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Mr. Chairman and members of the Subcommittee, I am Eldon Gould, Administrator of USDA's Risk Management Agency (RMA). I am also a life-long farmer in northern Illinois who values access to a crop insurance program that is administered to ensure program integrity and the best use of the taxpayer dollars. I am accompanied today by Dr. Keith Collins, Chairman of the Federal Crop Insurance Corporation.

I appreciate the opportunity to provide an update on the efforts of RMA to continue to improve the integrity and efficacy of the Federal crop insurance program. Any discussion of program integrity must include an update on our successes and challenges in implementing the Agricultural Risk Protection Act of 2000 (ARPA). In fulfillment of ARPA mandates and consistent with sound program management and oversight, the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) and RMA have established several priorities to focus development initiatives. These bring new and innovative insurance products to the agricultural community, monitor and improve our current insurance products, balance program initiatives with new Information Technology systems development, simplify and streamline products where appropriate, and work to combat and prevent fraud, waste and abuse through technology and strategic compliance initiatives. Clearly, the Board and RMA have established overall program integrity as a high priority.

The Federal crop insurance program has experienced extraordinary growth in the last quarter century. In crop year 2006, through the private sector delivery system, RMA provided $49.9 billion of protection (insured liability) to farmers on approximately 370 commodities, covering nearly 80 percent of eligible acreage of major U.S. crops. This coverage was offered through 21 plans of insurance and approximately 1.1 million policies insuring about 242 million acres. In 2005, crop insurance provided approximately $2.4 billion in indemnity payments to farmers and ranchers. For 2006, indemnity payments to farmers totaled approximately $3.4 billion. In 2007, we will reach an estimated $68 billion in insurance protection for American agriculture.

The Federal crop insurance program is working as intended and is meeting its targeted loss ratio. That is not to say that more cannot be done, especially with regard to reducing program fraud, waste and abuse. More can, should and must be done. RMA is responsible to the American taxpayer and works diligently to be a good steward of the tax dollar. America's farmers and taxpayers deserve a flexible, fair and fraud-free program. Program integrity is maintained through prevention, detection and enforcement.

Recent Criticism of the Crop Insurance Program

Before I speak to program integrity within the program, I would like to first address some of the recent criticism that this program has received.

Underwriting Gains

Underwriting gains and losses are terms used in the Standard Reinsurance Agreement (SRA) to tabulate results of the varying risk share arrangements applicable to the ceded premiums for the reinsurance year. It would be a mistake to consider them pure profit or absolute loss for the reinsured companies. Underwriting gains serve a number of functions – they cover partial delivery expenses for some companies, they are used to build reserves to meet the required policyholder surplus and they provide a return on equity. As part of RMA's financial integrity requirements, the insurance companies must maintain adequate policyholder surplus to pay losses resulting from two consecutive years of a 500 percent loss ratio, that is, years when indemnities paid would equal 500 percent of premiums.

FCIC policyholder surplus requirements generally exceed those of state regulators for general property and casualty lines of insurance. As total program premium increases, the necessary policyholder surplus increases correspondingly. To put this requirement in perspective, the highest loss ratio the program has experienced was 2.39 in 1988. The recent underwriting gains provide the surplus needed to cushion and plan for catastrophic weather events and years like 1988 and 1993. This is important as the companies today retain risk on almost 80 percent of the premium written, with much of the retained premium in the riskiest Commercial Fund.

Recent underwriting gains by crop insurance companies have tended to be higher than other similar lines of insurance that might be comparable within the insurance industry. While Congress and USDA have made many program improvements, much of these gains have been driven by an unusually good run of favorable weather over the past few years. From 1980 thru 1991, the program loss ratio was 1.55. However, from 1992 thru 2006, coinciding with the current SRA risk sharing arrangements, the program loss ratio was 0.99. In the past few years, some of the best major crop yields in history have resulted in even better program performance with correspondingly lower loss ratios and higher underwriting gains.

USDA takes prospective actions to assess potential increases in program risk associated with changes in weather and production agriculture. RMA continually analyzes available information to look for ways to improve its rating and program administration. The Board and RMA utilize parallel system reviews for uniform product development and routinely contract for program evaluations and studies to deliver more streamlined and actuarially sound insurance programs. As program improvements are made that result in better underlying program performance, this also translates to improved underwriting returns to the companies.

