



Self-Insurance for Farmers and Ranchers – The Captive

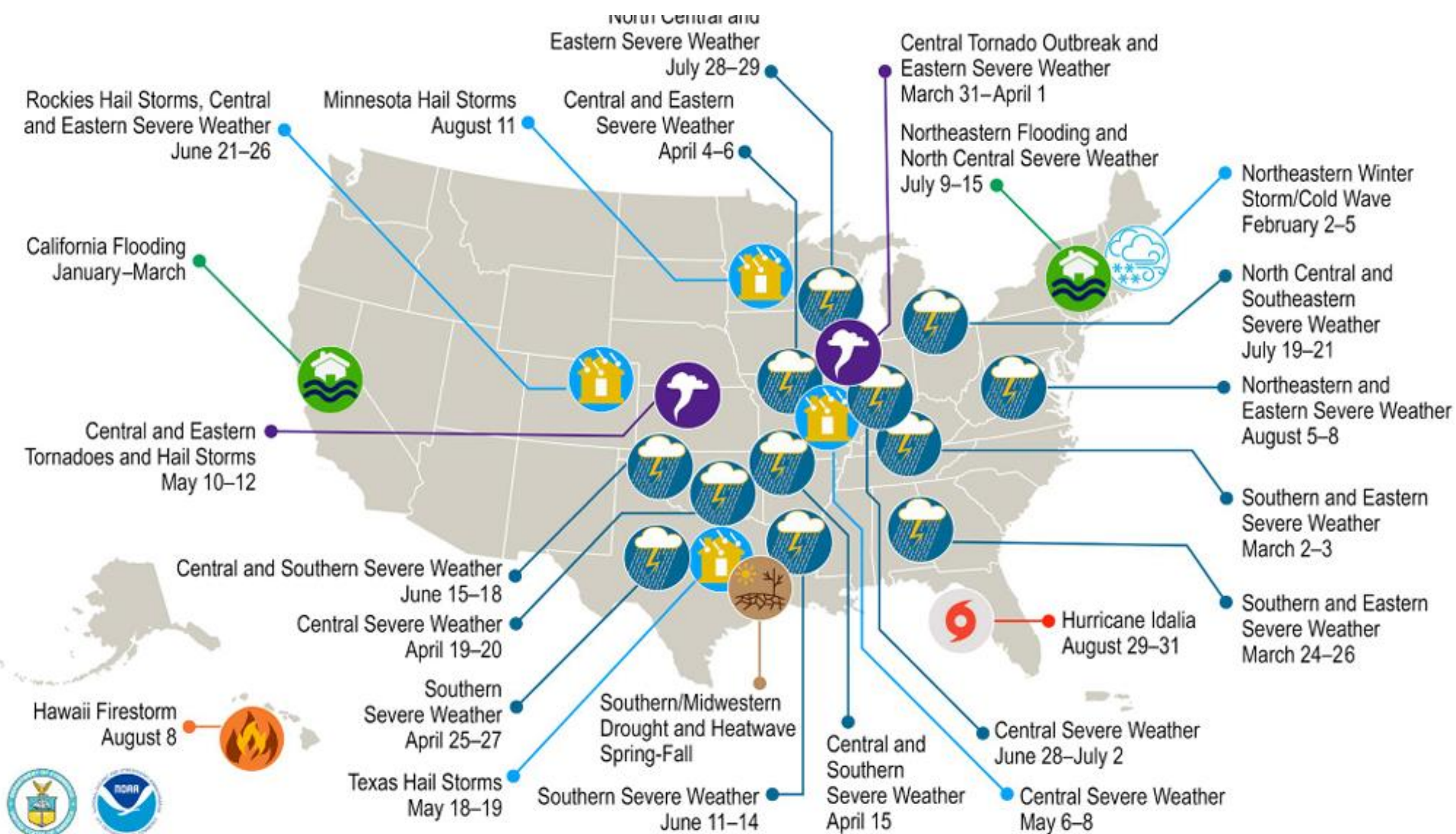
Cory Walters, Associate Professor, Department of Agricultural Economics, University of Nebraska, cwalters7@unl.edu

