Jason Meador Testimony
Senate Committee on Agriculture, Nutrition and Forestry
Subcommittee on Commodities, Risk Management and Trade
Hearing on Crop Insurance and Credit
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Chairwoman Smith, Ranking Member Hyde-Smith and other Members of the Subcommittee on Commodities, Risk Management and Trade – thank you for allowing me the opportunity to testify today on the importance of crop insurance and the vital role it plays in providing risk management to farmers across the country.

My name is Jason Meador, and I am the Head of Rural Community Insurance Services (RCIS), which operates one of the 14 Approved Insurance Providers that sell crop insurance policies to farmers and ranchers across the country. My background is a bit different for this sector as I haven't spent the majority of my career working in crop insurance. I began my career in the United States Navy, enlisting after high school and then following completion of college on an ROTC scholarship working as an engineer at the Headquarters for the Naval Nuclear Propulsion Program down the street at the Navy Yard eventually ending my service as a lieutenant. Following my service, I moved into management consulting focusing on Financial Services and Insurance before moving to an insurance company and my current role. RCIS delivers crop insurance nationally, so we serve farmers in each state represented on this Subcommittee. We are also a member of the Crop Insurance and Reinsurance Bureau, which spearheads the Crop Insurance Coalition, working diligently with a cross-section of stakeholders to protect and preserve the program.

Although Federal crop insurance has been available since 1938, it wasn't fully utilized until almost 60 years later. Prior to 2000, natural disaster management typically came in the form of ad hoc disaster bills, which were slow in delivering assistance, very costly, and relied completely on taxpayers to fund. After spending billions in unbudgeted dollars, Congress decided that it was time to find a better way to help farmers across the country, so this body worked to make crop insurance more widely available and affordable to farmers and ranchers. The legislation enacted in 1994, 2000 and 2014 amplified the involvement of the private sector, made the program more actuarially sound, encouraged farmer participation, and improved the availability of coverage. The program has become the cornerstone of risk management on the American farm. With the continued bipartisan support for crop insurance and the public-private partnership, farmers are able to receive a reliable and cost-efficient safety net to protect both themselves and the future of farming.

The Federal Crop Insurance Program is a "three-legged stool" design. The risk insured under crop insurance policies is shared by crop insurance companies; the farmers, who pay a premium for the policy and must meet a deductible before receiving assistance for a confirmed loss; and the Federal government, which offers premium support to farmers and reinsures part of the risk. Each player has a vested interest in the success of the crop insurance program, helping to ensure the success of the program over the long-term.

As an Approved Insurance Provider, we underwrite crop insurance policies - which means we share in bearing the risk of policies, so the taxpayer is not solely responsible for covering losses. We contract with agents to sell policies and employ claims adjusters to assess and verify losses. We invest in technology, training and services to promote efficiency, foster innovation and ensure the highest integrity of the program. This investment helps to ensure one of the lowest improper payment rates amongst USDA programs.

Crop insurance is a big tent. Our industry protects farmers of all sizes and covers over 604 varieties of 134 different agricultural commodities including a significant number of specialty and organic crops. For those crops without individual policy coverage, Whole Farm Revenue Protection insurance is available. And more recently, the program has been expanded to include dairy farmers and additional options for livestock producers.

We believe that crop insurance is one of the best tools available to farmers to protect against Mother Nature, because crop insurance provides a rapid-response solution to disasters and is a farmer's first line of defense against climate change. Private companies, like RCIS, typically are able to deliver indemnity payments to farmers in fewer than thirty days after a loss occurs and the claim finalized – not months or years later. The private sector delivery of crop insurance also means that farmers have a choice in who they do business with, and this choice ensures that a farmer is able to find an agent and a company that can provide them with the best service for their operation.

The cost-sharing with the Federal government helps to keep crop insurance affordable for most farmers, while also ensuring that the program is fiscally responsible. It's important to note that Congress requires crop insurance to be actuarially sound and that premium rates are set by the Risk Management Agency (RMA) at USDA. Companies do not set rates. Instead of competing on price, we compete on the service we provide to farmers. Premium discounts are also dictated by statute and are outside the control of companies but are within your purview. Again, any changes to crop insurance must ensure that the program remains actuarially sound to ensure long-term stability.

