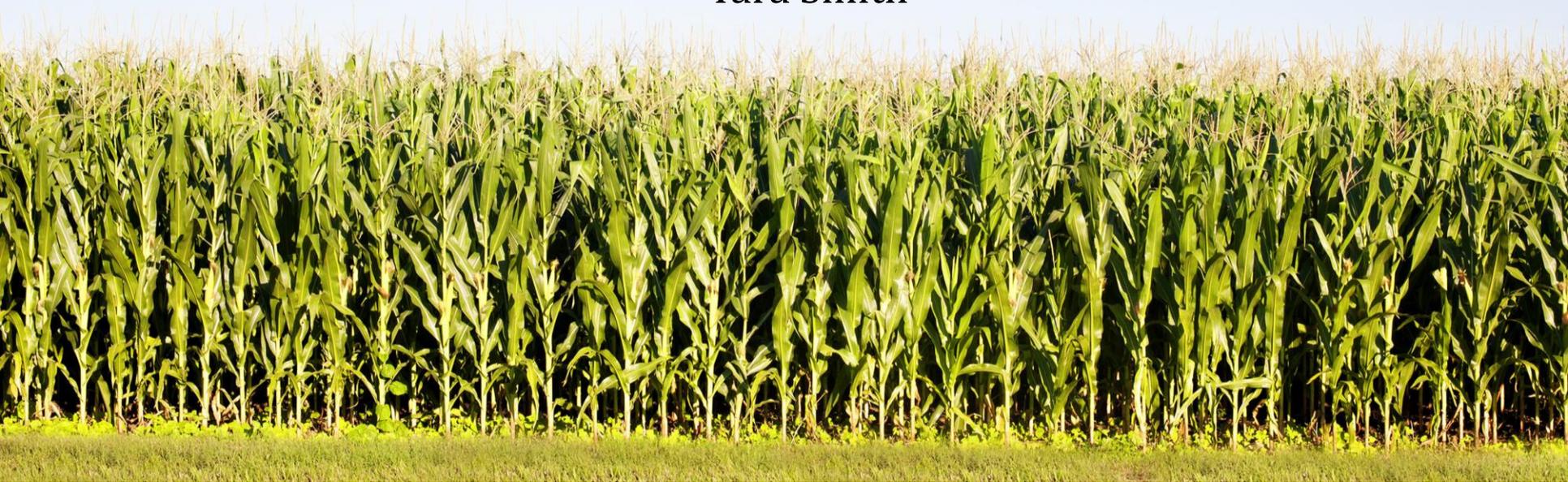


23rd Annual Crop Insurance Conference NDSU Extension Service

January 18, 2016

Tara Smith



CIRB

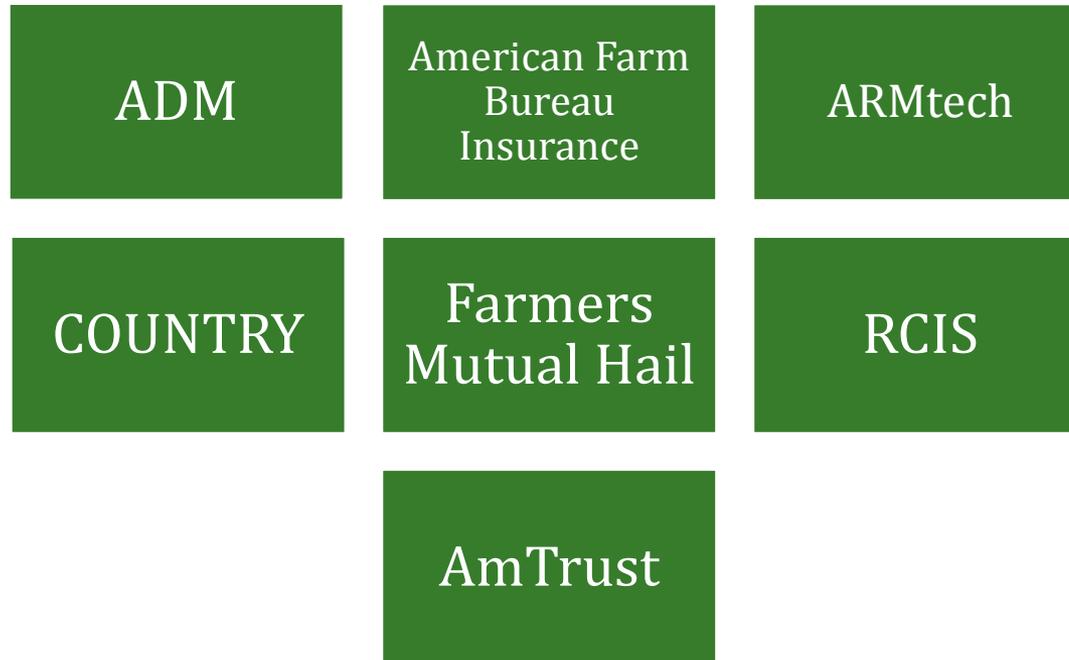
Crop Insurance and Reinsurance Bureau, Inc.



