When Disaster Strikes the Billing Date: A Scoping Review of Crop Insurance Interest Deferrals

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This white paper reviews the Federal Crop Insurance Corporation’s (FCIC) deferral of interest on unpaid premiums after natural disasters. Since the 2012 shift to an August 15 billing date, FCIC has routinely granted 60-day waivers during severe weather or national emergencies, providing producers liquidity but delaying federal receipts. Between 2019 and 2023, over $18 billion in premiums were deferred, representing $510 million in implicit subsidies. The analysis examines effects on actuarial soundness, budget scoring, and moral hazard, and outlines policy options to balance producer relief with fiscal discipline amid rising weather risks.

Key Insights

- **Interest Deferrals Provide Essential Liquidity but Shift Costs to the U.S. Treasury.**

  FCIC’s practice of deferring interest on unpaid premiums during disaster years acts as a critical financial relief value for producers. However, the cost of this relief, estimated at $510 million between 2019 and 2023, is ultimately borne by the U.S. Department of the Treasury, not private insurers.

- **Repeated Waivers May Be Increasing Demand for Crop Insurance.**

  Evidence suggests that recurring interest deferrals reduce the effective cost of insurance, which may be encouraging producers to increase coverage levels. This is particularly significant for larger operations with tighter post-harvest cash flow, potentially contributing to record insurance and rising program liabilities.

- **Policy Expectations Are Shifting Toward Routine Relief.**

  After four consecutive years of interest waivers, many stakeholders have come to expect such relief as standard practice. This shift in expectations risks undermining payment discipline and could limit FCIC’s flexibility to withhold deferrals in future fiscal or disaster scenarios without backlash.

Introduction

The Federal Crop Insurance Program (FCIP), administered by the U. S. Department of Agriculture's Risk Management Agency (RMA) on behalf of the Federal Crop Insurance Corporation (FCIC), plays a critical role in managing U.S. agricultural production risk. Operating as a public-private partnership, the FCIP enables producers to purchase coverage through Approved Insurance Providers (AIPs), while the FCIC subsidizes approximately 60% of the actuarially determined premium and provides federal reinsurance on all policies.

For most spring-planted row crops, producers are billed for their share of the premium on August 15 of the reinsurance year, commonly known as the premium billing date. Under standard policy terms, interest on any unpaid premium begins to accrue on October 1, provided at least 30 days have passed since billing. This structure ensures timely payments but can impose financial strain during years of widespread disaster.

In years marked by severe weather events or national emergencies, such as droughts, floods, hurricanes, or pandemics, producers often face delayed harvests and indemnity payments, reducing short-term liquidity just as premium payments come due. To address this challenge, FCIC has occasionally authorized interest deferrals, temporarily waiving the accrual of interest on unpaid premiums. These deferrals provide immediate cash flow relief to affected producers, helping prevent payment defaults, coverage lapses, or reductions in future participation.

Beyond producer-level relief, interest deferrals serve a broader policy function. They help preserve the stability and accessibility of the crop insurance system during times of crisis, reinforcing its role as a cornerstone of the U.S. agricultural safety net. However, these deferrals also shift the time-value cost of delayed payments from producers to the federal government. Because AIPs remit premiums only after collection, deferred payments delay federal receipts and can modestly increase short-term borrowing needs from the U.S. Treasury's Federal Financing Bank (FFB). As extreme weather becomes more frequent, these trade-offs underscore the growing fiscal and operational importance of interest deferral decisions within the FCIP framework.

How Much Has Been Deferred?

Public records indicate that the first crop insurance premium-interest deferral occurred during the 2012 crop year, following a policy change enacted by the 2008 Farm Bill that moved up the premium due date for producers. That year, interest on unpaid spring crop insurance premiums was deferred by 30 days, until November 1, for all policies with a premium billing date of August 15, 2012. Without the deferral, interest would have begun accruing on October 1 for premiums not paid by September 30. However, under the relief measure, interest was only attached on November 1 and was calculated from the original billing date.

In 2017, after Hurricanes Harvey and Irma, producers in the affected southeastern and Gulf states were allowed to delay premium payments on policies billed from August 1 to October 1 until their termination dates, marking the first time FCIC waived more than 60 days of interest. In 2019, spring flooding across the Midwest led FCIC to defer interest first until November 30 and later through January 31, 2020, effectively pausing interest for up to five and a half months. During the COVID-19 pandemic, the agency issued three consecutive 60-day waivers covering premium bills from March through September, while also allowing insurers to delay remitting premiums to FCIC. In both 2021 and 2022, ongoing drought conditions triggered identical 60-day waivers for premiums billed from August through September. As multiple disasters emerged in 2023, including wildfire smoke, floods, and drought, FCIC slightly expanded the waiver window to begin on July 1 but retained the 60-day deferral structure. Most recently, in 2024, Hurricanes Debby and Helene prompted FCIC to defer interest for policies billed August through September, applying the standard 60-day or termination date rule and granting added flexibilities for late-season claims.