Currently, RMA tracks total program liability, a definitive measure of the total value at risk from natural causes of loss, and updates this information on a weekly basis available on our public website. RMA also estimates expected changes in liability up to 10 years ahead through RMA's budgetary baseline projections. In addition, RMA can assess the current and long-term exposure of the crop insurance program to different potential catastrophic weather events, such as a recurrence of 1993 losses caused by flooding in the Midwest.

Today, if the program were to experience a major adverse weather event, companies would have significant underwriting losses. If an extremely dry year were to occur under today's program, with production shortfalls similar to those in 1988, the companies would incur an estimated $980 million underwriting loss. Similarly, if a significantly wet year like 1993 were to occur again, companies would stand to lose an estimated $440 million. It is not a matter of if, but when, similar kinds of weather events will occur in the future.

If one looks at the historical loss ratio performance of the Federal crop insurance program (attached to this testimony) and reverses the historical loss experience so that the experience of the 1980s and early 1990s was occurring with similar frequency today, there would likely be a different view and discussion of the crop insurance program regarding the issue of underwriting gains. While underwriting gains serve important purposes for the insurance companies and are closely related to weather experiences, gains must be monitored to ensure they reflect an appropriate balance in risk sharing between the public and private sectors.

Company Expenses

RMA first began collecting detailed program delivery expense data with the renegotiated SRA for 2005. For 2005, expenses of the companies averaged 23.8 percent of gross premium. In 2005, delivery costs were $837 million to deliver $44 billion of protection, on 1.2 million policies, covering 246 million acres. The major categories of costs were agent commissions, loss adjustment expenses, salaries of company employees, IT support, and overhead expenses.

As for how crop insurance expenses compare to other segments of the insurance industry, comparisons are difficult because crop insurance is unique and involves some costs not usually borne by other lines of insurance, such as loss adjustment training for a wide variety of crops ranging from nursery plants to clams to the more traditional row crops. While detailed historical data on costs is limited, the collection of detailed cost information that began in 2005 will be useful in making future comparisons.

For 2005, company aggregate program delivery expenses averaged 23.8 percent of gross premium, whereas administrative and operating (A&O) expense reimbursement averaged only 21.0 percent of gross premium. Consequently, there was a 2.8 percentage point aggregate cost deficiency as reported by the companies. However, some companies kept their expenses within the A&O expense reimbursement amount while others incurred greater expenses trying to expand their business, often by offering higher agent commissions to attract blocks of business. The largest and most variable cost category for most companies is agent compensation.

As a percentage of premiums, the A&O expense reimbursement has declined over the past ten years from 31 percent of the premium for 1995, to an effective rate of about 20.5 percent of the premium for 2006. However, as a dollar amount per policy during this same period, A&O has risen from $367 to $828. And with significantly higher crop prices for 2007, this number will be higher yet. Given that the cost of servicing crop insurance policyholders varies more by the number of policies rather than by the amount of premium, companies today have far more dollars per policy to provide service than in past years.

RMA is working to reduce program delivery expenses by attempting to simplify the program and reduce the paperwork burden on companies. One key effort is to combine the actual production history and revenue plans of insurance. The effort will combine the Crop Revenue Coverage, Revenue Assurance, Income Protection and Indexed Income protection policies into the standard Basic Provisions and Crop Provisions, thereby reducing the amount of policies and actuarial documents that must be produced and sent to producers each year.

This effort should also reduce training costs because instead of five different policies with multiple pricing mechanisms, unit structure availability, rating structures, and options, there will only be one policy with one standardized rate structure and pricing mechanisms limited to only yield or one revenue coverage and options. After the completion of this rulemaking process, RMA will begin the process of combining other similar plans of insurance to reduce the burden on the program.

A&O Reimbursement

The General Accountability Office (GAO) has stated that from 1997 to 2006, more than 40 cents of every dollar the government spent on the Federal crop insurance program went to the companies that deliver the program, while less than 60 cents went to farmers.

GAO's numbers look at this only in terms of direct cash payments. However, this approach fails to recognize that the company cost allowance, or A&O expense reimbursement, is actually a benefit for farmers that is paid by the government to the companies.

In other lines of insurance, policyholders receive a billing statement, which indicates an amount of premium due. Included within this amount is a sum reflecting the expense of servicing the policy that the policyholder pays. Typically, this figure, which is not broken out as a separate line item, is referred to in the insurance industry as an "expense load."

