

# CRS Report for Congress

## Crop Insurance and Disaster Assistance in the 2008 Farm Bill

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Prepared for Members and  
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## Summary

The federal government has relied primarily on two policy tools in recent years to help mitigate the financial losses experienced by crop farmers as a result of natural disasters — a federal crop insurance program and congressionally mandated *ad-hoc* crop disaster payments. Congress has made several modifications to the crop insurance program since the 1980s, in an effort to forestall the demand for supplemental disaster payments. Although the scope of the crop insurance program has widened significantly over the past 25 years, the anticipated goal of crop insurance replacing disaster payments has not been achieved.

Although the federal crop insurance program is permanently authorized and hence does not require periodic reauthorization, modifications to the crop insurance program were made in the context of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246, the 2008 farm bill). Some policymakers viewed the crop insurance program as a potential target for program cost reductions, and proposed using these savings to fund new initiatives in various titles of the farm bill. Consequently, many of the crop insurance provisions are cost-saving measures. According to Congressional Budget Office estimates, the crop insurance provisions (Title XII) in the 2008 farm bill will reduce program outlays by \$3.9 billion over the five-year period of the bill (FY2008-FY2012). Much of the savings (\$2.8 billion) is achieved through a change in the timing of crop insurance payments and receipts that will not directly affect the final monetary amounts for participating farmers or insurance companies. The rest of the savings is generated through increased fees paid by farmers for catastrophic coverage and a reduction in reimbursements to the participating insurance companies for their operating expenses, among many other provisions. To address concerns about program waste, fraud, and abuse, the farm bill also authorizes up to \$4 million annually for data mining activities beginning in FY2009.

Separately, Title XV of the 2008 farm bill authorizes a new \$3.8 billion trust fund to cover the cost of making agricultural disaster assistance available on an ongoing basis over the next four years through five new programs. The largest program is a supplemental revenue assistance payment program for crop producers that is designed to compensate eligible producers for a portion of crop losses that are not eligible for an indemnity payment under the crop insurance program. To be eligible for a payment, a producer must be either in or contiguous to a county that has been declared a disaster area by either the President or the Secretary of Agriculture. An eligible producer also is required to have purchased crop insurance in advance of a disaster. However, the statute makes an exception for the 2008 crop year by allowing uninsured producers to be eligible, as long as they pay the equivalent administrative fee for coverage within 90 days of enactment.

For a description of all crop insurance provisions in the enacted 2008 farm bill, and a comparison of the provisions with the House- and Senate-passed versions of the bill and previous law, see **Appendix A** at the end of this report.

## Contents

Crop Insurance Background .....	1
Crop Insurance And Disaster Provisions in the 2008 Farm Bill .....	4
Reducing Crop Insurance Program Costs .....	4
Timing of Crop Insurance Payments .....	5
Insurance Company Reimbursements and Loss Sharing .....	5
Farmer Subsidy and Costs .....	5
Waste, Fraud, and Abuse .....	6
Agricultural Disaster Assistance .....	6
Supplemental Crop Revenue Assistance Program .....	7
Other Authorized Disaster Programs .....	7
Disaster Program Funding .....	7

## List of Figures

Figure 1. Crop Insurance and Disaster Payments: Total Federal Cost, by Fiscal Year .....	4
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## List of Tables

Table 1. Government Cost of Federal Crop Insurance .....	2
Appendix A. Major Crop Insurance and Disaster Assistance Provisions in the Enacted 2008 Farm Bill: Comparison with Previous Law and House- and Senate-Passed Bills .....	9

# Crop Insurance and Disaster Assistance in the 2008 Farm Bill

Agriculture is generally viewed as an inherently risky enterprise. Farm production levels can vary significantly from year to year and by location, primarily because farmers operate at the mercy of nature, and frequently are subjected to weather-related and other natural disasters. Since the Great Depression, policymakers have decided that the federal government should absorb some portion of the weather-related production losses that otherwise would depress farm income and could alter farmers' decisions about what to produce in some high-risk locations.

Federal crop insurance is the primary ongoing crop loss assistance program. It is permanently authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 *et seq.*), and is administered by the U.S. Department of Agriculture's Risk Management Agency (RMA). This is complemented with the Non-Insured Assistance Program, administered by the Farm Service Agency (FSA), which is available to producers not offered insurance coverage. Lack of insurance availability occurs in locations where there is insufficient production history to determine actuarial risks of a crop or in regions where production of a specific commodity is relatively small. Following a widespread and severe drought in 1988, Congress approved a large *ad hoc* disaster assistance program to supplement the ongoing disaster programs. Such *ad hoc* assistance subsequently has become routine. For more information on currently available agricultural disaster assistance, see CRS Report RS21212, *Agricultural Disaster Assistance*.

Since the federal crop insurance program is permanently authorized, it does not require periodic reauthorization in an omnibus farm bill. However, during the 2007-2008 farm bill debate, some policymakers expressed interest in revising the crop insurance program in the context of the farm bill and/or supplementing it with a permanent disaster payment program.

