A Survey of Mississippi Forest Landowners’ Preferences for Standing Timber Insurance

2010

Conducted for the Department of Forestry
By
The Human Dimensions & Conservation Law Enforcement Laboratory
Forest & Wildlife Research Center
Mississippi State University
Section I: General Information

1a. How many acres of forestland did you own in Mississippi in 2009? ___________ Acres

1b. For the total acres reported in Question 1a, please fill in the following table about forestland acreage:

<table>
<thead>
<tr>
<th>Species Category</th>
<th>Description</th>
<th>Acres</th>
<th>Percent merchantable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Estimate the number of acres for each type</td>
<td>Estimate the % of acres that are merchantable (e.g. most of the trees are pulpwood size or bigger)</td>
</tr>
<tr>
<td>Planted pines</td>
<td>Pine plantations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural pines</td>
<td>Mostly natural pines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed pine and hardwood</td>
<td>Substantial amounts of both pines and hardwoods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardwoods</td>
<td>Mostly hardwoods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cutover</td>
<td>Recently harvested and unplanted, but will remain in timber production</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. How long have you owned your Mississippi forestland? ___________ Years

3. How did you acquire your Mississippi forestland? Please check only one.
   - [ ] Purchased it
   - [ ] Inherited it
   - [ ] Gifted
   - [ ] Other (please specify) ___________

4. What form of ownership applies to your Mississippi forestland? Please check only one.
   - [ ] Individual or joint ownership
   - [ ] Family partnership or corporation
   - [ ] Business partnership
   - [ ] Club or association
   - [ ] A corporation that does not produce forest products
   - [ ] Others (please specify) ___________

5. What has been your primary goal for forestland ownership? Please check only one.
   - [ ] Timber production
   - [ ] Land investment
   - [ ] Hunting and fishing
   - [ ] Esthetic enjoyment and recreation
   - [ ] Pass the ownership to children
   - [ ] Others (please specify) ___________

6. In what county is your forestland located? ________________
   (If your land is in more than one county, please report the county that has the most.)

7. Have you, or other forest landowners you know personally, ever sustained a 5% loss or greater to standing timber due to a natural disaster (e.g. fire, tornado, hail, sleet and hurricane, insects, disease etc) or timber theft?
   [ ] Yes
   [ ] No

8. Are you aware of any government program that provides financial or technical assistance to landowners who suffered losses to their standing timber due to natural disasters (e.g. fire, tornado, insects, disease, hail, sleet and hurricane, etc)?
   [ ] Yes
   [ ] No

   If yes, please write down the name of the program ___________

9. Have you, or other forest landowners you know personally, ever received financial or technical assistance for timber losses after natural disasters?
   [ ] Yes
   [ ] No

10. Have you ever bought any kind of insurance for your forestland (e.g. hunting liability insurance, general liability insurance, insurance for standing timber loss)?
    [ ] Yes
    [ ] No
Section II: Evaluation of Risk and Risk Management.
We would like to ask you a few questions about your attitude toward risk.

Part A. For the following types of risk associated with forest investments; please indicate your level of concern with each. Please check only one box for each item.

<table>
<thead>
<tr>
<th>Risk Items</th>
<th>Not concerned</th>
<th>Slightly concerned</th>
<th>Concerned</th>
<th>Very concerned</th>
<th>Extremely concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks due to physical natural disasters such as fire, hurricanes, tornadoes, ice storm, drought, or flood.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Risks due to biological natural disasters such as insects, disease, or animal damage.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Risks due to liabilities associated with timberland ownership such as hunting-related liability, liability for personal injury to those on your land, liability for escaped control burns, etc.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Part B. please check the box that most accurately expresses your agreement with each statement

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the conduct of business, I prefer certainty to uncertainty.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>I am willing to accept the risks of timber ownership, including fire, hurricanes, tornadoes, ice storm, insect and disease, timber theft, and liability.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>I am willing to take higher financial risks in order to realize higher than average returns.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>I am reluctant to adopt new ways of doing things until I see them working for others.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>I am more concerned about large losses to my forest investment than about missing a substantial gain.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Part C. Assume there is a 50/50 chance that your income could increase by 10% or decrease by 10% next year. What percent of your income would you pay to completely eliminate that risk? __________% 

Part D. How effective do you believe forest management is in reducing your forest risks of natural disaster on a scale from 1 (NOT EFFECTIVE) to 5 (EXTREMELY EFFECTIVE)?

