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2018 U.S. Crop Insurance Summary

DATES TO REMEMBER

RI-PRF Coverage
November 15th, 2019 for 2020 crop year coverage

Acreage Reporting:
- November 15th

Annual Forage (spring planted):
- December 15th

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

Crop insurance indemnities were up nationally for the second consecutive year in 2018 (Table 1). While the number of policies sold remained relatively stable compared to 2017, the number of policies indemnified increased from 308,570 to 320,989. This increased the percentage of policies indemnified compared to policies earning premiums to 29 percent for the 2018 crop year (on October 7, 2019).

Overall, the loss ratio (Indemnities/Premiums) was 0.73 in 2018 (73 cents paid out for every premium dollar received). This



marks the fifth consecutive year with a loss ratio below one. Total premiums collected remained relatively stable in 2018 compared to 2017. However, the overall dollar value of indemnities paid out was the highest since 2014.

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 a decline in price or yield or both (Table 2). Other leading 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 considerably higher loss ratios again in 2018, when compared to revenue protection coverage. As in 2017, production losses were the primary risk realized by producers, with no significant declines in commodity prices over the production period.

Crop Year	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
2014	2,211,651	1,207,172	446,360	\$10.1 billion	\$9.1 billion	0.91
2015	2,237,446	1,204,960	341,037	\$9.8 billion	\$6.3 billion	0.65
2016	2,206,895	1,160,408	222,868	\$9.3 billion	\$3.9 billion	0.42
2017	2,183,088	1,125,162	308,570	\$10.1 billion	\$5.4 billion	0.54
2018	2,162,098	1,108,080	320,989	\$9.9 billion	\$7.2 billion	0.73

In 2018, the three major crops in terms of policies sold (corn, soybeans, and wheat) all reported loss ratios well below the actuarially-fair rate of 1.0, targeted in the long run policy design (Table 3). While corn and soybeans experienced a loss ratio increase of 0.06 and 0.27, respectively, over 2017, wheat experienced a loss ratio decline of 0.27 compared to 2017. It should

be noted that \$106 million more in total premiums were collected for wheat on 2018 policies while \$178 million less in indemnities were paid out on those policies when compared to 2017 reported policy data. There were also 2,591 fewer wheat policies earning premiums in 2018. Corn and soybeans also had fewer policies earning

Table 2: 2018 Crop Insurance Plans

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
APH	202,737	61,481	15,227	\$864 million	\$858 million	0.99
RP	1,498,833	849,748	239,396	\$7.3 billion	\$4.7 billion	0.64
RPHPE	8,640	5,879	1,092	\$27.8 million	\$14.9 million	0.54
YP	331,198	112,132	22,162	\$435 million	\$355 million	0.82

How Much Risk is Right for You?

Table 3: 2018 Major Crops

Insured Crop	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
CORN	556,228	364,775	73,243	\$3.2 billion	\$1.4 billion	0.43
SOYBEANS	523,590	359,632	99,506	\$2.2 billion	\$1.3 billion	0.57
WHEAT	306,957	144,500	46,691	\$998 million	\$573 million	0.57

and lamb; Livestock Gross Margin (LGM) for beef, dairy, and swine; and Rainfall Index (RI) for Pasture, Rangeland, and Forage (PRF) and Annual Forage. Subscriptions to the LRP and LGM products were down in 2018 compared to 2017. However, the loss ratios were up considerably in 2018.

For example, the LRP loss ratio in 2017 was 0.54 compared to 1.32 for 2018. While only 6 percent of LGM policies sold were for beef and swine, the loss ratio on those policies rose from 0.16 in 2017 to 1.93 in 2018. A majority of LGM policies are dairy policies which performed similarly across 2018 and 2017. RI-PRF subscriptions increased by about 30 percent in 2018 compared to 2017, while the loss ratio increased only slightly from 0.94 in 2017 to an actuarially-fair ratio of 1.0 for 2018.

Table 4: 2018 Forage and Livestock Programs

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
LRP	5,611	927	488	\$6.0 million	\$8.0 million	1.32
LGM	1,120	478	302	\$6.8 million	\$6.7 million	0.98
Rainfall Index	39,332	32,146	25,822	\$592 million	\$594 million	1.00
WFRP	2,537	2,497	510	\$138 million	\$95 million	0.69

Whole Farm Revenue Protection (WFRP) saw a decrease in enrollment nationwide in 2018, as about 300 fewer policies earned premiums compared to 2017. So far, about 225 fewer WFRP policies have been indemnified for 2018 coverage than were indemnified for 2017 coverage when compared to this time last year and total indemnities are down about \$36 million. WFRP is tied to fiscal year tax

returns and it takes some time before losses are recorded when comparing national coverage results. Last year at this time, the loss ratio for 2017 WFRP coverage stood at 0.92 compared to 0.69 in Table 4 for 2018. Currently, the 2017 WFRP coverage loss ratio is at 1.10 so we might expect the 2018 loss ratio to rise considerably before the books are closed on the 2018 reporting year for WFRP.

See the Risk Management Agency website (rma.usda.gov) for comprehensive access to crop insurance Summary of Business reporting tools.



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E-mail: information@RightRisk.org

Web: www.RightRisk.org

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Contributing authors:

John Hewlett, Ranch/Farm Management Specialist - University of Wyoming, hewlett@uwyo.edu

Jay Parsons, Risk Management Specialist - University of Nebraska-Lincoln, jparsons4@unl.edu

Jeff Tranel, Ag and Business Management Specialist - Colorado State University, Jeffrey.Tranel@ColoState.edu

Editing and Layout: John Hewlett, hewlett@uwyo.edu

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