TESTIMONY
To
HOUSE OF REPRESENTATIVES
AGRICULTURE SUBCOMMITTEE ON
GENERAL FARM COMMODITIES AND RISK MANAGEMENT
By
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INTRODUCTION

Good morning Mr. Chairman and Members of the House Agriculture Subcommittee on General Farm Commodities and Risk Management. My name is James Deal and I am testifying as a retired government employee and former Manager of the Federal Crop Insurance Corporation ("FCIC"). In my later years I was CEO and owner of National Ag Underwriters and NAU Country Insurance Company but have since retired and I currently have no vested interest in any MPCI crop insurance company. I welcome this opportunity to address the Committee on crop insurance as you prepare your work on the next Farm Bill.

I will submit my full statement for the record; however, I would like to highlight some of the high points.

My major role throughout my career with the government was when President Carter appointed me as Manager of the Federal Crop Insurance Corporation. I had two conversations with President Carter when he was running for President and also working closely with the Secretary of Agriculture, Bob Bergland whom I have known most of my adult life. Bob Bergland was the Chairman of the House Committee of Conservation and Credit before he became Secretary of Agriculture. Both the President and the Secretary had very definite opinions on what they wanted. President Carter had said he did not like the free disaster programs and wanted a more meaningful insurance program that was a three way partnership between the farmer, the government and the private sector. In the process of developing legislation, I received 2 personal notes from the President regarding what he wanted for the farmers. After Bob Bergland became Secretary of Agriculture, I worked closely with Congressman Ed Jones of Tennessee, who took over as Chairman and continued the development of the legislation. As Mr. Bergland has often said in reference to the disaster programs "they are too little, delivered too late and of no meaningful value".

It seems like old times testifying here. Back in the 70's I spent a great deal of time testifying before the Committees on the revitalization of the crop insurance program. In fact, I spent lots of time with staff back in Chambers and various meeting rooms shaping and developing the new legislation to make crop insurance a major program for farmers to help stabilize their credit needs.

HISTORICAL

From the historical side, developing an all risk insurance program by the private sector has been tried well over the past 100 years, all of which failed. The reason for this failure was the risk of drought. Usually drought is wide spread and devastating and the government decided in 1937 to develop an insurance program to cover the risk the private section had failed at. The history of Federal crop insurance program dates back to 1938 and I started working for Federal Crop Insurance program in 1956 so I guess I am mainly a historian now days! The program has gone through many changes from the beginning through today and the basic risk of drought was the challenge for the government to develop an actuarially sound program. Some highlights of the development of the program are as follows:

> Few sectors of the economy are as susceptible to the influence of nature as is agriculture. While science and technical knowledge have enabled the farmer to avoid or eliminate some dangers which menace harvest, the farmer remains powerless to avert damaging or total loss from weather hazards, insects and other forms of natural disaster.
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> Crop insurance is the most important part for the American farmers' safety net. Input costs have risen substantially and farmers must borrow money to complete planting. Weather risks are greater than ever and price volatility has made ag production riskier than ever. Banks and lending partners require famers to have a way to repay loans if crops don't come through. Both large and small producers need a reasonable way to guarantee production and revenue to stay in business. The health of rural America is dependent on the farmer and crop insurance.
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> Original legislation was introduced in 1937 and passed in February 1938. The original legislation was for wheat insurance only and coverage began with the 1939 wheat crop. The coverage was a "premium in kind" which meant a farmer's premium was to deliver a bushel of wheat to the Evernormal Granary and if he had a loss on his crop he was permitted to pickup his guarantee from the same granary. However, this plan was never implemented but was administered by monetary exchange rate.
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> In 1938 Congress formed the Federal Crop Insurance Corporation (FCIC) with three objective in mind, (a) to protect the income of farmers against crop failure or price collapse; (b) to protect consumers against shortage of food supplies and extreme of prices; and (c) to assist business and employment by providing an even flow of farm supplies and establish stable farm buying power.
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> Crop insurance was suspended at the end of 1943 with no insurance offered for the 1944 crop year because of actuarial and loss adjustment control were not following sound insurance principles.
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> An amendment to the Federal Crop Insurance Act in December 1944 reinstated the insurance program effective for the spring planted crops in 1945. The 1945 program provided for insurance on cotton, flax, and wheat on a national basis and corn and tobacco on an experimental basis not to exceed 20 counties.

An amendment to the Federal Crop Insurance Act, August 1, 1947 effective for the 1948 crop year provided for reorganization on a sound actuarial basis. The amendment limited insurance to not more than seven crops (including wheat, cotton, flax, corn and tobacco) 200 wheat counties, 56 cotton counties, 50 counties each for corn and flax and 35 tobacco counties. The amendment also continued the provision for the addition of not more than 3 additional crops and 20 additional counties each year thereafter.

The Act was further amended on August 25, 1949 (63 Stat. 663) to expand the program to additional counties following the favorable experience in 1947 with premiums exceeding losses paid by nearly $8,500,000 and again in 1948 with premiums exceeding indemnities by over $5,900,000. This amendment authorized a maximum expansion each year from 1950 through 1953 equal to half the number of counties in which the Corporation was authorized to offer crop insurance in 1948 on each commodity. In addition, the Multiple Crop Insurance plan under which the investment in several crops is insured under one policy could be expanded to 75 counties in 1950 and to 25 additional counties in each of the next three years.

Effective beginning in 1954 the maximum number of new counties was increased from 20 counties per year to 100 counties per year in addition to the number of counties in which insurance was offered the preceding year. On September 12, 1964, the Act was amended to raise the limit from 100 to 150 counties that could be added each year.

The Act was further amended on August 3, 1956 (70 Stat. 1031) to authorize the charging of the direct cost of loss adjustments and a portion of the administrative expenses against premium income. These costs are not taken into consideration when premium rates are computed.

On July 23, 1957, the Act was further amended (71 Stat. 309) to authorize the corporation to provided reinsurance on any crop or plantation insurance provided in Puerto Rico by a duly-authorized agency of the Commonwealth provided such reinsurance is not available from a recognized private sources at a reasonable cost.

On August 4, 1959, the Act was further amended (73 Stat. 278) to eliminate the minimum participation requirement. This provision made it necessary to have the smaller of the 200 farms or 1-3 of the farms producing insured crop in a county covered by insurance in order for the program to operate in a county.

On September 12, 1964, the Act was further amended (78 Stat. 931 or 934) to raise the yearly addition of new counties to the program from 100 to 150.

