



Tom Zacharias, NCIS President

A fundamental characteristic of today's crop insurance system is its incentive-based structure.

The federal crop insurance program is a model for the use of incentives in achieving both policy and business objectives.

The Road Before Us and the Seven Bridges

As this note is being penned, both international and economic conditions are extremely uncertain, to say the least, and it is unclear what the state of the world will be when this issue of TODAY® lands in your inbox. Despite this, we can only control what we can control. For crop insurers, that means remaining steadfast in our service to the American farmer and helping them navigate the hills and valleys of the road before us.

The road behind has not been without its speed-bumps. It was essentially two years ago that many of us, certainly not all, left our offices and “recalibrated” our lifestyles. For crop insurance, the industry, along with RMA, forged the road before us and found not necessarily new ways of doing business but engaged previously underutilized technology to serve our customers. In 2020, the industry and RMA met the challenge of the pandemic, the Midwest derecho, the hurricanes in the Southeast as well as the routine hardships that come with any crop season. In 2021, drought continued to plague farmers across the northern plains and most of the west while the third active hurricane season on record flooded farmland from Louisiana to the eastern seaboard. That was then, this is now.

At the recent USDA Outlook Forum, I was asked what I see as the greatest challenge facing our industry. Given the recent turmoil in global and economic events, it would have been impossible and even fool hearty to speculate or prognosticate. My response was not a development of alternative farm policy and economic scenarios. Rather, I responded through the “lens” of how to view and forge the road before us to meet the challenges we will face in the future.

For crop insurance, the road ahead requires us to traverse mountains and valleys as well as crossing more than a few raging rivers. It will prove most beneficial to have more than a few strong and

sturdy bridges as we forge ahead. That said, our “lyrical miracle” for this “homily” is none other than the “Seven Bridges Road” originally written and sung by Steve Young and made popular by the Eagles harmonic cover. We have crossed many of these “bridges” in the past and several of them will be familiar. It is safe to say we will have the opportunity to cross these “bridges” again.

Bridge One: Availability

Availability, along with participation, touches on several things. While some might traditionally associate crop insurance with row crop production, there are policies available for more than 130 different commodities. These policies can be tailored to meet the individual needs and risks of each farmer. If one measures insurance coverage of acres planted to major crops, crop insurance covered 221 million acres out of 254 million total planted acres in 2021.

And if one counts all crops, crop insurance insured more than 462 million acres in 2021, providing \$137 billion dollars in protection. That's more than 90 percent of insurable farmland in America. Availability and participation equate to both spread on risk, which aids in actuarial soundness, and affordability of the insurance system. It will also be vitally important to ensure that crop insurance is available to all. The industry has supported outreach initiatives and funded a scholarship program for many years. That said, there is still much work that needs to be done to improve both availability and participation by all.

Bridge Two: Affordability

During a recent House Agriculture Committee hearing on the Farm Bill, which is due for reauthorization in 2023, Brad Doyle from the American Soybean Association stated that “Crop

Continued on page 48

Insurance must remain affordable for producers.” Crop insurance is arguably the first farm policy in history that is financed, in part, by the farmers who benefit from it. But if farmers could not afford to participate in crop insurance, not only would it disrupt the actuarial soundness of the program, but it would seriously undermine the efficacy of the farm safety net. Affordability goes hand in hand with availability and leads us to the Bridge of Viability.

Bridge Three: Viability

For crop insurance to be successful, it must be actuarially sound. The crop insurance actuarial soundness mandate requires that historical premiums must be sufficient to cover long-term losses. Financial viability depends upon wide-scale availability and participation, as well as affordability. Moreover, actuarial soundness instills both public and private sector confidence in the insurance system. As rural America confronts climate change, actuarial soundness speaks to the ability to measure and quantify the ever-changing nature of risk over time and on a national basis, establishing the price of risk both fairly and accurately.

Bridge Four: Adaptability

Crop insurance must be adaptable to meet the ever-changing risk management needs of America’s farmers and ranchers. Crop insurance must be able to adapt to changing weather and climate risks and changes in market risk. In addition, the adaptability of the crop insurance system complements efforts to incentivize the voluntary adoption of climate-smart farming practices. According to a peer-reviewed article published in the *Journal of Environmental Management* in December 2020, “...results suggest that resiliency for Midwest operations includes both crop insurance and conservation practices. Neither behavior was found to inhibit the other. On the contrary, corn producers experienced complimentary outcomes from a combined approach that was greater than participation in either behavior by itself.”

