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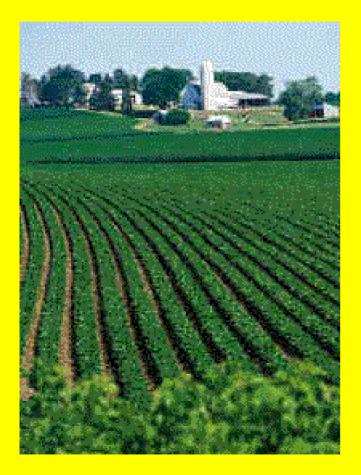
USDA Agricultural Outlook Forum 1999

Using Risk Management for Environmental Improvement

Arlington, VA February 23, 1999

CROP INSURANCE PRIVATE CHOICE for **PUBLIC CONCERN** The Company's Role by Steven C. Griffin

Farmers --- Good News / Bad News



Good News---Farmers respond to incentives

Bad News---Farmers respond to incentives

Introduction

Title implies two points:

- Private choice and public concern do not always coincide
- Insurance companies have a role

Previous speakers

- Private markets can internalize externalities
- Insurance can encourage BMP adoption

The Company's Role

Insurance companies are financial institutions that administer the payment of claims under contractual terms (policies) from pools of accumulated financial resources mostly gathered from policyholders. The Company's Role

Insurance companies pool risk.

Risks are taken only to the extent that there exists some volatility in the expected results of the risk pools.

Increasingly, crop insurance companies are being called upon to take more systemic risks.

The Company Functions

- Quantifies risk
- Diagnose causes of loss
- Indemnify insured losses
- Collect information
- Monitor results

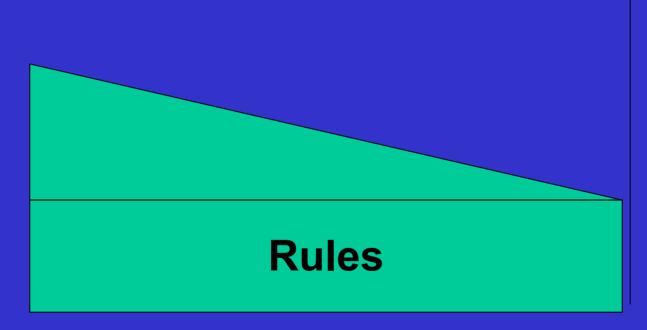
The Three R's







Rules can level or tilt the playing field



Disadvantaged

Advantage

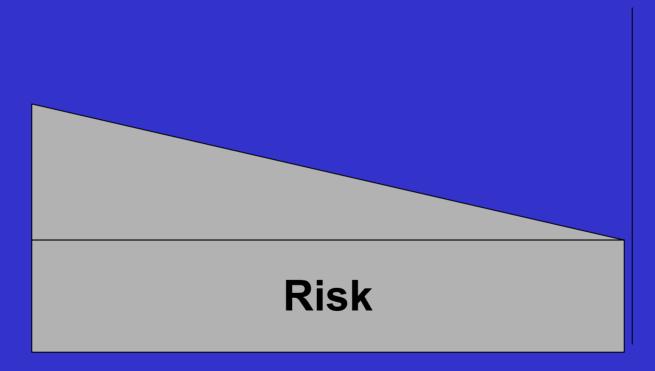
Economic incentives are powerful



Disadvantaged

Advantage

The influence of risk on decisions is sometimes overlooked



Disadvantaged

Advantage

The Level of the Playing Field is The Sum of the Layers





Goal #2

Private Choice versus Public Choice

• Most cases private choice coincides with public interests

But when they differ

- Private Choice for Public Concern
- Public Choice for Private Choice

Bt Refuge Compliance

Integrated Resistance Management protocol use insect refuges to delay insect resistance

- Bt Corn Refuges agreed at 20% of acreage
- Economic incentives to plant 100% of acres to Bt Corn (no refuge)

Refuge Insurance Levels Economics toward Compliance



Crop Scouts Inspecting Corn

- Refuge insurance protects refuge acres with same benefits as Bt technology
- Insurance premium is borne in the cost of Bt seed
- Insurance benefits provided only on compliant refuge

Bt Corn Refuge Insurance "Solution"



April 1, 2001

- Better Refuges
- Private Choice
- System Approach
- TPA Monitoring
- Low Admin. Cost
- Registration

Bt Refuge Insurance "Solution"



So far the seed industry has not endorsed the idea and are pursuing a pure "rule" solution via grower contracts and education.

Adminstrative costs do reduce short-term returns to Bt-corn users and Bt-Technology- owners.

Long term returns may be increased.

Conclusion

Decisions are influenced by three underlying effects.. Insurance can be used to tilt the economic playing field toward public goals.



Ignoring one or more layers leads to unintended consequences.

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A copy of this presentation may be received by contacting me at the above contact points or business card during the conference



Steve Griffin IGF Insurance Company

- Vice President Strategic Analysis
- Oklahoma native
- Agricultural Economist
- 17 years in private insurance industry



IGF Insurance Company

- Headquarters in Des Moines, IA
- 4th Largest Crop Insurance Writer 40 States
- 3rd Largest Crop-Hail Insurer
- High Growth (\$300M in '98 vs. \$36M in '93) (67% MPCI / 33% Private)
- Owned by Symons International Group (NASDAQ: SIGC)
- Recent acquisitions: CNA Agriculture, North American Crop Underwriters, Glenn Bros.