

# THE NUMBERS PILE UP

## Crop Insurance Industry Reaches Out

The Partnership for Small Farm Risks has more than met its goals. A joint venture between National Crop Insurance Services and four 1890's Universities, the Partnership provides risk management training and counseling to small and socially disadvantaged farmers. And the numbers have been piling up.

So far, the partners have put on nine "train-the-trainer" sessions for 258 agricultural professionals. There have been 41 Risk Management Workshops with 764 farmers participating. And there have been 6,774 on-farm visits, all since the Partnership began in July of 1998.

Many of those on-farm visits were repeat visits to help mentor risk management practices. Overall, 1,384 small and socially disadvantaged farmers from Virginia, North Carolina, Maryland and Delaware have received risk management training and counseling since the project began.

Thanks to the Partnership, risk management professionals put on workshops and drive from farm to farm armed with lap top computers, setting up record-keeping systems. For the first time, farmers whose time is taken up with the work of production agriculture, can see the trends that allow them to make better decisions.

Laurence Crane, NCIS, is Co-Director of the Partnership, along with Albert Essel from Virginia State University.



"The numbers are satisfying," said Crane, "but not nearly as gratifying as all the reports of real one-on-one success. Just the other day I heard about one farmer who was able to identify and save \$10,000 in repair and production expenses from one year to the next. Now that's what I call a risk management success story."

One of the most popular aspects of the program has been estate planning workshops that focus on how to pass the family farm on from one generation to another.

"Small farmers can't always afford to get professional estate planning advice," said Crane, "but they need it just as much as large farmers."

"These are hard working, decent people who deserve our help. I'm proud that the crop insurance industry is part of this effort."

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# AGENT SPEAKS UP ON FRAUD AND ABUSE

Ray Thigpen knows disaster.

In '85 and '86 Thigpen, 47, had back to back disaster years on his own Florida farm so bad they caused him to switch professions. Then, for ten years, he saw disasters as a Farm Service Agency county director. Now he is a private crop insurance agent.

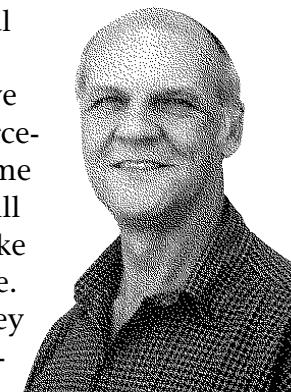
His experiences with Federal ag programs, as a farmer, as an FSA director and as a crop insurance agent, have led him to one compelling conclusion, "Integrity matters."

"If Federal programs don't have real enforcement, some people will always take advantage. When they do, everyone else has to

pay more," Thigpen says in the soft accents of a native Floridian.

He is convinced that crop insurance has far less fraud and abuse than traditional Federal disaster programs.

"Look, in order for a farmer to get paid on a crop insurance claim he has to file the claim while the crop is still in the field. An adjuster goes out and documents the damage."



Ray Thigpen

He compares that crop insurance reality to his FSA experiences where it frequently took so long to have a Federal disaster response that one or even two crops had been planted since the disaster occurred. "It's really no one's fault," he says. "There is just too much time between the disaster and the remedy."

"There was really no way to know just how many acres of a particular crop were planted back when the disaster occurred. And the farmers all knew that there weren't

going to be any audits. Now if people knew that the IRS was never going to audit them, how many do you think would pay as much in taxes as they do today?"

Thigpen keeps coming back to the IRS example.

"Whether it's disaster programs or crop insurance, we would have more program integrity if

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## In this issue

### Agents' Lives Are Not Easy

National Association of Crop Insurance Agents CEO outlines what it takes to be an agent

### Open Letter To Farmers

Reprint of a widely circulated column from National Crop Insurance Services president, Bob Parkerson.

### The Numbers Pile Up

Thousands of small and socially disadvantaged farmers get help

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every once in a while one guy in the county was caught and penalized. It wouldn't take long for the coffee shop talk to get around. Everybody would be a little more careful."

Even though Thigpen has seen how the integrity of ag disaster programs are sometimes eroded, he remains very positive about the motives of most people.

"There are really very few people who take advantage. The vast majority of people are honest. Those people deserve to be

protected from the few who do take advantage."

He compares the integrity of crop insurance to ad hoc disaster programs this way, "In crop insurance the system is not at fault. If there are problems it is people who are at fault. In disaster programs the system is at fault. It takes too long to respond. A few people take advantage and others don't really know what their losses were."

Thigpen's assessment is that no rule changes will stop a crook.