## Crop Insurance Background

Federal crop insurance policies are marketed and serviced by private insurance companies. In purchasing a policy, a producer growing an insurable crop may select a level of crop yield and price coverage and pay a portion of the premium, which increases as the levels of yield and price coverage rise. The remainder of the premium is covered by the federal government. Coverage is made available through various insurance products, including revenue insurance, which allows a participating producer to insure a target level of farm revenue rather than just production levels. According to the USDA, the federal crop insurance program provided coverage in 2007 to over 100 crops covering more than three-fourths of planted acreage in the country. Although the list of covered commodities has grown in recent years, 80% of total policy premiums (and federal subsidies) are accounted for by just four commodities — corn, soybeans, wheat, and cotton.

**Table 1. Government Cost of Federal Crop Insurance**  
(millions of dollars)

Fiscal Year	Program Losses or (Gains) <sup>a</sup>	Federal Premium Subsidy	Private Company Admin. Expense Reimbursements	Other Costs <sup>b</sup>	Total Gov't. Cost
1981	97	47	0	105	248
1982	(60)	91	18	110	160
1983	147	64	26	97	334
1984	211	98	76	102	487
1985	216	100	107	98	521
1986	216	90	101	97	504
1987	55	73	107	73	309
1988	609	103	155	78	945
1989	400	190	266	88	945
1990	234	213	272	87	806
1991	247	196	245	84	772
1992	232	197	246	88	764
1993	750	197	250	105	1,303
1994	(127)	247	292	78	489
1995	188	774	373	105	1,440
1996	88	978	490	64	1,621
1997	(373)	945	450	74	1,096
1998	(75)	940	427	82	1,374
1999	(74)	1,295	495	66	1,783
2000	196	1,353	540	86	2,175
2001	725	1,707	648	83	3,163
2002	1,182	1,513	656	114	3,466
2003	822	1,873	743	150	3,589
2004	(303)	2,387	899	142	3,125
2005	(591)	2,368	782	139	2,698
2006	(298)	2,782	960	126	3,571
2007	(1,344)	3,819	1,341	125	3,941

**Source:** USDA Office of Budget and Program Analysis. Totals may not add due to rounding.

- a. The difference between total premiums (farmer and government paid) and total indemnity payments for crop losses, plus or minus any private company underwriting losses or gains.
- b. Other costs primarily include federal salaries of USDA's Risk Management Agency and beginning in 2002, various research and development initiatives mandated by ARPA of 2000 (P.L. 106-224).

Because the program is not subject to periodic reauthorization, major changes to the crop insurance program usually are not addressed in the context of an omnibus farm bill. Over the past 25 years, the program has been subject to three major legislative enhancements (in 1980, 1994, and 2000),<sup>1</sup> each of which has pumped additional federal dollars into the program in order to enhance farmer participation levels in anticipation of precluding the demand for *ad hoc* disaster payments.

Since the last major modification in 2000, the federal subsidy to the crop insurance program has averaged about \$3.25 billion per year, up from an annual average of \$1.1 billion in the 1990s and about \$500 million in the 1980s. Nearly two-thirds of the current federal spending is used to subsidize insurance policy premiums, and the balance primarily covers the government share of program losses and reimburses participating private insurance companies for their administrative and operating expenses (see **Table 1**).

Although the scope of the program has widened significantly over the past 25 years, the anticipated goal of crop insurance replacing disaster payments has not been achieved. In virtually every crop year since 1988, Congress has provided *ad hoc* disaster payments to farmers with significant weather-related crop losses. These have been made available primarily through emergency supplemental appropriations, and, until recently, regardless of whether a producer had an active crop insurance policy. The exception to the historical pattern is the FY2007 supplemental appropriations act (P.L. 110-28, as amended by the FY2008 Consolidated Appropriations Act), which is expected to provide an estimated \$2.4 billion in crop disaster payments for 2005, 2006, or 2007 crop losses, but only to those producers who held an active crop insurance policy or enrolled in the noninsured assistance program in the year of the crop loss.<sup>2</sup>

Since FY1989, total disaster payments have amounted to more than \$20 billion, or just over \$1 billion per year. Over the past six years (FY2001-FY2006), the federal cost of the crop insurance program combined with *ad hoc* supplemental disaster payments has averaged \$4.5 billion per year (see **Figure 1**).