Federal Crop Insurance, the only widespread all-risk crop investment protection available to farmers, is a voluntary program offered on an individual basis on basic and specialty crops (including wheat, corn, cotton, tobacco and citrus) in 39 states. Insuring crops against natural hazards over which farmers have not control. Federal Crop Insurance is intended to help maintain a stable rural economy by spreading the impact of crop loss and damage over a period of many years.

Indemnities paid to farmers are paid from premiums collected each year from participating farmers. Some administrative costs are paid by Congressional appropriation.

In the 1971 crop year, 3,536 individual crop programs were operated in 1,452(?) counties. Over $800 million of production and nearly 400,000 individual crops were insured in 1971.

The limited expansion to new crops and new counties on a sound actuarial basis has brought Federal Crop Insurance to its present status. For 1977 Federal Crop Insurance offered insurance protection for 26 crops with 4, 063 individual crop programs operating in 1,526 counties. Federal Crop Insurance has now assumed more than 2 billion dollars ($2,101,673,535.00) liability for crop production investments and has a premium income in excess of 100 million dollars ($102,206,227.00).

In 1980, Congress passed legislation that was designed to increase participation in the Federal crop insurance program and make it more affordable and accessible. This modern era of crop insurance was marked by the introduction of a public-private partnership between the U.S. government and private insurance companies bringing the efficiencies of a private sector delivery system together with the regulatory and financial support of the Federal government.

The passage of the Federal Crop Insurance Act of 1980 marked the birth of the present federal crop insurance program and the start of the public/private partnership that has been the foundation for its success. With the passage of this Act, Congress for the first time embraced the goal of establishing a program that could provide protection for all farmers in all regions, with the intent that it replaces ad hoc disaster payments. I was Manager of FCIC and was the major architect for the administration on this legislation.

The Federal Crop Insurance Reform Act of 1994 dramatically restructured the program. And in 1996, the Risk Management Agency (RMA) was created in the U.S. Department of Agriculture to administer the Federal crop insurance program. Through subsidies built into the new program guidelines, participation increased dramatically. By 1998, more than 180 million acres of farmland were insured under the program, representing a three-fold increase over 1988. In 2008, more than 272 million acres are insured through the program protecting a record-setting 90 billion dollars of crop value.

Although the implementation of the 1994 Act represented a major challenge, private industry rose to the occasion. The new program offering catastrophic insurance coverage was implemented successfully. In the year following passage of the 1994 Act participation, participation rates rose to 88 percent. Since that time private industry has assumed exclusive responsibility for the delivery of catastrophic insurance coverage in fourteen states and is expected to assume similar responsibility in other states soon. Although participation rates have fallen somewhat since the repeal of the 1994 Act provisions that made crop insurance a prerequisite for receipt of agricultural program benefits, they have remained well above the 50 percent goal set by Congress in 1980.

The widespread availability and high participation rates that have recently been achieved with the help of the private sector have finally permitted Congress to attain its long-sought goal of turning the crop insurance program into a replacement for ad hoc agricultural disaster assistance.

In the 1994 Act, Congress sought to eliminate ad hoc disaster assistance, and enlisting the private sector to increase the participation in the program was an integral part of its strategy.

Congress has so far not wavered in its resolve to rely on the crop insurance program as its sole vehicle for delivering assistance to farmers stricken by natural calamities.

In May of 2000, Congress approved another important piece of legislation: the Agricultural Risk Protection Act (ARPA). The provisions of ARPA made it easier for farmers to access different types of insurance products including revenue insurance and protection based on historical yields. ARPA also increased premium subsidy levels to farmers to encourage greater participation and included provisions designed to reduce fraud, waste and abuse.

In 2000, Congress enacted legislation that expanded the role of the private sector allowing entities to participate in conducting research and development of new insurance products and features. With the expansion of the contracting and partnering authority, RMA can enter into contracts or create partnerships for research and development of new and innovative insurance products. Private entities may also submit unsolicited proposals for insurance products to the Board for approval. If approved by the Board, these unsolicited insurance products could receive reimbursement for research, development and operating costs, in addition to any approved premium subsidies and reinsurance.

Even this brief examination of the history of the program's expansion and evolution indicates clearly that both Congress and the nation's farmers have a strong and continuing interest in encouraging widespread participation in the Multiple Peril Crop Insurance Program. Congress has clearly recognized the critical role played by private insurance companies and has taken steps, in all key pieces of legislation it has passed since 1980, to ensure their continuing involvement.

The crop insurance industry has changed significantly since its early days. Policies, procedures, and techniques have been modified over the years. The industry is constantly evaluating its insurance products in an ongoing effort to make sure that they are relevant and affordable for the farmer. As a result, the American farmer has more and better options to manage risks than at any time in history.

THE PROGRAM

(Exhibit 1)

I would first like to compliment Bill Murphy, head of Risk Management Association ("RMA"), in his willingness to work with the private sector in getting a good Standard Reinsurance Agreement (SRA) out. Both sides will tell you that they are not 100% happy with the result. I can tell you most good deals will end with both parties feeling like they had to give something up. This certainly was the case with the most recent draft of the Standard Reinsurance Agreement ("SRA"). I believe the new SRA brings a better balance of the risk which in turn will bring better balance of distribution. I have analyzed the profit and loss numbers and I believe the SRA is on an even keel with other private sector programs.

Underwriting Gains – With respect to underwriting gains, the companies will walk away with an overall reduction of about 15% of total underwriting gains. This money has traditionally been used to build surplus and to create that "rainy day" fund for the time when we have a loss year and need to provide the appropriate payments to our producers. Keep in mind that the reduction is much higher in the five

Group 1 states (IA, IL, IN, MN and NE) which will see reductions nearly double the average while the other states will see reductions less than the average. Companies will need to tighten up operating costs and bear the burden of these reductions as RMA strongly fees this was necessary to address criticism with the program.

I also support the principals applied to A&O. Even larger cuts were mandated to the Administrative and Operating subsidies ("A&O" subsidy) paid by the government for policy acquisition, underwriting, claims and general operating costs of the program. This subsidy was established at the program's inception so the American farmer didn't have to shoulder the administrative costs of the program. The role of the agent educating and assisting our farmers in making risk management and purchasing decisions is a critical part of the program.

Most of the data being used to criticize RMA and the companies regarding A&O and agent commissions were exacerbated by the unusually high commodity prices in 2008. By 2010 the prices and volatility factors used for premium calculations had returned to normal levels. This concept was supported industry-wide and RMA worked on a formula that essentially caps the dollar amount of A&O even if prices were to escalate. This assists them in their budgeting process and answers the critics who have argued that the volatility in A&O payments is a burden the government should not have to shoulder.

