



FACT SHEET

Crop Insurance

Issue Summary: Federal crop insurance has existed since 1938. Over the years since then, ad hoc disaster relief provided by Congress has gradually given way to crop insurance products to assist producers in times of need. The current program covers 296 million acres, roughly 90 percent of U.S. agricultural land and production, and provides producers with risk management tools to address crop yield and revenue losses on their farms.

- The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act.
- Insurance policies, backed by the federal government are sold and serviced through approved private insurance companies. Independent insurance agents are paid sales commissions by these companies.
- A policy covers a producer growing an insurable crop at a specified coverage level. The producer pays a portion of the premium, which increases as the level of coverage rises. The federal government covers the remainder of the premium, which on average amounts to 62% of the total premium.
- According to the Congressional Research Service, forty-two *ad hoc* disaster assistance bills have cost taxpayers \$70 billion since 1989. Crop insurance has all but eliminated the need for those bills, which is why despite recent bad weather years there has not been a large outcry for *ad hoc* disaster assistance for crops.
- While commodities make up the majority of crop insurance policies, many specialty crop producers also depend on crop insurance as the sole safety net for their operation.
- Crop insurance continues to evolve to cover more crops including diversified farms and organic operations, while ensuring the products are actuarially sound.
- The cost of a loss is shared by farmers through their premium payments and deductibles, as well as by crop insurance companies and the federal government. In good crop years, the government makes money, which helps offset years with losses and high payouts.