

---

# Oppose Cuts to the Private Sector Delivery System for Crop Insurance

- **Crop insurance is a successful public-private partnership.** The program is federally regulated and delivered by the private sector.
  - Federal regulation ensures that farmers cannot be refused protection and that companies cannot raise premiums or impose special standards on any individual producer. Premium rates are set by the government and are based on actuarial soundness.
  - Losses are shared by farmers, private sector companies and the government. The government, and therefore taxpayers, also share in any gains.
  - Private sector delivery allows farmers who have losses and have met their deductible to typically receive indemnity payments in less than thirty days, whereas ad hoc disaster assistance or other government safety net programs can take a year or more to provide assistance to farmers.
- **The private sector delivery system has already absorbed significant cuts through the 2008 farm bill and administrative actions taken in 2011.** These cuts are estimated to be \$12 billion over a 10-year window.
  - One such administrative change already decreased the targeted rate of return for crop insurance companies to 14%.
  - This target rate is neither a guarantee nor a profit for crop insurers. Profits are significantly lower than the target rate of return.
  - As in farming, the crop insurance sector will have good years and bad years. The good years are particularly important to help sustain the sector during the bad years.
- **Proposals to cut the private sector delivery system would harm the rural economy and negatively impact service and timely delivery of payments when there is a disaster.**
  - In order to deliver timely service, the crop insurance industry employs thousands of professionals in rural America. More than 20,000 licensed agents, certified claims adjusters and company staff are committed to getting farmers who have sustained losses and met their deductible back on their feet quickly.
- Even during the most significant disaster in recent history, the 2012 drought, former USDA Farm and Foreign Agricultural Services Under Secretary Michael Scuse said, “To this day, I have yet to have a single producer call me with a complaint about crop insurance. This is a testament to just how well your agents, your adjusters, the companies, and the Risk Management Agency worked together in one of the worst droughts in history.”