Phil High and Nolan High, Farmers from Bertrand, NE



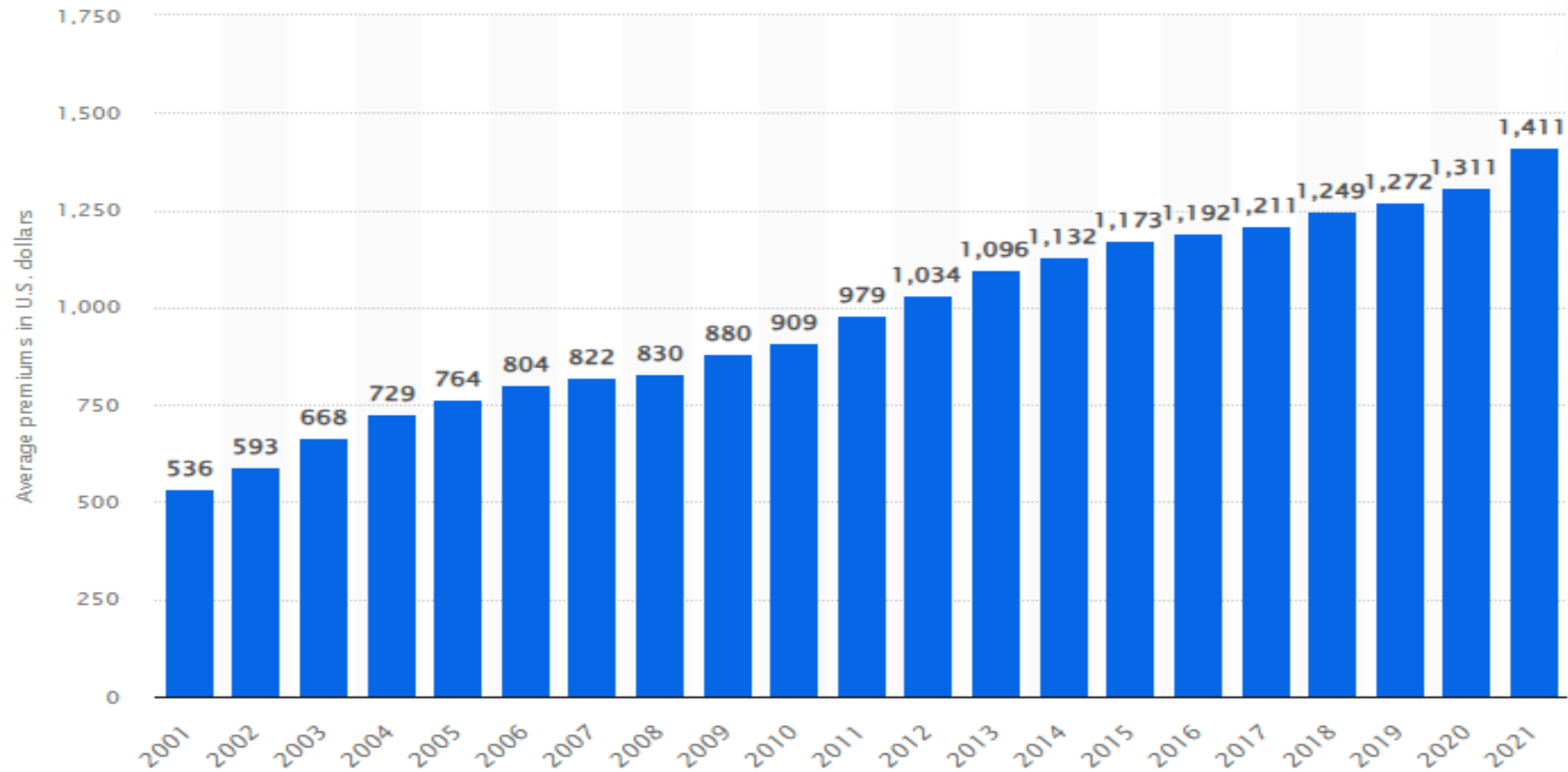
Center for Ag Profitability
Webinar Series

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Lincoln



This map denotes the approximate location for each of the 24 separate billion-dollar weather and climate disasters that impacted the United States through September 2023.

