Crop Insurance for Aquaculture

Crop Insurance Systems, Inc.
January 18, 2020

What we will talk about today.

- Crop Insurance Systems (CIS) develops crop insurance programs on behalf of farmers.
- CIS has grants from the North Carolina Department of Agriculture and NOAA to develop a Federal Crop Insurance program for east coast oysters.

A little history of Crop Insurance

1939: Crop insurance begins as a pilot covering wheat and later, cotton.

Question: Can crop insurance manage the financial consequences of crop losses?

1981: Crop insurance becomes a national program covering many more crops.

1981: The private sector insurers are brought in to improve delivery of the program and increase farmer participation.

2000: The private sector becomes the exclusive developer of insurance products.

2005: Crop Insurance Systems is formed to help farmers find solution to their crop insurance problems.

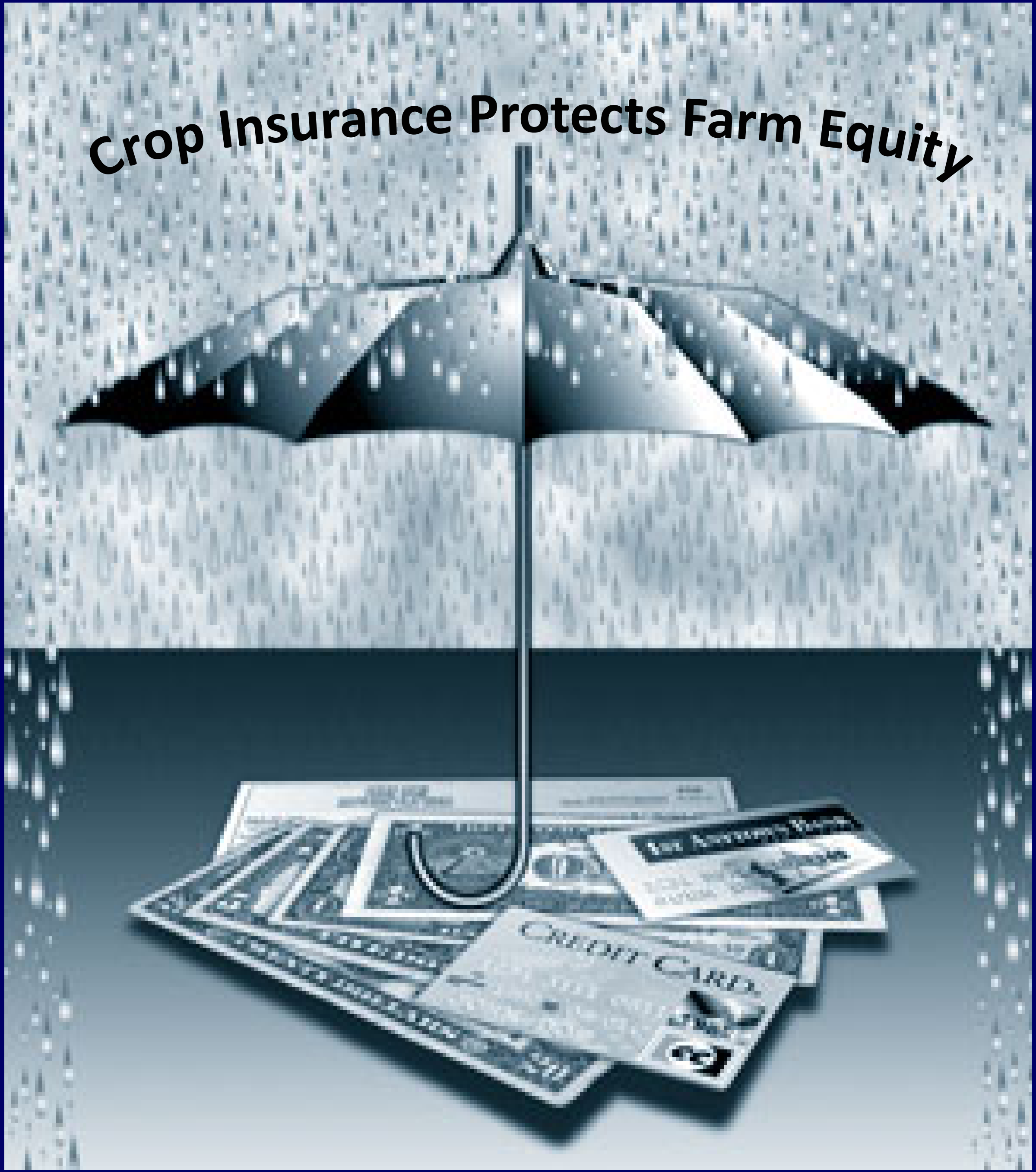
Primary Purpose of Crop Insurance

Budgeting tool

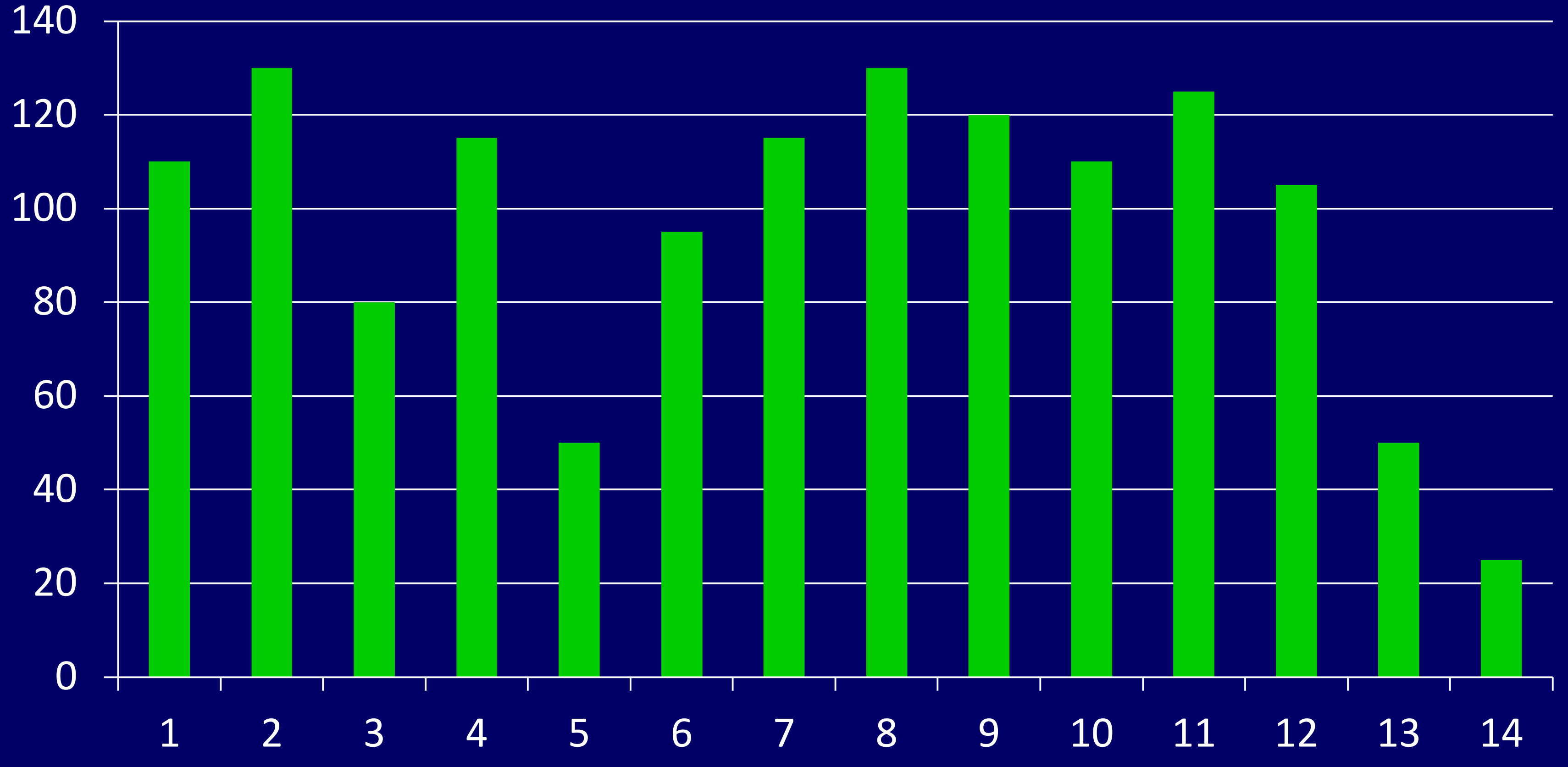
- Allows the government to predict expenditures for crop disasters.
- Provides farmers with a counter measure against production and or revenue losses.