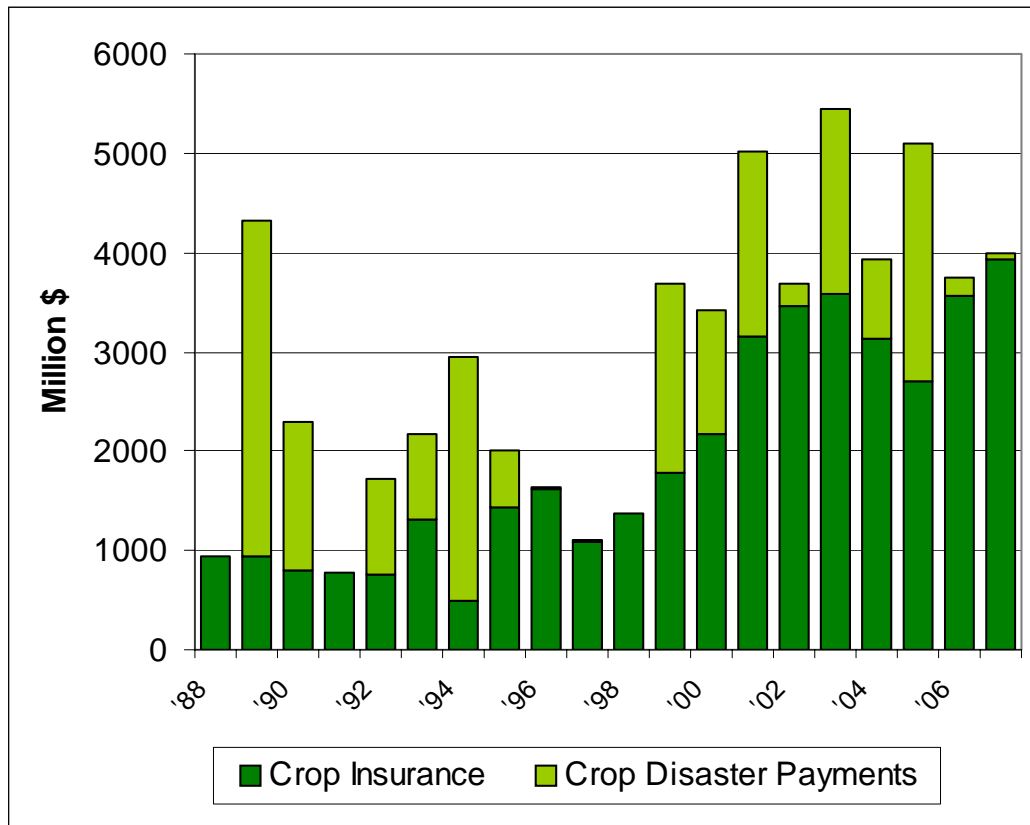
For a summary of all agricultural disaster assistance provided by Congress since 1988, see CRS Report RL31095, *Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY1989-FY2007*.

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<sup>1</sup> Federal Crop Insurance Act of 1980 (P.L. 96-365), Federal Crop Insurance Reform Act of 1994 (P.L. 103-354), Agriculture Risk Protection Act (ARPA) of 2000 (P.L. 106-224). For information on ARPA of 2000, see CRS Report RL30739, *Federal Crop Insurance and the Agriculture Risk Protection Act of 2000 (P.L. 106-224)*.

<sup>2</sup> This assistance was provided in Title IX, Section 9001 of the FY2007 Iraq War Supplemental Act (P.L. 110-28). The projected spending of \$1.5 billion for 2005, 2006 and early 2007 crop losses will be made in FY2008. For a description of this and other types of agricultural assistance made available in P.L. 110-28, see CRS Report RS21212, *Agricultural Disaster Assistance*.

**Figure 1. Crop Insurance and Disaster Payments:  
Total Federal Cost, by Fiscal Year**



**Source:** Primary data are from USDA's Table 35, CCC Net Outlays by Commodity & Function for disaster payments, and USDA's Office of Budget & Program Analysis for crop insurance.

## Crop Insurance And Disaster Provisions in the 2008 Farm Bill

The following sections review the major crop insurance and disaster assistance provisions of the enacted 2008 farm bill (P.L. 110-246) and the major issues that shaped the debate. See **Appendix A**, below, for a comparison of the crop insurance and disaster assistance provisions in the enacted 2008 farm bill, with the House- and Senate-passed versions of the farm bill and previous law.

### Reducing Crop Insurance Program Costs

Because of the rising cost of the crop insurance program, many policymakers viewed the program as a potential target for spending reductions, whereby savings could be used to fund new initiatives in various other titles of the farm bill. Consequently, Title XII of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246, the 2008 farm bill) contains several revisions to the crop insurance program, most of which are designed to reduce program costs. For all crop insurance provisions in Title XII, the Congressional Budget Office (CBO) estimates net budget outlay savings of \$3.9 billion over 5 years (FY2008-FY2012), or \$5.6 billion over 10 years (FY2008-FY2017), relative to the March 2007 baseline which was the official budget scoring benchmark for the bill.

**Timing of Crop Insurance Payments.** Approximately \$2.8 billion of this estimated five-year savings is attributable to changes in the timing of premium receipts from farmers, and payments to the participating insurance companies. None of these revisions would directly affect the final monetary amounts for participating farmers or insurers, but would still be scored as savings within the five-year horizon of the bill. Essentially, these 2008 farm bill provisions will allow USDA to collect two crop years of premiums in 2012, and delay the 2012 payment of reimbursements and underwriting gains into the next fiscal year.

**Insurance Company Reimbursements and Loss Sharing.** Although crop insurance is sold and serviced by private insurance companies, the federal government absorbs a large portion of program losses and reimburses the companies for their administrative and operating (A&O) expenses. Loss sharing and A&O reimbursements currently are spelled out in a Standard Reinsurance Agreement (SRA) between USDA and the private companies.<sup>3</sup>

Under the SRA, the reimbursement rate for A&O expenses currently averages 22% to 24% of total premiums. The 2008 farm bill reduces the A&O reimbursement rate by 2.3 percentage points beginning with the 2009 reinsurance year (July 1, 2008). This reduction can be restored in any state that experiences a loss ratio of 1.2 or greater (i.e., when total indemnity payments to farmers are more than 20% greater than total premiums). The farm bill also reduces the A&O reimbursement rate to 12% for any plan of insurance that is based on area-wide losses. CBO estimates that these provisions will save \$618 million over five years.

A House provision to require the insurance companies to share more of their underwriting gains with the federal government was not included in the final version of the bill. The conferees did adopt a provision that allows USDA to renegotiate the SRA once every five years beginning with the 2010-2011 reinsurance year.

