

The facts about Alberta crop insurance premiums

Why are crop insurance premiums going up?

The 2023 crop insurance premium increase is mainly due to higher crop prices, more producers participating in the insurance program and impacts from the 2021 drought.

All efforts are made to ensure premiums remain affordable to clients, that coverage reflects the value of their crop, and that participation remains constant year to year.

The 60 per cent increase referenced in Alberta's Fiscal Plan relates to the 2022 budgeted premium compared to the 2023 budgeted premium, and not actual premiums. Budgeted rates are estimates, prepared months before prices and premium rates are finalized. This year's increase in premiums is actually an average of 22 per cent over what producers paid in 2022.

Caps and rate increases

As a government-backed entity, AFSC can take a long term approach to its insurance programs. AFSC is not striving to recover losses in a short period, and uses a 25-year time period to try and ensure that rate increases are predictable and stable.

Caps exist on premium rates, which means that changes to actual premium dollars paid by AFSC clients are highly related to price changes in markets they are exposed to. The price of the commodity directly affects the cost of the premium. For example, if the price of wheat increases by 10 per cent, the cost of insurance premiums for wheat will rise by 10 per cent.

Insurance coverage that adjusts to market conditions allows farms to accurately insure their crops based on the market they are exposed to.

Once the area rate is calculated, it is individualized by adjusting for clients' experience in the program. If the client has paid premiums for years without receiving an indemnity, they will likely have a discount. If they have had successive years of losses, they will likely pay a surcharge.

Commodity prices

Most commodities have seen increases to the spring insurance prices compared to the prior year.

PRICE CHANGES FOR SELECT MAJOR CROPS COMPARED TO 2022

(directly related to dollar premium)

Crop	% change
Hard Red Spring Wheat	17%
Feed Barley	9%
Canola	12%
Yellow Field Peas	2%

Government funding for AFSC

Alberta's government recognizes how hard our farming community works to put safe, nutritious food on tables in our province and around the globe.

Budget 2023 includes an additional \$61.4 million to make sure Agriculture Financial Services Corporation (AFSC) insurance programs have appropriate funding to support producers during challenging times.