



**United States
Department of
Agriculture**

**Risk
Management
Agency**

Crop Insurance Update

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Business Summary

Federal Crop Insurance Program

Crop Year 2009 Summary of Business

Liability	\$79.5 Billion
Acres insured	265 Million
Total premium	\$8.9 Billion
Indemnity*	\$4.5 Billion
Loss ratio*	0.50

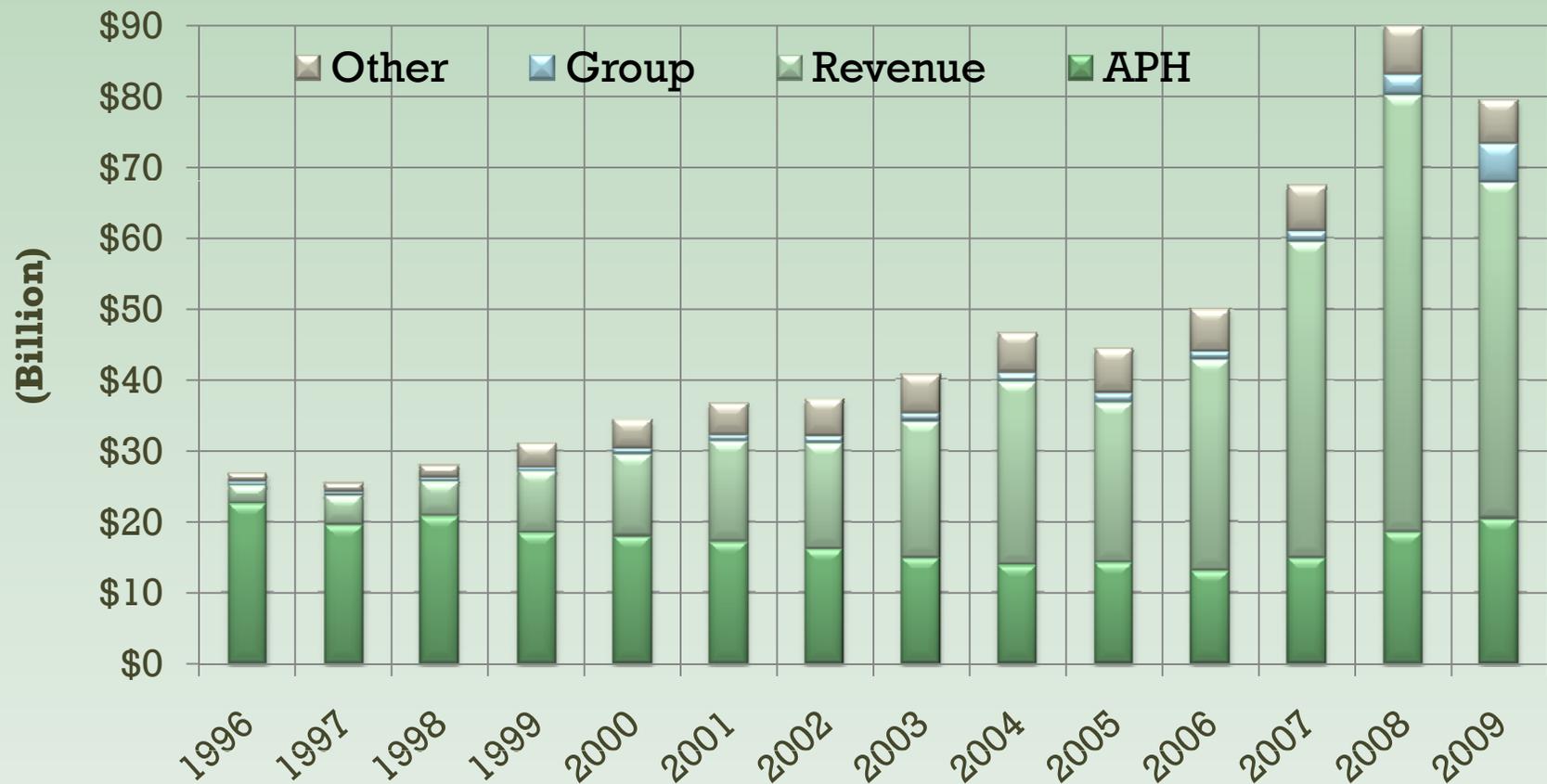
*As of February 8, 2010

*William J. Murphy, Administrator
Risk Management Agency*



Program Growth: Participation by Insurance Plan

Liability by Plan Type





Program Growth: Participation By Crop

2009 Crop Ranking by Liability

Crop	Liability (\$ Bil.)	% of Total
Corn	\$31.1	39.1%
Soybeans	\$17.0	21.4%
Wheat	\$9.9	12.5%
Nursery (FG&C)	\$3.2	4.0%
Cotton	\$2.2	2.8%
Orange Trees	\$1.2	1.5%
Rice	\$1.1	1.3%
Potatoes	\$1.1	1.3%
All Others	\$12.8	16.1%
Total	\$79.5	100.0%

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SRA Renegotiation

New SRA for 2011 reinsurance year

- Effective July 1, 2010
- RMA has given a first draft to companies
- Working with them now to get to an agreement that meets USDA goals