What we know

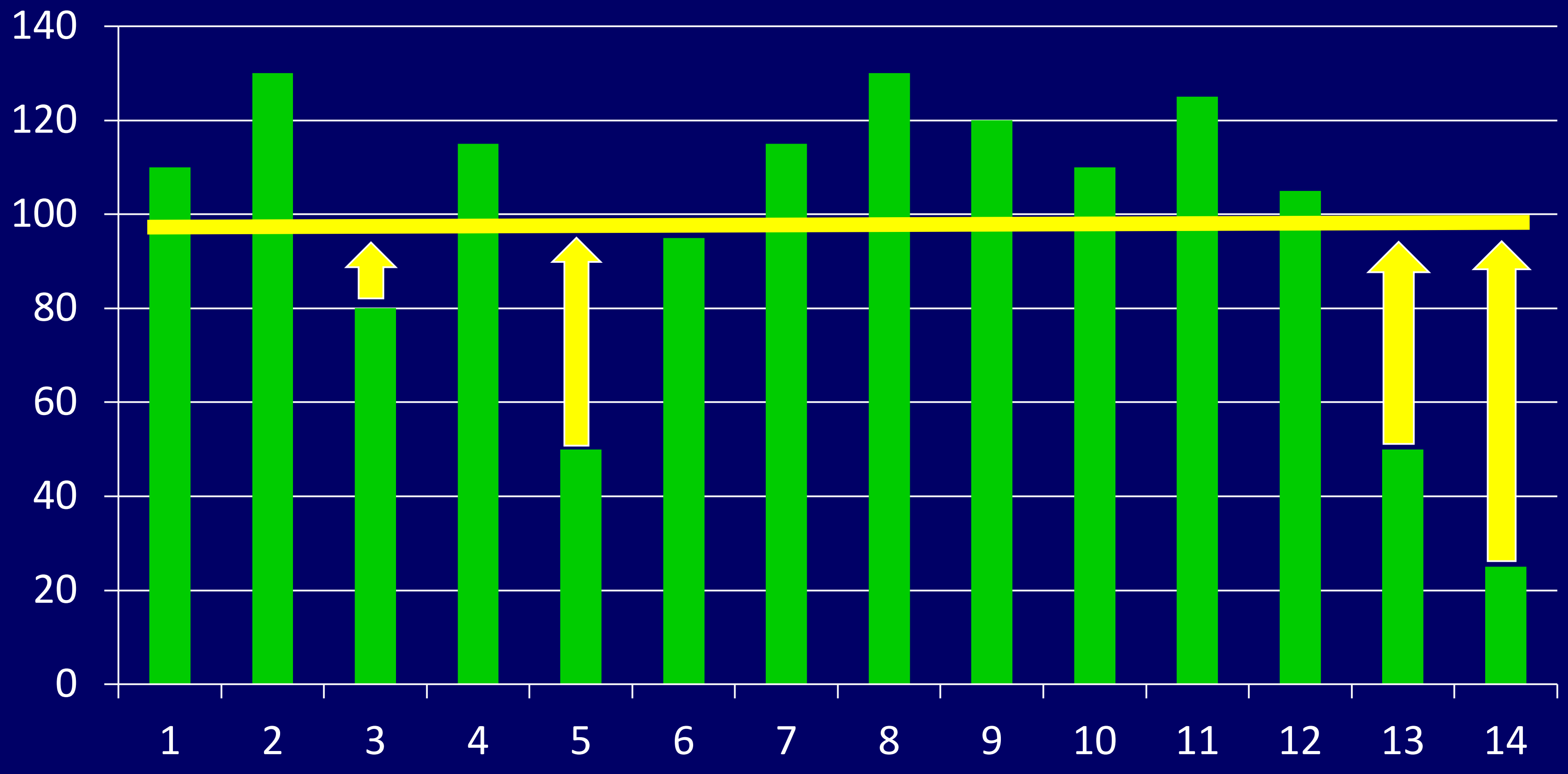
- Farmers who use crop insurance finish their farming careers with more wealth than farmers who don't use crop insurance.
- With crop insurance as a backstop, farmers can take prudent risks to grow their business.
- With crop insurance, financing is easier because growers have what bankers call "repayment capacity."