Average Homeowners Insurance Premiums, 2001-2021

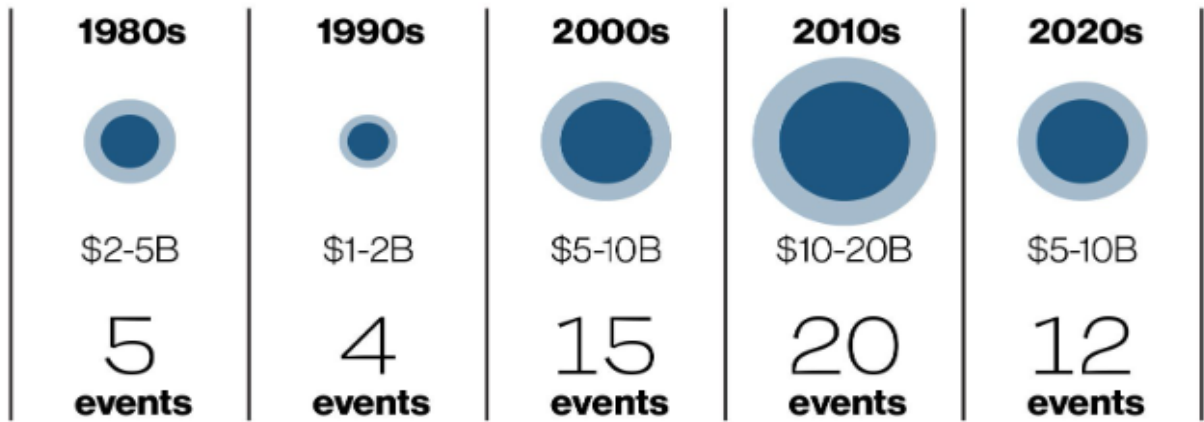


Details: United States; NAIC; 2001 to 2021

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NEBRASKA'S BILLION-DOLLAR WEATHER EVENTS

Over time, more weather and climate events with at least \$1 billion in losses have affected Nebraska.



