

The 2018 Farm Bill:
Crop Insurance “Good Driver Discount”
Would Reward High Conservation/Low Risk Farmers



The federal crop insurance program provides substantial benefits for farmers, but the system’s method for estimating the risk of a crop loss presents inequities. Some high-conservation/low-risk farmers pay twice as much or more for their premiums as their actual risk would justify, and some low-conservation/high-risk farmers pay half as much or less for their premiums. In the auto insurance industry, low-risk drivers are rewarded with ‘good driver discounts,’ and low-risk farmers should receive similar treatment.

Farmers who adopt conservation measures that build soil health, increase the carbon content of the soil and increase the soil’s water-holding capacity reduce the likelihood they will suffer a large crop loss in a very dry or very wet year. Yet these ‘high conservation/low risk’ farmers pay the same premiums for their crop insurance as farmers who have not adopted the conservation measures and therefore are more likely to have a crop loss covered by crop insurance. With taxpayers paying 62% of crop insurance premiums, taxpayers would also benefit from much broader adoption of conservation measures that make soils more resilient to drought and flooding, the two largest categories of crop insurance loss payouts.

Conservation measures such as conservation crop rotations, no till, cover crops, and prescribed rotational grazing build soil health and they also deliver many public benefits including reduced erosion, improved water quality, increased carbon levels in the soil and additional wildlife habitat. These four practices (and related enhancements) in particular also meet basic three basic criteria:

1. **Ease of Administration.** Each practice has a USDA approved practice definition, which should make it relatively easy for farmers, insurance agents, and agency employees to verify that a practice or enhancement is (or is not) used in a particular field.
2. **Conservation Benefits.** Each practice or enhancement delivers documented conservation benefits for the public, providing soil conservation, reduced runoff, improved water quality, increased soil carbon levels and additional wildlife habitat.
3. **Crop Insurance Savings.** The four measures build soil health and build resilience to the loss of crops or forage during a drought. Separately and when used together the four practices should result in a reduction in crop insurance loss claims.

Crop insurance companies are generally prohibited from offering discounts or rebates for crop insurance policies for selected producers that they do not offer to all eligible producers. That would prohibit an individual insurance company from offering a discount based on soil health, and it likely means that Congress would need to act to provide for a ‘good driver discount’ linked to soil health through good conservation practices and enhancements.

In the 2018 Farm Bill, the League urges Congress to establish a pilot program to provide crop insurance premium discounts to farmers who adopt one or more measures that build soil health (no till, cover crops, conservation crop rotations, and prescribed grazing). That would allow the Risk Management Agency to test the concept, assess the impact of the practices/enhancements on crop insurance payout, and better understand and adjust the appropriate level of discount for adopting each one. Farmers who adopt some combination of the practices/enhancements would receive a crop insurance premium discount that reflects the reduced risk of their operation, and other farmers would be encouraged to explore and adopt the same conservation measures on their lands.

The result would be a win for farmers, taxpayers, and America’s natural resources.