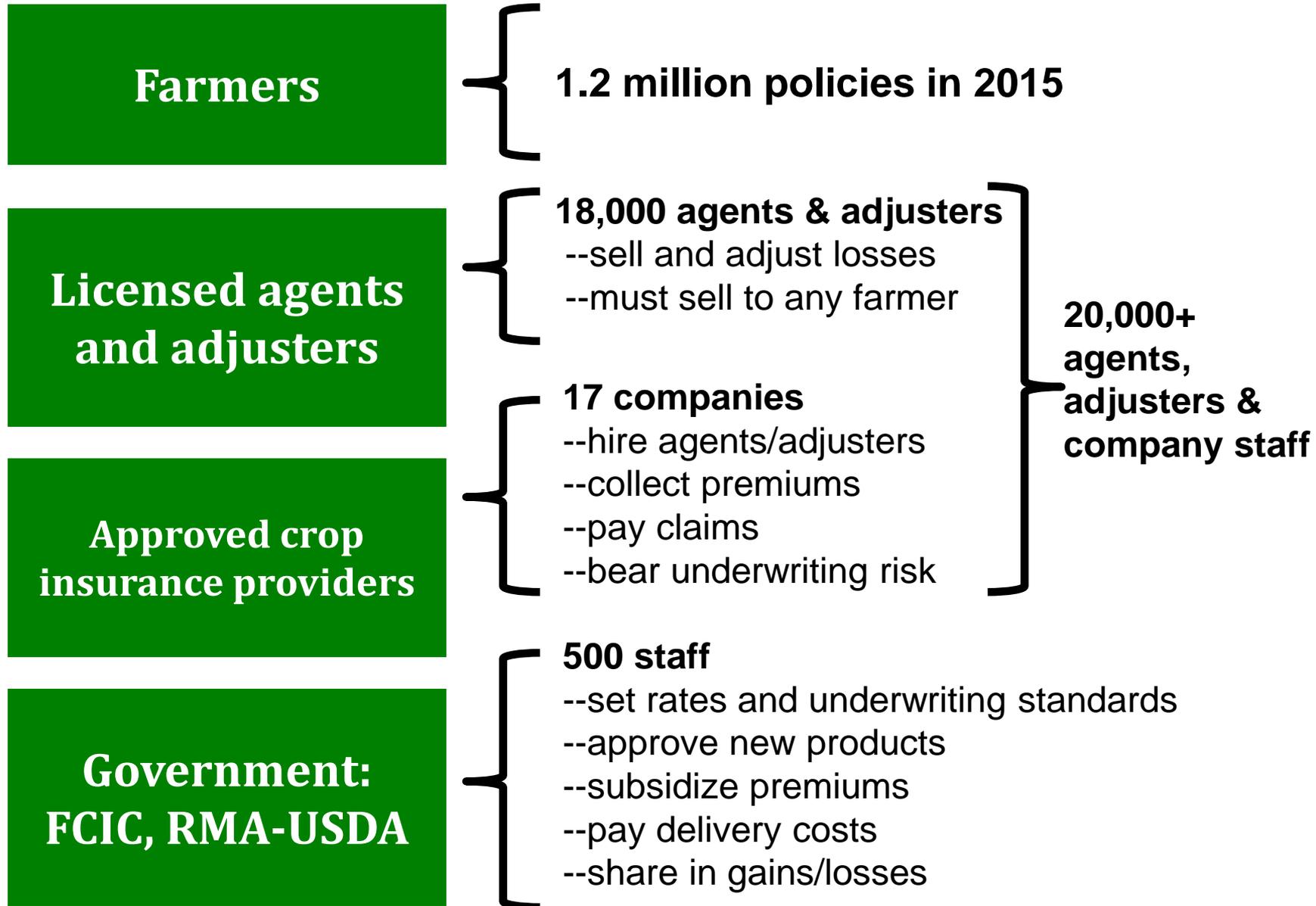
Crop Insurance and Reinsurance Bureau

CIRB provides legislative and regulatory advocacy for a strong crop insurance program delivered by the private sector. CIRB's goal is to provide a unified, proactive voice in Washington, DC.

Members include 7 of the approved insurance companies and over 20 members of the private reinsurance community.

