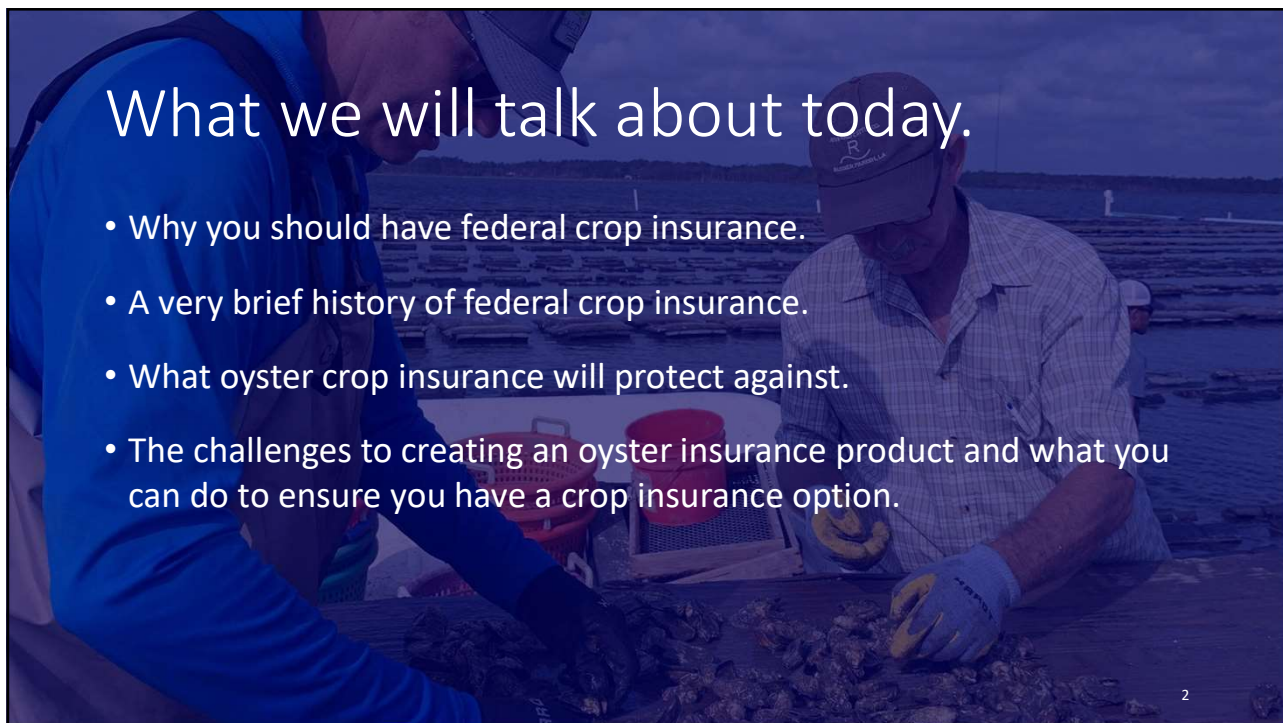




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## Why you should have crop insurance....

- Because farmers with crop insurance finish their careers wealthier than farmers without crop insurance because the insurance absorbs crop losses.
- Crop insurance makes financing easier because crop insurance guarantees your ability to repay creditors.



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## A very brief history of Crop Insurance

- 1939: Crop insurance begins as a pilot program covering wheat and a year later, cotton.
  - **Central Question:** Can crop losses be predicted and can crop insurance help farmers manage the financial consequences of crop losses?
- 1979: Congress answers the question affirmatively
- 1981: Crop insurance becomes a national program and begins expanding to cover many more crops.



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- 2000: The private sector becomes the exclusive developer of crop insurance products.
- 2005: Crop Insurance Systems (CIS) is formed to give growers insurance professionals to represent their interests.

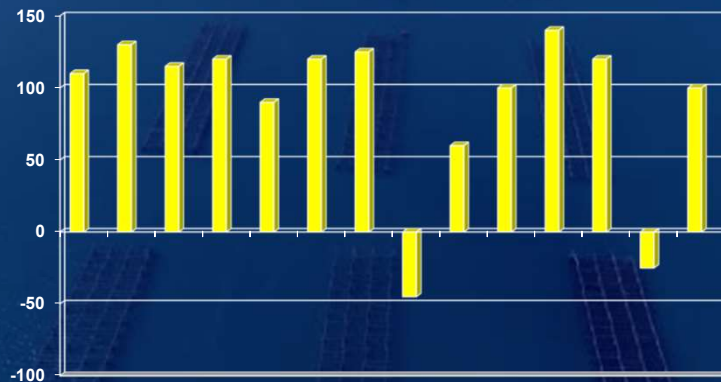
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Oyster Insurance Will Protect You Against	
Protection Against:	No Coverage For:
Adverse weather	Mysterious disappearance
Freeze	Pollution
Excessive Precipitation	Oil spills
Drought	Boycott
Disease	Loss of value
Low salinity	
High Salinity	
Hurricane	
Ice floe	
Storm surge	
Algae bloom	



