Crop Insurance Basics
FAQs

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Q: Do I really need crop insurance?
A: Buying a crop insurance policy is one risk management option. Producers should always carefully consider how a policy will work in conjunction with their other risk management strategies to insure the best possible outcome each crop year. Crop insurance agents and other agri-business specialists in the private and public sectors can assist farmers in developing a good management plan.

Q: Does crop insurance cover crops in the event of natural disasters?
A: Producers who purchased crop insurance are covered for all natural causes of loss listed in their policies. For those without insurance, the Noninsured Crop Disaster Assistance Program (NAP), managed by USDA's Farm Service Agency, provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occurs due to natural disasters.

Q: How does the Federal crop insurance program work, and how do I apply for coverage?
A: Federal Crop Insurance Corporation (FCIC) programs are administered by the Risk Management Agency (RMA), which underwrites crop insurance policies for hundreds of crops and livestock in the United States. Crop insurance policies are sold and serviced by private insurance companies.

For information about insurance products available in your area, please contact a local insurance agent or one of the insurance companies that sell and service crop insurance policies in your state. RMA also has 10 Regional Offices, in various locations across the country, that you may contact for information specific to your area. Your local insurance agent can describe the different insurance products available, and the policy rates and terms. Your agent will help you choose the best coverage for your crop based on your particular farm operation and your risk management and budgetary needs.

Q: My crop insurance company denied all or part of my claim after I experienced a loss. Can RMA help me get a payment on my claim?
A: RMA has a Standard Reinsurance Agreement with insurance providers to sell and service crop insurance policies according to Federal Crop Insurance Corporation policies and procedures. As a reinsurer, RMA does not have an appeal process available for producers. Producers may seek to resolve their disputes by exercising their rights under Section 20 or Section 25, in the crop insurance policy Basic Provisions.

Q: Crop insurance seems complicated. What are some of the common mistakes that producers make that can cost them money?
A: Here are some of the most common mistakes that could cost the producer money:

Underreporting your planted acreage per unit - Production to count for an insured crop is derived from all planted acreage for that crop per unit, whether you reported all of the acres in that unit or not. Therefore, if you underreport your acres your yield will be artificially inflated and you will receive a lower indemnity payment.

Over reporting your planted acreage per unit - If you have over reported your acres, your production to count will be derived from all planted acreage for that crop per unit. The acreage will be reduced to the correct number of acres. Your indemnity will be slightly less due to the reduction in your total guarantee (not your per acre guarantee) and you will be refunded any overpayment of premium.

Failure to report all farm serial numbers (FSNs) planted to the insured crop - If you fail to report all of the FSNs planted to the insured crop, the unreported FSNs will not have coverage. This oversight generally seems to occur with added land, but many times occurs because the producer fails to insert the planted acreage figure under thee farm number on their acreage reporting form. The indemnity payment will be reduced.

Failure to report the production for all farm serial numbers (FSNs) - If you do not report all of your FSNs, with production information, on or before the production reporting date, the production cannot be added at acreage reporting time. The unit without production will be assigned a yield based on the variable T-yield procedure discussed previously. This yield is generally lower than the grower's actual yields. The yield guarantee will be reduced and any indemnity payment will be less.

Failure to elect "New Producer" status - If you are a new producer and fail to elect New Producer status on or before the production reporting date for the insured crop, the yield on the crop will be assigned using the variable T-yield method (a percentage of the county T-yield) instead of more favorable method of using 100% of the county t-yield. The yield guarantee will be reduced and any indemnity payment will be lower.

Failure to indicate "Added Land" on your acreage report - If you fail to indicate Added Land on your acreage report for new farms, the yield will be calculated using the variable T-yield method instead of more favorable methods. The yield guarantee will be reduced and any indemnity payment will be lower.

Harvesting the crop in a manner other than insured - If you are harvesting the insured crop in a manner other than intended without informing the crop insurance carrier and have a claim, you will have a problem. For example: the producer has insured his corn as grain, but harvest the corn as silage. If there is no actual harvested grain for the adjuster to measure, the crop must be field appraised for grain content before harvested. The adjuster cannot appraise the grain content of harvested corn silage and the production to count will be assessed at the full guarantee. No indemnity will be paid.

Destroying the insured crop without the company's approval - Production for a crop that is destroyed before the claim adjustment is made will be assessed at the full production guarantee and no indemnity will be paid.

Q: Federal crop insurance isn't available for my crop in my county, but it's available in other nearby counties. Why can't I get Federal crop insurance for my crop?
A: Congress requires that RMA strive for actuarial soundness in all Federal crop insurance programs that it administers. In support of this goal, RMA has a very deliberate process for new program development. New pilot programs must be approved by the FCIC Board of Directors before they are made available to producers. Under certain circumstances, new pilot programs must be authorized by Congress before RMA can begin program development.

Most pilot programs are expected to operate for about 3 years so that RMA may gain insurance experience and test the program components before the pilot programs are made more broadly available or are converted to permanent programs.

However, RMA is authorized, under certain circumstances on a case-by-case basis, to underwrite Multiple Peril Crop Insurance (MPCI) insurance offers when standard rates or coverage is not available. RMA can enter into a Written Agreement with the insurance provider and can underwrite an individual policy if the grower's particular crop production plan will be actuarially sound under modified rates and terms.

If you are interested in expansion of the Federal crop insurance program to your area and your crop, you should contact the Regional Office that serves your area. RMA staff will ensure that your request is given full consideration.

If the Federal crop insurance program cannot be made available in your county for your crop, RMA will advise you if an individual Written Agreement is possible or if coverage is available through the private sector.

Q: Why isn't insurance available for the same crop in every county and state?
A: Since the development of crop insurance policies depends first of all upon the demand for them, RMA does not initiate policies or expand existing programs where there are no requests. In some cases, a crop may not be grown by many, if any, farmers in a county. For example, there aren't many cultivated clams raised in Sheridan County, Nebraska, the cotton production is relatively low in Kittson County, Minnesota, and there aren't a lot of cherries grown in Jackson County, Mississippi.

In areas where an established crop policy is not available, farmers may request that their RMA Regional Office expand the program to their county the next crop year. They may also contact their local crop insurance agent to see if a written agreement is available for the current crop year.

Q: What is a crop year?
A: The crop year is designated by the year in which the planted crop is normally grown and harvested. For example, crops planted in the fall of 2004 are considered to be grown in the 2005 crop year because they are harvested in the spring or early fall of 2005. Crops planted in the spring of 2005 are also considered to be grown in the 2005 crop year because they are harvested in the fall of 2005.

RMA's Role in Crop Insurance

Q: In layman's terms, what is RMA's role in the crop insurance program?
A: Along with other congressionally mandated functions, RMA provides policies for more than 100 crops. (This number would be much higher if every insurance plan available for the crops insured in every county were counted.) RMA also conducts studies to determine the feasibility of insuring many other crops and is conducting pilot programs for some new crop policies in selected states and counties. Federal crop insurance policies typically consist of the Common Crop Insurance Policy, the specific crop provisions, and the policy endorsements and special provisions.