Probably the most controversial of these changes relates to the government's hard and soft caps on total agent commissions. The most effected agents are those in the Group 1 states who RMA has been criticized heavily by the GAO and other oversight bodies in the last 5 years. Many of these agents received substantially more than all of the A&O leaving the company with nothing left to provide underwriting and claims service to the farmer…. a major intent of the subsidy. Many other Group 2 and 3 agents may actually see commissions rise as a result of the new SRA as they were used to receiving a 10-14% rate of commission. However, I believe this will give good discipline to the expenditure side and will add to the service of the American farmer. Some would question when I say that but I truly believe this will stop companies from trying to outbid each other on commissions. If the companies all start out with the same base line it will enhance the one element which is competition on service. Service is the name of the game with 89% of the farmers in the program. A company's major thrust would no longer be marketing but service to maintain their customer base. As to whether the A&O number is correct in relation to the services rendered, my understanding is that a study is or has been scheduled to be conducted. I do believe there is more service required on the part of the agents and the company with crop insurance over other lines of insurance. The study should result in determining the proper compensation.

The Crop Insurance Contract - A crop insurance contract is a commitment between insured farmers and their insurance providers. Either party has the right to cancel or terminate the contract at the end of each crop year. Unless the contract is canceled, it is normally automatically renewed the next year.

Under the contract, the insured farmer agrees to insure all the eligible acreage of a crop planted in a particular county. This choice is made county by county and crop by crop. All eligible acreage must be insured to reduce the potential for adverse selection against the insurance provider. Adverse selection generally exists whenever the insured person has better knowledge of the relative riskiness of a particular situation than the insurance provider does.

The insurance provider agrees to indemnify (that is, to protect) the insured farmer against losses that occur during the crop year. In most cases, the insurance covers loss of yield exceeding a deductible amount. Losses must be due to unavoidable perils beyond the farmer's control.

Over the last few years, products that combine yield and price coverage have been introduced. These products cover loss in value due to a change in market price during the insurance period, in addition to the perils covered by the standard loss of yield coverage.

Crop insurance policies also typically indemnify the insured person for other adverse events, such as the inability to plant or excessive loss of quality due to adverse weather. The nature and scope of this "helper" coverage vary depending on the crop. This is because of the differences in crops individual natures.

Government and Private Sector Roles - FCIC's mission is to encourage the sale of crop insurance -- through licensed private agents and brokers -- to the maximum extent possible. FCIC also provides reinsurance (subsidy) to approved commercial insurers which insure agricultural commodities using FCIC-approved acceptable plans. The private insurance companies reinsured by FCIC have sold and serviced all Multiple Peril Crop Insurance authorized under the Federal Crop Insurance Act.

Since there is both public and private sector involvement in the crop insurance program, these relationships result:

A contract of insurance exists between insured farmers and their commercial insurance providers.

Premium rates and insurance terms and conditions are established by FCIC for the products it develops, or established with FCIC approval for products developed by insurance providers.

Reinsurance agreements (cooperative financial assistance arrangements) exist between FCIC and the commercial insurance providers.

The Federal Crop Insurance Program is the Envy of the World - It has taken not only years, but decades to have the federal crop insurance program attain the current levels of participation and benefit for American farmers. And, while certainly there is room and opportunity to continue improving the program, today it stands second to none as a world-class agriculture risk protection and management tool. In fact, other countries such as France have begun to research the program and are even starting their own crop insurance program.

A lot of people have contributed to the development and evolution of the modern crop insurance program, however, no effort has been greater than that made by Congress and members of this Committee. I want to take this opportunity to thank you for your support of a quality risk protection and management program. Given the natural and global market elements they work and live with every day that are beyond their control, America's farmers, ranchers and growers deserve the certainty and predictability of the risk management program you have provided.

Changing Demographics - Growing global populations, demographic changes, and economic growth will substantially increase the demand for agricultural products and create new markets for American products while increased agricultural efficiency in other countries will force U.S. agriculture to be more competitive.

Changing Structure of Agriculture - The structure of the food and fiber system—from farm to market—changed dramatically in the last decades of the twentieth century. Continued change is likely. An increasing share of U.S. food and fiber is being produced on fewer, larger, and more specialized farms. Similar change can be seen across the food and agriculture sector. Firms are larger, and production methods are more specialized. Production and marketing are more vertically and horizontally integrated. Concentration—characterized by sharp declines in the number of buyers or sellers of a product—is greater. Consumer preferences, new technology, and global markets drive continuing change, affecting farmers, processors, marketers, and consumers. Developing commercially feasible renewable resources and manufacturing products creates new demand for agricultural products and helps reduce U.S. dependence on foreign sources of nonrenewable resources.

Congressional Funding - The ability of RMA to respond to the needs of its beneficiaries, customers, and producers is determined largely by the level of funding provided by Congress. Due to the widespread concern about managing the Federal deficit, maintaining the long-term viability of the Social Security Trust Funds, and other mandatory programs, future discretionary budgets are expected to remain relatively tight.

Global Climate Change - Growing concern about the impact of emissions of greenhouse gases on the Earth's surface and atmosphere has prompted policy discussions and international negotiations. Specific concerns have been raised about the effects of global climate change on agriculture and the effects of agriculture on global climate change.

Globalization - The globalization of all aspects of the food and fiber system is having a major impact on American agriculture. From competitive markets around the world, to diseases without national boundaries, to population growth and evolving diets, we are seeing profound changes worldwide. These changes have led to a dramatically new trade environment, threats of exotic diseases and pests to domestic production, and international controversies over the use of biotechnology. To remain competitive, the food and agriculture sector needs to take these developments into consideration.

NEEDED PROGRAM IMPROVEMENTS

CAT Coverage (Exhibit 2) – Many forms of CAT coverage offer large corporate producers millions of dollars of liability coverage for a flat fee of $300 per policy. "Imputed" premium is 100% subsidized by the taxpayer. The "imputed" premium should be charged and that would put every producer on the same level. In 2009, "imputed" premium was $308 million annually with significant portions covering nurseries and other large commercial interest. The liability totaled more than $7.9 billion.