Farmer Income without Crop Insurance



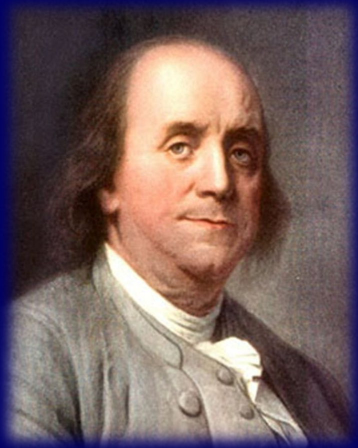
Farmer Income with Crop Insurance



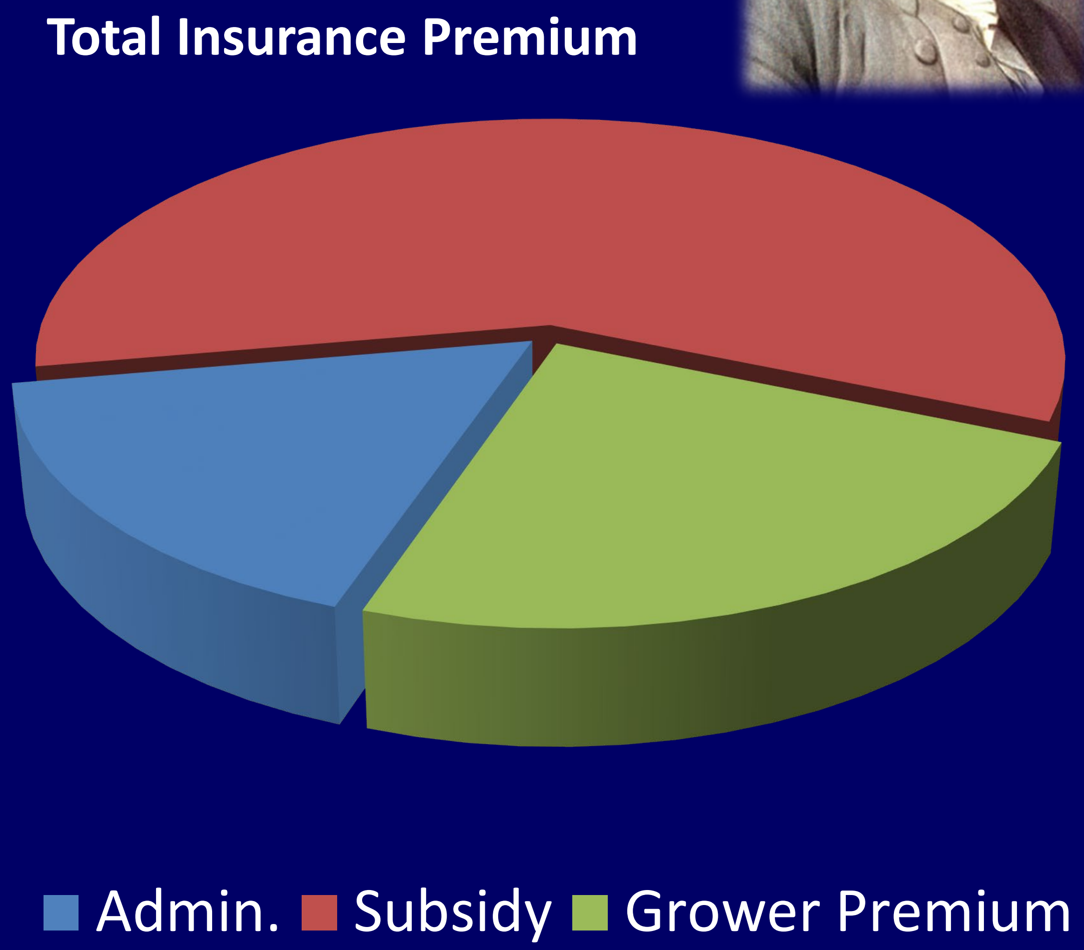
What does crop insurance protect against?

