

**Testimony of Ms. Kathy Fowler  
President  
National Association of Crop Insurance Agents  
before the**

**Subcommittee on General Farm Commodities and Risk Management  
Committee on Agriculture  
U.S. House of Representatives**

**July 22, 2010**

Good morning Chairman Boswell, Ranking Member Moran, and Members of the Committee. As previously mentioned, my name is Kathy Fowler, and I am president of the National Association of Crop Insurance Agents (NACIA). I thank you for the opportunity to testify before this Committee. As you may know, while crop insurance agents are an integral part of the crop insurance program, we are not one of the parties privy to the Standard Reinsurance Agreement (SRA) negotiations. We appreciate the opportunity to contribute to the discussion surrounding the crop insurance program. For my part, I would like to explain the productivity of the program under new or upcoming regulations and legislation from the agent's view.

We are here today to discuss the potential impact of a decision made between companies and the government during the last SRA negotiations. It has yet to be seen what will come out of this agreement, as that will be decided with the agents and the companies on the ground. As small business owners, we have to determine how to move forward while continuing to provide products to our farmers and continuing our support of rural America.

As agents, we have the unique position of interacting with farmers on a daily basis. We get to know their families, their farming operations, and their risk management needs. What we have

found is that crop insurance is their preferred safety net. It is not only understood by farmers, but it is the most dependable form of risk management available. Of all the programs, crop insurance is the only program that has proven itself. Since 1938, farmers have relied on crop insurance to provide the best policy to fit each distinctive farming operation.

With crop insurance a farmer knows exactly what will happen when misfortune hits, and more than that, a farmer knows his agent will be there to answer any questions. Agents provide extended business hours, nights, and weekends to accommodate the farmers when a natural disaster strikes. Farmers prefer crop insurance to other safety net programs and have developed a trust for those programs. With other programs, assistance is too uncertain for farmers or lenders to waste their time and money.

We do believe there are a number of good pilot and expansion programs that provide risk mitigation. And we would like to thank the RMA for using some of the savings from the SRA for the needed expansion of the Pasture, Rangeland, and Forage Rainfall Index Program (PRF-RI), especially in Texas. This program was approved two years ago, but funding has not been provided until now. We are eager for good pilot programs to work, but if they are not funded, farmers are unable to benefit. We would also like to point out that the vegetative part of the Pasture, Rangeland, and Forage policy has no traction. Producers do not fully understand or trust the vegetative program, and participation lags well behind the rainfall program.

Because the crop insurance program works, it is crucial to maintain and support the program. However, various provisions in the 2008 Farm Bill and the SRA have or will significantly impact

the crop insurance industry. The 2008 Farm Bill shifted the premium billing date to August 15, with a payment due date of September 15, the most difficult financial time for producers. If premium payments are due on September 15 starting in 2012, farmers with spring crops will struggle to make timely payment. Those who have to delay payment, will face a 15 percent simple interest penalty payment at a time when the least amount of cash flow is available. We urge the Committee to postpone this date change to prevent putting unnecessary pressure on producers.

While we understand that the SRA has been signed and agreed to, there are certain provisions that bring concern to agents. We question the legality of the SRA provisions, such as imposing a limit on the ability of agents to negotiate the amount of their compensation with crop insurance companies even though we are not parties to the SRA and had no direct role in its negotiation. These provisions have the potential to reduce the productivity of rural communities, from the agents to the farmers.

It is our role to live and work with the agreement made by the companies and the government. We may find that the new agreement works smoothly, and business can continue as usual; or we may find that we have to make adjustments, such as diversifying our business. While we understand that a \$6 billion cut will affect the 2012 Farm Bill baseline, and subsequently affect program funding, we would like to remind this Committee that any additional cuts in the 2012 Farm Bill will jeopardize crop insurance services producers have come to rely on. This could also affect thousands of small businesses in rural America and would be devastating.

Producers do not rely solely on our knowledge of the program or our knowledge of their farming operation, but on the unique position we hold as a conduit between insurance companies and the insurance recipients -- the farmers. By combining our knowledge of the insurance industry and our understanding of the distinctive attributes and needs of each farming operation, we are exclusively positioned to provide producers with the crop insurance that best fits each operation. Unlike typical casualty insurance, our interaction with the customer does not stop with the purchase of the product or the filing of a claim. We may interact with the farmer 15-25 times for every farming operation. This job is not something that can be accomplished directly from Washington, regional government offices, or online. An agent's job requires personal relationships, personal knowledge, and personal expertise of not only crop insurance and lending procedures, but also knowledge of the growing crops. We set the liability structure for their policy that allows them collateral to maintain their livelihoods.

As members of farming communities, we are intricately linked with the economical development of rural America. Many crop insurance agent companies are small businesses with 10 or fewer employees. During an era where rural communities are shrinking and urban cities are growing, increasing jobs in small towns is crucial to keeping the heart of rural America pumping. The values embedded in small towns are a significant part of the American lifestyle. Maintaining and even increasing crop insurance agent jobs will contribute to the development of rural communities by reinvesting money and manpower in local businesses, school systems, and local governments. My agency is just one example of the entrepreneurial and hard-working spirit that pulses through rural communities. Crop insurance agents not only provide a direct service to producers, but provide services to the community at large.

According to RMA, in 2009, the crop insurance program distributed approximately 1.17 million policies, covering nearly 264 million acres with 79.2 billion dollars in protection. Many levels of crop insurance reach 70 to 85 percent of potential crop value and 80 percent of major program crop acreage are insured. This program has proven to be the fundamental safety net for farmers year in and year out. It is relied upon by producers to ensure them access to credit that allows them cash flow to fund their businesses.

Going forward, we need to ensure that any decisions or changes improve our present crop insurance program and serve our farmers' risk management needs, as opposed to simply making changes because funding is needed for new initiatives or to benefit other non-related entities.

In conclusion, I would like say how proud we are to be a supportive part of America's agricultural safety net for farmers who provide low-cost food and fiber to our nation's consumers. We look forward to continuing our support of farmers, with the help of Congress, the RMA, and crop insurance agencies.

Thank you again for the opportunity to testify, and we appreciate your continued support of this program. I would be happy to answer any questions you may have.

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: Kathy Fowler  
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National Association of Crop Insurance Agents

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

Source: N/A - none Amount: —  
Source: N/A - none Amount: —

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

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Source: N/A - none Amount: —

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

Signature: Kathy Fowler

\* 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.

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