Combo Policy – Combo policies has simplified programs that combine different types of revenue and production plans into a "combo" policy for 2011 and is a long awaited move that will help simplify the program for producers and for the companies. We commend RMA for this. Keep in mind that companies had to bear the burdens of this substantial rewrite with less money under the program. Congress needs to encourage RMA to continue to move forward with simplification.

Information - The government needs to continue working with the industry to develop a Comprehensive Information Management System ("CIMS"). This is a positive enhancement for producers reporting information to companies and improves loss adjustment integrity and accuracy.

Seed Company Discounts – The government has allowed producers a premium discount if the producers use their seed. This is accomplished through 508(h) filings. Once this opened up, other seed companies are filing for similar discounts. The issues are as follows:

- The new programs place the burden of additional verification, underwriting, mandated spot checks and loss adjustment procedures on companies while actually paying them less (discounted premiums mean less A&O). The software programming alone is a major expenditure for these programs.
- The additional production capabilities of the hybrids will naturally increase coverages by improving producers APH over time. Once these take effect, the discount is no longer appropriate yet there is no plan to ever end the discounts. This will throw off policy ratings in the future. This is flawed.
- These programs are hurting program integrity and increasing complexity to the producers and this program should be eliminated.

Revenue Pricing – Price and volatility discovery periods for revenue plans are too short and have an artificial impact on policy pricing. For example, volatility factors are determined based on statistics from only five trading days at the end of price discovery period. With substantial volatility in the markets, this can lead to some odd results causing producers to get policies that are substantially under/overpriced. The companies and taxpayers are hurt by this in the end. This base premium period should be extended to a longer period of time.

APH – With the rapid technological changes in production agriculture, the government needs to change its method of calculation producers' APH. By reducing the APH reporting periods, the program will better capture production yield data increasing coverages and better rating premiums. This will greatly improve the program while reducing record keeping burdens on the producer.

Administration Changes – This is probably one of the most important points I can make. Crop insurance has been through a very turbulent time. The 2008 Farm Bill and now the new SRA has caused a lot of uncertainty for companies, our agents and reinsurance partners. New operating standards and program initiatives keep adding to the costs of delivering the program yet reimbursements are continually in jeopardy or going down. We need stability in the requirements to operate under the program and stability in the financial terms of the agreement. Further change will place stress on these long term plans and chase capital away from the program. The American farmer cannot afford this.

FUTURE

I would like to conclude with a few general comments relating to the future of the crop insurance program:

1) Without an effective risk management program like the current federal crop insurance program, many farmers would not be able to withstand the weather-related risk of producing crops and they would not be able to secure adequate financing , especially in the tighter credit environment of today, to properly finance the capital intensive production of crops that agriculture has become today. These farmers would not be farming, When farmers don't farm, the nation's economy not only loses farm jobs, it also loses jobs in sectors directly related to the production of crops, including a wide array of production input products and services.

2) Since passing the Crop Insurance Act of 1980 and the major amendments done since the passing of the Act, the success of the Program is nothing short of amazing. The crop insurance programs is now the foundation for Ag Credit and renders the famers a comeback after a bad crop year and continue his farming operation in the future.

3) Lastly, I hope you take into consideration the reduction this program has taken not only in the farm bill but also in the latest SRA. The 2008 Farm Bill provided a $6.5 billion in savings from crop insurance to fund nutrition and other programs over a 10 year period. The 2011 SRA has taken another $6 billion out of crop insurance with $2 billion for Conservation Programs and $4 billion for debt reduction. These changes cumulatively represent a $12.5 billion reduction to crop insurance over a ten year period. This represents a 40% reduction in the amounts companies receive to administer and take risk under the program. If this percentage of debt reduction ($4 billion) was applied to the Federal budget it would result in $2.3 – 2.4 trillion of debt reduction. I hope you remember that we have done our part already; however, it goes without saying – no program is perfect and we need to continue to refine the program and hopefully are able to adapt to the ever-changing agriculture.

Thank you once again for this opportunity and I want you to know that I am available to you and staff if anyone has any questions either now or in the future.

REFERENCES

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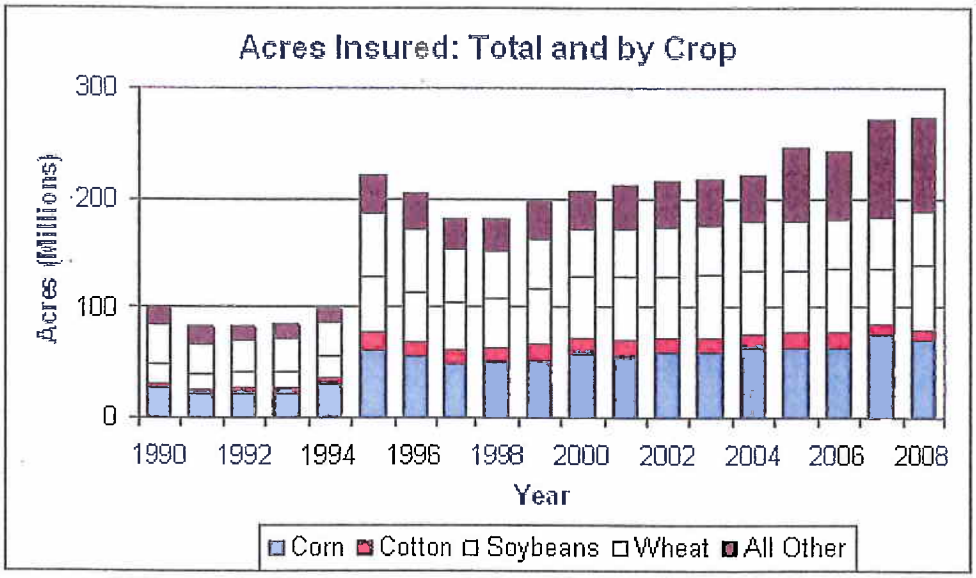
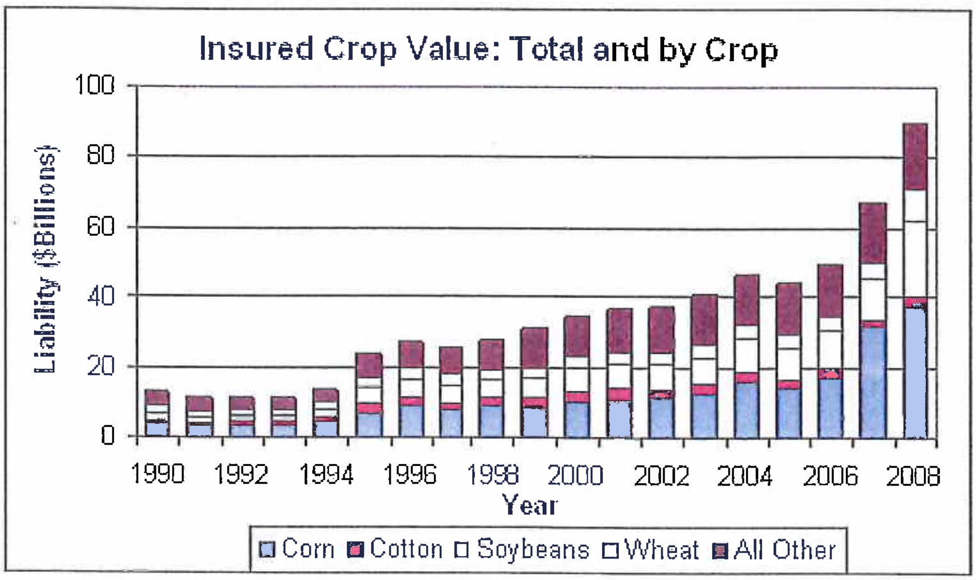
United States Department of Agriculture, Risk Management Agency. "HISTORY OF THE CROP INSURANCE PROGRAM". Online posting. <www.rma.usda.gov/aboutrma/what/history.html>

