

# The Food, Conservation and Energy Act of 2008

## Title XII – Crop Insurance and Disaster Assistance

- **IMPROVES FINANCIAL SOUNDNESS OF PROGRAM:** The bill reduces statutory national loss ratio from its current 1.075 to 1.0. Under current law, the Risk Management Agency must establish premium rates for crop insurance so that indemnities paid are projected to exceed total premiums paid by no more than 7.5 percent, stated as a loss ratio of 1.075. Under the farm bill, this loss ratio will be changed so that projected indemnities must match total premiums paid.
- **PROVIDES NEW TOOLS FOR CROP INSURANCE COMPLIANCE:** The bill bars farmers from collecting commissions as agents on policies in which they or their immediate family members have a substantial beneficial interest if more than 30 percent of their total commissions are derived from policies sold to operations in which they or their immediate family have a beneficial interest. The bill also modifies unclear statutory language on paying crop insurance discounts and prohibited rebates, and strikes statutory authority for Premium Reduction Plan (PRP).
- **IMPROVE USEFULNESS OF PROGRAM TO ORGANIC FARMERS:** The crop insurance title requires USDA to evaluate premium levels and price elections for on organic crops, requiring both to be established by price and loss history for individual organic crops and other available data and information.
- **MODIFIES THE REIMBURSEMENT RATE:** The bill sets the reimbursement rate paid to companies for delivering crop insurance at an average of 18.5 percent, a modest reduction intended to account for the substantial increases in overall revenue paid to the crop insurance companies in the last few years due to higher crop prices. The provision will allow half of the reduction to be restored in states that suffer significant crop losses in a given year, to help companies and agents deal with higher costs associated with adjusting the crop losses experienced by farmers. It also reduces reimbursement for area insurance plans, which do not require companies to perform loss adjustment, and for catastrophic policies.
- **UPGRADES TECHNOLOGY TO HELP TIGHTEN SYSTEM AGAINST FRAUD AND ABUSE:** The bill provides badly needed funds to upgrade the computer systems at the Risk Management Agency, and to allow the continuation of the RMA's very successful use of data-mining to assist in detecting fraud or abuses committed against the program.
- **SUPPORTS CROP INSURANCE RESEARCH AND DEVELOPMENT:** Growth in organic agriculture, dedicated energy crops, poultry production, aquaculture, increasing interest in whole farm revenue insurance, and needs of beginning farmers necessitates research and development of new and improved crop insurance products. The bill instructs the Risk Management Agency to undertake research and development in these areas and establishes several pilot programs for new crops such as camelina, sesame, and grass seed. It also requires

RMA to establish a review process for the price election determination for grain sorghum, and develop a new, more transparent process if warranted.

- **PROVIDES FARMERS GREATER FLEXIBILITY IN GETTING FAIR INDEMNITIES FOR LOSSES:** The crop insurance title allows farmers an option to delay settlement of their crop insurance claim for up to 4 months in order to measure accurately the quantity of a commodity stored in on-farm facilities to determine crop losses for insurance purposes. It also allows farmers with complaints about crop loss determinations the opportunity to pursue both informal agency review and mediation, at their option.
- **NEW TIMEFRAMES FOR PREMIUM AND EXPENSE PAYMENTS.** The bill implements a timing shift for farmers paying premiums and for companies receiving expense reimbursement and underwriting gains starting in 2012. It also raises the administrative fee for catastrophic insurance coverage from \$100 to \$300 per crop per county and increases the administrative fee for the Noninsured Crop Assistance Program (or NAP), from its current \$100 to \$250 per crop per county. It also modestly reduces the funding available for reimbursements, contracting, and partnerships for research and development.
- **PROVIDES REGULAR OPPORTUNITY TO REVISIT INDUSTRY'S FINANCIAL SITUATION:** The bill allows renegotiation of the Standard Reinsurance Agreement for the reinsurance year beginning July 1, 2010, and once during every five years thereafter, and requires RMA to consider alternative means of establishing reimbursement rates to crop insurance companies.
- **IMPROVES NAP COVERAGE FOR AQUACULTURE:** The bill requires FSA to pay losses on aquaculture operations due to drought if covered by an NAP policy.
- **IMPROVES ACCESSIBILITY OF RESEARCH AND DEVELOPMENT FUNDS:** The bill provides an alternative process for developing crop insurance products by allowing companies or groups preparing proposals to receive up to 50 percent of estimated costs in advance.
- **REQUIRES REPORT ON DECLINING YIELDS:** The bill requires the Secretary of Agriculture to report on administrative options to address issues relating to the effect of declining yields on producers' actual production histories
- **ESTABLISHES FISHERIES DISASTER ASSISTANCE:** The bill provides funds to assist members of fishing communities in California, Oregon, and Washington harmed by salmon fisheries failures.
- **ESTABLISHES A NEW DISASTER ASSISTANCE PROGRAM:** The bill includes a disaster assistance program to assist farmers who lose their crops, livestock, or trees or suffer from shallow losses due to disasters such as floods or drought. The program complements the existing crop insurance program by providing additional assistance to farmers based on loss of crop revenue for their whole farm operation<sup>2</sup>. The additional payments are based on their level of losses compared to a benchmark generally based on 115 percent of their level of crop insurance coverage purchased at the beginning of the crop year.