

Farm Credit Captive Tempers Skyrocketing Insurance Costs



In the face of double-digit premium increases seen across the commercial insurance industry, the Farm Credit Captive Insurance Company beat both industry trends and its own projections, nailing down a minimal 2.2% increase for the System's 2023 coverage renewal. This increase is less than half of last year's increase, and a fraction of the expected 9.2% increase, representing \$3.3 million in savings over projections.

One major contributor to the successful containment of insurance costs was the Cyber Security Assessment initiated last year and slated to be completed in early 2023. The Cyber Assessment was designed around the 12-control framework cyber insurers assess when setting rates. Based solely on the aggregated data from the first 15 System entities – with individual data kept strictly confidential – the Captive was able to obtain a 2.6% decrease in coverage costs, compared to an expected 20-25% increase in the commercial market.

"The commercial cyber insurance carriers were very impressed with Farm Credit's cyber assessment investment and the transparency we demonstrated."

— **BRIAN CLANTON**
SVP, RISK MANAGEMENT
AND INSURANCE, FCCS

"The commercial cyber insurance carriers were very impressed with Farm Credit's cyber assessment investment and the transparency we demonstrated," says Brian Clanton, Senior Vice President, Risk Management and Insurance for FCCS, which manages the Captive. "As a result of the assessment, some carriers that were not planning to quote ended up offering us additional options, which decreased costs for our members versus a dramatic increase in the industry as a whole."

Also helping to keep costs low was the Captive's active engagement with carriers throughout the year, marketing the value and performance of the Captive and soliciting multiple flat-rate quotes as a result. The Captive accepted a larger portion of certain high-premium coverage risks, for cyber as well as professional liability coverages.

The Captive's group purchasing on behalf of Farm Credit continues to provide savings of more than \$37 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 contain broad coverage terms not available in the commercial marketplace. Its performance as a self-insurance model has for years remained "A rated" by A.M. Best, a credit rating agency that focuses on the insurance industry.