

Beyond the Corn: The Truth About Crop Insurance

What do macadamia nuts and clams have in common? They are both insurable under the federal crop insurance program. Because these and many other non-traditional crops can fall under the federal crop insurance program, even agents located outside traditional agricultural centers need to be familiar with federal crop insurance. Additionally, agents who sell crop insurance for traditional field crops such as corn, soybeans or wheat should also be aware that federal crop insurance is available for crops less traditionally associated with the agricultural heartland—including apples, clams, macadamia nuts and Chile peppers.

It is understandable why crop insurance is closely associated with field crops since about 70% of all federal crop insurance policies sold are for corn, grain sorghum, soybeans and wheat. Predictably, the most commonly sold federal crop policy in Iowa is corn; in Kansas it is wheat. However, in other parts of the country some of the less familiar crops eligible for crop insurance are actually the biggest sellers. More crop insurance policies are sold in California for grapes than for any other crop in that state, with 4,535 policies sold in 2009. In Florida, the best selling crop insurance policy is for orange trees and 2,948 policies have already been sold this year. In Georgia, the most commonly insured crops are peanuts and cotton. Idaho agents sold 1,158 policies insuring potatoes this year, but its most commonly insured crop is actually wheat—with 3,038 policies sold in 2009.

While it is not a big seller, federal crop insurance is even available for clams—as a pilot program in some locations including Massachusetts, Virginia and Florida. As with any other type of crop insurance, the RMA's clam policy contains very specific requirements. These include what is covered, what causes of loss are covered and proof of loss. The covered causes of loss are further defined in the policy. As with more typical crop insurance, coverage levels may be selected—in this instance ranging from 50 to 75% of the clam inventory value. The policyholder must also provide an inventory report prior to the start of the policy period declaring the dollar value of the insurable clams.

As with field crops, the requirements are strict and include deadlines and details that can easily be missed, leading to a lack of coverage for the agent's customer when a claim occurs, potentially leading to an errors & omissions claim against the agent. Typical mistakes include underreporting planted acreage for a farmer's unit, failure to elect "new producer" status for a policyholder planting a crop for the first time and failing to provide the complete inventory report prior to the deadline. The RMA has 10 regional offices that can assist agents with questions about federal crop insurance and the types of crops insured in a specific area. Agents not familiar with federal crop insurance or with a specific crop's policy should contact their RMA regional office with questions to avoid mistakes. [A](#)

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The History of Federal Crop Insurance

Federal crop insurance dates back to 1938, when Congress created the Federal Crop Insurance Corporation (FCIC) to assist American farmers struggling during the Great Depression and the Dust Bowl. Though the program has changed through the years, the FCIC's goal has been to promote economic stability of agriculture through a system of crop insurance. Today, the FCIC's programs are administered by the Risk Management Agency (RMA).

The RMA develops and/or approves premium rates, administers the premium and expense subsidies, approves and supports products and reinsures the 16 private-sector insurance companies that sell and service the policies.

Until 1980, federal crop insurance was mostly limited to major crops in the traditional, crop-producing areas. However, with the passage of the Federal Crop Insurance Act that year, the program began providing additional coverage for crops in other parts of the country. It has continued to evolve and now FCIC policies are available for more than 100 different crops.

—J.N.