Crop insurance is a successful public-private partnership, where the program is federally regulated and delivered by the private sector. A few quick facts:

- Premium rates are set by the government and are based on actuarial soundness. Crop insurance companies have no ability to change prices and instead compete on service.
- Federal regulation ensures that farmers cannot be refused crop insurance protection and that companies cannot raise premiums or impose special standards on any individual producer.
- On-farm losses are shared by farmers, private sector companies and the government. The government, and therefore taxpayers, also share in any gains in years where disasters are limited.
- Private sector delivery allows farmers who have a confirmed loss exceeding their deductible to typically receive payment in less than 30 days, compared to other government assistance programs that often take a year or more to get aid to farmers.

Despite the success of private sector delivery, a number of critics have proposals that would threaten the effective and efficient service received by America's farmers and ranchers when purchasing crop insurance. These proposals are built upon misinformation.

Myth: The crop insurance program guarantees profits for crop insurance companies.

Fact: The crop insurance program has a target gross return rate for companies of 14.5 percent. **This target is neither a guarantee nor a profit for companies**. In reality, return rates for crop insurance companies can vary wildly from one year to the next based on the whims of mother nature and crop markets. Profits are also significantly lower than the gross rate of return, which does not take into account expenses.

From 1992-2021, the average annual net income for all approved insurance providers was 11%. In five of those years, average annual net income was negative (1993, 2002, 2012, 2013, and 2019).

Myth: In addition to paying for underwriting gains, taxpayers also cover expenses for crop insurance companies, so there is no difference between gross and net rates of return.

Fact: Crop insurance companies are paid administrative and operating (A&O) fees, which are used largely to pay the independent agents that sell the policies to farmers and provide gold-standard service. **Insurance company expenses currently exceed A&O payments by approximately $1 billion per year.** These expenses in excess of A&O are paid for through the underwriting gains associated with the target rate of return.

Myth: Crop insurance is a more lucrative line of business than other types of insurance because it is overly subsidized by the American taxpayer.

Fact: When these comparisons are made, opponents of agriculture are typically comparing the target gross rate of return of crop insurance to the actual net rate of return of other lines of business. Or they include stock market equity to deflate the returns of other lines of insurance, which isn't something smaller crop insurance companies have as a backstop. It's comparing apples to oranges.

When actual net rates of return for crop insurance are compared to actual net rates of return for other lines of insurance, the profits are comparable, as indicated in the chart below. This is despite the greater volatility associated with crop insurance over other lines insurance, which would lead most investors to demand higher returns.

Net Rate of Return Comparison

Pre-Tax Net Income Divided by Retained Premium

Crop Insurance:	*11%*
Property and Casualty Insurance:	*18%*

Myth: Cutting funding from crop insurance companies will have no impact on America's farmers and ranchers or rural economies.

Fact: Any cuts that threaten the overall financial stability of the sector will only spur consolidation in the industry and discourage participation in states where risks are traditionally higher. Businesses cannot operate without a reasonable return, and crop insurers cannot operate at a loss.

Additionally, the crop insurance industry employs thousands of professionals in rural America that would be negatively impacted by these cuts. More than 20,000 licensed agents, certified claims adjusters, and company staff are committed to getting farmers who have sustained losses and met their deductible back on their feet quickly.

Myth: There are better ways to deliver crop insurance than through the private sector.

Fact: History has proven that crop insurance is not effective when delivered by the federal government, and if the private sector exits the business, farmers will be left without the tools necessary to manage falling crop prices and extreme weather events.