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March 26, 2010

Mr. William Murphy
Administrator, Risk Management Agency
U.S. Department of Agriculture
South Agriculture Building, Room 6092-S
1400 Independence Ave, SW
Washington, DC 20250

Dear Mr. Murphy:

As the Standard Reinsurance Agreement (SRA) renegotiation proceeds, we write to express our appreciation for the Risk Management Agency's (RMA) willingness to reconsider its previous proposals. We strongly encourage a thorough review of comments on proposals contained in the second draft from the crop insurance industry and other interested parties to ensure that the federal crop insurance program remains a viable risk management tool for producers. The program has made significant gains over the last decade in terms of acreage insured, the range of products provided, program integrity, and service, gains which are in large part attributable to the work of the private sector companies and their local agents. The new SRA should build on these gains rather than incorporate provisions that may compromise this risk management tool, which is a critical part of the farm safety net.

We remain concerned about the magnitude of the nearly \$7 billion in proposed cuts over the next ten years to the program reflected in the second draft of the SRA. By comparison, the 2005 SRA was estimated to save \$410 million over ten years and the 2008 farm bill included savings of \$5.6 billion over ten years. While we believe there may be some efficiencies to be identified through the SRA renegotiation process, we are concerned that the level of program cuts in the second draft will seriously—and negatively—affect several insurance companies' ability to continue to offer much-needed risk management products in many areas of the country.

In April 2009, the U.S. Government Accountability Office recommended that RMA conduct a study of the costs associated with selling and servicing crop insurance policies, and we understand that RMA has recently committed to initiate such a study. Given the significant changes proposed to determine administrative and operating expense (A&O) reimbursements

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and underwriting gains or losses, we find it difficult to understand the justification for these proposals when empirical data on actual delivery costs is lacking.

It is important that the SRA provide fair and adequate compensation for program delivery so that farmers and ranchers continue to have access to the program. This objective brings into question the new proposal in the second draft to cap commissions paid to crop insurance agents, who are a crucial component of the delivery system. We remain concerned about proposals that may undermine the program, reduce the quality of service and availability of the program, and harm rural America through job loss.

Thank you for your work in managing the federal crop insurance program and please let us know how we or our Agriculture Committee staff members, Stephanie Mercier and Christy Seyfert, can be of assistance.

Sincerely,

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Mark Royce

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