



RIGHT RISK NEWS

2016

U.S. Crop Insurance Summary

DATES TO REMEMBER

RI-PRF Coverage
November 15th, 2017 for 2018 crop year coverage

Acreage Reporting:
- November 15th

Annual Forage (spring planted):
- December 15th

Spring-planted crops sales deadline:
- March 15, 2017

For more information see:
<http://www.rma.usda.gov>
<http://www.fsa.usda.gov>

Crop insurance indemnities were down nationally for the fifth year in a row in 2016. The data (Table 1) shows the number of policies on which premiums were paid was also down in 2016 compared to 2015. The number of policies indemnified dropped from 340,319 to 222,491 while the percentage of policies indemnified compared to policies earning premium dropped from 28.3 percent to 19.2 percent.

Overall, the loss ratio (Indemnities/Premiums) was 0.41 in 2016 compared to 0.65 in 2015. Lower commodity prices continue to lead to lower premiums and indemnities. Coupled with good

production conditions on a national basis, this has led to a low loss ratio the last couple of years. The 2016 loss ratio of 0.41 (41 cents paid out for every premium dollar received) is the lowest in the last ten years.

Table 1: 2016 Number of Policies

Crop Year	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
2012	2,104,994	1,174,007	495,306	\$11.1 billion	\$17.5 billion	1.57
2013	2,192,095	1,224,241	483,003	\$11.8 billion	\$12.1 billion	1.02
2014	2,211,645	1,207,142	446,313	\$10 billion	\$9.1 billion	0.91
2015	2,237,415	1,204,705	340,907	\$9.8 billion	\$6.3 billion	0.65
2016	2,205,991	1,159,648	222,491	\$9.3 billion	\$3.7 billion	0.41

Table 2: 2016 Crop Insurance Plans

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
APH	208,922	67,292	17,508	\$926 million	\$838 million	0.90
RP	1,501,976	882,981	156,865	\$7.1 billion	\$2.2 billion	0.32
RPHPE	8,974	6,031	781	\$28.5 million	\$7.9 million	0.28
YP	368,286	129,936	19,572	\$436 million	\$252 million	0.58

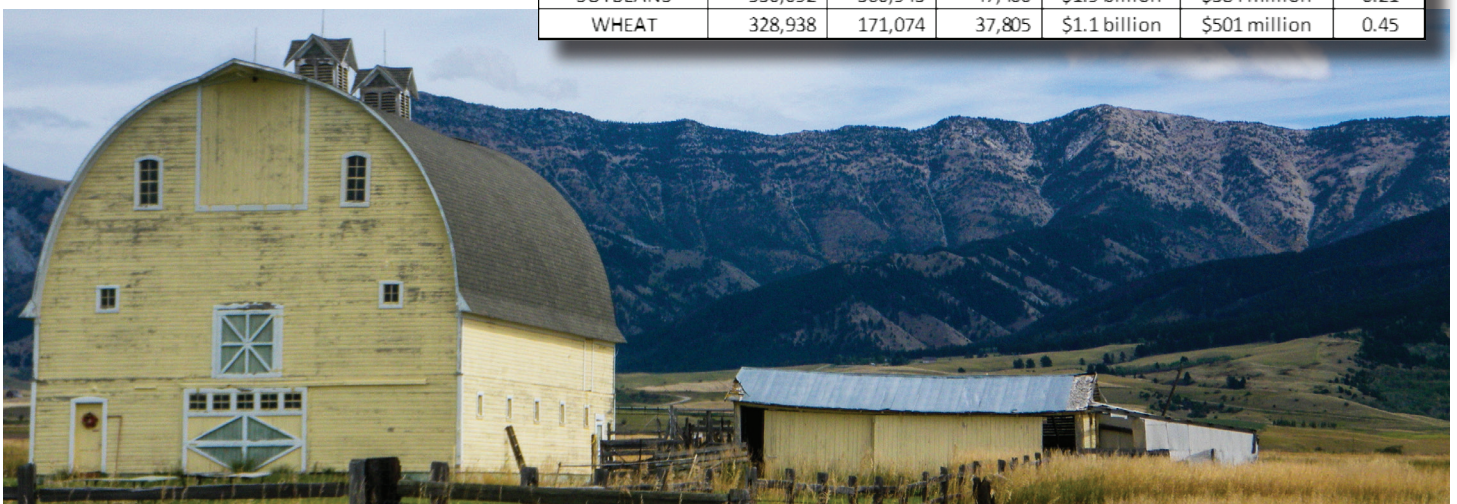
Most crop producers continue to choose to insure using a Revenue Protection (RP) policy insuring against declines in revenue regardless of whether it resulted from declines in prices or yields or both (Table 2). Other main choices included Yield Protection (YP), RP with harvest price exclusion (RPHPE), and the conventional Actual Production History (APH)-based policies for crops where RP and YP are not available. Yield insurance plans had higher loss ratios in 2016 because their premiums did not include price loss protection that turned out to be needed much less than yield insurance in 2016.

