

Profile of the Taxpayer Subsidized Crop Insurance Industry



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Federal crop insurance is a highly taxpayer subsidized program that allows agricultural producers to shift their business risk onto taxpayers. **Costing a record \$14 billion in Fiscal Year 2012, it is now the most expensive taxpayer support for agriculture,** outstripping all other agriculture safety net programs. As important as its price tag, crop insurance is a shining example of a government program filled with costly inefficiencies that detract from the program's goals and produce unintended consequences.

Founded on major subsidies to producers and insurance providers, federally subsidized crop insurance is quickly becoming too expensive and unwieldy. Taxpayers not only subsidize crop insurance premiums for agricultural producers (on average, 62 cents out of every \$1 of insurance coverage), but also provide \$1.3 billion of administrative and operating (A&O) subsidies and, in most years, additional profits called underwriting gains to the 19 crop insurance companies selling the subsidized policies.¹ Many of these companies lobby Congress to secure new and expanded subsidies to enhance their bottom lines. In fact, in 2013, farm profits reached record levels, but at the behest of the crop insurance lobby, the 2014 farm bill expands crop insurance subsidies for agribusinesses. With our national debt surpassing \$17 trillion, the federal crop insurance program must be reevaluated to ensure taxpayer dollars are spent wisely.

Crop Insurance Subsidies for Private Insurance Companies

As stated above, crop insurance companies ranging from Rain and Hail to John Deere Insurance Company and their 20,000 agents, adjusters, and company staff (approximately 2,275 of which are agents) **receive taxpayer subsidies to sell and service crop insurance policies.**² Additionally, in most years, **companies receive underwriting gains** which are the net premium dollars left over after all indemnities are paid; alternatively, underwriting losses are realized when indemnities exceed premiums (usually after widespread drought or flooding).³ Federal taxpayers pick up a greater share of losses in poor growing years, such as the historic drought of 2012. Changes to A&O subsidies and underwriting gains/losses are renegotiated between the U.S. Department of Agriculture (USDA) and the crop insurance industry approximately every five years.⁴ These Standard Reinsurance Agreements (SRAs) normally provided an opportunity to rein in skyrocketing costs in the federal crop insurance program, but a provision in the 2014 farm bill forbids USDA from saving taxpayer dollars in future SRAs.

Administrative and Operating Subsidies

The crop insurance industry claims that current A&O subsidies fail to fully compensate the industry for 100 percent of its annual operating and claims expenses, rent, information technology costs, salaries, benefits, and commissions. Rick Gibson, a consultant for NAU Country Insurance and one of the executives who pioneered revenue-based policies (meaning producers receive payments when revenue falls below an expected level rather than just suffering a yield loss due to drought, for instance), says expenses exceed A&O subsidies by five

percent; similarly, National Crop Insurance Services, a lobbying group, says expenses exceeded reimbursements by 3.4 percent from 1992-2010.⁵ However, a 2010 study commissioned by USDA found **crop insurance companies reaped a 26.4 percent return on equity in 2009, which was more than double the “reasonable” rate of return of 11 percent.**⁶ Because subsidies were tied to increasing crop prices, taxpayer subsidies doubled between 2006 and 2008 without a commensurate increase in workload.⁷ Hence, in the 2010 SRA, A&O subsidies were limited to approximately \$1,140 for each policy written - about three times the actual cost of administering policies as estimated by the crop insurance industry itself.⁸ Companies and agents railed against this slim cut of \$600 million per year, wrongly claiming the changes would handicap the industry even though it continues to turn a hefty profit. President Obama’s FY15 budget request and Representatives Kind (D-WI) and Petri (R-WI) proposed a further reduction in the industry’s rate of return from its current level of 14 percent down to 12 percent.

Underwriting Gains

In addition to administrative and operating subsidies, crop insurance companies receive underwriting gains, even in what appear to not be favorable growing years. From 2002-2011, private companies experienced an underwriting loss in only one year and benefited from large gains in later years, like a \$2.3 billion surplus in 2009 and \$1.9 billion surplus in 2010.⁹ On average, **companies retain about three-fourths of all gains** while taxpayers pick up even greater losses in poor growing years. For example, the floods and drought of 2011 resulted in \$500 million of underwriting losses for taxpayers, while insurance companies actually profited \$1.7 billion. According to the Government Accountability Office (GAO), from 2005-2007, private companies reaped \$6.5 billion from A&O subsidies and underwriting gains, an amount GAO labeled “a windfall.”¹⁰