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## Farmer Income Without Crop Insurance

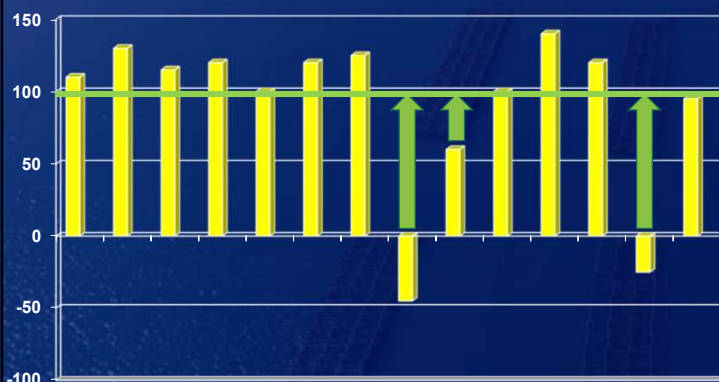


*"Mother nature is your partner; she is not your friend"*  
Bob Rheault

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## Farmer Income With Crop Insurance



### Crop Insurance Benefits

1. Provides a minimum income that helps growers meet their financial obligations when crop yields are troubled.
2. Makes an oyster business a better credit risk.
3. Increases opportunities to expand operations because the risk of loss is transferred to the insurance company.
4. Likely to increase farmer wealth over time because the insurance absorbs the yield shocks.
5. Peace of mind.

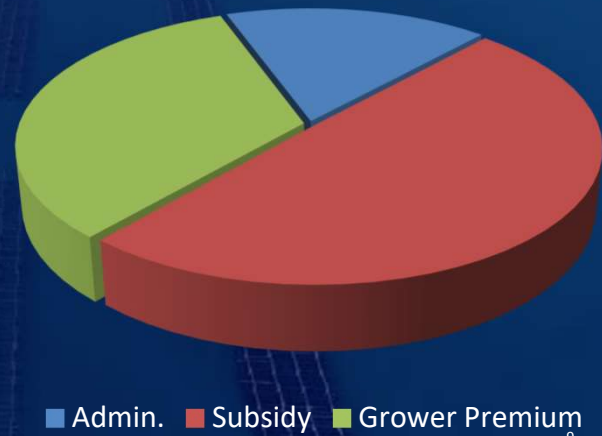
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## What About Crop Insurance Premiums?

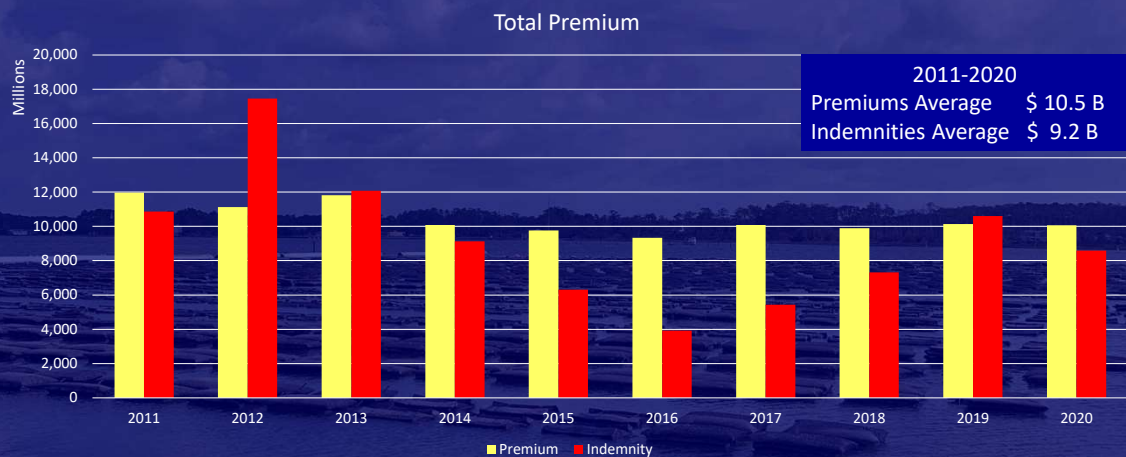
- What is in an insurance premium?
  - Pure Premium: the amount needed to pay for expected insurance losses.
  - Administrative Costs:
    - Research and Development
    - Administration
    - Agent commissions
    - Loss adjustment expenses
    - Profit

Federal Crop Insurance Premiums



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## Ten Years of Total Premium vs Indemnity