EXHIBIT 1



- There are 16 private sector insurance companies that currently sell and service policies through the Federal crop insurance program. Altogether, these companies issued more than 1.1 million policies in 2008.



- AAccording to Dr. Bert Little, Tarleton State University, the rate of fraud in the Federal crop insurance program is estimated to be less than one-half of one percent. By insurance industry standards, this is an extremely low rate of fraud.

- More than 80 percent of insurable farmland in the United States is now protected through the Federal crop insurance program. In 1985, that number stood at less than 18 percent.

EXHIBIT 2

Industry-Wide CAT Premium and Losses by State
2000-2009
as of June 11, 2010

State	10 Year Avg Loss Ratio	2000 Premium	2000 Losses	2000 Loss Ratio	2001 Premium	2001 Losses	2001 Loss Ratio
AL	25.0%	1,561,455	1,022,230	65.5%	1,368,143	35,557	2.6%
AK	70.2%	12,460	31,084	249.5%	19,713	-	0.0%
AZ	17.1%	1,659,173	185,922	11.2%	1,456,997	793,255	54.4%
AR	15.0%	19,565,519	5,965,795	30.5%	16,713,899	978,443	5.9%
CA	13.9%	50,297,661	3,739,581	7.4%	50,083,070	7,814,650	15.6%
CO	44.6%	2,146,892	1,189,255	55.4%	1,548,413	346,844	22.4%
CT	3.0%	481,517	87,299	18.1%	487,987	7,747	1.6%
DE	18.2%	342,484	28,010	8.2%	323,382	12,405	3.8%
FL	55.3%	28,764,304	2,743,810	9.5%	31,348,974	4,130,327	13.2%
GA	12.6%	7,655,141	1,166,595	15.2%	6,227,399	204,610	3.3%
HI	25.4%	244,027	-	0.0%	236,573	413,363	174.7%
ID	6.1%	3,986,365	135,683	3.4%	2,879,577	367,652	12.8%
IL	19.0%	9,681,666	1,041,830	10.8%	9,176,152	416,157	4.5%
IN	13.1%	2,494,272	65,318	2.6%	2,263,950	19,715	0.9%
IA	17.5%	3,949,098	116,432	2.9%	3,588,923	474,837	13.2%
KS	67.4%	5,050,367	3,524,882	69.8%	3,162,285	1,487,321	47.0%
KY	24.2%	2,967,371	256,142	8.6%	2,562,741	51,666	2.0%
LA	25.5%	8,815,284	2,917,488	33.1%	7,965,953	1,559,733	19.6%
ME	6.1%	1,133,046	197,730	17.5%	1,220,524	17,745	1.5%
MD	16.6%	1,211,612	13,441	1.1%	1,017,366	33,477	3.3%
MA	51.9%	503,549	217,878	43.3%	326,202	375,421	115.1%
MI	24.9%	8,430,343	1,704,069	20.2%	8,524,212	4,736,944	55.6%
MN	22.4%	6,416,454	533,760	8.3%	5,765,563	1,953,753	33.9%
MS	12.4%	7,797,153	2,359,935	30.3%	5,814,353	276,952	4.8%
MO	20.1%	13,600,956	1,471,827	10.8%	12,439,638	1,984,022	15.9%
MT	128.1%	2,651,110	12,797,424	482.7%	2,122,198	5,185,930	244.4%
NE	27.0%	2,503,665	942,997	37.7%	1,844,945	232,855	12.6%
NV	19.6%	24,854	499	2.0%	74,721	-	0.0%
NH	14.2%	38,721	12,717	32.8%	70,588	16,083	22.8%
NJ	17.9%	1,624,069	597,614	36.8%	1,786,610	131,188	7.3%
NM	24.9%	1,362,366	469,537	34.5%	1,053,327	74,620	7.1%
NY	31.6%	3,295,540	2,529,679	76.8%	3,337,967	467,734	14.0%
NC	19.5%	6,847,582	666,524	9.7%	6,708,732	690,632	10.3%
ND	50.9%	3,864,710	899,614	23.3%	2,696,419	879,106	32.6%
OH	16.2%	2,279,469	354,510	15.6%	2,253,648	134,154	6.0%
OK	53.4%	2,655,787	1,847,291	69.6%	1,984,982	1,170,381	59.0%
OR	2.6%	3,499,030	99,531	2.8%	3,539,156	392,527	11.1%
PA	26.2%	1,935,307	340,534	17.6%	2,031,465	540,363	26.6%
RI	24.0%	37,238	2,619	7.0%	30,608	2,640	8.6%
SC	33.9%	4,077,661	1,779,847	43.6%	3,488,815	671,595	19.2%
SD	79.3%	2,360,333	618,132	26.2%	1,935,917	1,124,750	58.1%
TN	36.7%	7,975,214	983,521	12.3%	7,569,790	1,482,285	19.6%
TX	38.3%	13,811,905	8,777,975	63.6%	12,547,979	4,914,724	39.2%
UT	31.7%	149,208	237,348	159.1%	134,316	95,665	71.2%
VT	60.8%	149,313	138,789	93.0%	120,336	26,964	22.4%
VA	10.2%	1,477,348	73,294	5.0%	1,386,695	40,303	2.9%
WA	8.8%	7,566,334	260,215	3.4%	7,492,935	511,629	6.8%
WV	16.7%	116,936	28,826	24.7%	136,035	12,052	8.9%
WI	29.3%	5,463,576	531,410	9.7%	4,903,992	2,555,735	52.1%
WY	120.5%	303,983	135,214	44.5%	264,001	306,757	116.2%
Total	25.9%	264,839,428	65,841,657	24.9%	246,038,166	50,153,268	20.4%