Crop Insurance Industry Spokespeople

Many times, crop insurance industry spokespeople appear in the media or in industry lobbying materials, but their affiliations with farm commodity groups or receipt of federal farm subsidies aren’t fully disclosed. For instance, the National Crop Insurance Services (NCIS), one of the primary crop insurance trade and lobbying groups, operates a “Crop Insurance in America” website where several “real stories” from farmers and other crop insurance interests are highlighted. What the website doesn’t tell the reader is that of the spokespeople listed in 2013, 30 are some of the largest farm subsidy recipients, averaging nearly \$650,000 in taxpayer payments since 1995; **hence, on average, these 30 “spokespeople” represent the top six percent of all farm subsidy recipients.** (Also note that because crop insurance premium subsidies are nontransparent, they are not included in the subsidy totals listed in Table 1).¹¹ Some spokespeople are also leaders of local Farm Bureau chapters, presidents of major lobbying/commodity organizations such as the National Association of Wheat Growers, or former witnesses that were asked to testify before the House Agriculture Committee. Finally, certain crop insurance agents are identified without the acknowledgement that they are farmers and hence receive federal farm subsidies. NCIS also fails to identify some agricultural producers’ off-farm employment as crop insurance agents or field adjusters. Table 1 includes profiles of recent NCIS spokespeople.

Table 1: Farmers and Other Spokespeople for the National Crop Insurance Services

Name	Total Household Subsidies (1995-2012)	Notes, including position on commodity boards or employer
Huie, Matt	\$1,638,860	Vice-President of Southwest Council of Agribusiness; received 50% of subsidies through Huie & Huie Farm and Ranch LLC.
Bell, Andy	\$1,622,110	President of GA Decatur County Farm Bureau; board member of American Peanut Growers Group; testified before House Agriculture Committee in May 2010; received 50% of subsidies through family farm. Married to Judy Bell, another farm subsidy recipient.
Patterson, Trent	\$1,569,499	Received 50% of subsidies through Patterson Bros & 50% of subsidies Pbf Co.
Cahill, Charles	\$1,523,461	Received 50% of subsidies through Tomana Inc and 50% of subsidies through T & C Cahill Farms. Wife Tammy also received subsidies from these entities.
Buntin, Robert	\$1,268,468	Received 50% of subsidies through Buntin Bros Farms and Buntin Bros.
Buntin, Michael	\$1,235,842	Received 50% of subsidies through Buntin Bros Farms and Buntin Bros.
Bridgeforth, Bill	\$1,223,331	Chairman of the National Black Growers Council; received 1/8 of subsidies through Darden Bridgeforth And Sons and 10% of subsidies through Bridgeforth Farms.
McReynolds, Jerry	\$1,149,826	Past president of the National Association of Wheat Growers; married to Diane McReynolds, another farm subsidy recipient.
Von Bergen, William	\$1,074,144	President, National Association of Wheat Growers; married to Lois Von Bergen, another farm subsidy recipient. Also a recipient of subsidies through Fay Von Bergen's Estate.
Toll, Tom	\$829,533	Received 1/7 of subsidies through Toll Farms, 1.38% of subsidies through Roberts Cattle Co General Partner, 0.58% of subsidies through Thomas County Feeders Inc, and 1/58 of subsidies through Ils Land LLC.
Jensen, Marvin	\$712,741	
Miller, Keith	\$672,831	
Myers, Larry	\$509,378	Insurance agent in MT; received 100% of subsidies through Myers Farms.
Wasson, Alan	\$506,294	Received 50% of subsidies through Wasson Brothers, 100% of subsidies through Wasson Ranch Inc., and 20% of subsidies through Wasson Land Inc.
Brossart, Chris	\$459,770	
Andris, Marvin	\$440,203	
Williams, Todd	\$438,283	Received 50% of subsidies through Williams Bros and WW Farms.
Williams, Ty	\$426,654	Received 50% of subsidies through Williams Bros and 33% of subsidies through TTC Farm.
Hanawa, Ben	\$300,216	Field claims adjuster from San Benito, Texas; received 100% of subsidies through Hanawa Farms.
Audet, Tom	\$280,712	Received 50% of subsidies received by Ledge Haven Farm.
Audet, Mike	\$280,712	Received 50% of subsidies received by Ledge Haven Farm.
Penner, Paul	\$249,987	National Association of Wheat Growers Board of Directors; subsidies received through Paul D Penner's Revocable Trust.
Lodge, Raymond	\$240,265	Owns 100% share of Lodge Ranch Enterprises.
Ruane, Cash	\$213,165	
Geddes, Robert	\$191,224	
Blodgett, Whitney	\$165,215	Received 100% of subsidies through Sentinel Pine Orchards Inc.
Nagy, Don	\$161,281	Received 1/8 of subsidies through Nagy Farms LLC.
Gerdes, Ruth	\$15,196	Insurance agent in NE
Garavaglia, Mike	\$7,536	Received 0.25% of subsidies through The Packers Of Indian River Ltd and 0.25% of subsidies through Emerald Grove.
Anderson, Elvin	\$1,992	
TOTAL	\$19,408,729	

