

Crop INSURANCE

Adjusted Rates should Lower Most 2012 Premiums

The USDA's Risk Management Agency (RMA) announced November 28th that it will update the methodology to set crop insurance premiums. This will lead to lower insurance premium rates for many corn and soybean producers in the 2012 crop year. The rate adjustment is based on findings of an independent study and peer review process. The study is part of RMA's ongoing effort to improve the methodology of determining premium rates for crop insurance.

According to RMA Administrator William J. Murphy, "We are improving the formulation of our rate-making methodology, and are moving to establish the most fair and appropriate premium rates for today's producers. On average, these new rates should reduce corn farmers' rates by 7 percent and soybean farmers' by 9 percent for the 2012 spring planted crops.

RMA contracted for a study by Sumaria Systems Inc., which examined premium rates, and the rating process, starting with the United States' two major commodities: corn and soybeans. RMA then requested an independent expert peer review to provide feedback on the Sumaria study results. RMA will conduct further review and analysis of the study's recommendations along with comments and issues raised by peer reviewers, making additional adjustments as warranted and appropriate.

Accordingly, RMA is taking action to implement adjustments to premium rates in a "phased in" approach that allows for any further adjustment pending additional analysis of peer review comments.

RMA periodically reviews premium rates and makes necessary adjustments for actuarial soundness, aiming to establish the most appropriate premium rates for today's producers. The current approach will make a concerted effort to adjust premium rates in a manner that recognizes the latest technology, weather, and program performance information. Updated data pertaining to prevented planting, replant payment, and quality adjustment loss experience, was also used in determining rates changes.

RMA indicated it will release actuarial documents by November 30th reflecting premium rates and other program information that will be effective for the 2012 spring planted crops.

Source: USDA Risk Management Agency web site, November 2011.