These actions reveal an evolving yet consistent pattern. FCIC generally grants a 60-day interest waiver, extended only in exceptional cases like 2012 and 2017, focused on the premium-billing window most disrupted by disaster. This flexibility has become a critical cash-flow safety valve for producers facing catastrophic events between billing and harvest. However, when FCIC directs AIPs to defer premium collection, it is the U.S. Treasury (not private insurers) that bears the financial burden. Between 2019 and 2023, the FCIC absorbed the carrying costs on more than $18 billion in deferred premiums (see **Table 1**). These deferrals rose sharply, from approximately $2.5 billion during the 2019 floods and COVID-19 disruptions in 2020, to $3.7 billion during the 2021 drought, and over $4.5 billion during both the 2022 and 2023 droughts. With interest waived at a rate of 1.25% per month, this amounts to an implicit subsidy of approximately $510 million across the four events, assuming producers fully utilized the grace period (four months in 2019, and 60 days thereafter). While modest relative to FCIC's total net cost of operations, it represents real money that Congress must now borrow or reallocate.

Why Does FCIC Bear the Implied Interest Cost?

When FCIC waives interest, it forgoes revenue that would otherwise offset Treasury borrowing. The underlying issues are:

1. **Liquidity relief vs. actuarial soundness.** Deferrals help cash-short producers at precisely the moment they face disaster losses, but they shift working-capital risk to the insurance fund. Repeated waivers raise questions about the implicit value of "grace-period" coverage that is not priced into premium rates.

2. **Budget scoring and borrowing authority.** Because premium is mandatory offsetting receipt, delayed collections temporarily widen FCIC's negative net position and may enlarge short-term borrowing from the Commodity Credit Corporation or Treasury's Federal Financing Bank. The USDA Office of Inspector General's audit report for Fiscal Year 2024 notes the Fund has not yet needed CCC advances, but the margin is thinner in large-loss years.

3. **Moral hazard and payment discipline**. Extended no-interest windows can weaken producers' incentives to maintain timely payments, complicate AIPs' cash-flow management, and create mismatches between when indemnities are paid out (often early summer) and when premium arrives (late fall or winter).

4. **Policy precedent and expectations.** After four consecutive years of waivers, stakeholders increasingly view the practice as "standard," which could constrain FCIC's flexibility in future fiscal stress.

