

**MYTH:** Crop insurance company profits are guaranteed.

**FACT:** The Risk Management Agency (RMA) at USDA sets a “target rate of return” for crop insurance companies, but this target is neither a guarantee, nor a profit.

- The current target rate of return for crop insurance companies was set by USDA in 2011 at **14.5%**. Since that time, the actual gross returns for crop insurance companies have been less than **13.7%**, and net income (profits) realized by companies have been significantly less at only **1.5%**.
  - Time and again critics confuse basic business concepts like gross returns and net income. The target rate of return and gross returns tracked by USDA simply do not reflect the actual financial health of crop insurance companies.
  - The National Corn Growers Association (NCGA) asked economists from the University of Illinois and Cornell University to study the issue of crop insurance company returns in depth<sup>1</sup>:
    - *“What we discovered is that the returns private crop insurance companies receive are much smaller than opponents claim, and they are well within the standards set by [the USDA].”*
- Like farming, crop insurance companies can face great fluctuations in their profits from year to year, depending on what Mother Nature and market forces have in store. Also like farming, there will be years of profit and years of great loss, and crop insurance companies require good years to help them through the bad years.
- The recent financial situation in the crop insurance industry has encouraged a number of large companies such as John Deere and Monsanto to divest their crop insurance holdings.

### THE REALITY OF CROP INSURANCE COMPANY FINANCIALS

Year	Net Income*
2011	11.3%
2012	-20.2%
2013	-0.7%
2014	3.0%
2015	13.9%
<b>Average</b>	<b>1.5%</b>

Source: NCGA Study

\*Complete 2016 data not yet available

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<sup>1</sup> Gary Schnitkey, Joshua Woodard and Bruce Sherrick. *Evaluation of Returns and Delivery Costs of Private Crop Insurance Companies*. Prepared for National Corn Growers Association. January 2017.