SOURCE: NATIONAL OCEANIC ATMOSPHERIC ADMINISTRATION

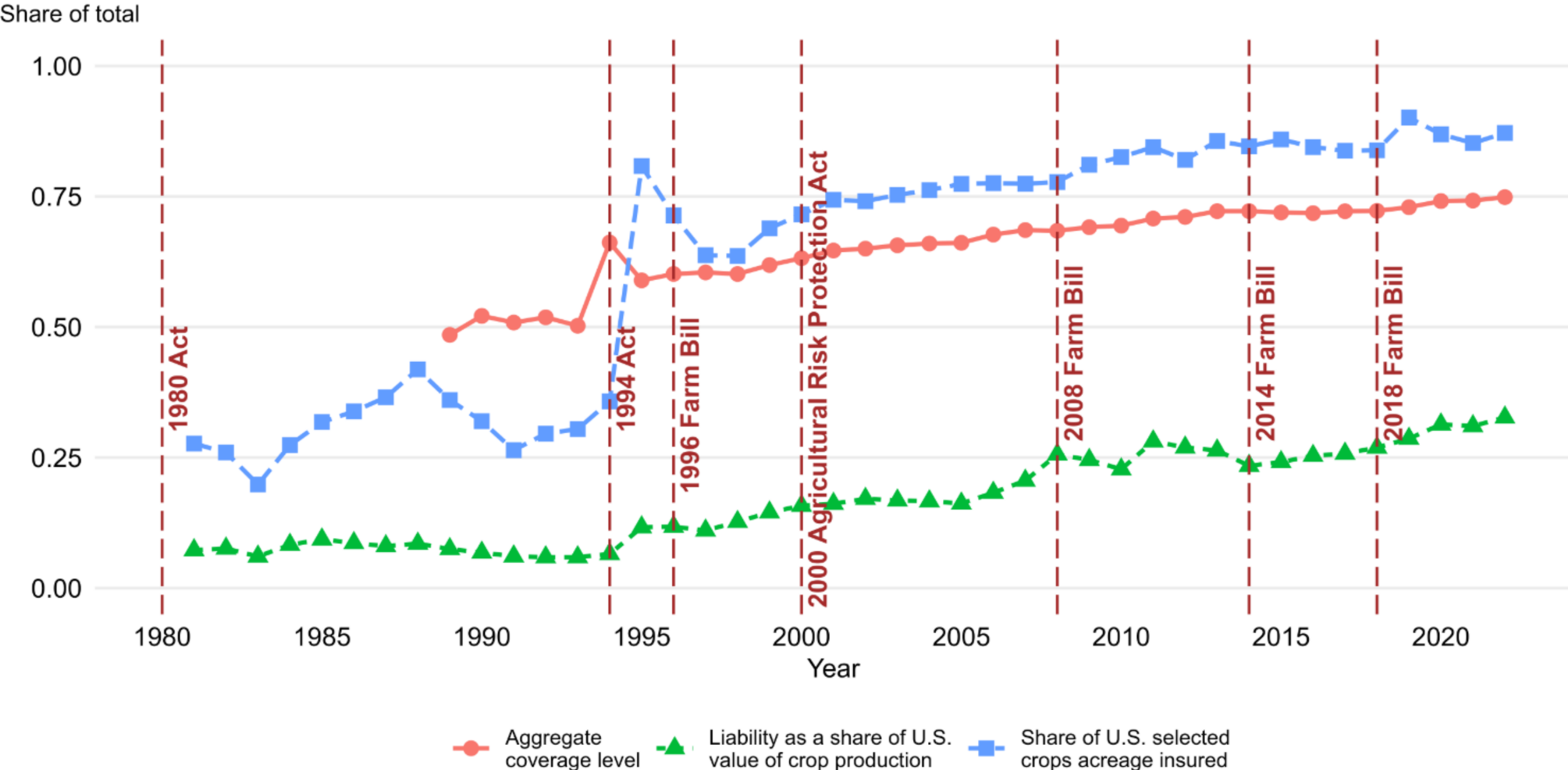
COMPARING NEBRASKA'S INCREASE

The average Nebraska homeowners insurance premium saw the nation's sixth-largest percentage increase between 2007 and 2020.

