



Washington Report February 26, 2010

CIRB News...

CIRB Coordinating Reinsurance Call with RMA, Continuing to Engage. Now that the Risk Management Agency has released the second draft of the Standard Reinsurance Agreement, CIRB is arranging an opportunity for its reinsurance members and others in the industry to discuss the latest draft with RMA Administrator Bill Murphy by phone. CIRB is also continuing to engage with Congressional staff and other crop insurance industry representatives on the next steps in the SRA process. CIRB will be present at the National Crop Insurance Services meeting to take place on March 9th and 10th in Kansas City. For more information, please contact Mike Torrey or Paul Bleiberg at (202) 544-0067.

SRA News...

RMA Releases Second Draft of SRA. This week, RMA formally released the second draft of the SRA, along with the accompanying appendices. CIRB reported last week on some of the changes made from the first draft. To view the SRA and other documents, click [here](#).

NCIS: Still a Wide Gap in Negotiations. In a press release, National Crop Insurance Services noted that the funding cuts included in the second draft of the SRA, though somewhat less severe, continue to be “excessive and unrealistic.” NCIS President Bob Parkerson conveyed his disappointment that RMA did not seriously consider the industry’s recommendations for streamlining and improving the implementation process for the federal crop insurance program. Instead, he noted, RMA did the opposite, making some tasks more expensive while calling for substantial funding reductions. The second draft reduces the anticipated funding cuts by \$1.5 billion over 10 years, from \$8.4 billion to \$6.9 billion. To view the press release, click [here](#).

Agents Decry Second Draft. In a letter to RMA Administrator Bill Murphy and USDA Undersecretary for Farm and Foreign Agricultural Services Jim Miller, several crop insurance agent organizations condemned the latest draft SRA for including several provisions that would put the crop insurance program at risk and jeopardize thousands of rural jobs. The groups criticized the inclusion of a cap on agent commissions, noting that this would hinder competition, remove key service incentives, and deter agents from writing crop insurance in high-risk areas. The letter noted that allowing companies to offer agents “profit-sharing” options, as included in the new draft, would introduce an element of uncertainty to a generally reliable revenue stream for rural businesses. Furthermore, the groups stated that if profit-sharing is based on production levels, then smaller

AIPs, which often write in underserved states, will be put at a disadvantage. Signers included the Independent Insurance Agents & Brokers of America, the National Association of Crop Insurance Agents, and the National Association of Professional Insurance Agents. To view the letter, click [here](#).

Congressional News...

Vilsack Discusses Crop Insurance Cuts at House Hearing. This week, the House Appropriations Subcommittee on Agriculture held a hearing to discuss the Obama Administration's proposed Fiscal Year 2011 USDA budget with Agriculture Secretary Tom Vilsack. Iowa Republican Tom Latham inquired about the anticipated cuts to crop insurance, and Vilsack defended the proposed SRA on the grounds that rebalancing is necessary in the crop insurance industry. He also stated that companies have seen strong profits in 13 of the last 15 years. Therefore, Vilsack said, the Department's proposal to reduce the industry's average underwriting gains from 16 percent to 12 percent per year is fair. For more information, click [here](#).

Peterson and Lincoln Outline Challenges for Agriculture. In a discussion with rice producers this week, House Agriculture Chairman Collin Peterson and Senate Agriculture Chairwoman Blanche Lincoln addressed a range of issues of importance to American agriculture. According to Agri-Pulse Communications, Inc., Lincoln noted that she is currently fighting the Administration's proposed budget cuts for the 2011 fiscal year and working to build support for an additional \$1.5 billion in disaster assistance. Peterson outlined the battle facing agriculture in the coming months, as budget pressures continue to put program cuts on the table. He called for an early start on the next Farm Bill, asking producer groups to begin thinking about how to construct a more effective safety net for farmers.

Congress Continues to Focus on Economy and Healthcare. Following Senate approval of a \$15 billion "jobs" package earlier this week, both chambers are working to extend a range of expiring programs, including COBRA health benefits for jobless workers, unemployment insurance, and surface transportation funding. Democratic leaders have cited the importance of these programs to economic recovery. Additionally, President Obama this week convened a bipartisan summit on healthcare reform, which both parties have used to score political points. It is unclear how Congress will proceed with healthcare legislation, but thus far, the summit appears to have yielded little substantive progress.

USDA News...

FCIC Board Holds February Meeting. The Federal Crop Insurance Corporation's Board of Directors met this week from Wednesday, February 24 through Thursday, February 25. For more information, click [here](#).

Loss Adjustment Manual Standards Handbook for 2010 and Succeeding Crop Years. To view the Handbook, click [here](#).