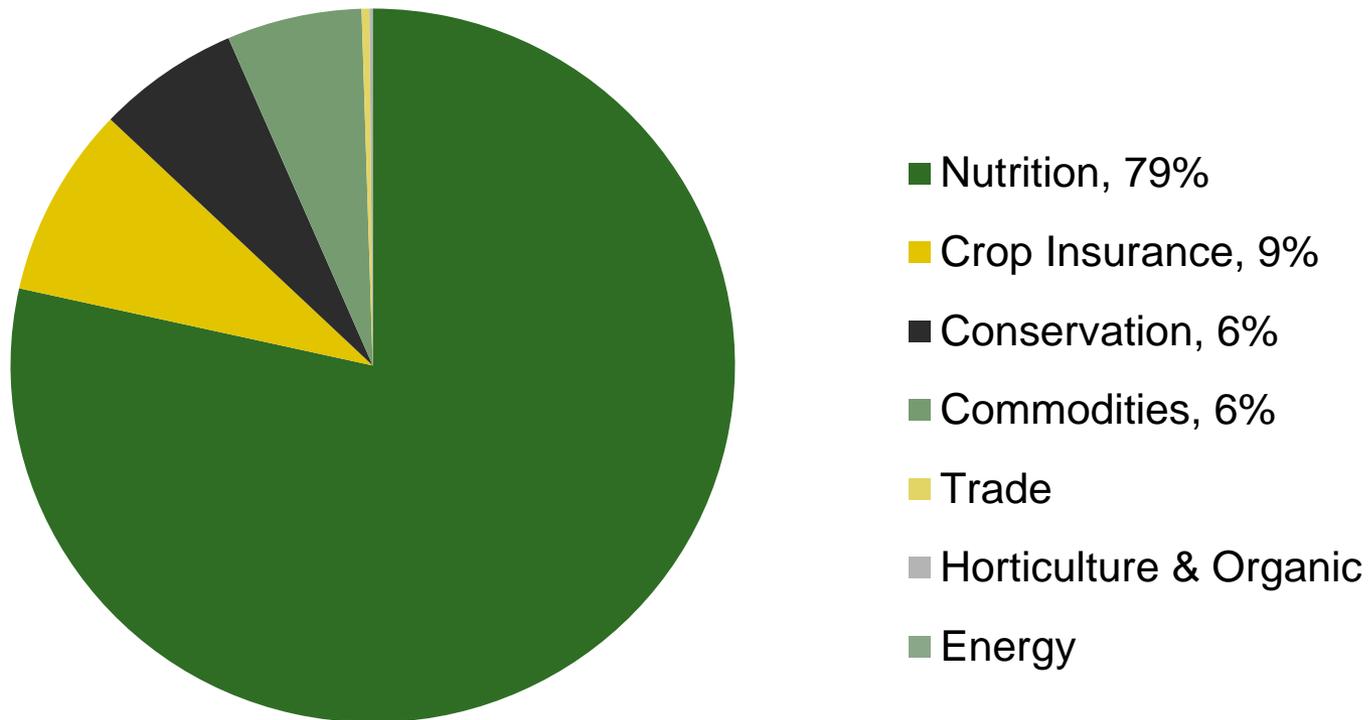


Industry Structure



Crop Insurance within the Ag Budget

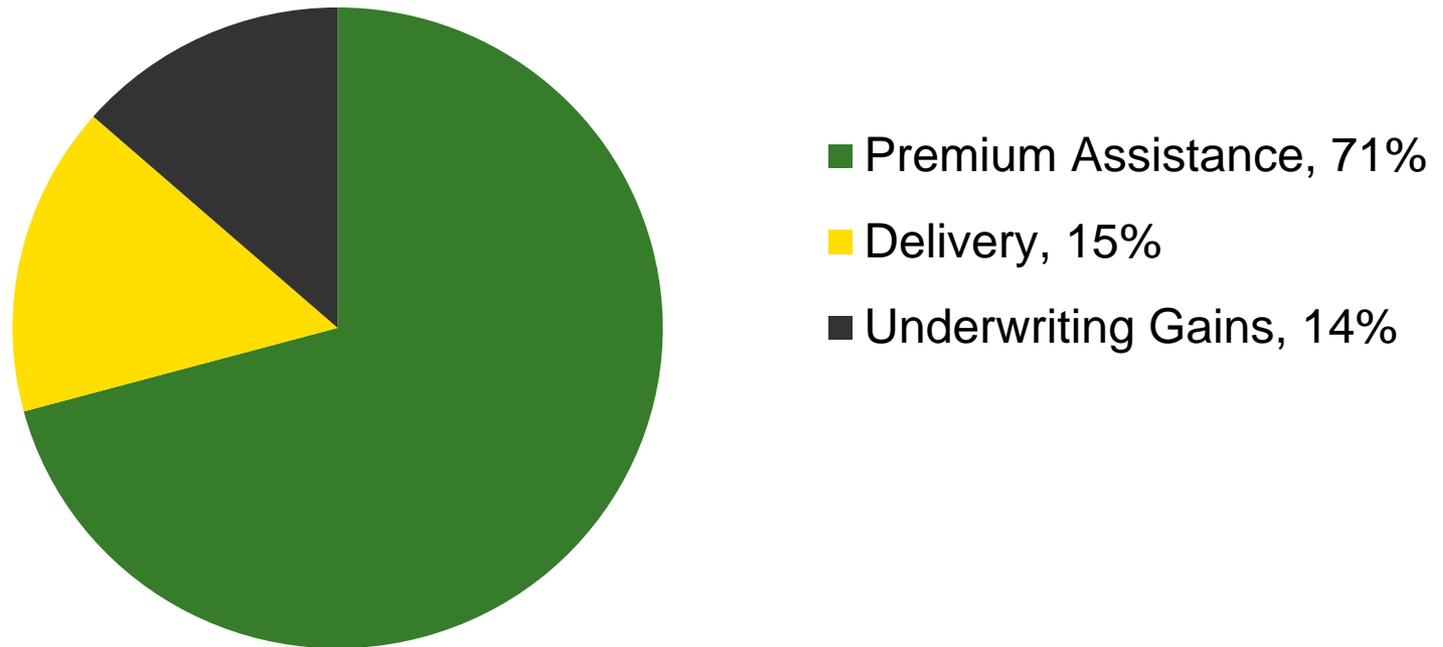
**Ten-Year Mandatory Baseline:
\$973 Billion**



Source: August 2015 CBO Baseline

Crop Insurance Budget

Ten-Year Mandatory Baseline for Crop Insurance: \$84.105 Billion



Source: August 2015 CBO Baseline

Then and Now Statistics

	1998 Crop Year	2015 Crop Year
Acreage	181 million	297 million
Total Premium	\$1.8 billion	\$9.7 billion
Farmer Paid Premium	\$929 million	\$3.7 billion
Subsidy	\$946 million	\$6.0 billion
Insured Liability	\$27.9 billion	\$101.8 billion
Ad Hoc Disaster Assistance	Approximately \$6 billion	None

Program Evolution

From 2000 to today, Congress increased farmer premium supports significantly, involved the private sector in developing new policies, expanded into new coverage areas and types and linked disaster assistance to crop insurance participation.

What Politicians giveth, Politicians can taketh away.