Crop insurance companies have worked with RMA and other stakeholders to find innovative ways to provide different types of less expensive risk management options to those farmers that may face affordability issues. For example, crop insurance companies now offer Hurricane Insurance Protection – Wind Index Endorsement policies, which pays part of a farmer's deductible when a county or adjacent county sustains hurricane-force winds from a named hurricane. It is an inexpensive way for a farmer to supplement an underlying policy where high coverage levels may be unaffordable. Similarly, we now sell products such as STAX, the Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) policies, all of which allow farmers to supplement an underlying policy on their individual farm with less expensive county coverages. While not perfect, these options demonstrate the industry's ability and willingness to adapt within the boundaries provided by statute to offer more affordable risk management tools to farmers.

Crop insurance is also flexible. Farmers can tailor their coverage to fit the needs of their specific operation. The program is continuously evolving and improving to meet the needs of America's farmers and ranchers. Some recent advances have included an endorsement for farmers who choose to split-apply nitrogen on their field, improved livestock insurance options and margin insurance to assist farmers in a volatile input pricing environment.

If a farmer or commodity organization doesn't believe there is an existing policy that works on their farm, the Federal government will provide significant reimbursement to them to develop a product under section 508(h) of the Federal Crop Insurance Act. Most 508(h) changes don't require a Farm Bill or any other legislation. The development of these policies requires only an interested party willing to work with the Federal Crop Insurance Corporation Board to design a better product in an actuarially sound and marketable way.

The crop insurance program and crop insurance companies have also worked hard to serve producers in all regions. In addition to offering policies for 134 different commodities, we've strongly supported additional benefits for veterans and beginning farmers and ranchers as included in the 2014 statute. As an industry, we have utilized risk management grants to partner with the Southern Risk Management Education Center at the University of Arkansas to conduct outreach to the 1890's institutions, including hosting 9 workshops in FY 22, and gathering stakeholder feedback on ways to better reach socially disadvantaged farmers with crop insurance policies. Through National Crop Insurance Services, the industry has sponsored 40 annual scholarships for students to attend 1890's universities since 2010 and beginning in 2023 industry will fund scholarships at all 1890 institutions.

In addition, industry has instituted the 1890 Internship Program, and I've personally had discussions with RMA about what more we can be doing as an industry. Our industry, through NCIS, is working with USDA and their partners on the Building Resiliency initiative. The two-year pilot program aims to identify, train, and equip individuals interested in working in the crop insurance industry. The NCIS Board of Directors approved formation of a Diversity, Inclusion, Equity, and Belonging Advisory group, consisting of Board members and senior AIP leadership to assist with facilitation of the program, of which I am a member. We realize and appreciate that there is no end to this journey and know that in order to make sustained progress on Diversity, Inclusion, Equity, and Belonging we must continue to refine our programs and initiatives and continue to collaborate. We, at RCIS, have also been in regular contact with our regulator at RMA since the announcement of their "Navigators" project at the University of Arkansas and the "Resiliency" project focused on diverse agent and adjuster development with the Intertribal Agribusiness Council. As these efforts continue to mature, RCIS and the industry look forward to contributing to these efforts in meaningful ways.

We know that crop insurance has not solved every problem that America's farmers have faced in recent years. The program simply isn't designed to address every type or cause of extreme loss. The statute prevents the program from covering some losses, such as those that occur after the harvest of a crop. But for those losses that can be appropriately covered by crop insurance – such as in-season commodity price decreases, yield losses due to Mother Nature, and even squeezes in farmer margins – there is no more effective means of providing to farmers in a timely fashion than through crop insurance.

Ultimately, the crop insurance program successfully meets the needs of thousands of farmers who can tailor their risk management needs to serve them best with the help of a local agent and the backing of an efficient private sector delivery system. Crop insurance is fiscally sound and protects America's taxpayers, especially when compared to other alternatives for addressing losses suffered by American farmers.

Crop insurance complements climate-smart agriculture

As the Committee continues to evaluate the intersection between agriculture and climate change, it is important to note that a farmers' best tool in defense against climate change is crop insurance. Crop insurance and climate-smart agriculture intersect in positive ways. For example, to be eligible for crop insurance, farmers must follow Good Farming Practices, as defined by local agronomic experts. Farmers who follow those Good Farming Practices that help mitigate climate change, such as no-till farming and planting cover crops, can see lower production costs, better soil health and increased yields, all of which can lower their crop insurance rate and increase their production guarantees in an actuarially sound way.

By promoting Good Farming Practices that can help lead to lower premiums, crop insurance helps complement healthy soil and conservation efforts. The *Journal of Environmental Management* published a peer-reviewed study that credited crop insurance with encouraging the adoption of conservation practices. In fact, one key takeaway from that study is that farmers who purchase crop insurance are *more* likely to undertake climate-smart agricultural practices than those who do not.