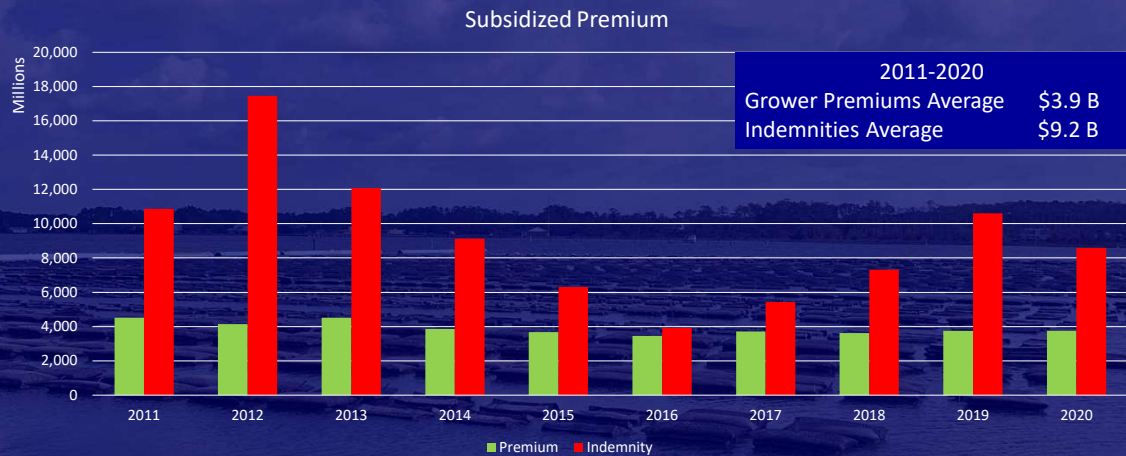


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## Ten Years of Grower Premium vs Indemnity



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## The Insurance Developers Problem



What is Pre loss Value?



What is Post Loss Value?

Devise an accurate system to:

- Set an insurance amount.
- Identify when a loss occurs.
- Determine the amount of loss.
- Estimate insurance cost.

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## What we know about Oyster Crop Insurance.

- The program that seems most appropriate for the oyster industry is an inventory insurance model.
- The inventory model insures the value of oysters held in inventory.
  - At the survival rate for your farm.
  - Based on the price you receive for your oysters.
- Oysters will be valued based on their size.

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## Inventory Model

### Estimating the Oyster Inventory

Inventory Example			
Oyster Size	Oyster Count	Survival Rate	Oysters
½ inch	500,000	85%	425,000
1 inch	425,000	90%	382,500
2 Inch	382,500	95%	363,375
3 inch	363,375	95%	345,206

### Estimating the Oyster Inventory Value

Inventory Value Example			
Oyster Size	Oysters	Value	Inventory Value
½ inch	425,000	\$0.10	\$42,500
1 Inch	382,500	\$0.35	\$133,875
2 Inch	363,375	\$0.65	\$236,194
3 Inch	345,206	\$0.95	\$327,946
		Total	\$740,515

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Insurance Coverage Amount						Post Loss Inventory Value			
Oyster Size	Oyster Count	Survival Rate	Oysters	Value	Inventory Value	Post Loss Inventory		Value per Piece	Ending Value
½ inch	500,000	85%	425,000	\$0.10	\$42,500	85,000	x	\$0.10	= \$8,500
1 inch	425,000	90%	382,500	\$0.35	\$133,875	130,000	x	\$0.35	= \$45,500
2 Inch	382,500	95%	363,375	\$0.65	\$236,194	125,000	x	\$0.65	= \$81,250
3 inch	363,375	95%	345,206	\$0.95	\$327,946	170,000	x	\$0.95	= \$161,500
Total					\$740,515	\$296,750			

Payment Formula				
Inventory Value	Deductible	Insurance Guarantee	Post Loss Inventory Value	Indemnity Amount
\$740,515	- \$185,129	= \$555,386	- \$296,750	= \$258,636

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## Criteria for Approval

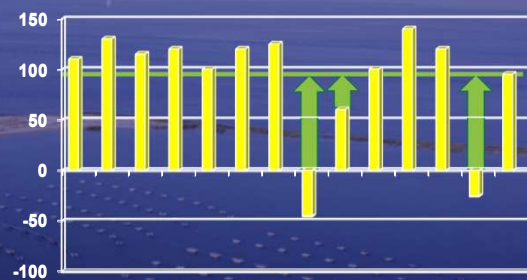
### 1. The Product is Marketable



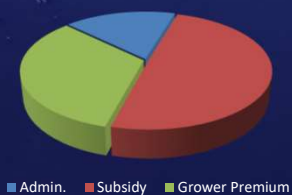
### 4. Can be administered by insurers.



### 2. Protects Grower Interests



### 3. Protects Taxpayer Interests



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## The next steps

To create the insurance program, we need:

- An understanding of your cultural practices.
- A good sample of seeding and harvest records.
- Your comments about the insurance policy and loss adjustment procedures.

How you can help:

- We will run a series of 30-minute virtual meetings through the MAA: Participate in them.
- We cannot prove the program "Protects the Interests of the Growers" or "Protects Taxpayer Interests" without seeding and harvest records: please provide them when asked.

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Thank you for your time.

Can I answer any questions for you?

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