When Congress set up the Federal crop insurance program, it established that the government would directly reimburse the companies for this "expense load" rather than having the farmer pay. In fact, the SRA requires that when a producer receives their billing notice, the amount of the A&O expense reimbursement or "expense load" being paid by the government must be shown on the statement so the producer is aware of this indirect Federal benefit. (See attached example of a farmer's crop insurance bill.)

If the Federal government did not reimburse for the administrative expenses, then these costs or expenses would be passed on to producers through increased insurance premiums.

Thus, there is a compelling reason to consider the company cost allowance to be a benefit to the producer. Using the figures provided by GAO, and taking out the company cost allowance payments (since this was paid by the government on behalf of producers), approximately 17 cents of every dollar the government spent on Federal crop insurance during 1997-2006 went to the companies to deliver the program, while the remainder of 83 cents, either directly or indirectly, went to farmers.

Farm Bill Proposals

There is no question that in recent years, the companies have benefited from this program, but crop insurance provides the key risk management tool to support sound business practices for producers. Crop insurance is the government's principal means of helping farmers survive a major crop loss. However, the benefits to farmers extend well beyond an indemnity payment. The farm lending industry depends heavily on crop insurance to collateralize loans, and insurance facilitates planning for the continuity of farm and ranch operations and the rural communities that depend on those operations.

Current law requires that to the maximum extent practicable, FCIC provide reinsurance to companies. While alternatives are conceivable, authorizing legislation is needed. The Administration's Farm Bill proposals would benefit taxpayers on several fronts. Currently, RMA does not have the authority to adjust the financial terms of the SRA. RMA recognizes that it needs more flexibility and authority to respond to changing conditions, and maintain a proper balance of risk sharing with the underlying program's performance.

Before the 2005 reinsurance year, the SRAs provided no net book quota share for FCIC and the companies retained all underwriting gains. RMA initiated a 5 percent net book quota share for the 2005 and subsequent reinsurance years. As reported by GAO, for the 10-year period 1997 through 2006, the companies received $4.3 billion in underwriting gains from $23.7 billion in retained premium, or an average annual rate of 17.8 percent. As a result, RMA has sought a redistribution of the underwriting gains so that the Federal government would receive an increased share, which is one of Administration's Farm Bill proposals. The Administration's Farm Bill proposal increases the net book quota share to 22 percent in exchange for a ceding commission of 2 percent, seeking better balance in the risk sharing arrangement.

This proposal would allow the Federal government to retain more of the underwriting gains in good years resulting in a better balance of risk sharing, and provide program savings. Further, permitting RMA to renegotiate the financial terms of the SRA at most every three years would give it the flexibility to routinely monitor program performance and maintain the proper risk sharing balance so that taxpayers can be assured the program is operating efficiently and effectively. Both of these program changes are contained in the Administration's Farm Bill proposals.

Emphasizing Prevention through Better Quality Control and Assurance

RMA's efforts to maintain program integrity within the Federal crop insurance program are comprised of numerous activities and initiatives: Internal Controls through Program Design and Standardized Data Collection, Quality Control and Assurance, Data Mining, Sanctions and Enforcement, IT System Improvements, Conflicts of Interest Guidelines and Program Simplification.

Prevention starts by effective program design and development utilizing internal controls such as effective policy deductibles, sound and consistent underwriting and loss adjustment standards, continual updating of actuarial rates and prices and finally with standardized rules and requirements for data submission. RMA's IT system is a critical line of defense in monitoring and assuring policy information is credible, consistent and within the rules and regulations of the program prior to disbursing funds. This adds to the integrity and analysis of the data for key program information and improvements, in addition to aiding in data mining efforts.

RMA is continually seeking new and more effective ways to work with the other regulatory bodies and government agencies as well as companies, agents and producers to ensure the integrity of the Federal crop insurance program. RMA compliance reviews continue to reveal that there are only a small number of producers who have been involved in fraud or illicit activity. While no level of criminal or abusive behavior is acceptable, RMA continues to strive to keep this number small.

Because they share in risk, the companies have a stake in working with us to prevent fraud, waste and abuse. We have worked closely with them to strengthen program integrity, protect taxpayer dollars, and better assure that those who deliberately break the rules are caught and punished. The vast majority of people in the Federal crop insurance program -- farmers, insurance agents, loss adjustors, industry professionals and government employees -- are hard-working men and women acting with the highest integrity and competence.

Program Integrity

RMA's Compliance function workload increased substantially due to the expansion of the Federal crop insurance program and the implementation of ARPA. In order to address the increases, RMA is emphasizing preemption through better quality control and assurance, while still aggressively pursuing program abuse by assisting USDA's Office of Inspector General (OIG) and the Department of Justice. Improvements in quality controls and investigations continue to be assisted by new and better technology, specifically the use of data mining, remote sensing, geospatial information technologies and other computer-based resources.