- **2008 Farm Bill** – reduced company delivery payments and delayed payments to companies
- **2011 Standard Reinsurance Agreement (SRA)** – capped company delivery payments and agent commissions and reduced company target rates of return
- **2012 Re-rate** – reduced premiums in most states

What Politicians Giveth...

- **House of Representatives**
 - Only 4 House Ag Committee Members were around in 2000 (Peterson, McGovern, Goodlatte, Lucas)
 - Of the 435 Members, just over 100 were around in 2000.
- **Senate**
 - Only 4 Senate Ag Committee Members were around in 2000 (Roberts, Cochran, McConnell and Leahy)
 - Only 26 current Senators were in the Senate in 2000.



“Gosh, I love government, Ed. Just when you begin to lose faith in the system, along comes a fresh crop of idealistic young lawmakers with an invigorating brand of gridlock all their own!”

The Budget Bill Crisis for Crop Insurance

What happened?

- Crop insurance cut was “airdropped” into a must-pass budget bill.
- Congress had one week to pass the bill with no ability to amend the deal.
- Cut was \$3 billion over 10 years.
- Reduced the “target rate of return” for crop insurance companies from 14.5% to 8.9%.



"I cut myself slashing the budget!"

The Budget Bill Crisis for Crop Insurance

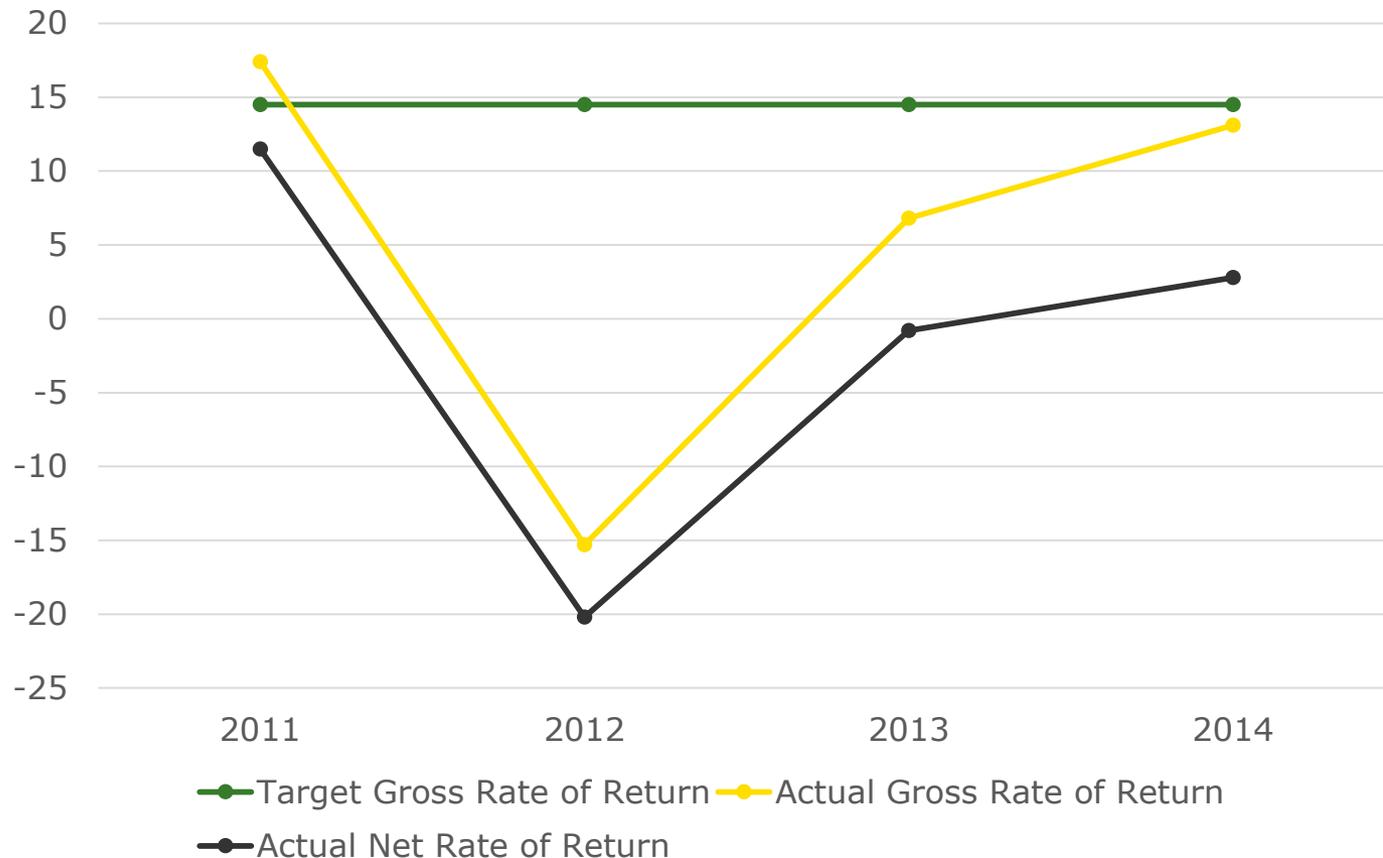
What is a “target rate of return?”

