



Independent Insurance Agents



Brokers of America, Inc.



April 28, 2004

Mr. David Hobbs
Deputy Assistant to the President for Legislative Affairs
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear David:

The Independent Insurance Agents and Brokers of America (IIABA) have grave concerns with the process in which the Risk Management Agency (RMA) of the U.S. Department of Agriculture is negotiating the 2005 Standard Reinsurance Agreement (SRA). As you know, the SRA (the contractual agreement between the federal government and private insurance companies) directs the terms and conditions under which federal crop insurance is sold to farmers. The deadline for the 2005 SRA is July 1, 2005 and the RMA recently promulgated its second draft. Despite industry-wide comments on the need to improve the initial draft, RMA is still insisting on including a number of onerous provisions that will effectively take America's most sound risk management tool and turn it on its head.

It's important to note that over the last 2 decades the crop insurance industry has seen the number of companies decrease from over 50 to less than 15. Many experts are now forecasting that number to decrease to less than a handful under the proposed new SRA rules. The leading catalyst for a rapid departure would be the addition of Administrative and Operating (A&O) expense reimbursement reductions put forth in the second draft. This is the result of an effort to cut \$41 million from an already suffering industry, while amazingly, the RMA makes a request to Congress for a \$20.1 million budget infusion.

With a limited incentive to offer crop insurance, especially in high risk areas of the country, many companies will simply "cut their losses" by discontinuing sales of crop policies in certain U.S. states, leaving America's farmers with less choice and little recourse in ascertaining a necessary risk management tool, with the end result being an inability to adequately assess their risk and provide appropriate coverages.

Agents who service America's farmers are on the front lines of the crop insurance delivery system. Independent insurance agents possess the technical expertise to provide one of the most labor-intensive and potentially risky (due to a higher level of Errors and Omissions exposure) lines of insurance to our farmers. But the current management at RMA views agents in the delivery process as an unnecessary evil, and have made several changes to the SRA that severely compromise their livelihood and the expertise and

service that independent agents provide for farmers. For example, a number of excessive regulatory burdens have been introduced that would drastically increase an agent's cost of doing business while denying the private sector delivery system reasonable due process. What's more, A&O expense reimbursement hasn't seen an increase since 1999, while the cost to deliver crop insurance continues to rise as a result of federal regulatory requirements such as compliance, training, reinsurance, and other RMA mandates. These cuts would severely compromise the livelihood of independent insurance agents, leaving many with no other choice but to stop offering this line of insurance to farmers all together. While some of our agents in rural America are fortunate enough to offer several other products that sometimes can make up some of the difference in their business, the true victim in this is the farmer.

These proposed terms seriously threaten the crop insurance delivery system which has efficiently and effectively provided a sound risk management tool for farmers in ALL states, and I urge you to prevent the RMA from crippling this program which so many farmers rely upon. I hope very much that you will exercise your authority to weigh in with the RMA within the next week before the books are closed on the negotiation process. A fair and improved SRA is vitally important for the livelihood of the crop insurance industry, the agriculture system, and the economic soundness of rural America.

Sincerely,



Robert A. Rusbult
CEO
Independent Insurance Agents
& Brokers of America

cc: The Honorable Ann Veneman, Secretary of Agriculture
The Honorable Thad Cochran, Chairman, Senate Agriculture Committee
The Honorable Bob Goodlatte, Chairman, House Agriculture Committee
Mr. Karl Rove, Senior Advisor to the President
Mr. Barry Jackson, Deputy Assistant to the President and Director, Office of Strategic Initiatives