Protect, Preserve & Improve Crop Insurance

In the coming year, we urge Congress to protect, preserve and improve the program:

- **Keep crop insurance affordable to farmers.**
- **Maintain the size and diversity of the risk pool by keeping farmers of all sizes in the program.**
- **Maintain the efficient and effective private sector delivery of crop insurance.**
- **Work with farmers, agents, AIPs, and USDA to identify potential actuarially sound improvements to crop insurance.**

Crop insurance protects when disaster hits.

- In 2022, about $17 billion in indemnity payments were made for disasters including hurricanes and drought, all while some farmers are still waiting on their ad hoc assistance dollars to arrive.
- Each year, natural disasters impact regions of the country differently, whether it be drought, flooding, or hurricanes, if a farmer is unable to plant their crops, crop insurance is critical in protecting them from unforeseen losses.
- In 2024, after Hurricane Helene devastated parts of the Southeast, crop insurance payments were the first significant aid to flow directly to farmers, totaling over $233 million.

Crop insurance is a successful public-private partnership, and unlike other farm programs or ad hoc disaster assistance that is 100% paid for by the taxpayer, crop insurance losses are shared by farmers, private sector companies, and the government.

- Premium rates are set by the government, and farmers cannot be refused a policy.
- Crop insurance is a rapid response solution to disasters. Private sector delivery typically allows farmers who have losses and have met their deductible to receive indemnity payments in less than thirty days. Ad hoc disaster assistance cannot be relied upon by lenders and isn't delivered in a timely or precise manner.

Crop insurance is <u>purchased</u> by farmers to protect against yield and revenue losses due to natural disasters and single-year declines in prices. It is the only safety net available to all types and sizes of producers in all regions.

- Crop insurance is a cost share with farmers where farmers pay a discounted rate for their crop insurance premiums, which total $6 to $7 billion each year.
- On average, farmers meet a 27% deductible before they receive a crop insurance indemnity payment.
- About 30% of crop insurance policies pay an indemnity in an average year. It is not unusual for farmers to pay their crop insurance bill for years without receiving an indemnity payment.

Crop insurance is critical to the rural economy. Without crop insurance most producers simply cannot qualify for the operating loans needed to plant a crop.

- Due to the extremely tight margins and incredible risk in agriculture, regulators examining ag lending portfolios typically insist borrowers have crop insurance to ensure repayment of loans.
- Increasing the cost of farmer-paid premiums or disqualifying some farmers from participating in the crop insurance program will force farmers to decrease coverage, making it more difficult to qualify for operating capital and loans in the current ag economy.
- Crop insurance protects jobs, both on and off the farm. Crop insurance enables farmers to rebound quickly after disaster and allows producers to pay credit obligations and other input expenses, such as fertilizer or farm equipment.

By statute, crop insurance is actuarially sound. That means a large and diverse risk pool is needed to make premiums affordable.

- Removing some farmers from the crop insurance risk pool via means testing will impact the rates for every single farmer still participating in crop insurance.

Crop insurance has environmental benefits.

- Conservation compliance measures, including wetlands protections and highly erodible lands protections, are a requirement for receiving a discount in the purchase of crop insurance.
- The 2018 Farm Bill included language to clarify that planting soil-nurturing cover crops is allowed under crop insurance policies.

Crop insurance is nimble.

- Crop insurance improves each year to meet the needs of all types of farmers. Where there are gaps in the program, USDA, stakeholders, and the private sector have mechanisms available to fill these gaps with meaningful risk management tools.