

CROP INSURANCE MYTH VS. FACT: IMPROPER PAYMENT RATE

MYTH: Waste, fraud and abuse are rampant in crop insurance.

FACT: According to the Risk Management Agency (RMA) at USDA, the improper payment rate for crop insurance for fiscal year 2019 was 2.95%, which is less than the average rate for all government programs (4.67 percent). Actual fraud is only a small fraction of improper payments in the program.

All participants in crop insurance - farmers, agents, crop insurance companies, reinsurers and taxpayers - are dedicated to detecting and eliminating fraud, waste and abuse in the program.

- Crop insurance uses data mining to identify potential improper payments and also uses spot-checking of the work of insurance agents and adjusters.
- Because private crop insurance companies have money at stake with every policy written, these companies also spend money on training and monitoring.
- Actual fraud rates in the program are even lower than the improper payment rate reported by RMA. Improper payments are defined as over-payments, under-payments as well as simple errors such as inadequate documentation. The improper payment designation does not necessarily include the existence of any intent to defraud the government.

CLASSIFICATION OF IMPROPER PAYMENTS FISCAL YEAR 2019

Types of Errors	% of Improper Dollars	Reason for Improper Payments
Contract Selections	21%	Contract selections requested were not applied, unsupported contract price used
Replant Claim	17%	Replant paid on wrong crop, replant adjustment procedures not followed
Production Records - Acceptability	14%	Unacceptable, unverifiable, and/or missing production records
Application Signature	12%	Application not signed timely, not signed by someone with proper authority
Special Provisions of Insurance	9%	Acres did not qualify, not planted in one of the four previous crop years
Were Insurability Conditions Met	9%	Insurability criteria was not met, did not meet the definition for insurability
Revenue to Count - WFRP	5%	Inventory and account receivable adjustments not supported by verifiable records
Share	3%	Incorrect share reported, records do not support reported share
Production/Revenue to Count	2%	Transcription errors, production to count not determined correctly, allocation errors
Additional Error Types	8%	All other errors

For more information, visit CropInsurance.org

