



Tom Zacharias, NCIS President

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Is the Sum of the Parts Greater Than the Whole?

As this edition of TODAY® goes to press, readers might wonder why we are not discussing the current flooding and excess moisture conditions in the Midwest, as well as the various agricultural disaster packages that are being finalized. Quite frankly, until we know more about how weather conditions will play out and how the various disaster packages will be implemented, it would be premature to go too far down this trail.

So as we roll up our sleeves and prepare for what would appear to be a long and arduous claims season, in combination with a struggling farm economy and an uncertain policy environment, let's look back over our shoulder for a few minutes and consider some of the "behind-the-scenes" work that goes on each spring within our industry and NCIS. In taking this "look back" I think we'll find there are a lot of "moving parts" in crop insurance, which "Sum" up to a "whole" lot of effort to support America's farmers and ranchers.

The Sum

In reflecting on the efforts of our industry, I am struck by the scale of the business and the many facets of crop insurance that must be dealt with every day. In terms of scale (or the sum), crop insurance provides coverage on well over 300 million eligible acres in the United States.

The insured value of crops and livestock covered by federal crop insurance is in excess of \$100 billion annually. If one includes the state regulated Crop-Hail business, the total insured value is around \$130 billion. There are many different types of policies on more than 100 different crops. Crop insurance is available in virtually every agricultural county in the country.

The Parts

Each Spring, NCIS' member-based Standing Committees are busy working on essentially every aspect of the crop insurance business. The NCIS Standing Committee structure, along with our Regional/State Committees, are the essence of our association's efforts focusing on the current issues facing our industry and the business processes required to support our efforts.

First and foremost, NCIS is a membership-based organization. We are a 501 (c)6 trade association representing those companies writing primary crop insurance coverage in the United States, as well as companies writing Crop-Hail coverage in the prairie provinces of Canada. NCIS is governed by a Board of Directors consisting of senior leaders of member companies. We offer a wide array of services to our members.

NCIS efforts in relation to crop insurance program development and implementation are

Continued on page 42

comprehensive. Included are analytical efforts in relation to policy and legal issues generally, antitrust compliance training and monitoring, development of loss adjustment procedures, agronomic research and public relations. Our suite of services also includes economic and actuarial review, education and training in the form of loss adjuster schools, and national conferences and regional/state meetings. In the private Crop-Hail segment, our résumé is rounded out by our service as a Crop-Hail advisory organization and statistical agent licensed by the various state insurance departments.

For our readers who may not be aware, or at least tangentially aware of the NCIS Committee structure, it is probably worthwhile to provide a little background on our Committee process and the important role these Committees play in the success of our industry. The seven NCIS Standing Committees and their responsibilities vary depending on whether or not they are focused on the state-regulated Crop-Hail business or Federal crop insurance. However, committees like Training and Communications focus on the

entire crop insurance program. Here is a quick rundown of our various standing committees and their respective roles.

Starting with Crop-Hail insurance, the **Crop-Hail Policy, Procedure, & Loss Adjustment Committee (CHPPLA)** evaluates both the policies and the loss adjustment procedures utilized by NCIS members. This is no small task as the Committee reviews the Crop-Hail policies filed by NCIS in each state. In addition, this Committee works with NCIS staff on the development of industry loss adjustment procedures. Updates to these procedures originate from NCIS' Agriculture Research program. Agronomic research projects that produce the results for these updates are conducted at university experiment stations and agricultural colleges across the United States, as well as some locations in Canada. The research program dates back to the early 1900s. There are several videos about the history of the program and its results that can be found on the NCIS YouTube page at <http://bit.ly/2KNLBGe>.

The **Crop-Hail Actuarial & Statistical Committee (A&S)** reviews the development of the industry's actuarial filings, which are prepared by

NCIS' actuarial and analytical team. NCIS files its actuarial materials with approximately one-half of the states each year. The A&S Committee also reviews industry statistical data reporting requirements.

Communications & Outreach Committee (C&O): C&O provides direction on NCIS' annual communications plan – including strategies, messages, tactics, tools, etc. C&O is also charged with over-seeing the efforts of the NCIS outreach activities with organizations who work with limited resource and/or socially disadvantaged farmers, including extension agents, community-based organizations, bankers, and other ancillary industries that need to know the importance of crop insurance and understand it.

The **MPCI Policy, Procedure, & Loss Adjustment Committee (MPPPLA)** focuses on the federal component of crop insurance. The Committee reviews and recommends changes to policy provisions and endorsements, underwriting and loss procedures and forms, and recommends agronomic research. The work of this group is essential to the support of industry loss adjustment standards and its efforts are core to the NCIS mission.

Technology & Information Processing Committee (TIP): This group advises on automation and technological support of industry data processing. The "TIPsters" are the industry "techies" and information technology experts. The Committee is also responsible for industry input and analysis of federal crop insurance processing and Crop-Hail data quality improvements, timeliness and simplification. TIP also facilitates communication between RMA and the industry on information and data processing issues.

Tasked with promoting industry-wide education and training standards, the **Training & Education Committee** oversees NCIS conferences and schools, and the development of training products that are responsive to member needs. These services benefit members by providing uniform training and educational standards and promote a professional image for the industry. The Committee also provides direction to staff on industry training needs and makes recommendations to the Board of Directors regarding industry training standards and practices.

