



Risk Management Agency
U.S. DEPARTMENT OF AGRICULTURE

Beginners Guide to Crop Insurance

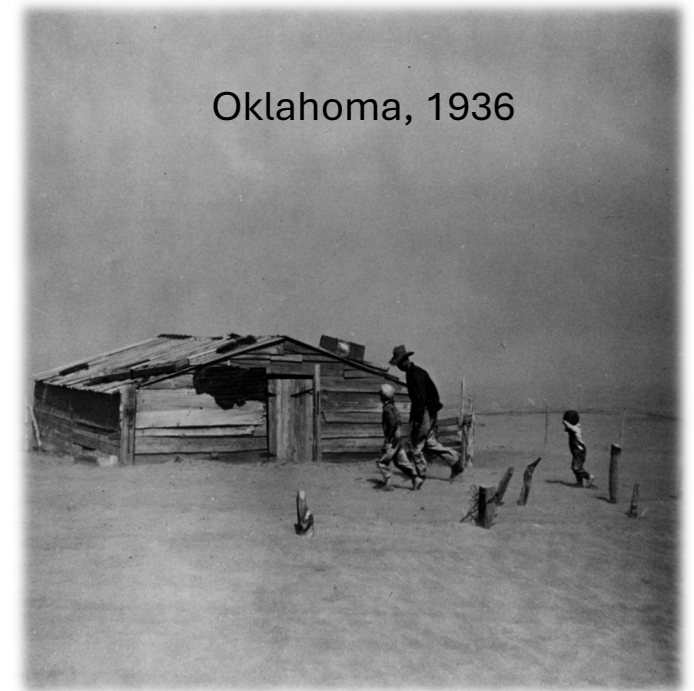


Beginners Guide to Crop Insurance
Cody Adkins – RMA

FARM PRODUCTION AND CONSERVATION
FSA | NRCS | RMA | Business Center

Brief History of Federal Crop Insurance

- The Dust Bowl, greatly damaged agriculture in America during the 1930s.
- Congress created the Federal Crop Insurance program in 1938 to address the needs of farmers following the Dust Bowl.
- Federal Crop Insurance program was expanded in 1994.
- The Risk Management Agency (RMA) was created in 1996 to administer the Federal Crop Insurance Corporation (FCIC) and risk management and education programs.
- 89% of America's principal crops are federally insured



What is the RMA?

A government agency that regulates **Federal crop insurance** and promotes risk management education for farmers.

RMA is committed to increasing the availability and effectiveness of Federal crop insurance to help you recover from weather, economic, and other disasters.



More about RMA

- It is the government's principal means of helping farmers survive a major crop loss.
- Protects farmers against production and revenue losses.
- When not paying on losses, it enables farmers to get loans approved, helps them aggressively market a portion of their crop and lets them plan more reliably for the future.
- Serves as a financial safety net.



Risk Management Toolbox Insurance Plans

Production

- Actual Production History
- Yield Protection
- Dollar Plan

Revenue

- Revenue Protection
- Revenue Protection with Harvest Price Endorsement
- Actual Revenue History
- Production and Revenue History
- Whole Farm Revenue Protection
- Livestock Risk Protection
- Livestock Gross Margin
- Pecan Revenue

Area

- Rainfall Index (PRF/API/AF)
- Area Risk Protection Insurance
- Margin Protection
- Enhanced Coverage Option

