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EVALUATING THE EFFECTIVENESS OF THE SCL PROGRAM ON REDUCING CROP INSURANCE FRAUD AND ABUSE: A ROAD MAP

Abstract:

To substantially increase economic understanding of fraud mitigation efforts in the Federal crop insurance program in the US and their impacts on the moral hazard behavior of insured producers, this study carefully evaluates the overall effectiveness of the Spot Check List (SCL) program in reducing crop insurance fraud, waste, and abuse. Specifically, in this study, we:

(1) Develop a theoretical model to examine how farmers on the SCL will change their claims filing behavior;

(2) Estimate the effect of the SCL on the amount and magnitude of claims filed by those farmers on the list;

(3) Estimate the spillover effect of the SCL on the amount of claims filed by farmers who are neighbors of those farmers on the list;

(4) Estimate the effect of the SCL on the total amount and magnitude of claims approved by insurance adjusters who work with those farmers on the list.

Keywords:

Insurance Fraud; Crop Insurance; Spot Check List