- It is **not** a guaranteed rate of return. While the target gross rate of return has been 14.5% since 2011, the average actual gross rate of return has been 5.7%
- It is a **gross** rate of return that does not include all company expenses.
 - The net rate of return since 2011 has actually been negative for the crop insurance companies.



The Budget Bill Crisis for Crop Insurance

Rates of Return for Approved Insurance Providers (AIPs)



The Budget Bill Crisis for Crop Insurance

How did crop insurance supporters react?

- Coalition was activated
 - One-pagers developed and disseminated on “target rates of return.”
 - Press statements of opposition issued.
 - Tens of thousands of calls and letters into House and Senate offices.
- House and Senate Ag Committee Leadership engaged to oppose the budget bill without a fix to the crop insurance provision.
 - Letter with more than 40 Representative signatures to oppose the budget bill without a crop insurance fix.

The Budget Bill Crisis for Crop Insurance

What Did Resolution Look Like?

- House and Senate Republican Leadership agreed to restore the cut and the policy as part of the end-of-year Omnibus spending package.
- The coalition maintained pressure through letters, Hill visits and additional action alerts. Coalition letter supporting the “fix” had 51 signatures, including ASTA.
- A complete repeal of the budget provision was part of the Highway Bill that was considered and passed a week before the Omnibus deadline.
- Had to overcome a point of order against the crop insurance provision along the way. Crop insurance interests prevailed by a vote of 77-22.
- Highway bill was passed in the House (359-65) and Senate (83-16) and signed by the President on December 4.

Ongoing Threats

“There is no valid economic argument for having taxpayers taking on so much of farmers’ risk. Congress should instead make investments that would ensure agriculture can prosper and sustain itself in the future, focusing on issues such as renewable energy, transportation, clean water and food safety that address the interests of both agriculture and the public.”

“Crop insurance has become a bloated, taxpayer-financed subsidy to big agricultural corporations and insurance companies. Current House and Senate farm bills would expand crop insurance to farm subsidy recipients whose names remain secret while eliminating transparent farm payments. Crop insurance needs reform, not an expansion.”

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-EWG Press Release from December 2013



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-Heritage Foundation Issue Brief from July 2012

Ongoing Threats

CUT \$14 Billion

- Reduce producer premium assistance.
- Reduce the A&O cap.
- Reduce the estimate rate of return for crop insurance companies.

CUT \$23 Billion

- Cut to be shared between the commodity title and crop insurance program.
- Exact policies left up to the Agriculture Committee.

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Source: 2015 Presidential and House Budget Proposals

Moving Forward

Focus on the Primary Targets

- Cuts to Premium Assistance
- Means Testing
- Cuts to the Private Sector Delivery System



Moving Forward

Focus on the Messaging

- Educate
- Know your audience
- “Big Tent” approach
 - All crops and all types of policies



Moving Forward

Focus on the Delivery

- Broad coalition is key
 - Lenders
 - Input suppliers
 - AIPs/Reinsurers
 - Agents
 - Conservation community
 - All types of commodity/producer organizations



CIRB

Crop Insurance and Reinsurance Bureau, Inc.

Thank You! Questions?

Tara Smith

www.cropinsurance.org