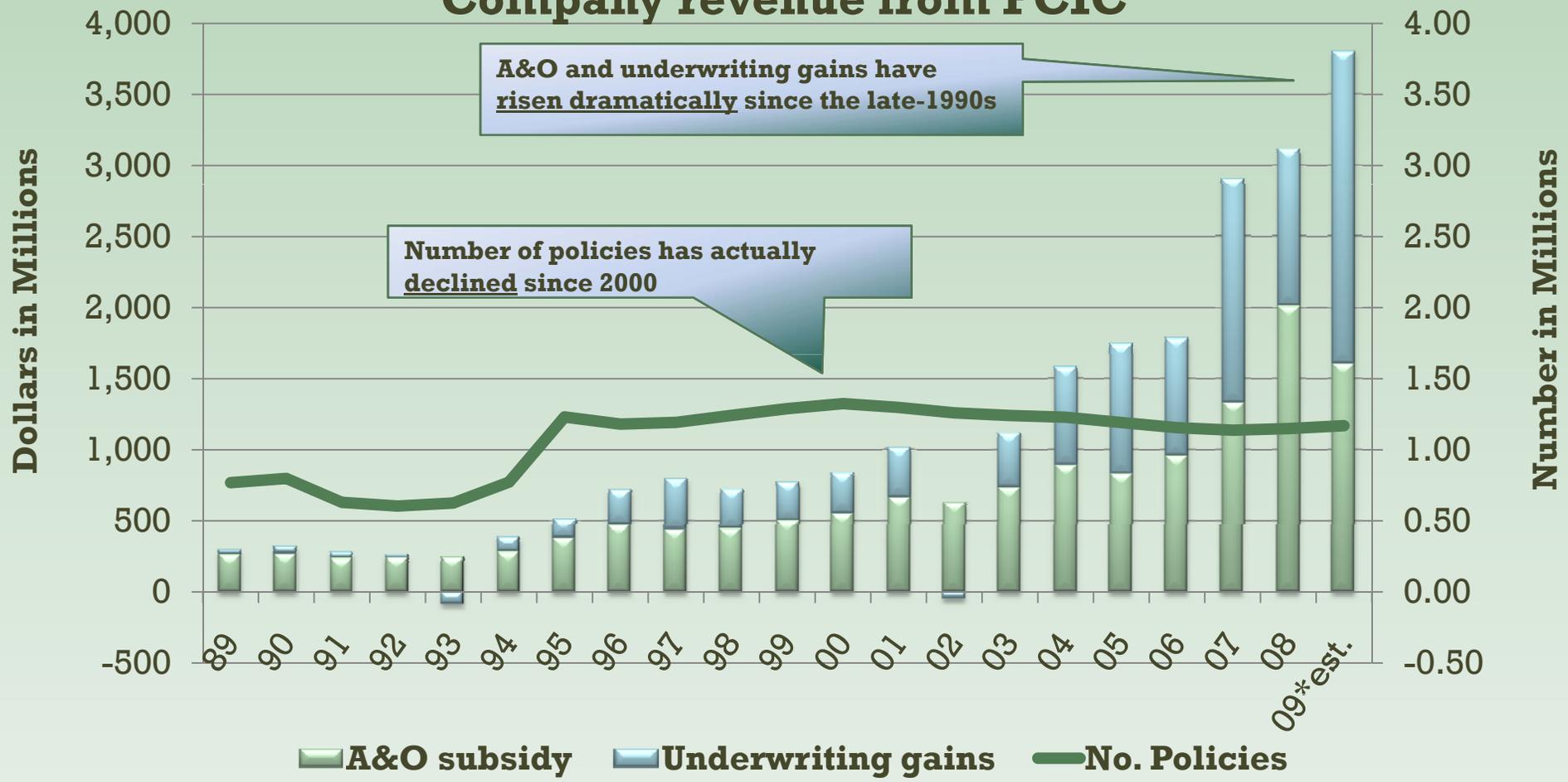
SRA Renegotiation Objectives

- **Support producer access** to insurance products
- **Align A&O subsidy** closer to actual delivery costs
- Provide a **reasonable rate** of return
- **Equalize reinsurance performance** across States
- **Simplify** provisions to make the SRA more understandable and transparent
- **Enhance** program integrity



Historical Company Revenue from FCIC

Company revenue from FCIC



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COMBO

Common Crop Insurance Policy

- COMBO final rule due in February/March 2010
- Most impacted crops
 - Coarse grains (corn, grain sorghum, soybeans)
 - Small grains (barley and wheat)
 - Cotton
 - Rice
 - Canola/rapeseed
 - Sunflowers



Yield & Revenue Policies Combined

One policy to provide:

- **Yield protection**
- **Revenue protection w/ downside price protection**
- **Revenue protection w/ upside & downside price protection**

Previous plans

- Crop Revenue Coverage
- Revenue Assurance
- Income Protection
- Indexed Income Protection

Replaced by

Revenue Protection



Yield & Revenue Policies Combined(con't)

APH plan for Corn, Grain Sorghum, Soybeans, Barley, Wheat, Cotton, Rice, Canola/Rapeseed and Sunflowers is replaced by the yield protection plan

One projected price based on commodity exchange values (established and additional price elections are no longer applicable) for the above commodities

Harvest prices will apply to revenue protection only, not APH

Price elections (established and additional) will continue for remaining APH plans



New Pilot Programs

Actual Revenue History (ARH) – pilot revenue insurance plan for certain specialty crops

Pasture, Rangeland and Forage (PRF) – utilize various indexing systems to determine crop conditions

- Rainfall Index - reflects how much precipitation is received relative to the long-term average
- Vegetation Index – reflects changes in greenness of vegetation relative to the long-term average