During the farm bill debate, the Administration and others contended that the private insurance companies should be required to absorb more of the program losses, and that the reimbursement rate for company A&O expenses needed to be reduced as a means of reducing federal costs. Proponents for change point out that A&O reimbursements to the companies have doubled over the last seven years (see **Table 1**), mainly because farmers have been buying up to higher levels of insurance coverage, causing total premiums to rise. Since A&O reimbursements are based on a percentage of total premiums (and premiums have been rising significantly in tandem with crop prices), the Administration contends that the companies are being overcompensated for their expenses. The private crop insurance companies contend that any reductions in the A&O reimbursement will negatively impact the financial health of the crop insurance industry and possibly jeopardize the delivery of crop insurance, particularly in high-risk areas.

**Farmer Subsidy and Costs.** Under the crop insurance program, farmers pay no premium for CAT coverage (which is 100% subsidized by the government), and are encouraged to purchase higher levels of coverage. On average, about 50%

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<sup>3</sup> For more background and for the text of the SRA, see [<http://www.rma.usda.gov/pubs/ra/>].



of the premium is subsidized by the government for this buy-up coverage. For farmers whose crops are not covered by crop insurance, they are offered the equivalent of CAT coverage under a separate Noninsured Assistance Program (NAP), and pay an administrative fee for this coverage.

A number of provisions are included in the 2008 farm bill that require participating farmers to share more in program costs, including (1) an increase in the fee paid by farmers for both catastrophic (CAT) coverage and NAP to \$300 per crop per county, from the previous \$100 fee; and (2) a 4 percentage point reduction in the rate of premium subsidy received by farmers for policies based on area-wide losses. The 2008 farm bill also requires USDA to operate the crop insurance program so that the anticipated loss ratio is 1.0 (i.e., total indemnity payments equal to total premiums), compared with the then-current statutory loss ratio requirement of 1.075. To achieve the new lower ratio could mean somewhat higher premiums for farmers.

## **Waste, Fraud, and Abuse**

For many years, policymakers have been concerned about waste, fraud, and abuse within the federal crop insurance program. The Agricultural Risk Protection Act (ARPA) of 2000 (P.L. 106-224) contained several provisions designed to enhance USDA's recognition of and response to challenges to program compliance and integrity. In response to the ARPA requirements, USDA used "data mining" techniques to compile an annual list of producers who either exhibit high loss ratios (i.e., high indemnity payments relative to total premiums), exhibit high frequency and severity of losses, or are suspected of poor farming practices that might contribute to production losses. USDA estimates that the use of the spot-check list has prevented between \$70 million and \$110 million each year in improper payments. Mandatory funding authorized by ARPA for data mining and other ARPA-related program integrity activities expired at the end of FY2005. A general provision in the FY2008 Consolidated Appropriations Act (P.L. 110-161) allows USDA to use up to \$11.166 billion in mandatory funds in FY2008 to strengthen its ability to reduce waste, fraud, and abuse within the crop insurance program. However, future funding for this activity was uncertain.

The 2008 farm bill authorizes up to \$4 million annually for data mining activities beginning in FY2009, and authorizes \$15 million annually for four years (FY2009-FY2013) to upgrade USDA's computer technology for crop insurance.

## **Agricultural Disaster Assistance**

During the 2007-2008 farm bill debate, some policymakers wanted to make permanent in the farm bill some level of disaster payments to supplement the crop insurance program. Supporters say that ongoing farm disaster programs do not adequately address emergency needs when a major disaster strikes and that USDA should have at its disposal a permanent source of disaster funds in the same manner as the Federal Emergency Management Administration (FEMA). Questions in the debate included how such a program would be funded given current budget constraints, and whether the permanent availability of disaster payments would adversely affect participation in the crop insurance program, and possibly encourage production on high-risk lands.

**Supplemental Crop Revenue Assistance Program.** Title XV of the 2008 farm bill authorizes a series of new disaster programs through September 30, 2011, the largest of which is a supplemental revenue assistance payment program for crop producers. The program is designed to compensate eligible producers for a portion of crop losses that are not eligible for an indemnity payment under the crop insurance program (i.e., the portion of losses that is part of the deductible on the policy.) An eligible producer can receive a payment equal to 60% of the difference between a target level of revenue and the actual total farm revenue for the entire farm. The target level of revenue would be based on the level of crop insurance coverage selected by the farmer, thus increasing if a farmer opts for higher levels of coverage. (See the box in this report for a description of how the guarantee level and total farm revenue are defined by the statute.) To be eligible for a payment, a producer must be either in or contiguous to a county that has been declared a disaster area by either the President or the Secretary of Agriculture. Payments are limited so that the disaster program guarantee level cannot exceed 90% of what income likely would have been in the absence of a natural disaster.

The producer also must have at least the minimum level of crop insurance (CAT) coverage for insurable crops and participate in the NAP program for non-insurable crops. The statute makes an exception for the 2008 crop year by allowing producers who did not purchase crop insurance or NAP coverage in advance to be eligible for the program, as long as they pay the equivalent administrative fee for coverage within 90 days of enactment.

