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# Issue Paper

## *Crop Insurance*

August 2015

- **Supports just compensation for independent insurance agents, the key sales force for the FCIP.**
- **Supports a seat for agents at the table during the SRA negotiations.**
- **Supports ongoing efforts to combat rebating and control of business schemes.**
- **Opposes cuts or caps to crop insurance subsidies in Fiscal Year 2016 appropriations process.**

The Federal Crop Insurance Program (FCIP) is a highly technical program that relies on the expertise of independent insurance agents. The FCIP protects the ability of our nation's farmers to manage their risk and continue to provide a safe, strong and dependable food supply. Since Congress called on independent insurance agents to deliver the program in the 1980s, crop insurance has become the cornerstone of the United States' farm risk management, with over 282 million acres insured and 100 types of crops protected. As the face of the FCIP, crop insurance agents work every day to deliver unprecedented financial protections, service and value to farmers. By navigating through the technicalities inherent within the program, they help agricultural producers make sound risk assessments. Despite the significant growth, attempts to remove agents from the process, both in whole or partially, remain, and PIA strongly opposes such efforts.

The current Standard Reinsurance Agreement (SRA) incorporates totally unnecessary, excessive caps on insurance agent compensation, and it threatens to undermine the financial success of the program. Such ill-advised cuts have resulted in job loss and hardship on America's independent insurance agencies. Yet, independent agents, the key sales force for crop insurance, are not involved in SRA negotiations. PIA supports agents having a formal role in the discussions.

Far too often crop insurance agents see blatant abuses of inducements and rebating, which are explicitly prohibited in the FCIP. For example, insurance agents often report that various entities are illegally offering lower interest rates on loans if the loan is sold in conjunction with a crop insurance policy. PIA supports expanding the ongoing efforts to combat rebating and control of business schemes and will continue lending expertise to the dialogue on this topic. In addition to stronger enforcement, PIA supports continued guidance from the Risk Management Agency (RMA) on these illegal practices.

In March of 2014, the Farm Bill was enacted into law. The law provides subsidies for farmers who purchase crop insurance. Despite this, the Obama administration continues to propose cuts to the program, asking for over \$16 billion in cuts in the Fiscal Year 2016 (FY16) budget request. In addition, recently introduced legislation would provide caps on crop insurance subsidies. Attacking farmers most important risk management tool only weakens the farm safety net and threatens our nation's economic and agricultural stability. PIA is encouraged that both the House and Senate budget resolutions and FY16 appropriations bills do not seek to cut or cap crop subsidies. PIA will continue to oppose cuts or caps to the program in the appropriations and legislative process.

For additional information on this issue, please contact PIA's federal affairs department or visit [www.pianet.com/issues-of-focus/crop](http://www.pianet.com/issues-of-focus/crop).

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