

XVIII Congreso Internacional ALASA 2025

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Asociación Latinoamericana para el
desarrollo del Seguro Agropecuario



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USA Crop Insurance Program

Experiencias Internacionales
en Seguros Agropecuarios:
USA, China y Brasil

USA Crop Insurance Program

The Crop Insurance Act

- §1502. Purpose; definitions; protection of information; relation to other laws

It is the purpose of this subchapter to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for the research and experience helpful in devising and establishing such insurance.

- 1938 Act – Established Federal Crop Insurance Corporation
- 1980 Act – Private Sector Entry: Program expansion
- 1994 Act – Result of 1993 flooding and excessive moisture: Introduction of catastrophic coverage
- 2000 ARPA – Increased premium support, new product development, strengthen program integrity
- 2008 Act – Research & Development; data mining; funding reduction
- 2014 Farm Bill – Crop Insurance as cornerstone of safety net: major program expansion
- 2018 Farm Bill – Further program expansion

A History of Policy Commitment to Agricultural Risk Management through Crop Insurance

USA Crop Insurance Program

Institutional Setting of Federal Crop Insurance

- Economic and Political Partnership
- Rules/Contract Based System
- Public-Private Cost-Sharing

Insurance is Contract/Rules Based

- System is Characterized by Contracts

- FCIC ⇔ Federal Government
(the Federal Crop Insurance Act)
- Insurance Company ⇔ FCIC*/USDA**
(the Standard Reinsurance Agreement)
- Farmer ⇔ Insurance Company
- Agent ⇔ Insurance Company

*FCIC: Federal Crop Insurance Corporation

**USDA: United States Department of Agriculture

Multiple Levels of Cost-Sharing

- Farmer – Deductibles and Premium Costs
- Taxpayers – Risk Sharing and Premium Support
- Insurance Companies – Risk Sharing and Infrastructure
- Crop Insurance Agency Force – Infrastructure/Rural Presence
- Reinsurance Companies – Risk Sharing

USA Crop Insurance Program

The Glue: Standard Reinsurance Agreement (SRA)

- A Cooperative Financial Assistance Agreement between the Federal Crop Insurance Corporation (FCIC) and an Insurance Company
 - FCIC – A Government Corporation with the USDA Authorized to Carry Out Programs of the Federal Crop Insurance Act
- Risk Management Agency Acts on Behalf of FCIC to Administer all Federal Crop Insurance Programs
- Establishes the Terms Under Which FCIC Provides Reinsurance and Subsidies on Eligible Crop Insurance Contracts Sold by the Insurance Company
 - By Regulation, Insurance Company Must be in Good Financial Standing and in Compliance with State Laws Where Domiciled and Writing Business Prior to being Considered for Approval of an SRA

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SRA Continued

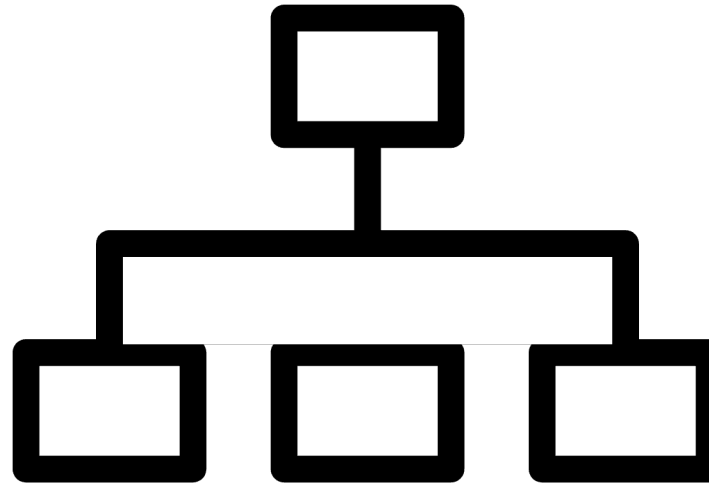
- The (SRA) outlines how USDA and private insurers share risk.
- Risk is divided by state and fund type (commercial or assigned risk).
- Structure protects insurers in extreme loss situations, while maintaining incentives for sound underwriting.

Regulatory Oversight

- Federal Regulation
 - USDA/Risk Management Agency
- State Regulation
 - Individual State Insurance Departments
- Regulatory Oversight Prevents Fraud, Waste and Abuse
- Regulatory Oversight Protects Farmers, Taxpayers and Shareholders

USA Crop Insurance Program

Program Structure



USA Crop Insurance Program

Federal Crop Insurance vs. State-Regulated Crop Insurance

	Federal Crop Insurance	State-Regulated Insurance
Regulator	Risk Management Agency (RMA) of USDA	State Departments of Insurance
Subsidized?	Yes	No
Premium Rate	Set by RMA	Set by Individual companies
Perils covered	All risk basis: Yield losses due to natural causes; also revenue losses due to price movements and yield losses	Named perils basis: Losses due to hail and others (fire, lightning, transit, etc.)