The **Underwriting & Operations Committee (U&O)** is a somewhat recent addition to the NCIS standing committee structure. It was born out of the realization that there were multiple procedural and operational issues involved in

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implementing and administering federal crop insurance that went beyond loss adjustment issues (handled by the MPCIPPLA Committee) and data processing requirements (dealt with by the TIP Committee). The U&O Committee came into its own during the implementation of the 2014 Farm Bill. Since then, U&O has played a major role working with RMA and the AIPs attempting to ensure that new, as well as existing, policies and procedures are operating smoothly and efficiently.

As mentioned above, some of the standing committees review recommendations brought forward from a Regional/State Committee. NCIS has 18 R/S committees that are comprised of claims and marketing supervisors from members companies. These individuals are the “eyes and ears on the ground” for the industry, determining if policy and procedure are working as intended.

Not only does the NCIS Committee structure have value for the members and the industry, this structure also provides a valuable service to both state and federal regulators. For the state-regulated line of crop insurance, commonly referred to as Crop-Hail insurance, NCIS serves as the industry licensed Statistical Agent and Advisory Organization on behalf of its members. As such, NCIS files Crop-Hail policy form language and actuarial loss statistics with each respective state insurance department. Policy form filings provide for standardization of coverage across the industry, which ultimately benefits the farmer purchasing Crop-Hail insurance, and, in addition, reduces the cost of individual member companies in the development of Crop-Hail coverages. With respect to actuarial filings, the NCIS actuarial database represents the aggregation of individual company data that allows companies to promulgate credible premium rates. It also enables state insurance departments an adequate industry benchmark for evaluating the adequacy and reliability of individual company filings.

With respect to federally regulated crop insurance, NCIS Standing Committees provide a focal point for RMA to interact directly with its industry delivery partners. The benefits of these interactions and communication was evidenced by the successful implementation of the 2014 Farm Bill. These efforts continue as we implement the provisions of the 2018 Farm Bill.

Admittedly, I do not attend, and I am not able to participate in every meeting of each group, but I do get around to most of our Standing Committee meetings and attempt to keep up with the

The roots of NCIS can be traced back to the early 1900s when companies who were selling crop insurance policies realized the need to collect hail insurance experience, including the frequency and severity of hail events. The Western Hail and Adjustment Association was formed in 1915, and by the mid-1920s, companies were reporting liability, premiums and losses by crop, by type of policy, and by township to the organization. In 1932, these companies had collected enough data to begin an organized approach to actuarial determination of rates and in 1947, the Crop Hail Insurance and Actuarial Association (CHIAA) was formed. At the same time, companies were also establishing loss adjustment processes, which resulted in standardized loss adjustment forms and procedures. After the formation of CHIAA, the “parent” organization, the Western Hail and Adjustment Association was renamed Hail Insurance Adjustment and Research Association, and later National Crop Insurance Association (NCIA). This organization continued its focus on loss adjustment processes, as well as agronomic research programs conducted at universities around the country. In 1989, NCIA and CHIAA merged to form what is today National Crop Insurance Services (NCIS). As a membership organization committed to the improvement of the crop insurance industry in order to better serve the risk management needs of the American farmer and rancher.

myriad of issues that our industry faces. As we often say in our office, we “get” to spend a lot of time “in the weeds” working through all the operational details required to make sure crop insurance remains the successful centerpiece of the farm safety net that it is today.

So, in SUMmary... (please excuse the poor pun), there are many moving parts in the crop insurance industry and NCIS. Crop insurance is a big business and a vital component of the farm safety net. The various business and functional areas of crop insurance range from agronomic research used in the development of crop loss adjusting procedures to the application of new IT systems through the use of mapping software to help farmers better identify their individual risks and purchase the appropriate type and level of crop insurance coverage for their farms. Summing all these individual components results in a WHOLE industry focused on serving the risk management needs of the American farmer. None of this could be accomplished without the support of the NCIS member companies. We wish to express our sincere appreciation to all those who serve on the various committees and the Board of Directors. Your participation in these activities is invaluable to the success of NCIS and the industry.

Another Moving Part... This Issue

This issue of TODAY contains the annual Year in Review article that highlights the good and not so good of what happened in the weather, markets, insurance, and other aspects of agriculture in 2018. It may be a bit daunting when you first look at the length of the piece, but you will find it chock full of great information that quickly becomes a historical document you will want to hang on to.

We highlight the winners of the 2019 Industry Awards that were presented at the Crop Insurance Industry Annual Convention in February. Thank you to Larry, Bob, Jim, and Chris for your tireless work and support of this great industry.

NCIS had two individuals retire earlier this year; both making significant contributions to NCIS and the industry. Jim Crist spent the last 37 years of his career as the NCIS CFO and Dave Hall spent the last 20 years of his career helping to ensure that crop insurance products and procedures worked well for farmers and the industry alike. Both of these gentlemen left big shoes to fill, but we are working hard to ensure that their job responsibilities are met by others in the organization.

We hope that you all enjoy reading the latest issue and we wish you a very happy summer!