The Crop Insurance Cycle

- **Application Process**

- Insurance Offer
- Sales Closing
- Acceptance
- Insurance Attaches

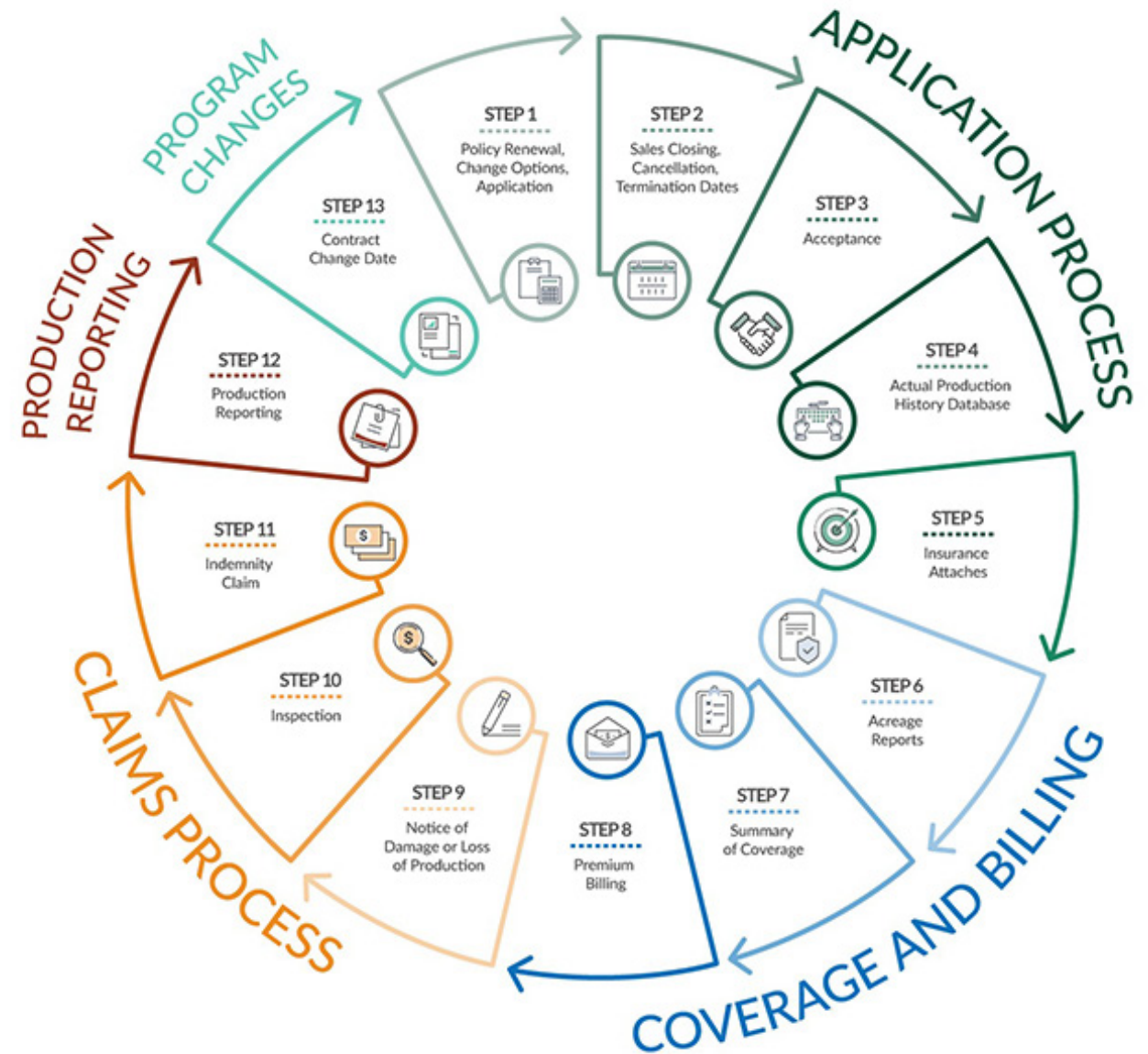
- **Coverage and Billing**

- Acreage Report
- Summary of Coverage
- Premium Billing

- **Claims Process**

- Notice of Damage
- Inspection
- Indemnity Claims

- **Production Reporting / Program Changes**



Responsibilities of the Parties

RMA

- Develop policy terms, rates, prices
- Data collection
- Oversight of finances and market-behavior
- Primary reinsurer
- Compensate insurance companies
- New products and program expansion

Insurance Companies

- Sales – manage agents, issue policies
- Claims – manage adjusters, pay claims
- Quality control – assure compliance within rule
- Assume risk – incentive structure to safeguard program integrity

Crop Insurance Agent

- Sale policies
- Educate producers about policies
- Serve as “face” of program
- Often writes for many companies

Farmer / Producer

- Buy policy
- Provide production history
- Plant and report acreage
- Pay premium
- Provide notice of loss
- Receive loss payment

Why purchase crop insurance? Drought Example

Farmer usually earns \$100,000 each year from sweet corn.

Drought occurs, and farmer is only able to harvest and sell \$25,000 of sweet corn.

