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Insurance companies can use these gains in a variety of ways: the development of new products, covering additional business expenses, expanding their businesses, reserve for future losses, etc. Also, part of any underwriting gains made by the insurance companies is held in reserve by the government for a period of time to cover possible future underwriting losses.

Crop insurance projections for the 2000 crop year indicate that the five Iowa crop insurance companies will sell just over $1 billion worth of insurance covering nearly $14 billion of crop value. They are projected to receive reimbursements of $200 million for administrative, operating, and loss-adjustment expenses. The companies are also projected to earn roughly $100 million in underwriting gains. These figures imply that the Iowa crop insurance companies will receive $300 million to conduct their business, pay their employees, etc. Not all of this money will reach the Iowa economy since all of the companies have agents, employees, and/or regional offices in other states. And, in addition part of the underwriting gains will be held in reserve. However, assuming 25 percent of these funds are used to pay the salaries of Iowa employees and the services required to conduct business here, an additional $75 million is added to the Iowa economy through crop insurance.

Thus, (conditional on the assumptions used) crop insurance is projected to add more than $160 million to the Iowa economy in the year 2000. More than half of the impact is in the form of direct benefits (insurance payments) to Iowa farmers. The other portion originates from the employment of people and services by the crop insurance companies. Other unquantified impacts on the Iowa economy due to crop insurance would arise from the additional benefits crop insurance can provide producers, such as stronger borrowing power and additional forward contracting capabilities.