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## Keeping Insurance Costs Down

Insurance costs are soaring as the industry responds to the slew of natural disasters hitting the country in recent years, as well as the widespread impact of the pandemic and civil unrest. Fortunately, Farm Credit's Captive Insurance Company (the Captive) was able to minimize the impact on the 2022 renewal: Members will see a 5.1% overall rate increase, compared to the 18-23% rate increase typical financial institutions are facing.

"As was the case last year, the Captive was able to insulate Farm Credit from commercial market pressures, even as we increased certain key coverages," says Brian Clanton, Senior Vice President, Risk Management and Insurance for FCCS, which manages the Captive.

The 2022 insurance renewal includes increased earthquake limit coverage from \$50 million to \$75 million, deemed necessary because of increased building costs, modeling and property values in California. The per occurrence limit for cyber insurance is increased from \$140 million to \$220 million due to increasing ransomware attacks, and total limits for liability insurance, which includes workers' compensation, auto liability and general liability, were increased from \$100 million to \$150 million in response to the increasing severity of claims and litigation.

The Captive's group purchasing on behalf of Farm Credit continues to provide savings of \$35 million a year compared with what member organizations would pay if they purchased all their coverage from the commercial insurance marketplace. The Captive also negotiates insurance contract terms tailored for Farm Credit and that contains broad coverage terms not available in the commercial marketplace. It further helps to reduce the cost to member organizations by keeping operating expenses low – less than half of typical insurance companies at only 8% in 2021. Its performance as a self-insurance model is A rated by A.M. Best, a credit rating agency that focuses on the insurance industry.

"The insurance industry continues to be in turmoil, so we're very pleased to have kept Farm Credit's 2022 rate increase low – more than two percent lower than we projected – while also increasing total limits for lines of coverage that address trending risks," says Brian. "We're sure that Farm Credit's story of being a historically safe risk was appreciated by the commercial marketplace."

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— **BRIAN CLANTON**  
SENIOR VICE  
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