The three major crops in terms of policies sold (corn, soybeans, and wheat) all had loss ratios in 2016 that were only about half as high as they were in 2015 (Table 3). As in 2015, wheat had the highest loss ratio but it was still only 0.45 for the 2016 crop year.

Table 3: 2016 Major Crops

Insured Crop	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
CORN	564,911	383,698	64,171	\$3.5 billion	\$952 million	0.27
SOYBEANS	530,092	360,943	47,400	\$1.9 billion	\$384 million	0.21
WHEAT	328,938	171,074	37,805	\$1.1 billion	\$501 million	0.45

How Much Risk is Right for You?



HIGHLIGHTED TOOL

Ag Survivor is a risk simulation tool developed by the RightRisk Education Team to teach risk concepts and management strategies to agricultural producers in an experiential learning environment. This educational software lets users test firsthand whether they are better off implementing newly-learned risk management tools and strategies.

With Ag Survivor, a manager can compare a current strategy for selling grain to other standardized risk management strategies. For example, the safety first method picks the best average performing management system that meets a minimum standard. A producer might eliminate from consideration any practices that have more than a 20 percent chance of a loss. Armed with this experience, producers can explore how they might use various risk management tools to better achieve their goals.

Ag Survivor scenarios use real probabilities and impacts to depict risks. With this information, participants are making risk management decisions for the operation as it progresses through several decision making periods. Ag Survivor is waiting for you online, with thirteen alternative operations available.



For More Information on *Ag Survivor*, see <http://RightRisk.org> > Products.

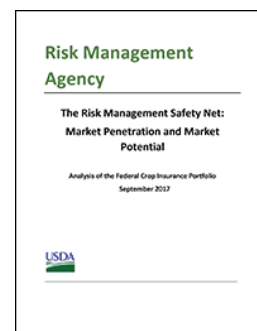
CROP INSURANCE SUMMARY CONTINUED FROM PG. 1

Forage and livestock insurance programs (Table 4) include: Livestock Risk Protection (LRP) for feeder cattle, fed cattle, swine, and lamb; Livestock Gross Margin (LGM) for beef, dairy, and swine; and, Rainfall Index (RI) for Pasture, Rangeland, and Forage (PRF) and Annual Forage. With lower livestock prices in 2016, use of LRP was down but the loss ratio of 1.27 was higher than 2015 (1.08). Use of LGM in 2016 was only about half of what it was in 2015 but the loss ratio of 1.31 was much higher than the 0.81 of 2015. Most LGM policies sold in 2016 were dairy policies. Whole Farm Revenue Protection (WFRP) was available in every county in the nation in 2016 and use of it doubled compared to 2015. The WFRP indemnities more than doubled in 2016 over 2015 with loss ratio up to 1.16 for the year.

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
LRP	6,477	1,056	805	\$7.9 million	\$10 million	1.27
LGM	1,690	343	270	\$8.2 million	\$10.6 million	1.31
Rainfall Index	30,587	22,889	19,168	\$313 million	\$195 million	0.62
WFRP	2,231	2,196	578	\$119 million	\$138 million	1.16

Producers are reminded that sales closing dates for many of these programs will be arriving soon, including a November 15 sales closing date for RI-PRF

See the Risk Management Agency (RMA) website for a comprehensive report of U.S. crop insurance sales “The Risk Management Safety Net: Market Penetration and Potential Analysis of the Federal Crop Insurance Portfolio” at: <https://www.rma.usda.gov/pubs/2017/portfolio/>



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How much risk is right for you and your operation?