Forest management activities such as: thinning to reduce susceptibility to insects & diseases; control burning (fuel treatment) to reduce wildfire risk, etc.
Section III

This section describes a hypothetical insurance product that covers losses to standing timber. Standing timber includes timber of all sizes: seedlings, saplings, pulpwood, poles, and sawtimber. The policy will pay for the damages up to the amount insured, less any deductible, if losses occur to your standing timber from any of the perils covered. The policy has four attributes that may vary: what perils are covered, the premium rate, the deductible and the insurance level.

- **Perils Covered:** covered natural disasters- may include any of the following, or combination thereof: fire, wind (tornado, hurricane, and high wind), sleet and hail; insects, disease; drought; and timber theft.

- **Deductible:** % of total value of the standing timber - The deductible is the percentage of total value of your standing timber that must be covered by the insured in the event of a loss.

- **Premium Rate:** $ per $1,000 - The amount the insured must pay for insurance per $1,000 of standing timber value insured. For example, if you want to insure standing timber valued at $150,000 with $5 per $1,000, the total premium would be $750 annually. \( \frac{\$5}{\$1,000} \times \$150,000 = \$750 \)

- **Insurance Level:** In case of a loss, the deductible is applied at the level selected.
  - **Stand Level:** The deductible is allocated across stands in proportion to the value of each stand. If a loss occurs in a specific stand, only the deductible allocated to that stand applies. Stand level insurance may reduce the deductible that is applied in case of a loss.
  - **Property Level:** In the case of a loss, the full deductible applies, regardless where the loss occurs.

**Part A. Assessment of Willingness to Pay for Standing Timber Insurance**

Please indicate whether you would be willing to purchase the insurance product described below for YOUR standing timber.

**Q1.** The premium rate is $________ per $1,000 of timber value, the deductible is 3% and losses from fire, sleet, hail, drought, wind, insects, disease, flood, and timber theft are covered. Would you be willing to purchase the insurance?

- [ ] Yes
- [ ] No

If you answered YES to Question 1 above, please go to next page.

If you answered NO to Question 1 above, please go to Q2.

**Q2.** Would you be willing to pay any positive amount for this policy with a 3% deductible?

- [ ] Yes
- [ ] No

If you answered NO to Question 2 above, please go to next page.

If you answered YES to Question 2 above, please go to Q3.

**Q3.** What is the maximum amount you would be willing to pay for this standing timber insurance if yes is your answer in question 2?

\[ \text{__________} \text{$_{Per}$ $1,000} \]
Section IV. Landowner Characteristics

1. Please indicate, on a scale from 1 (NOT IMPORTANT) to 5 (VERY IMPORTANT), the importance of income you obtain from your forestland (i.e. timber production, hunting lease, recreation, etc). Circle only one number.

<table>
<thead>
<tr>
<th>Not Important</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Very Important</th>
<th>5</th>
</tr>
</thead>
</table>

2. What is your age? ___________ years-old;

3. What is your gender? Female ☐ Male ☐

4. How many dependents do you have? ___________

5. What is your race?
☐ White / Caucasian ☐ Black / African American ☐ Asian / Pacific Islander
☐ Arabic / Middle Eastern ☐ Native American Indian ☐ Hispanic ☐ others

6. Do you live within 20 miles of your rural property? (If your land is in several parcels, indifferent locations, please answer for the largest parcel.) Yes ☐ No ☐

7. Which best describes your highest educational attainment (Please check one.)
☐ Not a high school graduate ☐ High school graduate (including equivalency)
☐ Some college or associate degree ☐ Bachelor’s degree
☐ Master’s degree ☐ Doctoral degree or Professional degree

8. Which of the following best describes your annual household income before tax? (Please check one)
☐ Less than $ 30,000 ☐ $30,001-40,000 ☐ $40,001-50,000 ☐ $50,001-60,000
☐ $60,001-70,000 ☐ $70,001-80,000 ☐ $80,001-90,000 ☐ $90,001-100,000
☐ $100,001-110,000 ☐ $110,001-120,000 ☐ $120,001-130,000 ☐ $130,001-140,000
☐ $140,001-150,000 ☐ $150,001 or more