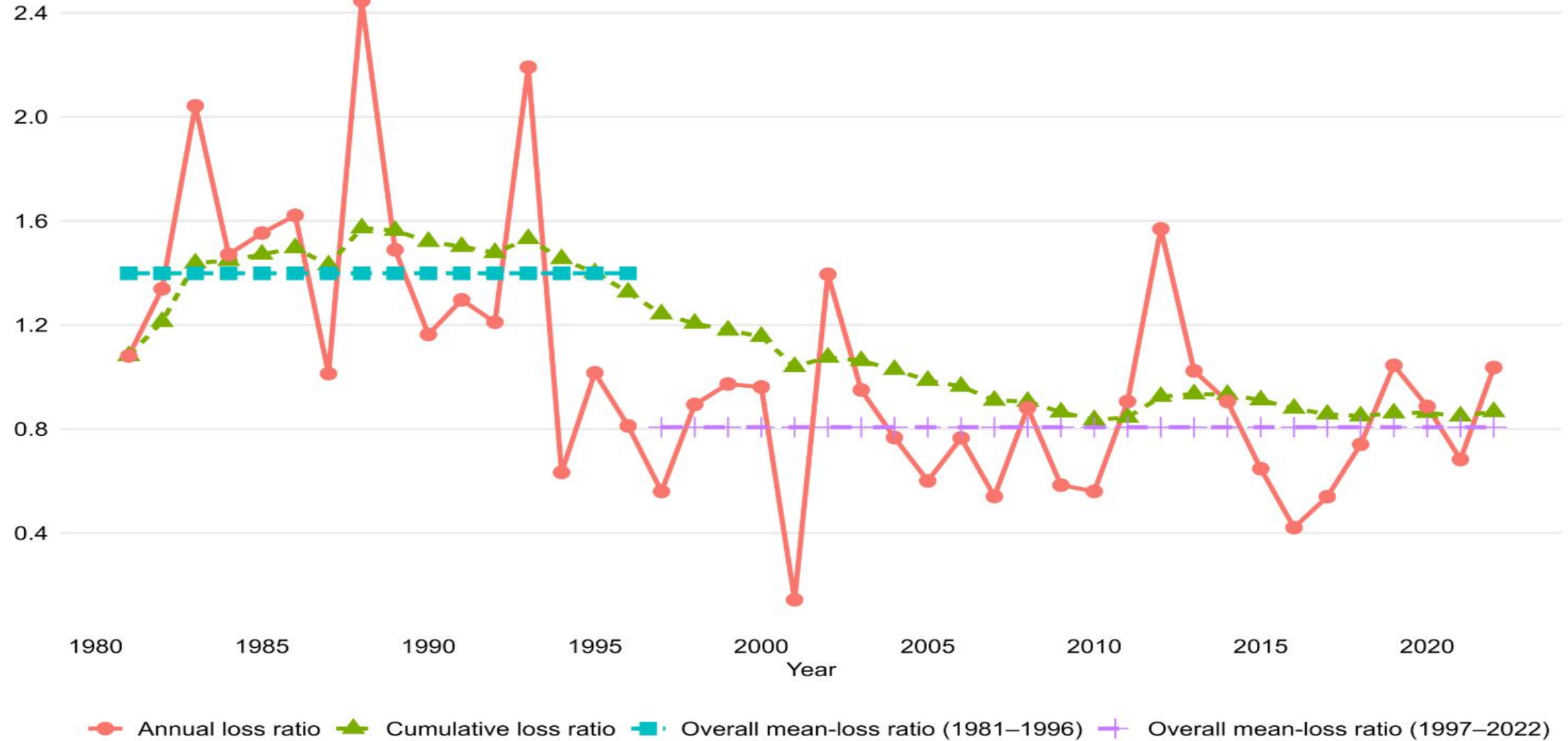


- Source: Flatwater Free Press, Sara Gentzler. ‘Unbelievable’ insurance increases are walloping Nebraska homeowners. Climate change is a big reason why.

U.S. Federal Crop Insurance Program participation, 1981–2022



U.S. Federal Crop Insurance Program loss ratio, 1981–2022



Note: FCIP data are from the Risk Management Agency Summary of Business reports as of May 7, 2024.
Source: USDA, Economic Research Service, using data from USDA, Risk Management Agency.

The Insurance Market

- Agriculture has been historically dominated by the traditional insurance market – i.e., a third-party insurance
- Increases in premiums, declines in coverage (perhaps removed), cash reserves has brought the idea of self-insurance through a captive to the table
- Under a captive your business forms a subsidiary of itself that writes and covers its own insurance products

Captive Insurance

- First 'Captive' – 1953 by Frederic M. Reiss.

Risks Too Big for Insurers Just Fed a \$200 Billion Market Boom in Captives

By [Natasha White](#) | September 4, 2024



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What is a captive?

- Tailored coverage
- Control
- Financial flexibility
- Tax advantages
- Access to coverage
- Cost effective

What have you done and how is the captive strategy working?

U.S. Federal Crop Insurance Program loss ratio, 1981–2022



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