Myth versus Fact

Myth	Fact
Myth: The new SRA will affect producers' premium subsidy.	**Fact:** The premium subsidy can only be changed by Congress and will not be affected by the SRA.
Myth: Lower reimbursement rates will be passed along to producers in the form of higher premiums.	**Fact:** The SRA has no effect on premium rates. These rates are required by law to be actuarially sound and are based on long-term program performance. RMA recently contracted for an independent review of its premium rating methodology, which confirmed that it is actuarially appropriate and consistent with industry standards.
Myth: RMA has proposed a 40 percent cut in underwriting gains in the new SRA.	**Fact:** Underwriting gains for the companies went up approximately 260 percent from 2006 to 2009. In total, Government expenditures to insurance providers have more than doubled during this time period – from $1.8 billion in 2006 to $3.8 billion in 2009 – at a time when the number of policies serviced has actually declined. Some are trying to suggest there are "cuts" in the SRA by comparing it to record gains in 2008 or 2009. Government payments in these years were historical anomalies, based on record crop prices, and not on an increased numbers of policies.
Myth: The SRA will not do enough to protect jobs in difficult economic times. There are an estimated 18,000 jobs that are tied to crop insurance.	**Fact:** The new agreement seeks to provide more protection to companies in bad years, thus increasing the financial viability of companies for the long haul. In addition, the changes are designed to provide more stability for companies should commodity prices drop. While we are in difficult economic times, the new SRA seeks to provide reasonable compensation for delivery services that is neither excessive nor insufficient. The levels of projected funding are consistent with that of the mid-2000s, which provided many good jobs within rural America supporting the crop insurance program.
Myth: The new SRA will put crop insurance companies out of business and lead to more consolidation in the crop insurance industry.	**Fact:** Under the new SRA, insurance companies can expect to earn a reasonable rate of return and have more protection in bad years. Although some consolidation has occurred in the Property and Casualty insurance industry generally, crop insurance companies have fared proportionately better – a trend that is expected to continue under the new SRA.
Myth: RMA needs to focus more on the past history of the program, spanning 10 or 20 years instead of focusing on the most recent 2 or 3 years.	**Fact:** RMA contracted with Milliman, Inc., to determine the long term profitability of the crop insurance industry. Milliman reviewed 20 years of data, the longest historical data set of all current profitability studies. The study found that companies earned an annual average rate of return of 16.6 percent over the period, well above the average reasonable rate of return of 12.8 percent. This past year, the companies' return is estimated to have been around 30 percent.
Myth: RMA's proposal does not allow for fair and adequate compensation of agents.	**Fact:** The new draft agreement provides the companies with a more than adequate amount of government subsidy to deliver the program. Under the new SRA, the Administrative and Operating subsidy would average about $1,000 per policy– significantly higher than the $835 average per policy subsidy paid in 2006. Crop year 2006 was the last year before the unprecedented spike in commodity prices occurred, and the A&O subsidy paid that year was a record high at the time.

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