MYTH: Crop insurance doesn’t even require a farmer to have a loss.

FACT: Crop insurance requires a deductible to be met before a payment is made. Losses must be verified by certified adjusters before payments are made, and these payments are subject to audits.

First and foremost, farmers must have a loss to receive assistance. The vast majority of farmers who purchase crop insurance policies do not receive payments.

- **The average deductible for crop insurance policies sold is 27 percent**, which means a farmer must lose 27 percent of their crop or the value of their crop before they receive any benefit from crop insurance.
- **Even if a farmer does not meet this deductible, they must still pay their premium.**
- Crop insurance can be broken down into two types of products: those based on the farm and those based on county numbers.*
  - In the first type, the farmer actually purchases coverage for his or her individual farm. For these types of products, farmers must meet a minimum deductible of 15 percent. This type of coverage is often costly, so it is common for farmers to purchase insurance with larger deductibles.
  - For traditional county-based products, farmers purchase insurance based on whether or not area-average yields or revenues are below a ten-year average. This product is typically less expensive and is more difficult to use as collateral for loans because a farmer could experience an actual loss on the farm and still not receive a payment. The minimum deductible for this product is 10 percent. Less than 1 percent of all policies earning premium in 2018 were traditional area-based plans.†

* There are pilot programs based on rainfall instead of yields or revenue, farmers pay a premium whether or not they receive an indemnity, and rainfall is scientifically measured by USDA.
† Risk Management Agency, USDA

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