

# The Structure of the U.S. Crop Insurance Industry

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## Overview

The U.S. crop insurance industry is different than the traditional property and casualty insurance industry in that its structure is defined by a public-private partnership. The U.S. Department of Agriculture Risk Management Agency (USDA-RMA) is the government agency which administers the federal crop insurance program and rates crop insurance products provided by the government. The Federal Crop Insurance Corporation (FCIC) provides the premium subsidy and administrative and operating expenses to private approved insurance providers (AIP). AIPs underwrite insurance policies to keep and to pass on to one another, and local insurance companies contract with the AIPs to sell crop insurance directly to farmers.

## The Role of USDA

The U.S. government has not always played a part in the crop insurance industry. Federally sponsored crop insurance was not introduced until the authorization of the FCIC in the Federal Crop Insurance Act of 1938 (Biram and Coble, 2023). USDA-RMA oversees the FCIC and is the vehicle through which funding for Administrative and Operating Expenses, Premium Subsidy, and Reinsurance is provided. The FCIC can be considered the financial link between USDA-RMA and the AIPs. While the FCIC

provides the financial support for AIPs, USDA-RMA is responsible for estimating crop insurance premium rates for all the products offered by the federal government and sold by the AIPs. However, not all private insurance companies who apply to be an AIP of federal crop insurance are necessarily selected to sell crop insurance products rated and administered by USDA-RMA.

## Approved Insurance Providers

The FCIC carried out the delivery of federal crop insurance until the Federal Crop Insurance Act of 1980 which put this responsibility into the hands of private insurance companies. USDA employees were the ones responsible for selling crop insurance products, and sometimes private insurance agents would contract with USDA to deliver insurance. Now, all crop insurance is sold by several local insurance companies who enter into contracts with AIPs to receive the right to sell crop insurance products rated and administered by USDA-RMA. There are currently 14 AIPs approved by USDA to provide crop insurance through the Standard Reinsurance Agreement (SRA), which is a contract entered into between each AIP and USDA. Similarly, 10 Livestock Price Insurance Providers (LPIP) have been designated by USDA to sell livestock price insurance coverage. A list of AIPs and LPIPs (Table 1) follows.

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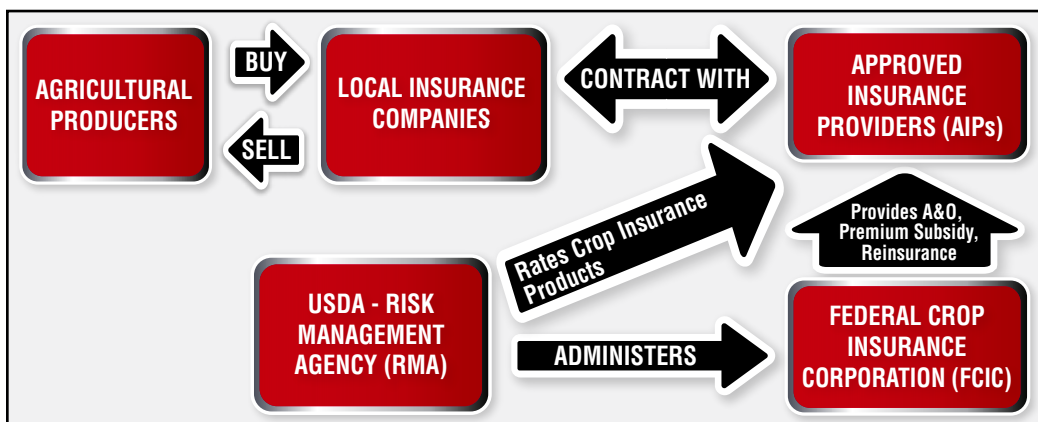
**Table 1. List of AIPs and LPIPs Across the U.S.<sup>1</sup> (2023 Crop Year)**

Crop Insurance Provider	AIP	LPIP
ACE American Insurance Company (Rain and Hail, LLC)	YES	YES
American Agri-Business Insurance Company (AgriSompo North America, Inc.)	YES	YES
American Agricultural Insurance Company (American Farm Bureau Insurance Services, Inc.)	YES	YES
Church Mutual Insurance Company (Precision Risk Management, LLC (PRM))	YES	NO
Country Mutual Insurance Company	YES	YES
Farmers Mutual Hail Insurance Company of Iowa	YES	NO
Great American Insurance Company	YES	YES
Greenwich Insurance Company (Global Ag Insurance Services, LLC)	YES	NO
Hudson Insurance Company (Hudson Crop Insurance Services, Inc.)	YES	YES
NAU Country Insurance Company	YES	YES
Palomar Specialty Insurance Company (Advanced Ag Protection, LLC)	YES	NO
Producers Agriculture Insurance Company (Pro Ag Management, Inc.)	YES	YES
Rural Community Insurance Company	YES	YES
Stratford Insurance Company (Crop Risk Services, Inc.)	YES	YES

## Local Insurance Companies

AIPs do not usually sell insurance directly to agricultural producers. They contract with local insurance companies and other businesses that offer various forms of insurance, such as farm credit associations, and take on all the policies in a local insurance company's book of business. In other words, local insurance companies provide the marketing and outreach of crop insurance for AIPs in return for a fee which is agreed upon

**Figure 1. The Structure of the U.S. Crop Insurance Industry**



<sup>1</sup> Importantly, AIPs and LPIPs vary from state-to-state. Please see the USDA-RMA AIP listing for a list of AIPs in your respective state

privately between the AIP and the local insurance company. Producers may individually decide where to purchase their crop insurance coverage. For a list of local crop insurance agents, please use the USDA-RMA Agent Locator.

## Tying it all Together

USDA-RMA rates crop insurance products sold by AIPs and oversees the FCIC, which is the financial link between AIPs and USDA. AIPs must enter into a contract with USDA-RMA, known as the SRA, in order to sell the products rated and administered by the federal government. However, most farmers will not buy directly from AIPs but rather from their local crop insurance agent, who could be located anywhere in the U.S. Once producers have chosen their crop insurance products for a growing season, they will receive from their local insurance agent a Schedule of Insurance (SOI) prepared by the AIP. The SOI will contain the details of the policy, or policies, purchased by the farmer. It will contain information on product and coverage level choices, as well as information on the share of the crop insurance premium paid for by the government and by the producer. The share paid for by the government — the premium subsidy — varies across many factors and will be discussed in a subsequent fact sheet. Figure 1 gives a visual summary of the U.S. crop insurance industry.

## References:

Biram, H.D. & Coble, K. H. (2023). *A Brief History of Crop Insurance*. University of Arkansas System Division of Agriculture, Cooperative Extension Service Fact Sheet No. FSA70. <https://www.uaex.uada.edu/publications/pdf/FSA70.pdf>