Crop insurance has evolved to accommodate the integration of conservation programs and other farmer-led climate initiatives. For example, crop insurers have worked with USDA to administer the Pandemic Cover Crop Program and the recently introduced Post Application Coverage Endorsement helps improve water quality and lower nutrient runoff. Over the years, the crop insurance program has demonstrated its ability to

be adaptable to the risk management needs of the American farmer.

Bridge Five: Voluntary

Most of us would rather volunteer than be “voluntold.” And most prefer carrots to sticks. In order to be successful, the road ahead to new policy initiatives will need to be designed such that adoption and implementation are voluntary. America’s farmers have already leveraged advancements in technology and best practices to farm more efficiently. These changes need to be made voluntarily by farmers to reflect the individualized risks and considerations of each farming operation. Much like there is no one-size-fits-all crop insurance policy, there is no one-size-fits-all solution to climate change or other policy objectives. That is why crop insurers, RMA, and farmers are working together to incentivize the voluntary adoption of the climate-smart farming practices as well as other policy initiatives that may be in our future.

Bridge Six: Data-Driven

The crop insurance industry is continually working with RMA and its partners at land grant universities to build upon decades of fundamental research and agricultural science to further improve crop insurance. The crop insurance industry supports a national agronomic research program with over 20 projects at the various land grant universities aimed at improving existing or developing new loss adjustment procedures. Each year the actuarial database is updated in order to develop more accurate premium rates. Planting dates and transitional yields are also routinely updated as new data becomes available. In addition, data mining technology is employed to improve program integrity. Simply put, crop insurance is a data-driven system.

Bridge Seven: Incentive-Based

A fundamental characteristic of today’s crop insurance system is its incentive-based structure. The federal crop insurance program is a model for the use of incentives in achieving both policy and business objectives. Virtually each level of the delivery system is characterized by some degree of incentivization. Farmer premium support keeps crop insurance affordable resulting in wide-scale participation. Public-private risk sharing deters fraud, waste and abuse and contributes to actuarial soundness. As we traverse the road ahead, it will be essential that crop in-

surance remains incentive-based and that we continue to advance the use of incentives to improve the program.

In Closing

We have the privilege and opportunity to work in an industry that is fundamental to our economy and our society. Our role is to help farmers and ranchers manage the uncertainty they face each new season. As we have seen over the past several years now, we cannot pretend to know the future before us and how the uncertainty we face will present itself. However, we can know with some degree of certainty the “Bridges” we need to cross to successfully travel the uncertain road before us.

*“...there are Stars in the Southern Sky...
down the Seven Bridges Road...”*

In This Issue

In this issue we look back at 2021 and the activities NCIS and the industry were involved with. While the pandemic halted some events, NCIS was proud to work with our members to provide loss adjuster training schools and continue the important work of regional/state committee and standing committees to ensure the continued success of the crop insurance program.

The industry was also very active in developing new crop insurance products for America’s farmers and ranchers in 2021 and one of those, Micro Farms Insurance, is explained in detail beginning on page 11. This important product, which is part of the Whole Farm Revenue Policy, is geared towards small-scale farmers.

NCIS held its annual Claims Manager Conference in January 2022 with just under 400 people in attendance. This is an important conference to begin the start of the crop year as companies prepare for crop losses that could occur. Claims supervisors and trainers attend this event to learn about changes and updates to crop loss procedures so they can, in turn, train their loss adjuster force.

Next, we highlight events from the 2022 Crop Insurance Industry Annual Convention. We were very happy to hold the Convention in person and hopeful that the face-to-face meetings can continue as we move through the year. One of the important events that takes place during the Convention is the presentation of industry awards. These awards recognize individuals who have gone above and beyond in their dedication and work in support of the crop insurance industry. Each of those presented with an award were well-deserving of the recognition and we thank them for their excellent service.

We wish you all a wonderful spring and all the best in 2022!