Biotechnology Endorsement (BE) – premium rate discount for corn varieties containing certain traits demonstrated to reduce the risk of crop loss



Future Developments - Objectives

- **Simplification** – Simplify program administration, reduce complexity, and introduce greater clarity and consistency to underwriting methods and procedures
- **Efficiency** – Achieve greater efficiencies in program administration, and reduce costs, resource requirements, and personnel demands necessary to administer the program
- **Integrity** – Identify and address program vulnerabilities
- **Innovation** – Integrate new technologies into crop insurance program



Future Developments – Concepts

- Technological innovation – Use **new technologies** (e.g., GIS & GPS technologies, remote sensing technologies, combine yield monitors) for data reporting, acreage measurements, etc.
- **Permanent land descriptors** with a permanent production history attached to the land
 - Tie soil attributes (e.g., soil typology) to specific land, thus improving the actuarial efficiency of the insurance offer to the producer



Future Developments - Concepts

- Greater use of farmer's **own production history** in place of T-Yields
 - A move towards individualizing T-Yields to improve actuarial soundness, program integrity, and producer equity
- Better recognize **yield increases** arising from technological advances and improvements in production practices
 - Address 'yield drag' concerns, i.e., that a producer's guarantee lags behind true production expectations given a positive yield trend



Priorities and Challenges

- SRA
- COMBO/ITM
- Pay Go – Continues to hinder RMA program expansion and improvements
- New product concept proposals and submissions
- Keeping a well-run program running well



Crop Insurance Now, More Than Ever

- Bad weather, heavy losses and tough economic times make business risk management critical for producers.
- We will do our part to make sure the Federal crop insurance program produces a win-win-win-win scenario for producers, companies, consumers, and American taxpayers.