



Farm Credit System Captive Insurance Company Reports Excellent 2016 Results



THE FARM CREDIT SYSTEM ASSOCIATION
CAPTIVE INSURANCE COMPANY
FCC Services, Attorney-in-Fact

The Farm Credit System Captive Insurance Company (the Captive) recently reported its 2016 results, which were highlighted by

underwriting income and healthy investment income, as well as expanded coverages to protect Farm Credit organizations in a time of rapid changes in the financial services and agriculture sectors.

Premiums earned by the Captive, and paid by the member organizations, in 2016 totaled \$16.2 million, a decrease of \$547,611 (3.26%) from the prior year. This was due to significant rate decreases in the casualty lines and declines in scheduled values in the Lenders' Single Interest program, offset by the growth of the System itself, which carries increased insurance exposure. Net income for 2016 amounted to \$10.3 million, an increase of \$743,640 from the prior year, or 7.8% higher, and net investment income increased from the prior year by \$400,969 (13.23%) as a result of an increase in average invested funds from 2015 of \$5,821,644.

"Financially, the Captive had another good year and remains financially solid," says Larry Lawson, President of the Captive and Executive Vice President of Risk Management and Insurance Services with FCC Services. "It continues to return value to the Farm Credit System by providing superior insurance coverage at reduced costs." By buying insurance through the Captive and as a group, Larry says, "the System saved in excess of \$20 million in 2016."

The insurance coverage offered through the Captive was expanded in 2016, providing broader protection against new and existing risks. One such coverage protects against fraud claims stemming from email scams; another is medical stop loss, which covers the self-insured medical trusts of the System against high-dollar claims.

The Captive also continued to deliver superior service, handling 1,029 claims, 845 of which were newly opened during the year. The Risk Management and Insurance Services team closed 837 claims, with 192 still open at the end of the year. Total claims payments totaled nearly \$8 million.



As a result of the Captive's 2016 performance, the Board elected to distribute \$7 million in cash dividends to its System institution members.

FCC Services, along with the Captive Board of Directors, has also brought on board new team members to deepen the Captive's expertise and bench strength. "We've taken steps in the last two years to strengthen our staff and provide solid continuity for management in the years to come," says Larry. "We've positioned the team well to address the emerging and continuing insurance and risk management needs of the Captive and the Farm Credit System."