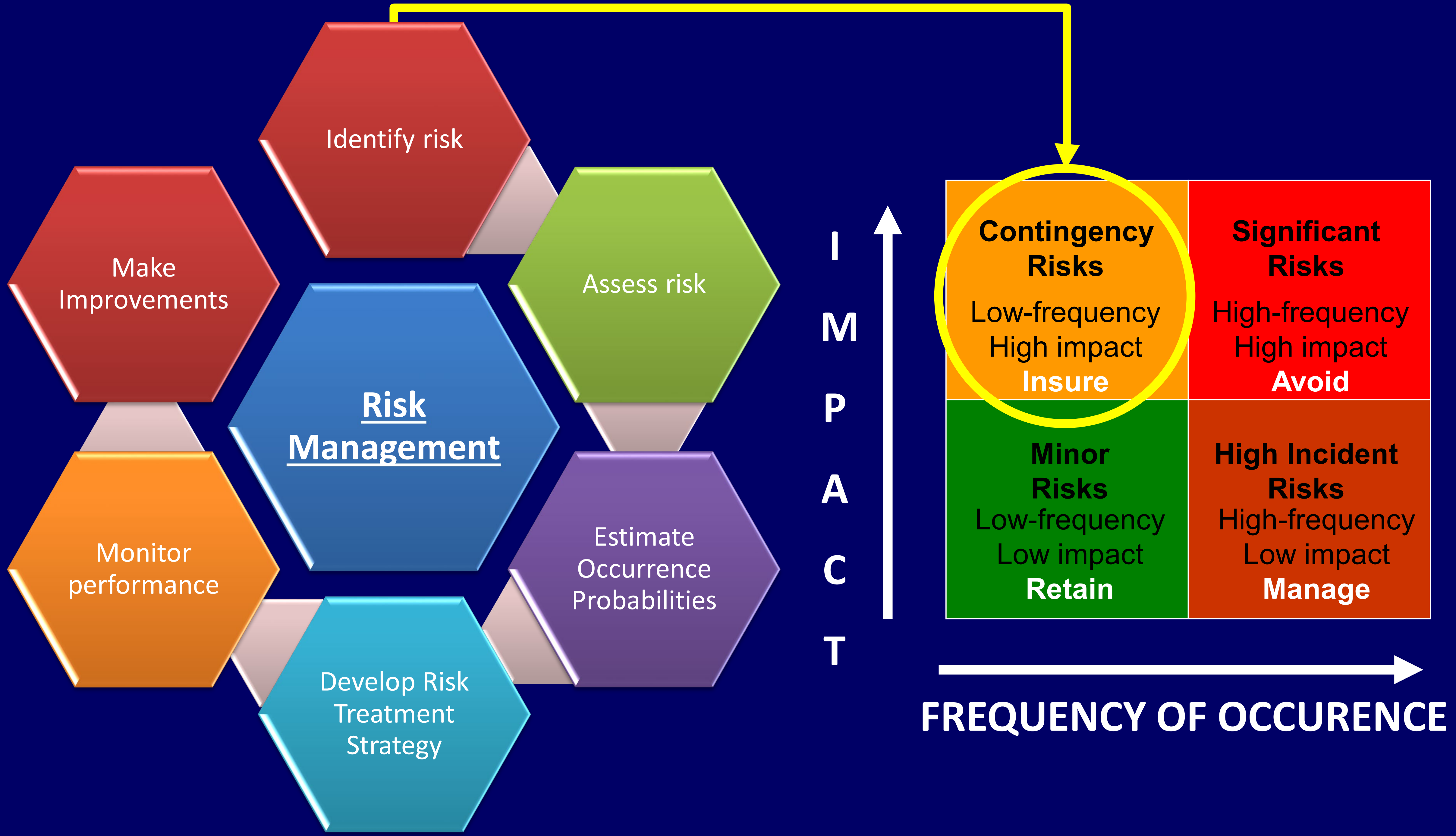
Most natural Disasters.

Why Federal Crop Insurance?



- Crop Insurance is a strategy to ensure a predicable supply of food for Americans.
- Program expenses are paid separately so insurance premiums are designed to cover expected crop loss (no commissions or profits).
- Crop Insurance is subsidized to encourage grower participation in this disaster management program.
- Compared to other insurance in the private sector, growers pay about a quarter of the cost.