They are already breaking the rules. What will improve program integrity is enforcement with teeth in it, like the IRS.

"With crop insurance, the basic program does not encourage abuse. The farmer has to invest his own money in it and he can't collect until the actual fields are seen and documented while the crop is still in the field. Since the program doesn't encourage abuse, the way to better program integrity is strong enforcement."

## Open Letter To Farmers, From Your Crop Insurance Companies

# Fraud, Waste And Abuse Hurt Us All

By Bob Parkerson

For the farmers we serve, what was most important about the Agricultural Risk Protection Act of 2000 (ARPA) was the significant increase in Federal crop insurance subsidies.

That increase will enable you to buy up to more adequate levels of crop insurance protection and help extend the benefits of crop insurance to more farm families. It will help shore up rural communities hit hard by low prices for agricultural products and left behind by the economic boom experienced by the rest of America. It will help

protect all the small places most of us in the crop insurance industry came from and where most of us still live and work.

**"Our livelihoods depend on the integrity of the crop insurance program."**

But for those of us, in the business of delivering and servicing crop insurance policies, the most important parts of the legislation were those that dealt with strengthening the rules governing fraud, waste and abuse.

Our livelihoods depend on the integrity of the crop insurance program. Without it, you would have to pay more than your fair share of premiums. Without it, we in the crop insurance industry would go broke. We have all worked too hard and achieved too much to allow the slightest erosion of the integrity of the crop insurance program.

I know our industry has come a long way. The reserves we are able to set aside in good years now help protect the crop insurance program in bad years. We have also significantly lowered the cost of delivering crop insurance.

According to a Price Waterhouse analysis, our companies consistently show lower total expense ratios than the rest of the Property/Casualty industry. They also said that... "the work required to sell or renew an MPCI policy is considerably more intense than that of the typical Property/Casualty sales process." That, of course, is not news to those of you who work with our agents and adjusters.

Those accomplishments; efficient, low cost delivery and the continuing growth of the crop insurance program, must not be jeopardized by fraud, waste and abuse.

Farmers have come a long way in their knowledge of risk management. More and more of you have invested in higher levels of crop insurance. Many of you have learned how to use your insurance in conjunction with forward pricing to enhance your profits. You understand better than anyone how fraud, waste and abuse can cause you to have to pay more for crop insurance.

Together the crop insurance industry and you, the farmers we serve, share a common interest in preventing fraud, waste and abuse.

How will tightening controls on fraud, waste and abuse affect you?

Well, your crop insurance agent will experience more documentation requirements, more time spent with auditors and investigators, more demands on already long work weeks. In this first year, everything is likely to take just a little bit longer than

before. Be patient with your agent. Just remember, if even only a few extra cases of fraud, waste and abuse are detected and resolved, the integrity of your crop insurance program will be better protected.

If you have knowledge of crop insurance abuse, call your crop insurance agent or this toll free hot line. 1-800-424-9121

(Bob Parkerson is president of National Crop Insurance Services in Kansas City. NCIS is the non profit trade association of the crop insurance industry.)

This letter to the editor received national distribution.

# AGENTS' LIVES ARE NOT EASY

By Harlan Rise

It is not easy being a private crop insurance agent, but then if it was easy anybody could do it.



Harlan Rise  
CEO of the National Association  
of Crop Insurance Agents

On top of all the licensing and certification requirements, the program is constantly changing as new types of policies are developed and as Federal

programs are revised and adjusted Homework is a constant part of every crop insurance agent's life.

But the real reason that it is not easy being a crop insurance agent is the very high standards of performance expected of them by the crop insurance industry. These eight standards are what farmers have come to expect.

1. The willingness to help customize risk management strategies.
2. The knowledge to explain all the various crop insurance tools available.
3. The documentation farmers need to help them work with their lender.
4. The information needed to meet the various reporting deadlines that keeps each farmer eligible for the greatest possible benefits.
5. Answers, advice and help whenever a farmer calls, throughout the year.
6. The services of a well trained adjuster whenever there is a crop loss.
7. A commitment to serve everyone, regardless of race, color, national origin, sex, age or disability.

8. Help in certifying farmers with limited resources for a waiver of the CAT processing fee.

There is a reason that more farmers than ever before are buying up to more adequate levels of crop insurance and improving their overall risk management performance.

They trust their crop insurance agents and the companies that stand behind them.

After all, most crop insurance agents grew up in the communities they serve. They see their farmer customers at PTA meetings, at Little League games, at the grocery store and across the kitchen table. For them, integrity is more than just a personal obligation, it is the one thing that gives them the right to hold their heads up in their own communities.

You can't buy that.