The renegotiation for the 2005 and subsequent SRAs resulted in changes in the way RMA ensures program compliance. The SRA directs companies to expend more resources on quality assurance and internal controls than ever before. The new SRA also recognizes that companies have improved internal control processes in response to requirements of the Sarbanes-Oxley Act. The SRA permits the insurance providers to document and receive credit for their efforts rather than complying with a separate set of assurance mandates.

In conjunction with the new quality control requirements, RMA Compliance has revised its work plans to reflect a more balanced approach between quality assurance and investigating program abuses. In a time of declining resources and increased responsibilities, effective internal controls provide a significant cost-benefit advantage compared to identifying and prosecuting program abuse alone. RMA is currently reviewing company operations and internal controls to determine if their efforts actually address crop insurance program vulnerabilities.

RMA Compliance personnel completed the second year of structured random policy reviews in 2006, and will soon begin the third round in the three-year cycle of reviewing participating insurance providers. Compliance completes random reviews in conjunction with an assessment of each insurance provider's operational compliance, and uses the information to establish a program error rate under the Improper Payments Information Act of 2002 (IPIA). It is noteworthy that RMA's observed error rate from reviews on 600 randomly selected policies was 2.68 percent. RMA initially projected 5.0 percent on the first IPIA reports, so this finding is less than expected. We would also note that the Administration requested funding for additional Compliance resources in each of the past three budget cycles, mainly for the purpose of fully staffing the work to determine the program error rate in accordance with the IPIA.

Compliance managers continue to concentrate on the mission-critical tasks of evaluating and improving new processes to prevent and deter fraud, waste and abuse in the crop insurance program. We have dedicated significant resources to building and adapting a reporting and tracking system to complement and integrate the oversight mandates established by ARPA and other statutory requirements.

While RMA, FSA and the companies have preempted tens of millions of dollars of improper payments through these and other measures, RMA is constantly identifying ways to balance competing needs to make our products fraud-proof while seeking to provide responsive, useful risk protection to farmers. While work remains and more improvements can be made, we are making good progress in our fight against program abuse.

Detection via Data Mining

RMA is making significant progress in preventing fraud, waste and abuse through the expanded use of data mining. As part of ARPA, data warehousing and data mining techniques were explicitly identified as tools to be used by RMA to strengthen the crop insurance program's oversight efforts. RMA contracts with the Center for Agribusiness Excellence (CAE) at Tarleton State University to develop these technologies. Since employing these technologies in 2001, RMA has achieved substantial program savings through proactive efforts to identify program vulnerabilities and abuse.

RMA continues to use data mining to identify anomalous producer, adjuster, and agent program results and, with the assistance of Farm Service Agency (FSA) offices, conducts growing-season spot checks to ensure that new claims for losses are legitimate. The annual spot check list combines the strengths of data mining technologies and the farm-level knowledge of FSA, to identify and monitor those producers whose crop insurance losses are not consistent with those of their neighbors. This effort alone has achieved reductions from prior year indemnities for the producers selected of more than $430 million dollars since the 2002 crop year. Specifically, indemnities on spot-checked policies were reduced approximately $112 million in 2002, $82 million for 2003, $71 million in 2004, $138 million in 2005 and $27 million in 2006.

More importantly, these reductions are achieved without RMA or FSA having to issue administrative sanctions or engage in lengthy and costly criminal investigations to curb program abuse. These reductions represent more than a $20 return for every dollar spent by RMA on data mining since its inception. Our analysis shows that this change in claims behavior for most producers persists for several years, resulting in overall program compliance benefits that are even higher over a longer-term period

Data mining findings also demonstrated that the considerable majority of producers participating in the crop insurance program used the risk management tools we offer exactly as they were intended. CAE, using an analysis technique known as a decision tree, classified the entire crop insurance book of business into a range of behavior, from those producers who almost never had losses to those who had frequent and severe losses. Through this method, CAE was able to demonstrate that most producers used the risk management tools as intended and only a small percentage, about 0.2 percent, of producers exhibited behavior that warranted future review.

In addition, CAE conducts internal data mining research for RMA to assist compliance and underwriting efforts and any other research deemed necessary by the agency to improve the effectiveness and efficiency of the crop insurance program. CAE currently produces approximately 160 such research products per year for RMA, including products such as crop simulation models, planting date studies and methods for correctly identifying high-risk land.

