement (SRA), a cooperative financial assistance agreement between the FCIC and each private insurance company participating in the Program.

The SRA defines each party’s responsibilities in delivering the MPCI product, and establishes the terms under which FCIC provides proportional and non-proportional reinsurance to the AIPs on eligible crop insurance contracts sold by the AIPs to farmers. Under the SRA, FCIC provides reinsurance to the AIPs, pays a premium subsidy to reduce the premium charged to producers, reimburses the insurance companies for administrative and operating costs, and oversees the financial integrity and operational performance of the delivery system. AIPs must sell insurance to every eligible farmer who requests it and must retain a portion of the risk on every policy. AIPs also may reinsure some of the risk they retain in the private market.

Click here for a link to the RMA section of the U.S. Department of Agriculture website, which contains information about the Program.