The 508(h) process is another tool that can be used to enhance the intersection between climate and crop insurance. As mentioned, Section 508(h) allows for individuals or groups who would like to add additional insurance products into the marketplace a pathway for getting those products considered and approved by the Federal Crop Insurance Corporation Board of Directors. Products considered under this process are farmer-driven and must be actuarially sound and follow sound insurance principles. Recent examples of products approved by the FCIC Board, which highlight the effectiveness of the 508(h) process in driving adoption of climate-smart agriculture practices, include a policy to support split-application of nitrogen and the Sprinkler Irrigated Rice Endorsement, with other climate-related policies currently under consideration.

For any legislative proposal linking climate policy and crop insurance, we believe the most successful proposals will have the following attributes:

- The proposal should provide farmers with incentives, rather than mandates or regulation, to adopt climate-smart agriculture.

- Incentives must be designed so that insurance policy premiums continue to be set at actuarially sound rates to ensure the integrity and long-term success of the crop insurance program.

    - By statute, crop insurance premiums must align with the risk associated with the policy, and because of the self-correcting nature of crop insurance, premiums adjust to reflect farmers' individual risk and production.

    - The methodology for setting premium rates inherently takes climate into account. For example, premium rates are determined from more recent years of loss experience, thereby reflecting changes in weather and weather patterns. The program performs well, with premiums continuing to match indemnities paid to farmers, thereby ensuring the financial stability of the program for farmers, taxpayers, and the private sector providers of policies.

    - Agronomic data is critical to making changes to total crop insurance premiums, whether those premium changes are for climate-smart agriculture practices or other reasons.

    - Lawmakers seeking to reward farmers for climate-smart practices should first look to the flexible 508(h) process that offers potential for new and creative solutions for addressing the intersection of climate change and risk management. It is important that farmers be incentivized for the adoption of Good Farming Practices that are climate-smart, and that the crop insurance program not be turned into a policing mechanism for these practices. If incentives are provided, they should be evaluated to ensure that they do not encourage practices that could harm yields and that they are appropriate for the crop and region.

- New climate initiatives should be funded independently and not at the expense of the crop insurance program.

  - Crop insurance is vital to America's farmers and has been working well for them over the last few decades, especially considering the changes this committee has made through previous Farm Bill's to strengthen this public private partnership in 1994, 2000, and 2014. It is a critical tool for farmers as they adapt to the changing climate pressures. Weakening the program in any way will do more harm to farmers coping with climate change and will only increase the need for ad hoc disaster programs.

  - The program must be adequately funded to continue to provide this timely and effective risk management tool for farmers.

Crop insurance and disaster assistance

Crop insurance provides certainty to farmers and their lenders, and it directly corresponds to actual losses incurred by a farmer. If a farmer has a loss, they will typically receive a crop insurance payment within 30 days of a claim being finalized through an efficient private-sector delivery system. By contrast, other types of assistance can often take a year, or oftentimes more than a year, after a disaster before a farmer receives a payment. Farmers get to choose their level and type of coverage, which provides a predictable financial backstop for lenders in times such as these where input costs are rising rapidly, and farmers are borrowing more to purchase these inputs.

The last several years have seen a drastic increase in ad hoc disaster payments as unprecedented crises have hit rural America. As an industry, we are continuously evaluating where the gaps in the program exist and what we can do to help more farmers better manage their risk through the Federal crop insurance program. This has been particularly true in the last few years of turbulence. For example, as ad hoc assistance was required to address increasingly intense hurricanes, the Risk Management Agency developed, and the industry implemented a simple, inexpensive coverage for hurricanes that is based on wind speed and can help to address the concerns of many southern farmers who have often felt that more traditional coverage is too expensive for their needs. This product has since received a Tropical Storm endorsement announced in early 2023 for damages caused by strong weather systems that are not categorized as hurricanes.

Policies have also been developed to assist micro farms that are contributing to the diversification and strengthening of our supply chains and better options for our nation's livestock producers have been implemented. Existing margin insurance policies are also being evaluated to ensure the best coverage possible for farmers during these tumultuous times.

This is not to say that crop insurance can solve, or should be used to solve, every problem confronted by America's farmers. However, if this Committee considers a permanent disaster program, this legacy of improvement should lead the Committee to pose several questions during the development of the next Farm Bill. Where are there gaps in the safety net? Can and should these gaps be filled by crop insurance? What gaps would not be appropriate to cover through the crop insurance program? How do you prevent overlap in payments between crop insurance and other programs? How do you ensure that any new programs that are created do not compete with the efficient and already-successful program that is crop insurance?