**Other Authorized Disaster Programs.** In addition to the supplemental crop revenue assistance payment program described above, the 2008 farm bill also authorizes and funds four smaller disaster programs: (1) Livestock Indemnity Payments, which compensate ranchers at a rate of 75% of market value for livestock mortality caused by a disaster; (2) Livestock Forage Disaster Program, to assist ranchers who graze livestock on drought-affected pastureland or grazing land; (3) Emergency Assistance for Livestock, Honey Bess and Farm Raised Fish, which will provide up to \$50 million to compensate these producers for disaster losses not covered under other disaster programs; and (4) Tree Assistance Program, for orchardists and nursery growers who can receive a payment to cover 70% of the cost of replanting trees or nursery stock following a disaster (up to \$100,000 per year per producer).

**Disaster Program Funding.** All five of these farm bill disaster programs will receive funding through a newly authorized Agricultural Disaster Relief Trust Fund within the U.S. Treasury. The Trust Fund will receive the equivalent of 3.08% of the amount received each year (FY2008-2011) in U.S. Customs receipts collected on certain goods. The Congressional Budget Office (CBO) estimates the combined total costs to be \$3.8 billion over the four-year life of the programs, relative to the March 2007 budget baseline. Of this total, CBO estimates that supplemental crop revenue assistance will cost \$1.7 billion over the four years, or an average of \$425 million per year. Another \$1.6 billion would cover increased crop insurance and NAP costs associated with the crop insurance and NAP purchase requirement. The balance of \$500 million would cover the combined estimated cost of the other four disaster programs. If the cost of the programs exceeds the level of funding provided through Customs receipts, the 2008 farm bill gives the Trust Fund the authority to borrow from the Treasury such sums as necessary to meet its obligations.

## Supplemental Agricultural Disaster Assistance Payment Mechanism in the 2008 Farm Bill

Title XV of the 2008 farm bill (P.L. 110-246) authorizes a new crop disaster program for FY2008-FY2011. Eligible farmers must be in or contiguous to a disaster declared county, or have a 50% crop loss. They must have purchased crop insurance or Noninsured Assistance Program (NAP), where applicable.

### I. Payment Formula

Eligible crop producers can receive a supplemental payment equal to:

**60% of (Disaster Assistance Program Guarantee (DAPG) minus Total Farm Revenue (TFR) )**

Formula is based on the revenue of the entire farm. DAPG cannot exceed 90% of Expected Revenue

### II. How to Calculate the Disaster Assistance Program Guarantee (DAPG):

#### A. Insurable Crops

DAPG = 115% of (Payment Rate X Payment Acres X Payment Yield)

Payment Rate = Crop Insurance Price Election

Payment Acres = Planted and Prevented Planting Acreage

Payment Yield = Selected Crop Insurance Coverage Level X Crop Insurance Yield

#### Hypothetical Corn Example:

Price Election = \$4.75; Planted Acres = 500; Coverage Level = 70%; Yield = 150 bushels per acre

DAPG = 1.15 (\$4.75 X 500 Acres X (.7(150 bushels per acre))) = \$286,781.25

#### B. Non-insurable Crops

120% of (Payment Rate X Payment Acres X Payment Yield)

Payment Rate = 100% of the Noninsured Assistance Program (NAP) Price

Payment Acres = Planted and Prevented Planting Acreage

Payment Yield = Adjusted NAP yield or Counter-Cyclical Payment (CCP) yield, whichever is higher

### III. How to Calculate Total Farm Revenue (TFR) :

TFR = Estimated Actual Value for each crop produced on the farm =

Value of Actual Crop Production + 15% of Direct Payments + CCP or Average Crop Revenue (ACRE) Payments + Loan Deficiency Payments (LDP) or Marketing Loan Gains (MLG) + Crop Insurance Indemnities + NAP Payments + Other Disaster Payments

Where the Value of Actual Crop Production = Actual Harvested Acreage X Estimated Actual Yield x Natl. Avg. Market Price

For NAP eligible crops, the National Average Market Price cannot be greater than 100% of NAP Price.

### IV. How to Calculate Expected Revenue

DAPG cannot exceed 90% of Expected Revenue.

Expected Revenue =

(Adjusted APH or CCP Yield X Planted and Prevented Acreage X Price Guarantee) +

(Adjusted NAP Yield X Adjusted NAP Price)

## Appendix A. Major Crop Insurance and Disaster Assistance Provisions in the Enacted 2008 Farm Bill: Comparison with Previous Law and House- and Senate-Passed Bills