Industry-Wide CAT Premium and Losses by State
2000-2009
as of June 11, 2010

	2002			2003			2004		
State	**Premium**	**Losses**	**Loss Ratio**	**Premium**	**Losses**	**Loss Ratio**	**Premium**	**Losses**	**Loss Ratio**
AL	1,214,314	339,313	27.9%	1,154,706	312,875	27.1%	1,330,697	122,395	9.2%
AK	23,593	272	1.2%	23,979	132,602	553.0%	28,385	-	0.0%
AZ	1,352,253	72,707	5.4%	1,326,684	626,310	47.2%	1,306,385	238,920	18.3%
AR	14,913,562	2,989,641	20.0%	14,308,875	2,092,610	14.6%	15,800,234	783,609	5.0%
CA	47,322,949	3,168,968	6.7%	49,029,637	4,841,214	9.9%	51,823,123	5,374,645	10.4%
CO	1,404,539	2,144,100	152.7%	1,006,054	439,447	43.7%	939,356	449,484	47.9%
CT	516,634	25,843	5.0%	432,728	9,908	2.3%	539,497	1,145	0.2%
DE	276,826	273,113	98.7%	211,515	43,174	20.4%	176,678	770	0.4%
FL	30,307,175	1,447,763	4.8%	28,928,359	1,985,224	6.9%	32,505,656	22,581,691	69.5%
GA	5,674,039	1,371,098	24.2%	5,608,335	929,719	16.6%	5,998,495	464,861	7.7%
HI	210,924	-	0.0%	179,833	-	0.0%	204,626	94,320	46.1%
ID	3,383,382	293,172	8.7%	3,825,304	559,117	14.6%	3,442,784	130,080	3.8%
IL	8,239,179	1,867,732	22.7%	8,008,190	774,544	9.7%	7,880,337	405,199	5.1%
IN	1,965,311	817,806	41.6%	1,790,106	385,463	21.5%	1,656,855	102,859	6.2%
IA	3,212,023	178,151	5.5%	3,173,670	779,293	24.6%	2,787,936	169,911	6.1%
KS	2,724,657	5,102,784	187.3%	1,934,622	1,269,259	65.6%	1,945,236	785,454	40.4%
KY	2,234,490	523,206	23.4%	2,097,487	323,060	15.4%	2,324,769	494,537	21.3%
LA	6,769,518	2,678,596	39.6%	6,896,998	1,672,787	24.3%	7,455,252	1,375,238	18.4%
ME	1,243,827	34,890	2.8%	1,170,227	-	0.0%	1,175,475	234,012	19.9%
MD	1,007,746	720,079	71.5%	972,784	622,651	64.0%	1,049,253	132,534	12.6%
MA	390,159	324,337	83.1%	375,157	188,034	50.1%	425,485	115,179	27.1%
MI	7,835,847	3,991,923	50.9%	7,485,996	899,166	12.0%	7,827,663	1,323,788	16.9%
MN	5,224,312	797,573	15.3%	5,078,296	1,577,854	31.1%	4,958,933	1,592,017	32.1%
MS	6,504,350	1,542,915	23.7%	6,951,900	910,134	13.1%	8,086,636	282,733	3.5%
MO	10,837,999	1,967,191	18.2%	10,769,806	1,989,524	18.5%	12,368,397	471,119	3.8%
MT	2,068,497	4,556,108	220.3%	1,810,063	1,006,292	55.6%	1,795,037	4,121,657	229.6%
NE	1,344,850	1,390,361	103.4%	998,253	141,871	14.2%	1,259,934	109,214	8.7%
NV	74,107	20,315	27.4%	60,949	81,768	134.2%	49,149	30,789	62.6%
NH	81,444	39,694	48.7%	83,516	-	0.0%	73,939	-	0.0%
NJ	1,831,298	906,719	49.5%	1,713,475	277,065	16.2%	1,717,468	326,384	19.0%
NM	1,218,966	304,117	24.9%	1,126,411	484,858	43.0%	1,166,859	126,252	10.8%
NY	3,377,333	3,482,677	103.1%	2,727,296	1,076,682	39.5%	3,271,440	1,014,127	31.0%
NC	6,109,683	4,216,673	69.0%	5,225,738	831,911	15.9%	5,385,941	1,248,541	23.2%
ND	2,482,514	4,046,986	163.0%	1,797,951	635,225	35.3%	1,623,959	1,536,785	94.6%
OH	2,022,083	1,376,813	68.1%	1,629,434	289,280	17.8%	1,647,516	233,232	14.2%
OK	1,947,239	1,717,647	88.2%	1,859,688	187,161	10.1%	2,002,676	229,393	11.5%
OR	4,074,996	141,856	3.5%	4,546,326	201,190	4.4%	5,524,044	40,010	0.7%
PA	1,768,595	2,828,798	159.9%	1,686,553	481,243	28.5%	1,791,467	206,976	11.6%
RI	26,757	9,475	35.4%	17,369	-	0.0%	23,619	-	0.0%
SC	3,070,785	4,056,570	132.1%	2,345,319	652,859	27.8%	2,599,818	151,396	5.8%
SD	1,594,701	6,047,273	379.2%	961,152	680,251	70.8%	861,998	748,697	86.9%
TN	6,784,461	2,106,651	31.1%	7,047,306	6,262,659	88.9%	7,519,004	525,750	7.0%
TX	12,703,117	4,728,260	37.2%	13,815,728	4,803,850	34.8%	15,847,796	1,733,134	10.9%
UT	101,364	87,223	86.0%	104,866	97,398	92.9%	93,060	6,250	6.7%
VT	144,619	235,662	163.0%	108,536	7,230	6.7%	125,057	-	0.0%
VA	1,508,247	470,709	31.2%	1,403,344	196,339	14.0%	1,446,616	20,780	1.4%
WA	7,325,036	824,778	11.3%	7,729,987	927,467	12.0%	7,869,614	926,342	11.8%
WV	170,250	36,241	21.3%	153,440	90,954	59.3%	169,000	37,348	22.1%
WI	4,338,767	759,169	17.5%	3,956,484	1,715,171	43.4%	3,731,476	2,787,110	74.7%
WY	335,833	1,300,686	387.3%	234,300	92,219	39.4%	247,285	602,031	243.5%
Total	231,295,150	78,364,634	33.9%	225,884,732	44,584,912	19.7%	241,881,915	54,488,698	22.5%