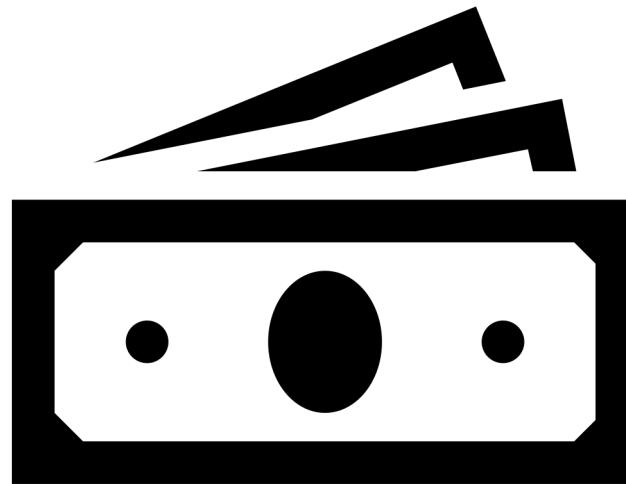
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The USA Partnership

	Private Companies (AIPs)	Government (USDA/RMA)
Players	12 approved companies 20,000 agents & adjusters	Approximately 410 in 2024
Products	May develop products	May develop products
Sales	Sell and adjust all policies; must sell to any farmer wanting coverage	Sells no policies; makes a payment to AIPs for delivery costs
Premiums	Collect premiums	Sets premium rates; subsidizes premiums
Underwriting	Bear underwriting risk; share gains/losses with gov.	Sets underwriting standards; shares gains/losses with AIPs
Claims	Pay all claims	Pays no claims
Quality control	Performs QC	Ensures QC compliance
Education	Train agents, adjusters, informs producers	Informs producers

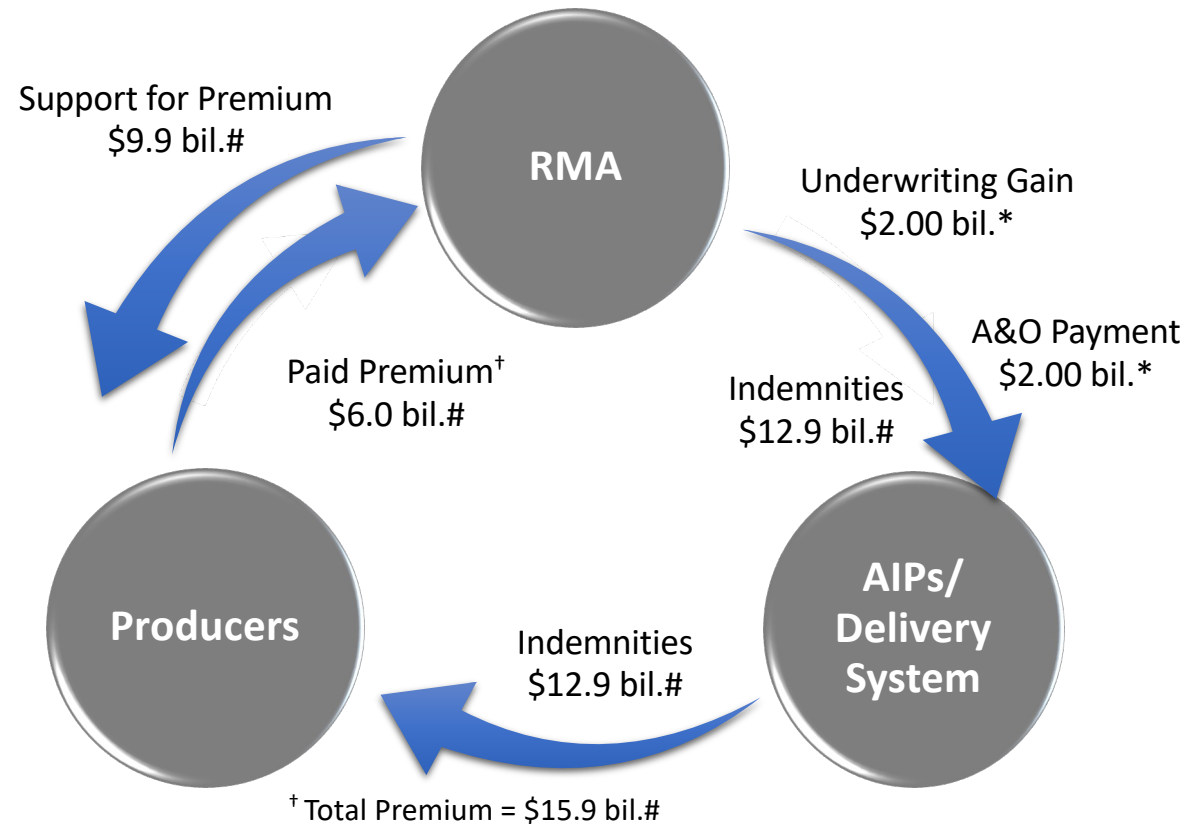
Source: Collins, K. 2009 Presentation: "Future of Crop Insurance in Volatile Markets."

Federal Crop Insurance Program Costs and Flow of Funds



The Financial Flows Underlying Crop Insurance For 2024 (Excluding Livestock)

USA Crop Insurance Program



Source: NCIS Internal Estimate* (3/2/2025)
RMA Summary of Business# (3/24/2025)

USA Crop Insurance Program

Program Metrics

- Federal Crop Insurance
 - Approximately 539M acres / 218M hectares insured in 2024
 - Total 2024 liability, approximately \$190 billion USA
 - Area and Index Plans approximately 10% liability for 2023
 - Specialty crops approximately 14% liability for 2023

USA Crop Insurance Program

Summary

- Federal Crop Insurance is the cornerstone of the USA Farm Policy Safety Net
- Federal Crop Insurance enjoys both broad farmer and political support
- USA Public Private Partnership requires both financial and political commitment from both private sector and the government

Obrigado!

¡Gracias!