CURRENT LAW/POLICY	HOUSE-PASSED FARM BILL (H.R. 2419)	SENATE-PASSED SUBSTITUTE AMENDMENT (H.R. 2419)	ENACTED 2008 FARM BILL (P.L.110-246)
<b>TITLE XII: CROP INSURANCE</b>			
<b>Timing of Crop Insurance Payments and Receipts</b>			
The federal government provides three levels of subsidies to the crop insurance program: (1) subsidizing a portion of the farmer-paid premium, (2) reimbursing the private crop insurance companies for most administrative and operating expenses, and (3) absorbing most of the program losses. <i>[7 USC 1501 et seq.]</i>	Changes the timing of crop insurance receipts (premium collections) and the timing of payments to the insurance companies, beginning with the 2012 reinsurance year (which starts July 1, 2011). Two insurance years of program receipts will be received in the same fiscal year (FY2012) and payments will be delayed until the next fiscal year, thus scoring budget savings in FY2012. <i>[Secs. 11001(c), 11001(e), and 11010]</i>	Similar, but not identical, language as the House bill, which effectively requires premiums to be collected from producers slightly earlier, and payments to the insurance companies to be made slightly later, beginning in the 2012 crop year, so that savings can be scored in the last year of the 5-year farm bill (FY2012). <i>[Secs. 1906 and 1914]</i>	Adopts the House provision that changes the premium billing date to August 15 <i>[Sec. 12007]</i> , the Senate provisions that change the timing of reimbursements to the private companies for operating expenses to between October 1 and 31 <i>[Sec. 12015]</i> and underwriting gains to October 1 <i>[Sec. 12018]</i> , thus allowing the scoring of budget savings in FY2012.
<b>Reimbursement of Administrative and Operating Expenses</b>			
Current law prohibits companies from receiving a reimbursement greater than 24.5% of total premiums. The current Standard Reinsurance Agreement (SRA) establishes the reimbursement rate below the statutory maximum for all insurance plans, ranging from 18.1% to 24.2%. <i>[7 USC 1508(k)(4)(A)]</i>	Beginning in the 2009 reinsurance year, the reimbursement rate to the insurance companies for their administrative and operating expenses for all policies declines by 2.9 percentage points from the current rate. The range of reimbursement rates declines to between 15.2% to a maximum of 21.3%. <i>[Sec. 11001(d)(1)]</i>	Beginning in the 2009 reinsurance year, the reimbursement rate for additional coverage policies falls by 2 percentage points. An exception is any reinsurance year in any state that has a loss ratio greater than 1.2 (i.e., when indemnity payments exceed total premiums by more than 20%.) The reimbursement rate for policies based on area-wide losses is reduced to 17% of total premiums. <i>[Sec. 1912]</i>	Beginning in the 2009 reinsurance year, the reimbursement rate for additional coverage policies falls by 2.3 percentage points. Restores one-half of the reduction in states with a loss ratio greater than 1.2. <i>[Sec. 12016]</i> The reimbursement rate for policies based on area-wide losses is reduced to 12% of total premiums. <i>[Sec. 12012]</i>
<b>Premiums and Fees</b>			
For catastrophic (CAT) coverage, producers pay no premium, but pay an administrative fee of \$100 per crop per county. <i>[7 USC 1508(b)(5)(A)]</i> Growers of uninsurable crops are eligible for a separate Noninsured Assistance Program (NAP) and pay a fee of \$100 per crop, or	Increases the producer-paid fee for catastrophic coverage to \$200 per crop per county. For NAP, the fee also is raised to \$200 per crop per county, or \$600 per producer per county, not to exceed \$1800 per producer. <i>[Secs. 11002 and 11009]</i>	Similar to the House bill for raising the CAT fee to \$200. The NAP fee is increased to \$200 per crop per county, or \$600 per producer per county, not to exceed \$1,500 per producer. <i>[Secs. 1905 and 1926]</i>	Raises the CAT fee to \$300 per crop per county. <i>[Sec.12006]</i> Increases the NAP fee to \$250 per crop per county, or \$750 per producer per county, not to exceed \$1,875 per producer. <i>[Sec. 12028]</i>

CURRENT LAW/POLICY	HOUSE-PASSED FARM BILL (H.R. 2419)	SENATE-PASSED SUBSTITUTE AMENDMENT (H.R. 2419)	ENACTED 2008 FARM BILL (P.L.110-246)
<p>\$300 per producer per county, not to exceed \$900 per producer. [7 USC 7333(k)(1)]</p> <p>When permitted by state law, a cooperative or trade association may pay on behalf of its members, any or all of the administrative fee for CAT coverage. [7 USC 1508(b)(5)(B)].</p> <p>Authorizes crop insurance companies to offer customers a discount when the insurance companies adopt efficiencies that reduce their administrative and operating costs. [7USC 1508(b)(5)(A)]</p> <p>No comparable provision.</p> <p>Requires USDA to set premiums so that the overall program loss ratio is 1.075. [7 USC 1506(n)]</p> <p>Authorizes an Agricultural Management Assistance (AMA) program to in part help certain states make better use of risk management tools. [7 USC 1524(b)]</p>	<p>Limits the ability of associations to pay the CAT fee on behalf of a producer. [Sec. 11001(b)] Prohibits insurance companies from paying or rebating premiums, or making any inducements to purchase crop insurance. [Sec. 11001(a)]</p> <p>Strikes authority for companies to offer a Premium Reduction Plan (PRP) or Premium Rate Reduction Pilot program. [Sec. 1101(f)]</p> <p>Reduces the premium subsidy for area risk plans by 4 percentage points. [Sec. 11013]</p> <p>No comparable provision</p> <p>No comparable provision</p>	<p>Revises current law to clarify that the provision applies only to fees for CAT coverage. [Sec. 1905]</p> <p>Strikes authority for PRP only, and requires USDA to commission a study on the feasibility of the PRP within 18 months of enactment. [Sec. 1908]</p> <p>No comparable provision.</p> <p>Reduces the statutory loss ratio to 1.0, meaning that total premiums should be established to equal expected total indemnity payments. [Sec. 1903]</p> <p>Allows USDA to use AMA funds to match state funds used to provide additional premium discounts to underserved states. [Sec. 1923]</p>	<p>Adopts the provision in Sec. 1905 of the Senate bill which clarifies that cooperatives and trade associations can pay only the fees for catastrophic coverage on behalf of their members. [Sec. 12006] Also adopts the provision in Sec. 11001(a) of the House bill that prohibits the rebating of premiums, with certain exceptions for entities that have already been approved for rebating. [Sec. 12004]</p> <p>Strikes authority for the PRP only. [Sec. 12010]</p> <p>Adopts the House provision. [Sec. 12012]</p> <p>Adopts the Senate provision. [Sec. 12003]</p> <p>No comparable provision.</p>