Identify risk
Make Improvements
Assess risk
Risk Management
Monitor performance
Estimate Occurrence Probabilities
Develop Risk Treatment Strategy
IMPACT
Contingency Risks
Low-frequency
High impact
Insure
Significant Risks
High-frequency
High impact
Avoid
Minor Risks
Low-frequency
Low impact
Retain
High Incident Risks
High-frequency
Low impact
Manage
FREQUENCY OF OCCURENCE

The Insurance Developers Problem

Devise an accurate system to:

- Set an insurance amount.
- Identify when losses have occurred and the amount of the loss.
- Determine how much the insurance should cost.

Determining how much the insurance should cost.

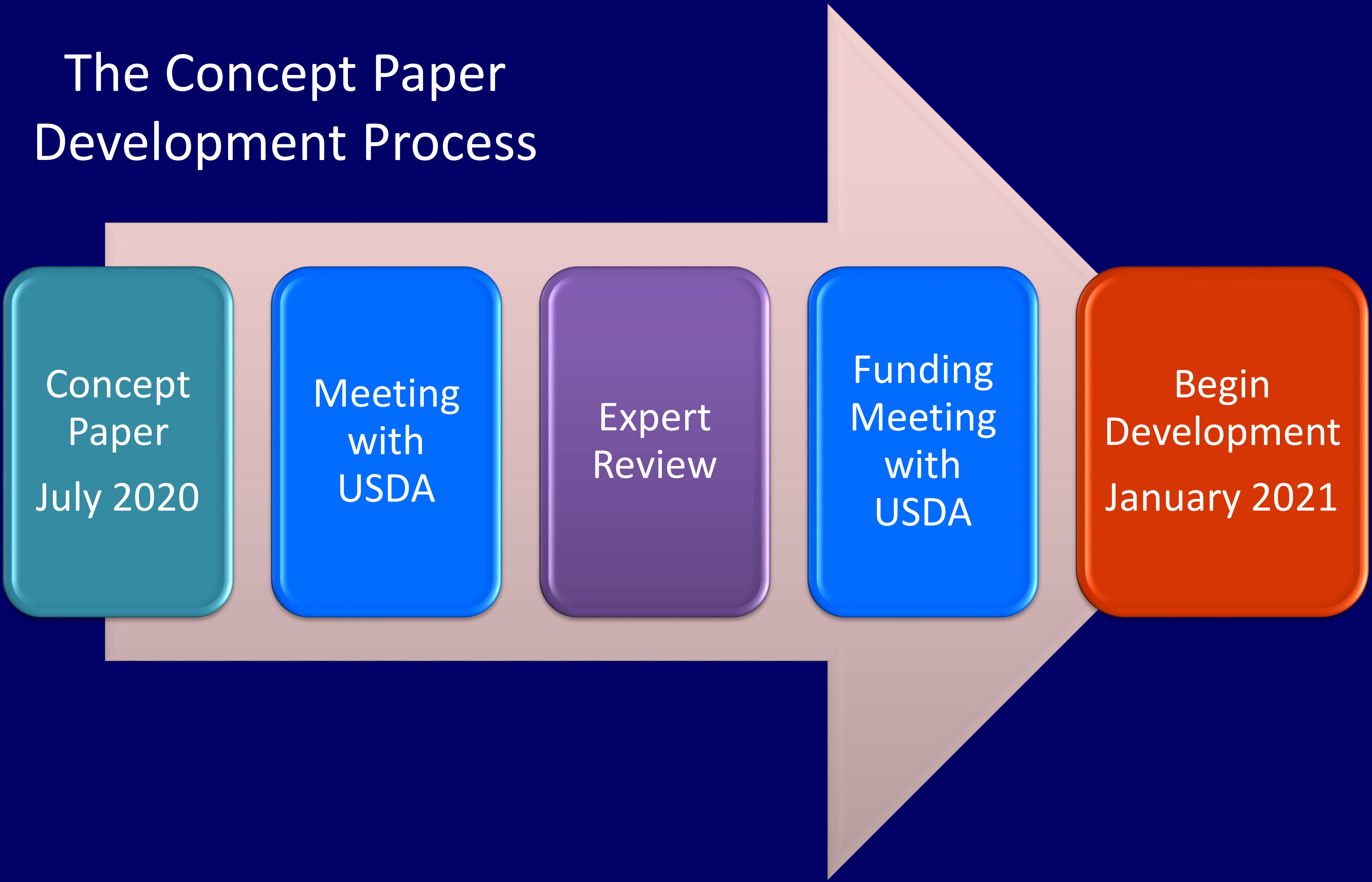
CIS needs records showing production amounts. We can use:

1. your farm records showing sales amounts.
2. FSA records submitted for participation in the NAP program.
3. monthly harvest reports submit to the Maryland Department of Natural Resources.