Regarding any proposals considered by this Subcommittee and the full Committee, we:

- Discourage any disaster assistance program that would disincentivize farmers from purchasing crop insurance. Often crop insurance and disaster programs work together through purchase requirements to ensure that crop insurance participation is encouraged. However, even the existing ad hoc programs created by USDA and authorized by Congress, as they are designed today, discourage farmers from purchasing the highest levels of crop insurance coverage available to them.
- Oppose double paying farmers for the same loss. In addition to indirectly discouraging crop insurance purchases, a duplicative policy design is not in the best interest of the taxpayer or the farmer over the long-term.
- Oppose any disaster package that is funded by cutting crop insurance.
- Encourage the use of the 508(h) process for the creation of additional policies that can better address existing gaps. Your predecessors on this Committee understood the ever-changing agricultural landscape and designed mechanisms within the crop insurance program, including 508(h), that would help agriculture adjust to changing times. These processes should be protected and utilized moving forward.

Improvements to 508(h)

Given the multiple references to section 508(h), I would be remiss not to mention that we are working actively with the Risk Management Agency and look forward to working with this Subcommittee to ensure transparency and timeliness in the rollout of future products submitted through the 508(h) process. In the past, crop insurance companies have been faced with the implementation of new crop insurance products at such a late date and with so little information that it has been difficult to support a successful product launch for our farmer customers.

For example, we recently implemented a 508(h) product that was released two months after our training programs were completed and just weeks before sales closing date. We spent hundreds of thousands of dollars to rework our IT systems and rushed to publicize this product to our internal team, our agents, and our farmer customers. But because the product was introduced so hastily, agents and our farmer customers were not comfortable with the product, and we only sold 8 policies 2022 Reinsurance Year.

While we fully support the development of new products for our farmer customers, we believe that it is in the best interest of farmers and taxpayers to ensure that product rollouts are done in a way that ensures success. A positive showcase of the innovation in the Federal Crop Insurance Program through the 508(h) process was the development and subsequent rollout of Dairy Revenue Protection (DRP). DRP was developed collaboratively with all appropriate stakeholders, ensured enough lead time for Approved Insurance Providers to develop trainings and educate agents in order to ensure dairy producers were provided sufficient product knowledge to understand its value, and its success is demonstrated by its year over year growth, with over 25,000 policies sold since its introduction in 2019, according to RMA.

Crop insurance companies are also asked to provide support for the development of a new 508(h) product at the early "concept" phase of a proposal. However, after a crop insurance company has given its initial support for a concept, as changes are made from concept to completion, sometimes the final product that is approved is significantly different from the concept and would not have received crop insurance company support because of concerns about design, marketability, complexity, or other factors. It is our perspective that active Approved Insurance Provider input in the final stages of development would increase successful marketability of newly introduced products.

Ultimately, we want what is in the best interest of our farmer customers and the program, and we believe more transparency and timeliness in the 508(h) process is critical to these interests.

Administrative and Operating Expenses

The Federal Crop Insurance Program provides A&O to Approved Insurance Providers to off-set some of the program delivery costs. While A&O is capped per the 2012 Standard Reinsurance Agreement (SRA), it was increased annually for inflation until 2015. Beginning in 2016, RMA no longer adjusted A&O for inflation. While A&O has not been adjusted for inflation over the past seven years, costs have continued to rise. It is the industry's view that the SRA allows for A&O to be adjusted to account for inflation. The crop insurance industry, through its trade organization, has corresponded with RMA to make them aware of our concerns regarding inflation and view of the SRA. While the agency has responded, it is our view that their objections to this request are inconsistent with the SRA and statutory authority granted by Congress. We look forward to working with the Committee on finding a resolution to this issue that restores equity between agents and creates a durable path forward should a similar economic situation arise.

Concluding Remarks

Crop insurance is the premier risk management tool for the American farmer. Multiple factors combine to make crop insurance the cornerstone of many farmers' financial and risk management plans: the ability to tailor coverage to their own operation at a meaningful level and affordable price, the comfort of working with a local and trusted insurance professional and the knowledge that losses will be covered in a timely manner and before operating loans must be repaid. Over time, these crop insurance benefits have accounted for the success and acceptance of the program and will continue to do so well into the future.

Again, thank you for inviting me to speak today and for your continued support of the crop insurance program. I look forward to answering any questions you have, and I am happy to be a continuous resource for you during the upcoming Farm Bill discussions.