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Private Industry Still Sees Wide Gap in SRA Negotiations

OVERLAND PARK, KAN... Although modestly less severe than initially proposed, the funding reductions for the crop insurance program offered yesterday by USDA/RMA in the latest round of negotiations to revise the Standard Reinsurance Agreement (SRA) remain excessive and unrealistic. In addition, the RMA's latest proposal fails to reflect available reforms to the program's business processes, oversight and quality control measures which would increase their effectiveness and reduce costs for both RMA and the industry.

"We are disappointed that RMA didn't give much credence to our suggestions about ways to streamline and improve the important tasks that we must undertake to implement the program and protect its integrity in compliance with the provisions of the SRA. In fact, RMA went the other way, making these tasks more cumbersome and expensive, while simultaneously calling for huge funding cuts" said Bob Parkerson, President of National Crop Insurance Services.

Representatives from RMA made a presentation to the industry on February 17 about the changes expected in draft number 2, which was actually released on February 23. RMA's offer to reduce the program's funding by \$6.9 billion over 10 years versus the \$8.4 billion in the first draft was met with dissatisfaction and disappointment from the industry. The \$6.9 billion would reduce financial support to the crop insurance companies by some 25 percent, and as was the case with RMA's first proposal, these cuts would continue to put at risk the depth and scope of crop insurance services in many agricultural areas of the country.

The second draft also contained several impractical provisions that were not in the first draft, most notably a restriction limiting the amount of commission paid to agents, the option for companies to offer profit sharing, additional drug-free workplace requirements, and additional adjuster proficiency requirements.

"It appears that RMA, while giving a little bit back on the financial side, has increased the requirements on the operational side of the business causing the companies' expenses to continue to rise. They claim to be listening to us, but it's apparent that they didn't take the time to read the comments we submitted to their first draft. We still have a long way to go," said Parkerson.

Once NCIS and the industry have had a chance to thoroughly read and analyze the second draft of the SRA, they will provide written comments to RMA and make them available publicly.

The industry's comments to RMA's first draft, as well as facts that refute many of RMA's position statements in its "Myths versus Fact" sheet can be found on the crop insurance industry website at www.cropinsuranceinamerica.org.

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