

Backgrounder on the Crop Insurance Review

The Saskatchewan Crop Insurance Review was commissioned by the Saskatchewan Minister of Agriculture to identify ways to improve the crop insurance program for producers. The review was conducted by Meyers Norris Penny (MNP). The review included extensive consultation with producers and industry stakeholders, a province-wide producer survey, written submissions, public meetings, producer focus groups, review of federal and provincial program policies, and an analysis of the programs in Manitoba and Alberta.

Recommendations for improvements to the Saskatchewan Crop Insurance Program are summarized below.

1. Introduce yield trending

Yield trending is a proven method of adjusting historical yield data to account for new production techniques, crop varieties and technologies. MNP recommends that the Saskatchewan Crop Insurance Corporation (SCIC) consider introducing yield trending for crops affected significantly by new production alternatives to ensure that the coverage provided to producers is more reflective of actual crop potential.

2. Introduce yield cushioning

Yield Cushioning is a method of limiting the potentially negative effects of a poor crop year on a producer's historical average. MNP recommends that SCIC consider introducing yield cushioning to limit the extent to which a poor crop year can impact both a producer's long-term individual yield (LTIY) and the long-term area yield (LTAY).

3. Shorten yield history and review indemnity for irrigated production

MNP recommends that SCIC consider using a shorter production history for determining a producer's LTIY for irrigated crops to address the length of time required to establish a relevant production history under irrigated conditions. It is also recommended that SCIC investigate the indemnity of irrigated production relative to dryland production to assess opportunities to reduce or eliminate the increased premium under the enhanced irrigation pilot program.

4. Enhance the variable price option (vpo)

MNP recommends that SCIC consider introducing enhancements to the Variable Price Option (VPO) to address producer concerns regarding potential premium increases under the option. To enhance the VPO, MNP proposes the development of an in-season pricing option and elective pricing bands (ranges) to provide producers greater control and certainty regarding their final premium cost.

5. Revise the pricing model for organic crops and pedigreed seed growers

MNP recommends that SCIC consider revising the existing crop pricing model for organic and pedigreed seed production to more accurately reflect prevailing market conditions, along with a suitable premium structure to balance the increased indemnity.

6. Explore re-insurance options to stabilize premiums

MNP recommends that SCIC investigate the merits of a re-insurance approach to offset total program risk. Additionally, MNP recommends that this investigation include an assessment of re-insurance effects on program premiums and indemnity.

7. Increase credits-cap on experience discount

Under the current system, 10 credits are required to achieve the maximum experience discount level, with a maximum potential credit accrual of 13 credits. MNP recommends that SCIC consider increasing the credits-cap to better protect the experience discount of producers who have reached the maximum level of experience credits and continue to demonstrate superior production performance.

8. Introduce targeted premium discounts and incentives

To increase program participation and offer existing users greater incentive to remain enrolled, MNP recommends that SCIC investigate the feasibility of implementing a full participation discount for producers insuring all of their production and/or a loyalty discount for long-time program users with a positive history in the program.

9. Re-introduce spot-loss hail coverage

MNP recommends that SCIC consider the re-introduction of spot-loss hail coverage as a high cost insurance item intrinsically linked to the multi-peril program. It is further recommended that affected stakeholder groups, including private hail insurance providers, be actively engaged in the development of a spot-loss hail program feature.

10. Increase the establishment benefit

The existing establishment benefit has not been adjusted in recent history. MNP recommends that SCIC review the level of coverage provided by the establishment benefit to ensure it is reflective of rising production costs.

11. Review potential multiple contract option for large operations

MNP recommends that SCIC further investigate options for extending multiple contracts to large, geographically dispersed production operations where single contracts may limit program effectiveness.

12. Continue to proactively evaluate new crop varieties for program inclusion

Producers recognize the effectiveness of SCIC's efforts to introduce new crops to the program. MNP recommends that SCIC continue to proactively identify and evaluate new crop types, subject to regulations, for introduction to the program.

13. Investigate potential to increase coverage for weather based programs

MNP recommends that SCIC investigate possibilities for increasing levels of coverage available under weather based programs and determine related premium effects.

14. Evaluate increased weather station density

To assess the effectiveness of increased weather station density in increasing weather based program usage and addressing accuracy concerns, MNP recommends that SCIC undertake a regional pilot study. It is also recommended that, in addition to increased weather stations, SCIC evaluate the cost and benefits of alternative monitoring technologies including satellite data.

15. Reduce producer-borne costs of wildlife damage compensation program

MNP recommends that the Province of Saskatchewan consider extending additional compensation to reduce or eliminate the costs currently borne by producers under the maximum 80% coverage model. If this is not possible, MNP recommends that the Province consider changing the deductible to a fixed dollar amount per claim or per year.

MNP also recommends that the pricing methodologies used in the calculation of wildlife claims be reconciled with those used for the calculation of multi-peril program claims, and that damage to fencing, waterers and tree saplings be added to the list of insured losses.

16. Expand communication to improve program understanding

Crop insurance is a complex program offering a broad array of program options and coverage configuration. MNP recommends that SCIC review and expand its communications strategy to improve producers' understanding of the program, particularly in key areas of concern to producers.

These recommendations are based exclusively on an assessment of program alternatives, responding to stakeholder consultation and a comparative review of other programs in similar jurisdictions. They are designed to support the achievement of the review mandate as described, with the recognition that a balance must exist between the added benefits of suggested improvements and recovery of program costs through premiums and federal cost sharing arrangements. The recommendations have been developed with consideration to actuarial soundness and WTO green box compliance; however further analysis is required to understand the actuarial, financial and operational feasibility of suggested improvements.