Industry-Wide CAT Premium and Losses by State
2000-2009
as of June 11, 2010

	2005			2006			2007		
State	Premium	Losses	Loss Ratio	Premium	Losses	Loss Ratio	Premium	Losses	Loss Ratio
AL	1,214,927	69,702	5.7%	1,032,240	431,445	41.8%	1,523,603	1,095,702	71.9%
AK	35,699	-	0.0%	32,167	1,547	4.8%	31,248	-	0.0%
AZ	1,605,659	78,453	4.9%	1,670,326	144,018	8.6%	1,524,498	70,632	4.6%
AR	15,790,464	3,855,780	24.4%	16,885,124	447,148	2.6%	23,814,827	2,109,320	8.9%
CA	53,963,207	3,532,340	6.5%	56,522,227	4,016,707	7.1%	57,321,416	13,433,480	23.4%
CO	991,480	395,775	39.9%	878,467	547,109	62.3%	1,260,261	120,345	9.5%
CT	466,449	19,881	4.3%	452,168	6,129	1.4%	744,098	2,391	0.3%
DE	154,400	2,398	1.6%	125,374	1,059	0.8%	164,898	37,121	22.5%
FL	32,213,701	77,142,081	239.5%	18,811,103	36,571,433	194.4%	26,756,694	637,899	2.4%
GA	5,103,959	308,024	6.0%	4,682,639	484,904	10.4%	5,788,910	1,650,054	28.5%
HI	194,116	24,109	12.4%	144,400	-	0.0%	193,351	-	0.0%
ID	3,638,606	353,101	9.7%	3,741,481	117,309	3.1%	4,930,880	424,247	8.6%
IL	6,138,163	622,752	10.1%	4,155,958	79,125	1.9%	7,061,582	559,456	7.9%
IN	1,250,226	58,506	4.7%	1,047,313	23,721	2.3%	1,550,318	133,529	8.6%
IA	2,062,340	77,778	3.8%	1,360,442	30,223	2.2%	1,977,234	62,086	3.1%
KS	2,112,409	521,457	24.7%	1,906,109	780,581	41.0%	2,795,723	4,557,384	163.0%
KY	1,681,298	526,889	31.3%	1,496,984	38,262	2.6%	1,990,192	2,478,100	124.5%
LA	7,130,564	910,731	12.8%	6,990,803	758,890	10.9%	9,421,820	395,045	4.2%
ME	791,305	39,653	5.0%	958,913	12,067	1.3%	1,142,882	12,288	1.1%
MD	979,031	2,146	0.2%	677,839	2,810	0.4%	1,255,151	226,358	18.0%
MA	438,931	237,856	54.2%	397,888	81,333	20.4%	479,928	109,972	22.9%
MI	7,108,511	597,582	8.4%	6,636,183	958,541	14.4%	8,662,967	1,518,090	17.5%
MN	4,583,205	630,915	13.8%	3,850,931	900,673	23.4%	4,851,108	2,497,287	51.5%
MS	7,772,102	390,779	5.0%	8,589,290	693,124	8.1%	11,239,720	262,048	2.3%
MO	11,606,337	1,314,984	11.3%	11,342,588	353,546	3.1%	16,053,343	5,685,645	35.4%
MT	1,850,407	206,901	11.2%	1,985,434	1,459,640	73.5%	2,391,269	478,101	20.0%
NE	1,044,975	83,157	8.0%	980,262	103,248	10.5%	1,504,150	82,075	5.5%
NV	134,025	5,791	4.3%	163,904	-	0.0%	183,898	-	0.0%
NH	71,064	-	0.0%	39,257	231	0.6%	55,595	-	0.0%
NJ	1,784,422	66,716	3.7%	1,407,818	121,783	8.7%	1,787,244	76,553	4.3%
NM	1,341,484	57,748	4.3%	1,289,598	291,863	22.6%	1,651,159	82,173	5.0%
NY	3,049,613	273,653	9.0%	2,926,983	818,990	28.0%	3,613,423	322,404	8.9%
NC	4,814,861	161,533	3.4%	4,047,041	73,648	1.8%	6,290,727	2,374,097	37.7%
ND	1,448,208	245,278	16.9%	1,306,360	1,255,517	96.1%	2,257,095	292,564	13.0%
OH	1,674,133	27,999	1.7%	1,079,950	34,793	3.2%	1,823,694	309,661	17.0%
OK	2,141,291	315,122	14.7%	1,949,226	2,103,799	107.9%	2,339,129	2,276,761	97.3%
OR	5,166,831	109,913	2.1%	5,403,807	138,974	2.6%	6,330,780	143,703	2.3%
PA	1,603,156	140,172	8.7%	1,335,146	120,171	9.0%	2,383,577	202,514	8.5%
RI	19,850	-	0.0%	24,166	46,774	193.6%	25,653	-	0.0%
SC	2,199,914	287,472	13.1%	2,224,117	64,667	2.9%	4,039,590	1,882,930	46.6%
SD	853,548	208,680	24.4%	841,064	1,803,147	214.4%	1,011,572	227,085	22.4%
TN	7,506,061	3,334,453	44.4%	6,086,751	2,136,148	35.1%	7,790,216	8,402,676	107.9%
TX	16,806,817	1,567,977	9.3%	13,002,734	8,520,562	65.5%	19,547,826	1,773,488	9.1%
UT	167,030	13,907	8.3%	258,910	34,976	13.5%	344,280	106,493	30.9%
VT	157,301	3,161	2.0%	145,497	311,461	214.1%	196,965	33,084	16.8%
VA	1,484,608	145,179	9.8%	1,042,323	29,663	2.8%	1,482,611	260,516	17.6%
WA	8,844,258	826,568	9.3%	9,236,054	758,927	8.2%	9,821,577	1,116,294	11.4%
WV	168,270	6,510	3.9%	148,081	35,345	23.9%	138,771	11,795	8.5%
WI	3,196,452	945,414	29.6%	2,803,401	382,111	13.6%	3,740,523	896,131	24.0%
WY	240,848	61,072	25.4%	291,261	703,759	241.6%	277,409	156,410	56.4%
Total	236,796,516	100,808,048	42.6%	214,408,102	68,831,901	32.1%	273,565,385	59,585,987	21.8%