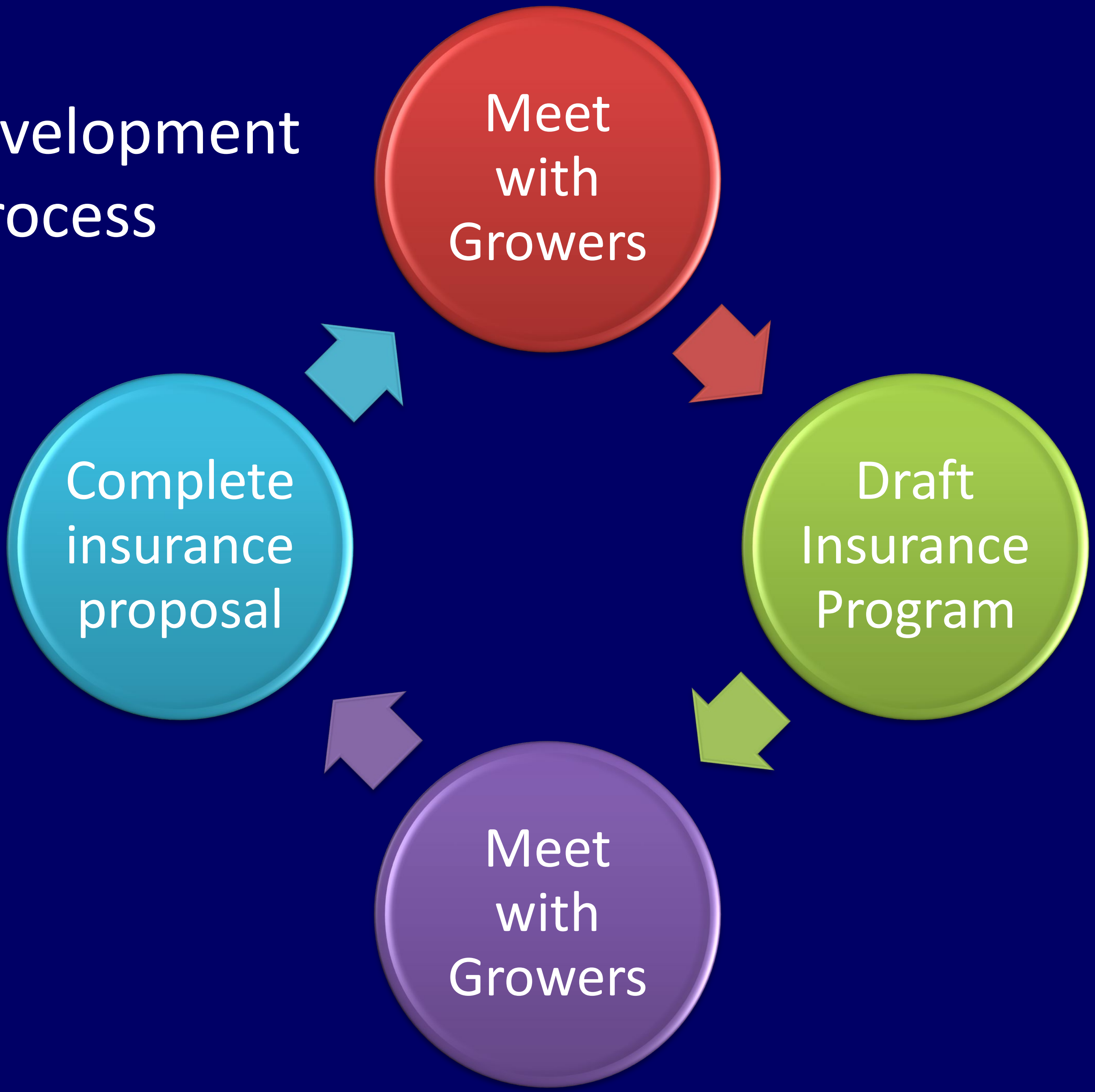
Regarding production records

1. More years are better
2. If you sign a release, we can go directly to the FSA or MDNR to obtain your records.
3. You can provide the records directly to CIS.