With Crop Insurance

Farmer pays ~\$2,500 for 75% coverage of their usual revenue.

Farmer receives insurance payment of \$50,000.

Farmer's total farm revenue is \$75,000.

Without Crop Insurance

Farmer's total farm revenue is \$25,000.

Farmer cover costs by working another job.

Farmer considers stopping farming.



Step-by-Step Guide to Obtaining Crop Insurance

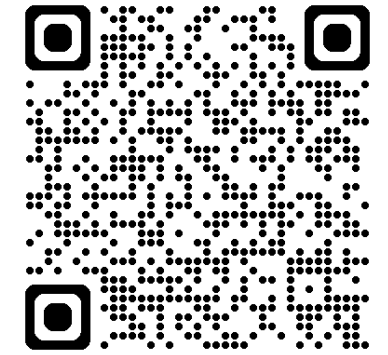
How do you purchase crop insurance?

Step 1

- Use RMA's Agent Locator tool to find a crop insurance agent near you.
 - <https://public-rma.fpac.usda.gov/apps/AgentLocator/#/>
- Alternatively, find an agent through your network. Consider asking other farmers to recommend an agent.

Step 2

- Work with your crop insurance agent to learn more about the policy, quote the price, and purchase.
- Utilize [USDA Risk Management Agency](#) website for reliable support and educational material.



Locate an Insurance Agent

<https://public-rma.fpac.usda.gov/apps/AgentLocator/#/>

USDA Risk Management Agency
United States Department of Agriculture

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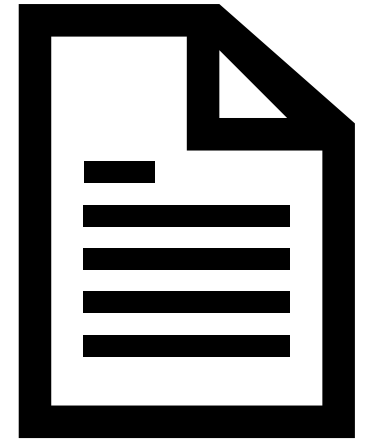
Sort By Distance Agent Name Agency Name City	Specialty Crop Livestock Crop and Livestock All	Agent Emphasis All Whole Farm/Micro Farm	Also Speaks <input type="checkbox"/> Spanish <input type="checkbox"/> English, Middle (1100-1500) <input type="checkbox"/> Afar <input type="checkbox"/> Punjabi <input type="checkbox"/> Sign languages More Languages	Distance No limit 250 miles 100 miles 50 miles 10 miles	Agent Name <input type="text" value="Name"/> Agency Name <input type="text" value="Agency Name"/>	Licensed In All States <input checked="" type="checkbox"/> All Counties
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Agent Locator Helpful Document:

<https://www.rma.usda.gov/sites/default/files/information-tools/DesktopHelp.pdf>

What will you need to participate?

- **Records, records, records!**
 - Records needed depend on the type of insurance policy.
 - Coverage is often based on actual yields or revenue.
 - Records provide proof of your yields and revenues.
- **Speak to a crop insurance agent to determine exactly what you will need.**



Deadlines

- **Every type of policy has its own Sales Closing Date.**
 - Sales Closing Date = The last day that you can apply to purchase a new policy or make changes to an existing policy each year.
- **Sales Closing Date is generally a few months prior to the growing season.**
- **If you can, try to start the process a year before you want a policy to go into effect.**
- **Examples:**
 - A corn policy in Aitkin County, MN has Sales Closing Date of Mar. 15th
 - A grape policy for Alameda County, CA has Sales Closing Date of Jan. 31st

Crop Insurance Tips

- **Find a crop insurance agent you like.**
 - Prices are the same no matter which agent you work with.
 - Trust and respect are important.
- **Speak to your crop insurance agent early and often.**
 - Takes time to prepare records and documentation so start early.
 - They will need to know all about your farm operation and goals.
- **Be prepared.**
 - Keep good records for your farm.
 - Visit your [USDA Service Center](#) to report your acreage.

