

# **The Public-Private Agricultural Insurance Interface in the United States: Implications for Information Systems and Information Flows**

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# Key Drivers of the Information System

- **Regulatory Data Requirements**
- **Structure of Government Subsidies**
- **Contractual Arrangements between Private Insurers and the Government**
- **Scope and Complexity of the Insurance Program**
- **Dispute Resolution Data Requirements**
- **Reinsurer Data Requirements**

# The U.S. Agricultural Insurance Program in Extremely Complex

- **Over 20 different types of products (farm based yield and revenue, area based yield and revenue, weather and NDVI insurance, price insurance for livestock, gross margin insurance for livestock, whole farm crop insurance, etc.)**
- **Multiple options within each product**
- **For farm based products, two insurance pools in each state (Assigned Risk and Commercial, each with their own rules about premium and risk retention by the primary private insurers)**

# The U.S. Agricultural Insurance Program in Extremely Complex

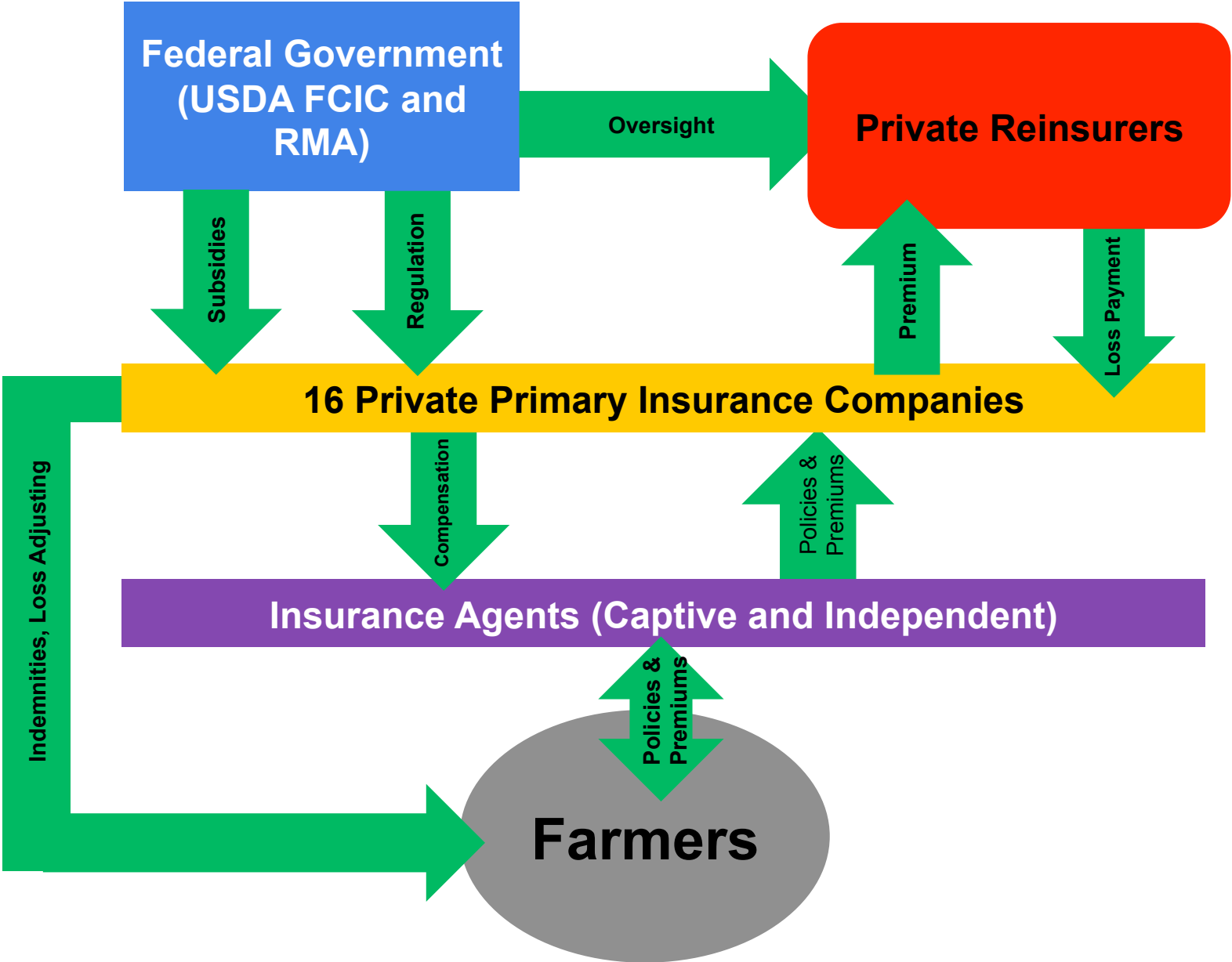
(con'd.)

- **Subsidies of actuarially fair premiums for farmers**
- **Subsidies to cover A and O expenses for private insurance companies**
- **Stop loss subsidies**
- **Rules governing how much premium can be paid to insurance agents by insurance companies.**
- **Rules covering allocation of underwriting gains**

# The U.S. Agricultural Insurance Program is Extremely Large

<b>Total liability in 2010</b>	<b>\$71.011 billion</b>
<b>Total Premium in 2010</b>	<b>\$ 7.324 billion</b>
<b>Total Premium Subsidy in 2010</b>	<b>\$ 4.442 billion</b>
<b>A and O subsidy to Companies 2009</b>	<b>\$ 1.600 billion</b>
<b>Participation rate in 2010</b>	<b>80% of insurable acres</b>

# Structure of Public Private Partnership in the United States



# Regulatory Data Requirements

- **Financial depth of each insurance company**
- **Monitoring each company's performance (allocation of premiums; payment of indemnities; applications for and receipt of subsidies)**
- **Where pools are involved, tracking premiums paid into each pool (by company) and allocations of underwriting gains from each pool (by company)**
- **Assessing performance and managing dispute resolution processes**

# Regulatory Data Requirements

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- **Payments by companies to insurance agents by policy and policy type**
- **Income accruing to private companies from underwriting gains and A&O subsidies**



# Subsidy Data Requirements

- **Premium by policy, by crop, by farm (and where applicable by insurable unit within the farm), by pool**
- **Indemnities by policy, by crop, by farm, by pool**
- **A and O subsidy payments, etc.**

# Fraud Prevention Data Requirements

- Insurance agents need to be linked to farmers
- Loss adjusters need to be linked to insurance agents and farmers
- Farmers need to be tracked through time, including when they change farms or add farms, or try to change the farm's ID number.
- Data platform needs to be flexible enough to support data mining analysis

# Confidentiality

- **Data management system has to maintain confidential information and confidentiality promise has to be viewed as highly credible by private companies**
- **Data system has to be extensively firewalled**
- **Requires sophisticated IT expertise**
- **Public employees are subject to severe penalties for revealing company specific confidential information**

# QUESTIONS?