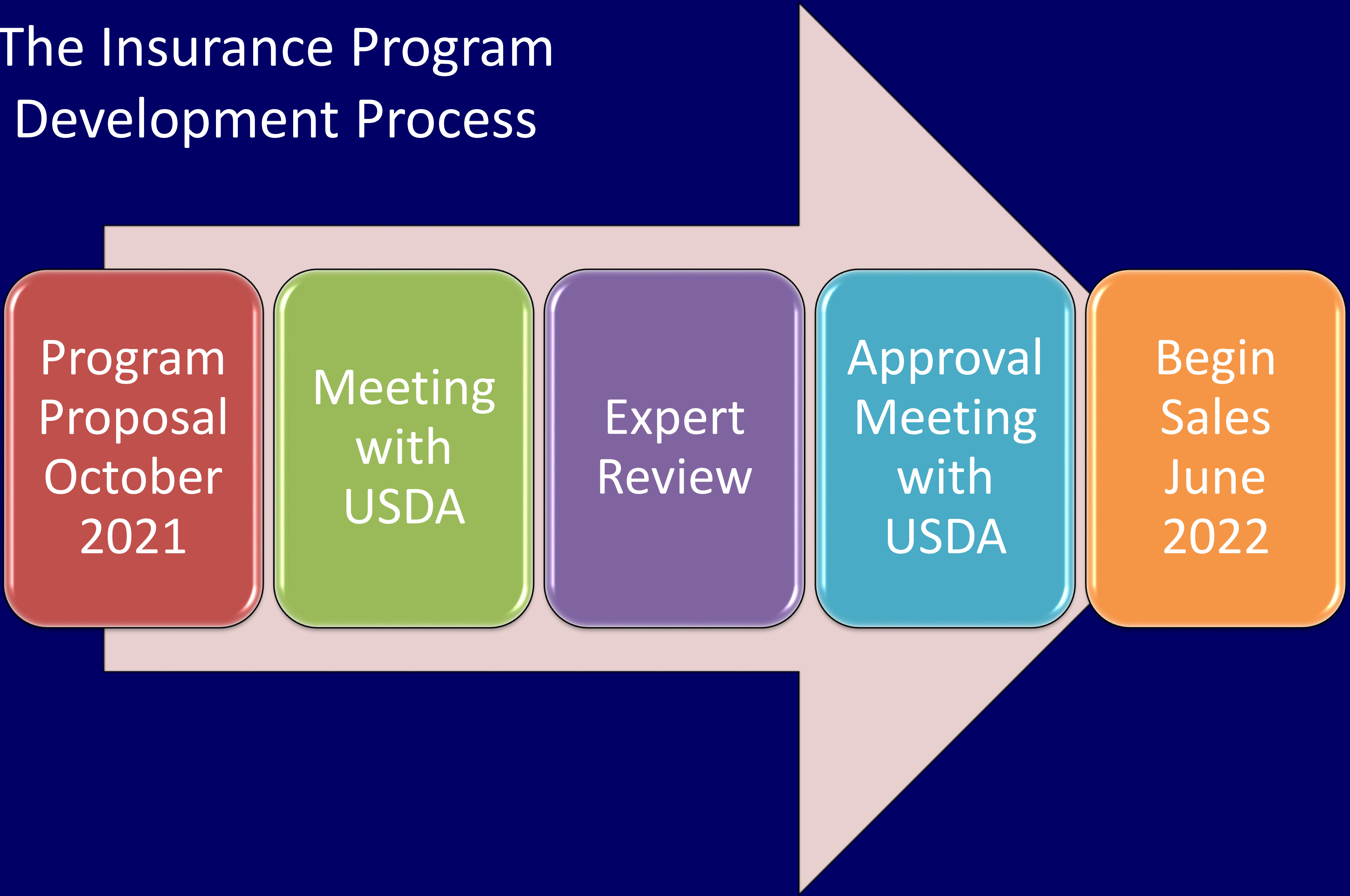
The Concept Paper Development Process



The Development Process



The Insurance Program Development Process

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Thank You For Your Time.