

January 14, 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 ask that the Risk Management Agency (RMA) carefully consider the impact that adopting the financial terms in the recently released first draft of the SRA might have on the viability of the industry and the quality of service in delivering the program to producers. American farmers and ranchers rely heavily on the Federal Crop Insurance Program (FCIP) to help manage risk and private crop insurance companies and the agents they employ are critical to the delivery of this program to our agricultural sector. It is vital that we have a competitive, thriving crop insurance industry.

We would also like to thank you for the work you and your staff have done on the first draft of the SRA. We recognize the significant time and energy it has taken to put together this document. Your improved working relationship with the companies has also been welcome. As you move forward, we ask that you continue to share information frankly with the approved insurance providers (AIP's).

As you know, Congress carefully negotiated the 2008 farm bill, including \$5.6 billion in net savings from the crop insurance program over the ten-year period of 2008-2017 as compared to the March 2007 CBO baseline. It was a difficult process, and already represents significant modifications in the reimbursement of delivery expenses to AIP's. These cuts should be taken into account as you work toward a final version of the SRA. Even though your Agency was authorized in the farm bill to consider alternative reimbursement mechanisms in the SRA and the companies expected to face some revenue reduction from the process, the depth of these proposed cuts came as quite a shock, and combined with the cuts from the farm bill could force some companies out of business.

As you hone your current proposal for determining the appropriate means of reimbursing for delivery costs, for sharing risk, and finding new ways to better serve underrepresented areas, we ask that the SRA provide for fair and adequate compensation for program delivery so that farmers and ranchers continue to have access to the program. We are also concerned about losing jobs or income in some of our most economically vulnerable communities. The industry estimates that 18,000 jobs are tied directly or indirectly to the U.S. crop insurance sector, many in rural counties. As of October, it was estimated that the rural unemployment rate was higher in 30 states than the urban unemployment rate.

We understand the need to reexamine methods of reimbursement for administrative and operating costs for the upcoming reinsurance year but also recognize the challenge of determining the appropriate

level of reimbursements when you have just committed to initiate an outside study to evaluate actual crop insurance delivery costs. We hope that you will take that paradox into consideration.

Thank you and your staff again for all that you do to manage the FCIP and please let us know how we or our Agriculture Committee staff members, Stephanie Mercier and Christy Seyfert, can be of assistance.

Sincerely,

Blanche Lincoln
Chairman

Saxby Chambliss
Ranking Member