CURRENT LAW/POLICY	HOUSE-PASSED FARM BILL (H.R. 2419)	SENATE-PASSED SUBSTITUTE AMENDMENT (H.R. 2419)	ENACTED 2008 FARM BILL (P.L.110-246)
<b>Standard Reinsurance Agreement and Risk-Sharing</b>			
<p>The current Standard Reinsurance Agreement (SRA) between the federal government and private crop insurance companies determines levels of risk sharing. The current agreement requires companies to reinsure 5% of their retained premium with the government.</p>	<p>Requires the private insurance companies to reinsure at least 22% of their retained premiums with the government, and in return the government will provide a ceding commission of 2% to companies, allowing the government to receive some underwriting gains that would otherwise accrue to the companies. <i>[Sec. 11014]</i></p>	<p>No comparable provision.</p>	<p>No comparable provision.</p>
<p>No comparable provision.</p>	<p>USDA can renegotiate the SRA starting with the 2012-13 reinsurance year, and once every 5 years thereafter. Insurance companies can confer with each other during the process. <i>[Sec. 11001(d)(2)]</i></p>	<p>Similar to the House bill, except that USDA has discretion to renegotiate the SRA more frequently than every 5 years, with congressional notification of such action. Allows crop insurance companies to confer with each other and collectively with USDA during the renegotiation process. <i>[Sec. 1913]</i></p>	<p>Allows USDA to renegotiate the SRA beginning with the 2010-11 reinsurance year and once every 5 years thereafter. Adopts the Senate provision to allow companies to confer with each other and collectively with USDA during renegotiation. SRA can be renegotiated more than once in a 5-year period if one of the changes is required by law, and Congress is notified. <i>[Sec. 12017]</i></p>
<b>Program Integrity (Waste, Fraud, and Abuse)</b>			
<p>Annual mandatory funds of \$23 million for data mining and program integrity activities expired at the end of FY2005. <i>[7 USC 1516(k)]</i> Annual appropriations acts provided \$3.6 million in annual discretionary funds (FY2006, FY2007). FY2008 appropriations act authorized mandatory funds of \$11.2 million.</p>	<p>Authorizes mandatory funding of \$11 million in FY2008, and \$7 million in FY2009 and subsequent years for crop insurance program compliance and integrity activities, including data mining. <i>[Sec. 11008]</i></p>	<p>Requires USDA to establish a program whereby crop insurance companies pay USDA a fee for access to its data mining system, and USDA uses proceeds for its data system. <i>[Sec. 1915]</i> Prohibits farmers from collecting commissions as agents on policies in which their family has a substantial interest. <i>[Sec. 1904]</i></p>	<p>Provides mandatory funding of up to \$4 million per year beginning in FY2009 for data mining, and requires periodic competition for the funds. Also, adds a new subsection to provide mandatory funds of up to \$15 million per year over 4 years (FY2009-13) to upgrade USDA's computer technology for crop insurance. <i>[Sec. 12021]</i> Adopts the Senate provision that prohibits farmers from collecting commissions as agents on policies in which their family has an interest, with modifications to the definitions of "family" and "compensation." <i>[Sec. 12005]</i></p>

CURRENT LAW/POLICY	HOUSE-PASSED FARM BILL (H.R. 2419)	SENATE-PASSED SUBSTITUTE AMENDMENT (H.R. 2419)	ENACTED 2008 FARM BILL (P.L.110-246)
<b>Risk Management Research and Development</b>			
<p>USDA is required to reimburse an applicant for the R&amp;D costs associated with developing a new plan of crop insurance that is approved by USDA [7 USC 1522] and with developing crop insurance education programs. [7 USC 1524] Current annual mandatory funding is \$15 million for R&amp;D reimbursements and \$25 million for contracting and partnerships. [7 USC 1522(e)]</p>	<p>Authorizes USDA to use no more than \$30 million annually in mandatory funds for grants for R&amp;D and education and information programs, of which \$5 million is for underserved states. Stipulates criteria for which grants will be awarded. Requires USDA to enter into contracts to improve coverage for organic crops, and to address the needs of beginning and minority farmers. [Secs. 11003-11006]</p>	<p>Reduces annual mandatory funding for R&amp;D from \$15 million to \$7.5 million, and for contracting and partnerships from \$25 million to \$12.5 million. Prohibits a surcharge on premiums for organic crops, unless greater loss history is confirmed. Establishes an alternative reimbursement grant process. Requires USDA to enter into contracts to expand coverage for organic crops, aquaculture, energy crops such as switchgrass, and to address the needs of beginning and minority farmers. [Secs. 1917-1919, 1907]</p>	<p>Adopts the Senate provision to reduce mandatory funding for R&amp;D from \$15 million to \$7.5 million and for contracting and partnerships from \$25 million to \$12.5 million. [Sec. 12024] Applicants with approved concept papers for a new policy can receive up to 50% of expenses in advance, and the balance upon approval. [Sec. 12022] Adopts the House provision to enter into contracts to improve coverage for organic crops, and Senate provisions for energy crops and aquaculture, and other new provisions for poultry, beekeepers, and beginning farmers. [Sec. 12023] Requires USDA to emphasize the development of risk management education programs for beginning, immigrant, socially disadvantaged, retiring, and transitioning farmers. [Sec. 12026]</p>
<b>Other Crop Insurance Provisions</b>			
<p>No comparable provision.</p>	<p>Establishes a National Drought Council within USDA and national drought preparedness plans, including a Drought Assistance Fund to provide technical and financial assistance to states for mitigating drought risk. [Sec. 11012]</p>	<p>No comparable provision.</p>	<p>No comparable provision.</p>
<p>Ad-hoc emergency disaster payments are available to producers who experienced significant losses to a 2005, 2006, or 2007 crop. (Sec. 9001 of P.L. 110-28, as amended by P.L. 110-161).</p>	<p>Prohibits USDA from using production data from the sweet potato crop insurance pilot program in determining crop disaster payments for 2005 and 2006. [Sec. 11016]</p>	<p>Similar to the House bill. Also requires USDA to extend the disaster application deadline for sweet potato growers, if necessary, to implement this provision. [Sec. 1927]</p>	<p>Adopts the Senate provision. [Sec. 12029]</p>

