CASE STUDY

CAPTIVE RISK POOL FOR TREE CROPS / AGROFORESTRY



PRODUCTION CHANGE: Agroforestry implementation

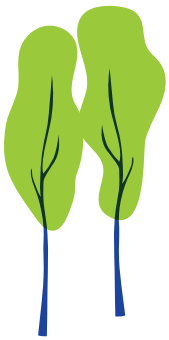
FOCUS REGION: Appalachia

EXISTING INSURANCE OPTIONS:

Agroforestry is the intentional planting of trees into crop and livestock production systems designed to protect and rehabilitate soils, improve water quality, enhance biodiversity and diversify farm income. There are a handful of insurance options available for farmers aiming to implement agroforestry to their existing crop and/or animal production systems. Federal program options include the Noninsured Crop Disaster Assistance Program (NAP), the Tree Assistance Program (TAP), and Whole Farm Revenue Protection (WFRP). Farmers and project managers can also access the Federal Crop Insurance Program's 508(h) program to create an insurance coverage option for a new crop. Private market coverage options like parametric insurance also exist.

INSURANCE GAPS:

Today's insurance options for tree crops are inadequate for the proper scaling of agroforestry practices on American farms. NAP, TAP, and WFRP have relatively low coverage ceilings and gross income limits which prevent their use at scale. Heavy data requirements and long processing timelines make the USDA's 508(h) product challenging to meet short-term needs. Lastly, parametric insurance can be too expensive for agroforestry systems.



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PROPOSED SOLUTION:

Agroforestry Partners is proposing captive insurance as an option for agroforestry adopters. Captives allow the operator or parent organization (like Agroforestry Partners) to create a sister insurance agency that protects their underlying assets, in this case the agroforestry tree assets. Captives can be easier to construct and they enable control and return of premium payments over time. Agroforestry Partners has created a captive to protect its 1,600 acre project of chestnut agroforestry in Kentucky. Ultimately, the company plans to partner with other partners involved in agroforestry to enable them to use this captive agency to protect their tree crop assets as well.

KEY STAKEHOLDERS:

Captive insurance managers, investors, farmers/ landowners, project developers.

Case study content provided by Agroforestry Partners.

CURRENT STATUS: Pilot ready.

Agroforestry can improve soil, water, and income — but scaling tree crop systems is risky. Tree crops require large upfront investment that must be protected from extreme weather hazards.

PATHWAY TO SCALE:

If the chestnut pilot in Kentucky is successful, Agroforestry Partners plans to work with partners to use this captive vehicle to protect their projects. The process to broaden coverage is relatively cheap and simple, and shared data could be used over time to create federally subsidized products inside the FCIP.

