

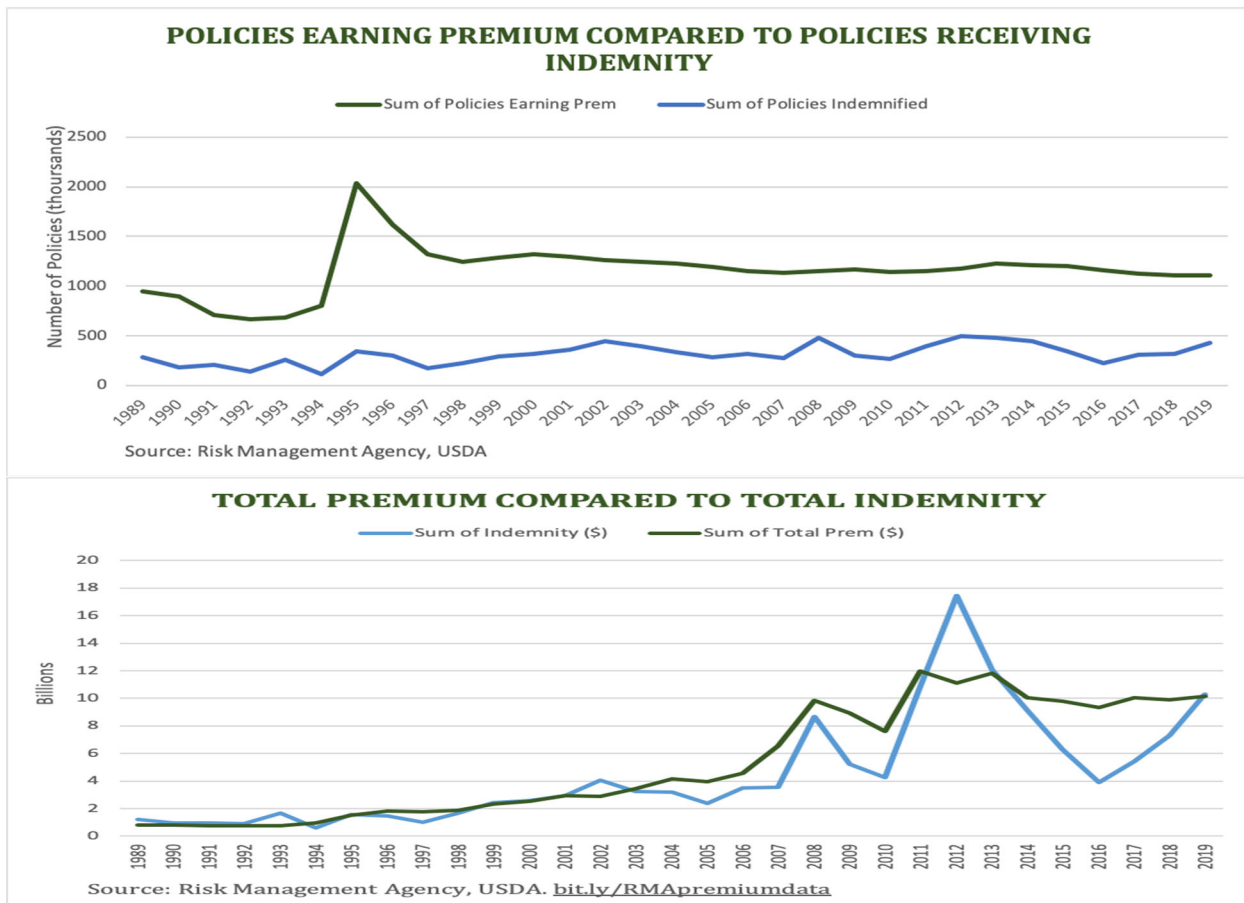
CROP INSURANCE MYTH VS. FACT: INDEMNITY PAYMENTS

MYTH: Farmers get crop insurance indemnity payments every year, and the program is so rich that farmers farm the program instead of the ground.

FACT: Farmers can pay crop insurance premiums year in and year out without receiving a single indemnity payment. In fact, on average, only about 30 percent of policies pay an indemnity in any given year. Any farmer who tries to make a living “farming” crop insurance isn’t going to be in business very long.

Since 1989, crop insurance policies have covered nearly \$1.8 trillion in liabilities to guard against losses. During that same time total premiums* for crop insurance were \$166 billion and farmers were paid \$141 billion in indemnities. By statute, the loss ratio is required to be equal to or less than 1.0.

- Indemnity payments are made to farmers only when production or price disruptions result in crop yields or revenues below those guaranteed by the insurance contract. When production or revenues are above those guaranteed by a crop insurance policy purchased by a producer, an indemnity payment is not made, but the farmer must still pay the premium due to the insurance provider.
- Similar to weather risks, the cost of indemnities paid vary from year to year. In 15 of the last 20 years, total crop insurance premiums have exceeded indemnities paid to farmers.



* This includes farmer paid premium as well as the premium discount.