CURRENT LAW/POLICY	HOUSE-PASSED FARM BILL (H.R. 2419)	SENATE-PASSED SUBSTITUTE AMENDMENT (H.R. 2419)	ENACTED 2008 FARM BILL (P.L.110-246)
Authorizes USDA to create crop insurance pilot programs. <i>[7 USC 1523]</i>	Mandates a sesame insurance pilot program for Texas. <i>[Sec. 11011]</i>	Creates pilot programs for sesame <i>[Sec. 1921]</i> , camelina <i>[Sec. 1920]</i> , and enterprise/whole farm units <i>[Sec. 1909]</i> .	Authorizes separate insurance pilot programs, for sesame, camelina, grass seed <i>[Sec. 12025]</i> and for enterprise and whole farm units (with some modifications to the Senate provision) <i>[Sec. 12011]</i>
No comparable provision.	Non-cropland (including native grassland and pastureland) planted to an insurable crop ineligible for crop insurance for the first 4 years of planting. <i>[Sec. 11007]</i>	Makes native sods planted to an insurable crop (over 5 acres) ineligible for crop insurance and the noninsured crop disaster assistance program. Directs USDA to report within 180 days of enactment, and annually thereafter, on changes in cropland acreage, by county, since 1995. <i>[Sec. 2608]</i>	Makes native sods planted to an insurable crop (over 5 acres) ineligible for crop insurance and the noninsured crop disaster assistance program for the first 5 years of planting. May apply to virgin prairie converted to cropland in the Prairie Pothole National Priority Area, if elected by the state. <i>[Sec. 12020]</i>
No comparable provision.	No comparable provision.	Makes contract livestock producers eligible for crop insurance, if not covered by other policies. <i>[Sec. 1916]</i> Requires a USDA report within 180 days of enactment on issues regarding declining crop insurance yields, especially for perennials. <i>[Sec. 1928]</i>	No provision addressing the eligibility of contract livestock producers. Adopts the requirement that USDA report on declining yield issues. <i>[Sec. 12030]</i>
No comparable provision.	No comparable provision.	An organic crop is defined as any agricultural commodity that is organically produced consistent with section 2103 of the Organic Foods Production Act of 1990 (7 U.S.C. 6502). <i>[Sec. 1901]</i>	Adopts the Senate provision. <i>[Sec. 12001]</i>
<b>Title XV: Supplemental Agriculture Disaster Assistance</b>			
Congress periodically provides ad-hoc emergency disaster payments to crop and livestock growers to supplement income following a natural disaster. Most recently, Congress provided emergency supplemental assistance for 2005, 2006, or 2007 production losses. <i>[Sec. 9001 of P.L. 110-28, as amended by P.L. 110-161]</i> .	No comparable provision.	Authorizes a permanent agricultural disaster trust fund that will fund a series of disaster programs that provide payments to crop and livestock growers who experience significant production losses in a USDA-declared disaster area. For FY2008-12, the program is funded through a transfer of 3.34% of annual customs receipts from the U.S. Treasury.	Adopts a variation of the Senate provision. For FY2008-11, five new disaster programs are authorized and funded through a transfer of 3.08% of annual customs receipts. The five new programs are: 1) Supplemental Revenue Assistance Payments (for crops); 2) Livestock Indemnity Payments; 3) Livestock Forage Disaster Program; 4)



<b>CURRENT LAW/POLICY</b>	<b>HOUSE-PASSED FARM BILL (H.R. 2419)</b>	<b>SENATE-PASSED SUBSTITUTE AMENDMENT (H.R. 2419)</b>	<b>ENACTED 2008 FARM BILL (P.L.110-246)</b>
		Payments are made under four new programs: 1) Supplemental Revenue Assistance Payments (for crops); 2) Livestock Indemnity Payments; 3) Emergency Assistance for Livestock, Honeybees, and Farm-Raised Catfish; and; 4) Tree Assistance Program. <i>[Sec. 12101]</i>	Emergency Assistance for Livestock, Honeybees, and Farm-Raised Catfish; and 5) Tree Assistance Program. <i>[Sec. 15101]</i>