

# RIGHT RISK™

## RIGHT RISK NEWS

### DATES TO REMEMBER

**Annual Forage (spring planted):**  
- December 15th

**Spring-planted crops sales deadline:**  
- March 15, 2019

**Noninsured Crop Disaster Assistance Program (NAP)**  
Deadline for springseeded forage and all other crops  
- April 1, 2018

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

## U.S. Crop Insurance Summary for 2017

After five consecutive years of declining crop insurance payments, national crop insurance indemnities were up in 2017 compared to 2016. The data (Table 1) show the number of policies receiving premiums in 2017 was down compared to 2016, but the number of policies indemnified increased from 221,777 to 308,243. As a result, the percentage of policies indemnified compared to policies earning premiums increased from 19.2 percent to 27.4 percent year over year.

Overall, the loss ratio (indemnities/premiums) was 0.53 in 2017, compared to 0.42 in 2016. The 2016 loss ratio of 0.42 (42 cents of indemnities paid for every premium dollar received) was the lowest in the last ten years. Slightly higher commodity prices led to slightly higher premiums in 2017, compared to 2016. However, some production losses led to an increase in indemnities on a nationwide basis.

Crop Year	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
2013	2,192,098	1,224,244	483,003	\$11.8 billion	\$12.1 billion	1.02
2014	2,211,651	1,207,172	446,360	\$10.1 billion	\$9.1 billion	0.91
2015	2,237,427	1,196,464	336,934	\$9.6 billion	\$6.2 billion	0.64
2016	2,206,889	1,157,545	221,777	\$9.3 billion	\$3.9 billion	0.42
2017	2,183,108	1,124,690	308,243	\$10.0 billion	\$5.4 billion	0.53

Most crop producers continue to insure with Revenue Protection (RP), offering protection against declines in revenue, regardless of whether it is the result of reductions in prices, yields, or both (Table 2). Other frequent selections include 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 reported considerably higher loss ratios in 2017 than revenue protection coverage, largely due to the previously-mentioned production losses that occurred.

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
APH	204,719	64,153	18,641	\$865 million	\$759 million	0.88
RP	1,497,146	858,346	229,672	\$7.6 billion	\$3.4 billion	0.45
RPHPE	9,111	6,364	1,439	\$32.3 million	\$17.7 million	0.55
YP	354,101	122,735	25,094	\$473 million	\$435 million	0.92

The three major crops in terms of numbers of policies sold (corn, soybeans, and wheat) all reported 2017 loss ratios that were higher than 2016 (Table 3). For corn and soybeans, the increase was a modest 0.1, resulting in relatively low loss ratios representing indemnity payouts that represent about one-third of the premiums collected. Wheat loss ratios almost doubled in 2017, compared to its 0.45 loss ratio in 2016, but was still below the 1.0 actuarially-fair rate targeted with long-run premium values.

Livestock and forage 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; Pasture, Rangeland, Forage - Rainfall Index (RI-PRF); and Annual Forage coverage. With the exception of LGM, use of these products was up in 2017 compared to 2016. However, with relatively steady prices in the livestock sector, LRP and LGM loss ratios were down considerably in 2017 compared to the 1.30 loss ratio experienced in 2016.



How Much Risk is Right for You?

**R**ightRisk.org is a rich resource for operators looking to improve their response to risk. Currently the site offers 16 free, online risk management courses spanning topics from recordkeeping to enterprise risk strategies, and from planning a lasting legacy to planning your taxes for next year. Resources available include: 11 free, downloadable Risk Management Tools (*RightRisk Analytics*) to evaluate risk management decisions from strategic risk planning to comparing risk strategies; over 20 Risk Management Profiles, describe agricultural managers and their strategies for managing risk; Applied Risk Analytics, demonstrate the application of risk analysis in real-world situations; Risk Controls offers a list of options for managing risk to a more acceptable level; Recorded Presentations offer a wealth of presentation topics on risk management; and Links to other resources help you go ever deeper.

The Products tab lists: 1. AG LEGACY a program designed to assist rural families in creating their own legacy by beginning the thought process and opening the lines of communication. It consists of a series of online modules related to communication, transferring management skills, and end of life planning. 2. Ag Survivor a risk simulation developed by the RightRisk Education Team to teach risk concepts and management strategies to agricultural producers in an experiential learning environment, complete with 13 different scenarios developed for operations across the U.S. 3. Risk Navigator offers a 10-step risk management program, an extensive risk management library, free recorded presentations, risk analysis tools, and the accompanying textbook *Applied Risk Management In Agriculture* to teach today's ag managers about risk and how to develop sound risk management strategies.

The News tab provides access to archived versions of the RightRisk Newsletter, offered monthly since November 2013. Workshops lists current and past RightRisk workshops and topics, including online webinar presentations. Take a look to discover innovative and effective risk management solutions.

For more information, see [RightRisk.org](http://RightRisk.org)

**U.S. CROP INSURANCE SUMMARY CONTINUED FROM PG. 1**

Whole Farm Revenue Protection (WFRP) continues to see increased enrollment nationwide, as over 500 additional policies earned premiums in 2017 compared to 2016. WFRP total premiums were up 20 percent over 2016. About 150 more WFRP policies were indemnified in 2017 over 2016, when compared to reports at this time last year. However, total indemnities were down about \$7 million. WFRP is tied to fiscal year tax returns and can take a while to settle in terms of national coverage results. Last year at this time, the loss ratio for 2016 WFRP coverage stood at 1.16 compared to the 0.92 found in Table 4 for 2017. Currently, the 2016 WFRP coverage loss ratio stands at 1.47, so while indemnities are down by comparison, there remain a number of policies to be settled before the books are closed on 2017 WFRP coverage.

**Table 3: 2017 Major Crops**

Insured Crop	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
CORN	560,390	371,089	93,567	\$3.5 billion	\$1.3 billion	0.37
SOYBEANS	527,917	368,795	84,580	\$2.6 billion	\$766 million	0.30
WHEAT	316,703	147,091	41,925	\$892 million	\$751 million	0.84

**Table 4: 2017 Forage and Livestock Programs**

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
LRP	7,111	1,449	372	\$9.8 million	\$5.2 million	0.54
LGM	1,682	325	216	\$8.3 million	\$5.2 million	0.63
Rainfall Index	35,832	26,920	24,684	\$440 million	\$412 million	0.94
WFRP	2,836	2,728	735	\$143 million	\$131 million	0.92

Point your browser to the Risk Management Agency website ([rma.usda.gov](http://rma.usda.gov)) for comprehensive access to crop insurance Summary of Business reporting tools.



*RightRisk helps decision-makers discover innovative and effective risk management solutions.*

- *Education*
- *Coaching*
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RightRisk News is brought to you by the RightRisk Team

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