RMA also uses data mining to verify compliance with established rules and regulations. For example, data mining identified policies where a comparison of past claims and production data identified certain companies or their agents who had failed to use claim production data to establish future approved yields, as required by regulation. RMA provides this information to the companies to assist them in correcting producer data when such errors occur.

Outside audit bodies such as the USDA's OIG and the GAO have also recognized our success with the use of data warehousing and data mining technologies. OIG recommended that USDA employ data mining in other farm programs. Further, both OIG and GAO have been customers, using CAE on occasion to assist them with audits of farm programs.

The benefits from using data warehousing and data mining technologies have increased every year since its inception. RMA expects the benefits generated from using these technologies to continue and plans to expand its use of data mining technologies to other applicable areas of the program in the near future.

The President's Fiscal Year (FY) 2008 Budget includes a proposal that would expand the uses of mandatory ARPA research and development funding for data mining as well as for the Comprehensive Information Management System (CIMS). Specifically, the FY 2008 Budget would authorize the use of $5.4 million for replacement of equipment and $3.6 million to continue regular operations of data mining.

<u>Enforcement</u>

RMA continues to make progress in the Administrative Sanctions arena. In 2005, RMA imposed 24 sanctions, such as suspensions, debarments, and disqualifications on producers, agents and loss adjusters found to have violated approved policies and procedures. For 2006, RMA imposed 41 sanctions and had 53 additional sanctions pending at the end of the year. RMA also routinely publishes the Department of Justice press releases regarding successful prosecutions of crop insurance program abuse on our website as a reminder to program participants that maintaining integrity is critical.

We are improving the timing and quality of our sanctions requests as well. RMA continues to work with USDA's Office of General Counsel (OGC) to limit the number of cases declined due to insufficient evidence. This improvement is attributable to Compliance personnel becoming more proficient at identifying evidence and establishing cases that will pass legal sufficiency requirements.

Finally, modifications to the Administrative Sanctions regulations that were identified by GAO as requiring publication are in clearance. These regulations will formalize all the sanctions authority Congress provided RMA in ARPA.

In 2005, GAO audited RMA's overall compliance activities, and recommended areas for improving our compliance efforts. GAO made several recommendations that RMA accepted and is working to implement. However, data mining remains central to our compliance efforts because it is cost efficient and cost effective.

Within current resources, compliance managers also continue to concentrate on the mission-critical tasks of evaluating and improving new processes to prevent and deter fraud, waste and abuse in the crop insurance program. We have dedicated significant resources to building and adapting a reporting and tracking system to complement and integrate the oversight mandates established by ARPA.

Information Technology (IT) System Improvements

A critical area in program integrity improvement is enhancing the capability of RMA's IT system. The number and types of crop insurance programs is ever expanding and growing more complex. ARPA also instituted new data reconciliation, data mining and other anti-fraud, waste and abuse activities that require the data to be used in a variety of new ways. The current IT system was not designed to handle these types of data operations. Consequently, the data must be stored in multiple databases, which increases data storage costs and processing times, and increases the risk of data errors.

The President's FY 2008 Budget includes two proposals that will facilitate funding of our IT needs.

The first is similar to last year's request, which required insurance providers to share in the cost to develop and maintain a new IT system. Insurance providers would be assessed a fee based on one-half cent per dollar of premium sold. The fee is estimated to generate an amount not to exceed $15 million annually. After the new IT system has been developed, the assessment would be shifted to fund maintenance and would be expected to reduce the annual appropriation of the salaries and expenses account of RMA.

The second, as noted earlier, would expand the uses of mandatory ARPA research and development funding for data mining and data warehousing activities required by ARPA, and the testing and development of CIMS.

Conflict of Interest Supplementary Guidance

RMA recognizes that certain types of interactions between agents, loss adjusters and policyholders pose serious conflict of interest challenges to the integrity of the crop insurance program. RMA investigations and independent audits by OIG and GAO have identified instances where crop insurance claims have been influenced by such conflicts.

The 2005 SRA contained new and enhanced provisions that strengthened RMA's ability to prevent and detect those conflicts of interest that might adversely affect program integrity. Specifically, the SRA strengthened provisions that 1) prohibited certain conduct by agents during the loss adjustment process, and 2) required increased conflict of interest disclosure by agents, loss adjusters and insurance company employees.

