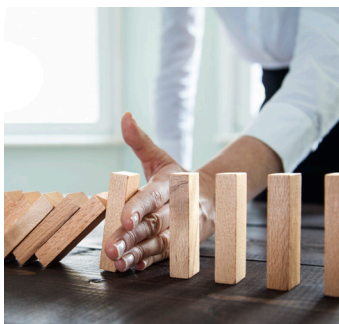


JANUARY-FEBRUARY 2021

Captive Insurance Initiatives for 2021



"The Captive's Risk Management team blends an extensive knowledge of the general insurance marketplace with an unmatched depth of expertise specific to the Farm Credit System."

— **CHRISTINE LASALA**
DIRECTOR, CAPTIVE BOARD

After a fairly tumultuous year, FCCS' Risk Management practice and the Farm Credit System Captive Insurance Company (the Captive) entered 2021 invigorated with new initiatives to serve its members, but facing a challenging global insurance market reacting to unprecedented events, including a slew of natural disasters, the COVID-19 pandemic, property damage from widespread riots and civil unrest, and increased cyber related events.

As a result of several years of turmoil impacting the global insurance market, commercial insurance rates and premiums have significantly increased. Generally speaking, while average percentage premium or rate increases have reached double digits, others have been greater than 100 percent. Mitigating against this trend, the Captive has increased policy limits for some coverages to reduce the overall cost of renewals purchased from the commercial insurance market. While System institutions will see higher premiums, the increases are not nearly as dramatic as they would have been in the absence of the Captive. Members may also see a larger profit distribution following the end of 2021 as a result of the higher premiums paid to the Captive, pending claims activity – a major benefit of the Captive as the profit from these higher premiums, when paid to commercial insurers, are retained by the commercial insurance marketplace. For coverages not placed in the Captive, FCCS is able to negotiate very competitive terms by bringing to bare the System's risks on a group basis.

"As the Captive underwrites only the Farm Credit System's risks, which continue to be extremely well-managed, the premium costs have consistently remained substantially lower when compared to the general property and casualty insurance marketplace, which has enabled us to typically return substantial dividends to our members," says Don Sicard, Vice President, Risk Management and Insurance for FCCS.

The Captive has returned more than \$121 million to the System since its inception.

Cyber risk is another significant focus for FCCS in 2021. Last year, businesses and cyber insurers saw a dramatic increase in cyber security incidences and claims due to the forced remote work environment – attacks on banks increased 238%, and phishing attacks increased 600% in 2020. FCCS has substantially enhanced the cyber coverage over the past five years and will be investigating the option of introducing the Captive to the cyber insurance program for the 2022 renewal. Employment Practices is another coverage area receiving significant underwriting attention given the diverse set of risks that evolved during 2020. This coverage is not currently placed in the Captive.

A third initiative for 2021 is introducing a suite of risk management tools to help Farm Credit entities identify, manage and mitigate risks. A cyber scanning tool offered by Beazley (the System's primary cyber insurer) is being piloted, which when implemented will be able to detect potential IT system security weaknesses that a fraudster could exploit, especially regarding ransomware. Beazley also underwrites the System's primary EPL insurer and offers an online risk management tool that FCCS is currently introducing to Farm Credit's HR leadership.

"The Captive's Risk Management team blends an extensive knowledge of the general insurance marketplace with an unmatched depth of expertise specific to the Farm Credit System," says Christine LaSala, a director on the Captive's board and a 45+ year insurance industry professional. "The Captive continues to deliver tangible value to its members year after year, and the team remains rigorous in identifying new ways to support Farm Credit through a continually evolving business and risk environment. Members receive the value of continuity combined with the expertise to stay on top of emerging issues and the responsiveness to deliver lower-cost solutions."

For more information regarding the Captive, please contact [Don Sicard](#) at 303.721.3290.