Table 1: Chronology of premium-interest deferrals and amounts deferred

Year of FCIC Action*	Triggering disaster/emergency	Manager's Bulletin(s)	Premium-billing window covered	Scope of Counties, States, and/or Crops Affected	Length of interest waiver	Earliest date interest could attach calculated from billing date	Producer premiums deferred ($ billions)
2012	Nation-wide drought	MGR-12-007	Aug 15, 2012	Spring crops only; nationwide scope (no specific counties/states noted)	Oct 1 to Oct 31, 2012 (1 month)	Nov 1, 2012	NA
2017	Hurricanes Harvey Hurricane Irma	MGR-17-013 MGR-17-013.1 MGR-17-013.2 MGR-17-014	Aug 1 to Oct 1, 2017	Texas counties and Louisiana Parishes impacted by Hurricane Harvey All counties in Alabama, Florida, Georgia, and South Carolina impacted by Hurricane Irma	Until the applicable termination date (varies by policy) for premium & admin fees Up to 60 days for WPA payments due Sep 1 to Nov 1	On the termination date for unpaid premiums/fees 61 days after WPA due date (if not paid within extension period)	NA
2019	Widespread flooding & excess moisture	MGR-19-023 MGR-19-023.1	Aug 15, 2019	Nationwide; no restriction on counties, states, or crops	Oct 1 to Nov 30, 2019 (2 months) Oct 1 to Jan 31, 2020 (4 months)	Dec 1, 2019, calculated from billing date Feb 1, 2020, calculated from billing date	2.5 reported in FY 2019 USDA AFR, Note 31
2020	COVID-19 national emergency	MGR-20-007 MGR-20-016 MGR-20-021	Mar 1 to Apr 30, 2020 May 1 to Jul 31, 2020 Aug 1 to Sep 30, 2020	Nationwide	- Up to 60 days after scheduled due date or until termination date, whichever is earlier - WPAs: 60-day extension	After the 60-day period or termination date, whichever comes first	2.5 reported in FY 2020 USDA AFR, Note 30
2021	Extreme drought	MGR-21-006	Aug 1 to Sept 30, 2021	Nationwide	- Up to 60 days after scheduled due date or until termination date, whichever is earlier - WPAs: 60-day extension	After the 60-day period or termination date, whichever comes first	3.7 reported in FY 2021 USDA AFR, Note 29
2022	Continued drought & heat	MGR-22-005	Aug 1 to Sep 30, 2022	Nationwide	- Up to 60 days after scheduled due date or until termination date, whichever is earlier - WPAs: 60-day extension	After the 60-day period or termination date, whichever comes first	4.6 reported in FY 2022 USDA AFR, Note 15
2023	Multiple regional disasters (drought, wildfire smoke, Mississippi River transport crisis)	MGR-23-004	July 1 to Sep 30, 2023	Nationwide	- Up to 60 days after scheduled due date or until termination date, whichever is earlier - WPAs: 60-day extension	After the 60-day period or termination date, whichever comes first	4.7 reported in FY 2022 USDA AFR, Note 16
2024	Hurricane Beryl & southern flooding	MGR-24-006	Oct 1 to Nov 30, 2024	All counties in AL, FL, GA, KY, NC, OH, SC, TN, VA, WV impacted	60 days after scheduled payment due date. WPAs due Oct–Nov 2024: 60-day extension	After 60 days from scheduled payment due date	NA
	Hurricane Helene and/or Hurricane Debby	MGR-24-006.1	Aug 1 to Sept 30, 2024	Same states/counties as MGR-24-006. Additional relief for earlier premium cycles due to requests from stakeholders	60 days after scheduled payment due date or termination date, whichever is earlier WPAs: 60-day extension	After 60 days from scheduled payment due date	
	Hurricane Milton	MGR-24-007	Aug 1 to Sept 30, 2024	All counties in Florida	60 days after scheduled payment due date or termination date, whichever is earlier WPAs: 60-day extension	After 60 days from scheduled payment due date	

*Note: *"Year of FCIC action" is the fiscal year in which the bulletin was issued; the crop-loss trigger may be the preceding calendar year.*

Has the Prospect of Future Deferrals Boosted Demand?

While new products and higher prices explain much of the recent rise in FCIP exposure, repeated interest holidays lower the effective cost of coverage, especially when short-term rates reached 6 to 7% in 2022-24. A 60-day, zero-interest grace period is worth about 2.5% of the producer-paid premium, or roughly $1,000 on a $40,000 corn policy. That saving is equivalent to 1-2 coverage-level points (e.g., moving from 75% to 77%).

The economic literature consistently finds that reducing out-of-pocket costs even by a few percentage points raises participation or coverage levels. Analysis of crop insurance demand response (Tsiboe & Turner, 2023) and premium subsidy cuts (United States Government Accountability Office [GAO], 2014) predicted a "small but measurable" fall in acres if subsidies were trimmed; the corollary is a small but measurable increase when costs fall.

Channels of Induced Demand

- **Liquidity expectations.** Recurrent waivers create an option value; farmers believe that, in disaster years, they can postpone payment without penalty.
- **Lender behavior.** Banks that condition operating loans on crop-insurance coverage may view deferral authority as an additional backstop, nudging borrowers toward higher coverage.
- **Coverage-level choice.** Larger farms with thin post-harvest cash flow now face less financing risk in stretching from 80% to 85% RP, raising aggregate liability faster than acres.

Empirically disentangling these effects requires microdata, but the coincidence of record insured acres and four consecutive deferrals is consistent with an inducement story. Given that this policy was first introduced in 2012, based on available public records, an event study framework could be used to examine whether its announcement or implementation generated anticipatory effects on demand.

Policy Implications

Weather volatility, concentration of premium on the August 15 billing date, and a farm sector carrying more debt at floating rates all point toward continued requests for interest deferral. Options include:

- **Premium surcharge.** Small, actuarially neutral "deferment surcharge" embedded in base premium to pre-fund future waivers.
- **Targeting relief.** A regional, as opposed to nationwide, design would align relief with actual disaster zones and reduce moral-hazard spillover. Automatic trigger metrics (e.g., U.S. Drought Monitor thresholds) to add predictability and reduce ad-hoc deferrals.
    - Given that RMA tends to apply deferments selectively in regions experiencing disasters, the policy may already operate as a disaster-response mechanism. This targeting reduces the likelihood of observing widespread anticipatory effects and complicates efforts to estimate demand shifts using a standard event study framework.
- **Signaling discipline.** RMA could pre-commit that waivers apply only once per producer in a rolling five-year window, preserving the safety-net rationale while muting expectations.

References

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Disclaimer

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