To assist the companies in implementing new SRA provisions dealing with prohibited activities of agents during loss adjustment, RMA worked closely with companies and agents to develop a comprehensive guidance document that reflected tough but workable standards. RMA issued the resulting Manager's Bulletin in October 2005. The reaction of the crop insurance industry, agent associations and oversight bodies has generally been very positive to these standards.

After addressing this first area of concern, RMA has now turned to the problem of developing guidance on conflict of interest disclosure. The SRA requires that all company employees and affiliates disclose any potential conflicts of interest to the companies and, in turn, to RMA. Such disclosure is used to determine what conduct may be prohibited and what reviews must be done by the company. RMA has listened to the comments of the industry regarding conflict of interest disclosure to ensure that guidance will contain a workable standard that will be consistent across all companies and will provide important information for RMA's data mining efforts.

After seeking company input at the recent National Crop Insurance Service's Program Integrity Conference, RMA is now finalizing a Manager's Bulletin that contains further guidance to assist insurance providers in implementing changes to the SRA regarding conflict of interest disclosure. The Bulletin will establish standards for reporting conflicts of interest by insurance company employees, agents, and loss adjusters. This effort will promote program integrity and ensure adequate internal controls based on the identification of certain conflict of interest problems in past audits and investigations of fraud, waste, and abuse in the program.

Simplification of the Federal Crop Insurance Program

Simplification of the program is a priority of both RMA and the FCIC Board. As new programs have been added, more complexities have arisen.

As stated above, RMA is developing a combination policy, which combines the existing Actual Production History, Crop Revenue Coverage, Income Protection, Indexed Income Protection and

Revenue Assurance plans of insurance into one consolidated insurance plan (Combo). We have been working on this for some time now, and the draft final rule is being completed and is intended to be effective for the 2009 crop year, with publication slated for late 2007. We believe this change will provide producers a broader array of insurance options, in a more straightforward process, and improve product delivery and operations.

RMA is also working closely with FSA to simplify our joint reporting requirements. Where feasible, the two agencies are coordinating certain, similar program requirements seeking commonality and consistency to ease the reporting burden on the producer and on the agencies. Our objective is to vastly improve the reporting accuracy of producer information and share the data between the companies and FSA, ensuring greater program integrity for several different USDA farm programs.

RMA is actively working on the second phase of a project to implement section 10706 of the 2002 Farm Bill, known as CIMS, which will simplify and improve the programs administered by RMA and FSA. This project will provide an information system that allows RMA, FSA other USDA entities and companies to process, share and report on approved common information. The second phase of the project focuses on the sharing and analysis of existing RMA and FSA producer and acreage data. Recommendations have been provided to both RMA and FSA for subject matter experts to review elements for producers, land locations, crops and acreage reporting.

The common component of CIMS has been operational internally since July 2006. It is loaded weekly with over 141 million producer and acreage records from RMA and FSA for 2005, 2006 and 2007. This data is processed and is electronically available to approved RMA and FSA users to provide participation summary reports, information on individual producers and discrepancies in reported acreage. Once RMA’s and FSA’s System of Records have been updated for CIMS, the companies will have electronic access to their insured producers’ information only. All data is secure and subject to controls to prevent unauthorized access.

In March 2006, a ‘Notification Area’ was added to the CIMS web interface to allow FSA County Offices and companies to communicate on data issues identified by CIMS.

Conclusion

Administration of the crop insurance program requires all interested parties working together to identify viable insurance products and solutions that meet the needs of the agricultural community. Moreover, if the program is to continue to be successful, the resources to provide the checks and balances necessary to guard against the risks of fraud, waste and abuse need more focus and priority.

RMA continues to improve and update the terms and conditions of existing crop insurance policies to enhance coverage and efficacy of the policies, as well as to clarify and define insurance protection and the duties and responsibilities of the policyholder and companies to improve the understanding, use and integrity of the program.

When I accepted this position, Secretary Johanns charged me with administering the crop insurance program in a timely, responsible, and farmer-friendly manner. I will continue to work with the insurance companies, agents' groups, producer groups and, of course, the Congress, to meet our common goals of providing effective insurance products, processing timely and accurate claims when losses occur and identifying and eliminating fraud, waste and abuse in the program to the greatest extent possible. Thank you all for the support provided by the Committee to help improve program integrity within the Federal crop insurance program. We have much to be proud of and much to look forward to in continuing to work together.

Again, thank you for the opportunity to participate in this important hearing. I look forward to responding to questions on these issues.