

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 2021 was 1.41 percent, 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, and 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 2020

Types of Errors	% of Improper Dollars	Reason for Improper Payments
Production Reports - Support Units	26%	Production evidence did not support unit structure certification
Production Records - Acceptability	20%	Unacceptable, unverifiable, and/or missing production records
Audit of Actual Production History	18%	Production evidence did not match the actual yields certified.
Were Insurability Conditions Met	16%	Insurability criteria was not met, did not meet the definition for insurability
Share	8%	Incorrect share reported, records do not support reported share
Production/Revenue to Count	4%	Transcription errors, production to count not determined correctly, allocation errors
Uninsured Causes	2%	Adjuster did not follow correct procedures for assessing uninsured causes of loss,
Certification Form	2%	Incomplete certification form, certification form not completed,
Application Signature	2%	Application not signed timely, not signed by someone with proper authority
Additional Error types	2%	All other errors