Industry-Wide CAT Premium and Losses by State
2000-2009
as of June 11, 2010

	2008			2009			10 Year Avg
State	Premium	Losses	Loss Ratio	Premium	Losses	Loss Ratio	Loss Ratio
AL	2,229,921	89,297	4.0%	2,291,366	215,984	9.4%	25.0%
AK	37,102	29,717	80.1%	33,921	-	0.0%	70.2%
AZ	1,969,793	542,667	27.5%	2,258,669	4,315	0.2%	17.1%
AR	35,735,162	1,901,677	5.3%	31,227,808	9,547,295	30.6%	15.0%
CA	60,825,124	17,125,179	28.2%	59,119,500	11,724,182	19.8%	13.9%
CO	1,507,187	314,278	20.9%	1,839,173	81,173	4.4%	44.6%
CT	692,325	-	0.0%	677,004	3,500	0.5%	3.0%
DE	286,950	8,606	3.0%	263,892	17,294	6.6%	18.2%
FL	22,033,238	81,317	0.4%	24,365,513	5,385,039	22.1%	55.3%
GA	7,930,655	541,786	6.8%	6,974,923	621,060	8.9%	12.6%
HI	304,497	5,407	1.8%	219,281	3,957	1.8%	25.4%
ID	5,698,129	136,348	2.4%	6,875,459	59,759	0.9%	6.1%
IL	9,641,494	6,963,275	72.2%	7,062,564	1,943,614	27.5%	19.0%
IN	2,250,283	536,844	23.9%	1,763,782	219,976	12.5%	13.1%
IA	2,491,838	2,284,771	91.7%	1,312,059	359,440	27.4%	17.5%
KS	3,843,807	824,019	21.4%	3,221,948	484,778	15.0%	67.4%
KY	2,846,429	242,936	8.5%	2,214,827	480,971	21.7%	24.2%
LA	14,493,362	7,872,013	54.3%	10,255,955	1,838,082	17.9%	25.5%
ME	1,477,561	91,790	6.2%	1,929,839	104,434	5.4%	6.1%
MD	1,760,831	88,467	5.0%	1,533,585	56,725	3.7%	16.6%
MA	508,240	48,609	9.6%	460,409	535,826	116.4%	51.9%
MI	10,812,947	3,499,447	32.4%	10,631,440	1,690,236	15.9%	24.9%
MN	5,797,872	620,823	10.7%	4,695,847	368,077	7.8%	22.4%
MS	16,219,150	1,355,174	8.4%	10,627,310	3,011,324	28.3%	12.4%
MO	24,295,210	9,562,589	39.4%	16,997,051	3,394,113	20.0%	20.1%
MT	3,804,160	1,050,057	27.6%	3,923,096	402,364	10.3%	128.1%
NE	1,935,579	829,989	42.9%	1,577,234	128,997	8.2%	27.0%
NV	199,611	-	0.0%	273,782	103,553	37.8%	19.6%
NH	52,158	3,261	6.3%	43,703	14,732	33.7%	14.2%
NJ	2,025,269	623,491	30.8%	1,990,263	29,539	1.5%	17.9%
NM	1,913,784	620,276	32.4%	2,376,811	1,092,949	46.0%	24.9%
NY	4,466,487	228,701	5.1%	4,307,135	647,080	15.0%	31.6%
NC	8,751,500	1,116,602	12.8%	6,558,100	456,086	7.0%	19.5%
ND	2,788,596	1,309,606	47.0%	2,223,408	347,844	15.6%	50.9%
OH	2,074,046	115,456	5.6%	1,481,185	26,554	1.8%	16.2%
OK	3,477,061	675,477	19.4%	4,492,595	2,747,541	61.2%	53.4%
OR	6,966,081	30,368	0.4%	6,146,898	21,623	0.4%	2.6%
PA	3,566,362	411,923	11.6%	2,877,064	220,640	7.7%	26.2%
RI	34,861	2,310	6.6%	26,075	-	0.0%	24.0%
SC	5,650,351	1,384,636	24.5%	4,067,518	527,258	13.0%	33.9%
SD	1,595,759	125,186	7.8%	3,156,317	443,337	14.0%	79.3%
TN	8,954,547	719,893	8.0%	7,274,017	1,355,784	18.6%	36.7%
TX	23,263,679	9,201,673	39.6%	26,120,890	18,199,183	69.7%	38.3%
UT	433,181	49,617	11.5%	577,703	19,312	3.3%	31.7%
VT	203,774	24,215	11.9%	211,883	170,534	80.5%	60.8%
VA	1,781,484	109,247	6.1%	1,495,797	136,656	9.1%	10.2%
WA	10,994,355	957,069	8.7%	13,219,007	858,608	6.5%	8.8%
WV	168,585	1,248	0.7%	186,167	22	0.0%	16.7%
WI	4,901,780	950,121	19.4%	4,356,283	604,597	13.9%	29.3%
WY	297,073	28,168	9.5%	351,483	40,686	11.6%	120.5%
Total	335,989,230	75,335,626	22.4%	308,167,539	70,746,633	23.0%	25.9%

Biography
of
James D. Deal

James ("Jim") has been working in agriculture and with rural agents for over 50 years. He has been an important player in the formation of insurance products for rural America. Jim has been a leader in the crop insurance industry and played a key role in moving the crop insurance program from a government program to the private sector under the Jimmy Carter administration.

Career highlights include:

Various positions within the Federal Crop Insurance Corporation (1956 – 1975)
Manager of Federal Crop Insurance Corporation
Executive Director of National Association of Crop Insurance Agents
CEO and Chairman of National Ag Underwriters
CEO and Chairman of NAU Country Insurance Company
Served on Various Non-Profit Boards

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: James D. Deal

Address: 16191 Makah St NW, Andover, MN 55304

Telephone: 763 427-7897

Organization you represent (if any): Retired

1. **Please list any federal grants or contracts (including subgrants and subcontracts) <u>you</u> have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do <u>NOT</u> require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: None **Amount:** ____________

Source: ____________ **Amount:** ____________

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) <u>the organization</u> has received since October 1, 2007, as well as the source and the amount of each grant or contract:**

Source: None **Amount:** ____________

Source: ____________ **Amount:** ____________

Please check here if this form is NOT applicable to you: ____________

Signature: James D Deal

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.