

CONSUMER ALERT



NEBRASKA DEPARTMENT OF INSURANCE

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Crop Insurance Basics *From Fields to Nurseries—Understanding Agricultural Asset Protection*

For many agricultural producers/farmers, crop insurance is an important risk management tool. The following information may help you to better understand how crop insurance can provide an economic backstop to unforeseen agricultural losses.

Crop Insurance

Crop insurance policies are issued by private insurance companies and sold by licensed local agents. It is divided into two categories: state-regulated private crop insurance and federally subsidized multiple-peril crop insurance (MPCI).

Private crop coverage comes in several different forms and can be added as a rider to a MPCI policy. The extent of coverage depends on the type of crop insured. A private crop policy could cover a variety of perils, such as fire, lightning, wind (when accompanied by hail or when added as an endorsement to a policy), vandalism or malicious mischief. Coverage for the crops during transportation and storage may also be available. Private crop coverage is sold by private insurers and is regulated by state insurance departments. These policies are not part of a federal crop insurance program and can be purchased at any time during the growing season.

The Federal Crop Insurance Program

The United States Department of Agriculture's (USDA) Risk Management Agency (RMA) administers the federal crop insurance program, which provides policies for more than 100 crops covering approximately 290 million acres of farmland. In order for an insurance company to be authorized to sell MPCI coverage, it must sign the Standard Reinsurance Agreement (SRA), which is a contract between the Federal Crop Insurance Corporation (FCIC) and the insurance company.

Unlike other types of insurance, MPCI is dependent on established dates that apply to all policies, although they may vary by crop and county. The RMA determines the key dates ahead of planting season and publishes them on its website. These are the important dates farmers should expect to meet:

- **Sales Closing Date** – Last day to apply for coverage.
- **Final Planting Date** – Last day to plant, unless the crop is insured for late planting.
- **Acreage Reporting Date** – Last day to report the acreage planted. If not reported, the crop insurance policy will not be in effect.
- **Date to File Notice of Crop Damage:** – Timeframe in which you must notify your insurance provider of damage or loss of production. This period will vary depending on type of crop and loss, so check the RMA's guidelines at rma.usda.gov/pubs/2011/how_to_file_a_claim.pdf.
- **End of Insurance Period** – Latest date of insurance coverage.
- **Payment Due Date** – You must pay the premium by this date, or else you will be charged interest.
- **Cancellation Date** – Last day to request cancellation of policy for the next year.
- **Production Reporting Date** – Last day to report production for Actual Production History (APH), Actual Revenue History (ARH), Revenue Protection, and Revenue Protection with harvest price exclusion option.
- **Debt Termination Date** – Date the approved insurance provider will terminate a policy for nonpayment.

Agricultural Act of 2014 (the 2014 Farm Bill)

While the federal crop insurance program is permanently authorized by the Federal Crop Insurance Act, it is occasionally modified by Congress. The Agricultural Act of 2014, or the “farm bill,” was signed into law in February. This extensive law makes major changes in commodity programs, adds new crop insurance options, and expands programs for specialty crops, organic farmers, bioenergy and rural development.

Perhaps the biggest change in the new law is that support for traditional program crops is reorganized by eliminating direct payments and allotting the savings into the crop insurance program. Instead of receiving direct and countercyclical payments as in prior years, which were automatic and based on farm prices, acreage and yields, the role of crop insurance as farmers’ safety net will expand. The federal government will continue to subsidize a portion of farmers’ crop insurance premiums. Farmers will be able to choose between two new programs to augment their crop insurance policy: Price Loss Coverage (PLC) or Agriculture Risk Protection (ARC). These programs, in addition to their crop insurance policy, will compensate them against losses or low farm prices.

The law creates an additional policy called Supplemental Coverage Option (SCO), which would cover part of a crop insurance policy deductible. It also stipulates that crop insurance premium subsidies are available only if farmers comply with wetland and highly erodible land conservation requirements. This option will not be available to farmers who choose ARC in addition to their policy.

The farm bill also tasks the USDA to: conduct research and development for new crop insurance policies; create a new crop insurance policy called Stacked Income Protection Plan (STAX) for cotton producers; establish a peanut revenue insurance program; develop a whole farm risk management program; and begin a study of food safety insurance.

In addition to these changes, the law reinstates and permanently authorizes the livestock disaster assistance program, which pays farmers if they suffer grazing land losses due to fire or drought. It also makes available increased access to credit and loans to beginning farmers and ranchers, streamlines conservation programs and modifies some provisions of the Supplemental Nutrition Assistance Program (SNAP), commonly referred to as the food stamp program. For more information on the law, please visit the USDA website found at www.usda.gov/wps/portal/usda/usdahome and the RMA website at www.rma.usda.gov.

Claims

There are many variables that can trigger a claim on a crop insurance policy, including adverse conditions that prohibit a farmer from planting, damaging weather that eradicates part of the yield or revenue decline if it is a crop-revenue policy. When a crop is damaged by a covered peril, it is the farmer's responsibility to notify their insurance agent or broker. Do not destroy or replant the crop in question before a crop insurance adjuster has surveyed the damage. The RMA has more information about what to expect when filing a claim that can be found at www.rma.usda.gov/pubs/2011/how_to_file_a_claim.pdf.

Producers/Farmers

When looking at material describing crop insurance products, you will notice that the USDA and the RMA refer to “farmers” as “producers” because they are producing farm products. However, the term “producer” in the insurance community typically refers to a licensed insurance agent or broker. To prevent any confusion, this consumer alert avoids the use of “producer.”

More information

Contact the Nebraska Department of Insurance at 402-471-2201 or on its toll-free consumer hotline at 1-877-564-7323 for assistance in understanding the different types of crop insurance and to verify that a crop insurance agent or broker is licensed to sell those products in our state. You can also visit the RMA website at www.rma.usda.gov for specific policy dates, the options available to you and more helpful resources.