Helpful Resources as You Get Started

- **Know your rights!** Read the **Policyholder Bill of Rights.**

<https://www.rma.usda.gov/about-crop-insurance/basics-beginners/policyholder-bill-rights>

- **Learn more.** Read the **Beginners Guide to Crop Insurance.**

<https://www.rma.usda.gov/about-crop-insurance/basics-beginners/beginners-guide-crop-insurance>

Beginning Farmer Rancher / Veteran Farmer Rancher

Who is a Beginning Farmer / Rancher (BFR)?

- A BFR is an individual who has not actively operated and managed a farm or ranch with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper for more than 10 crop years.
- The 10 crop years:
 - Includes an insurable interest as an individual or as a substantial beneficial interest holder (10 percent or more) in another person who has an insurable interest in any crop or livestock; and
 - Excludes crop years when the BFR was under the age of 18, enrolled in post-secondary studies (not to exceed 10 crop years), or on active duty in the U.S. military.

Who is a Veteran Farmer / Rancher (VFR)?

- A VFR is an individual who has served on active duty in the United States Armed Forces, including Air Force, Army, Coast Guard, Marine Corps, Navy, or Space Force, and their reserve components, was discharged or released under conditions other than dishonorable, and qualifies under any of the following:
 - Has not operated a farm or ranch;
 - Has operated a farm or ranch for not more than five years; or
 - Is a veteran who has first obtained status as a veteran during the most recent five-year period, even if that veteran has previously operated a farm or ranch for more than five years.

What are the Benefits of Being a BFR / VFR?

- Exemption from paying the administrative fee for catastrophic (CAT) and additional coverage (buy up) level policies;
- Use of the previous producer's production history, with permission, for the specific acreage transferred to you if you were previously involved in the decision making or physical activities on any farm that produced the crop or livestock; and
- An increase in the substituted yield for Yield Adjustment, which allows a replacement of a low yield due to an insured cause of loss, from 60 to 80 percent of the applicable transitional yield (T-Yield) for the crop in the county.
- VFRs will receive an additional 10 percentage points of premium subsidy for additional coverage policies (buy-up) that have premium subsidy;
- BFRs will receive an additional 10 percentage points of premium subsidy for additional coverage policies (buy-up) that have premium subsidy plus additional percentage points the first four crop years as follows:
 - first and second year total of 15 percentage points
 - third year total of 13 percentage points
 - fourth year total of 11 percentage points
 - fifth through tenth year 10 percentage points.
- VFRs may receive benefits up to five crop years.
- BFRs may receive benefits up to 10 crop years.

Frequently Asked Questions

- <https://www.rma.usda.gov/about-crop-insurance/frequently-asked-questions/beginning-farmer-rancher-bfr-veteran-farmer-rancher>
- **What is considered a crop year?**
 - The crop year is when the individual had a financial interest in a crop or livestock and is based on the actual crop or livestock produced, for:
 - For insurable crops and livestock, the crop year is from the sales closing date to the end of insurance date;
 - For uninsurable crops the crop year is from the planting date to the harvest date; and
 - For uninsurable livestock the crop year is from July 1 to June 30.
- **Is an interest in Conservation Reserve Program acreage considered an insurable interest in a crop or livestock for determining eligibility for BFR benefits?**
 - No, an interest in Conservation Reserve Program acreage is not considered an insurable interest in a crop or livestock because there is no crop or livestock for the acreage.

Frequently Asked Questions Cont.

- **If I change my Approved Insurance Provider (AIP) can I keep my BFR or VFR benefits. Do I have to complete a new BFR/VFR application?**
 - You can keep your BFR or VFR benefits as long as you remain eligible. Changing an AIP does not impact your BFR or VFR eligibility.
 - When you change AIPs you do not need to complete a new BFR/VFR Application but you must provide your new AIP a copy of your previously completed BFR/VFR Application and notice of approval.
- **How long can I be a BFR and have BFR benefits?**
 - Once you have 10 crop years of insurable interest in a crop or livestock, including having a substantial beneficial interest (10 percent or more) in another person who has an insurable interest in a crop or livestock, you are no longer entitled to BFR status. Once you elect and qualify for BFR status, it is continuous until the earlier of:
 - You have had an insurable interest in a crop or livestock for more than 10 crop years;
 - 10 crop years of BFR benefits are exhausted; or
 - You cancel your BFR Application.

Contact

Cody Adkins

**Special Assistant to Deputy
Administrator for Insurance
Services**

Email: cody.adkins@usda.gov