References: Environmental Working Group and NCIS website¹²

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Crop Insurance Industry Lobbying and Political Contributions

The **crop insurance industry exerts significant influence over federal policies** affecting the future of the program and the industry's own share of taxpayer subsidies. Over the past three years, as reauthorization of the farm bill was debated, the crop insurance industry spent millions of dollars lobbying House and Senate Agriculture Committees. The industry was successful in increasing spending on this federal program, despite the fact that agriculture realized record farm income over the past several years. Crop insurance interests also donated over \$3.5 million to federal political candidates over the 2008, 2010, and 2012 election cycles; over half of these contributions came from registered lobbyists.¹³

Top individual contributors from the crop insurance industry or organizations lobbying on behalf of crop insurance interests (excluding company or organizational-affiliated political action committee contributions) can be found in Table 2. The top contributor donated an average of \$42,000 annually over the last three election cycles; Vic Fazio, a former Democratic Congressman from California, served on the powerful Appropriations Committee, was the head of the Democratic Congressional Campaign Committee, and now lobbies for Archer Daniels Midland (ADM) (which is affiliated with ADM Crop Risk Services, one of the largest crop insurance companies in the U.S.). Of the top 20 individual political contributors, all but two - Pat Woertz, Chairman and CEO of ADM, and Robert Cusumano of Hamilton Parish, Virgin Islands, former general counsel of ACE Ltd. - are registered lobbyists. In late 2010, ACE Ltd. acquired Rain and Hail, one of the oldest crop insurance companies in the U.S.¹⁴ James Deal, the 16th largest individual contributor, is no stranger to crop insurance; he is the former owner and Chairman of the Board of NAU Insurance, another crop insurance company reaping taxpayer subsidies, and past Administrator of the Federal Crop Insurance Corporation, the federal entity charged with overseeing the crop insurance program.

Contributor	Occupation	Political Donations 2008-12	Address	Registered Lobbyist?	Lobbying on Behalf of
Fazio, Victor	Akin, Gump, Strauss	\$251,150	Washington, DC	Y	Archer Daniels Midland
Massie, James	Alpine Group Inc	\$218,700	Alexandria, VA	Y	National Corn Growers Association
Peck, Jeffrey	Peck, Madigan, Jones & Stewart	\$169,300	Bethesda, MD	Y	ACE Ltd
Gonzalez, John	Peck, Madigan, Jones & Stewart	\$132,950	Washington, DC	Y	ACE Ltd
Leonard, Robert	Akin, Gump, Strauss	\$97,500	Washington, DC	Y	Archer Daniels Midland
Clark, Fred	Cornerstone Government Affairs	\$94,819	Arlington, VA	Y	Florida Sugar Cane League, US Rice Producers Association
Paxon, Bill	Akin, Gump, Strauss	\$94,250	Alexandria, VA	Y	Archer Daniels Midland
Terhune, Henry	Akin, Gump, Strauss	\$93,269	Washington, DC	Y	Archer Daniels Midland
Johnson, Courtney	Alpine Group Inc	\$84,000	Arlington, VA	Y	National Corn Growers Association

Davis, Thomas	Davis & Harman LLP	\$69,303	Washington, DC	Y	US Sugar
Madigan, Peter	Peck, Madigan, Jones & Stewart	\$64,782	Alexandria, VA	Y	ACE Ltd
Woertz, Pat ¹⁵	Archer Daniels Midland	\$53,591	Decatur, IL	N	
Carlin, David	Akin, Gump, Strauss	\$53,150	Washington, DC	Y	Archer Daniels Midland
Rokala, Mark	Cornerstone Government Affairs	\$44,450	Washington, DC	Y	US Rice Producers Association
McMillen, Jeffrey	Akin, Gump, Strauss	\$43,304	Fairfax, VA	Y	Archer Daniels Midland
Deal, James ¹⁶	NAU Country Insurance Company	\$42,250	Anoka, MN	Y	
McCarthy, Justin	Peck, Madigan, Jones & Stewart	\$41,550	Potomac, MD	Y	ACE Ltd
Cusumano, Robert ¹⁷	ACE Ltd.	\$40,800	Virgin Islands	N	
Torrey, Michael	Michael Torrey Associates	\$38,000	Arlington, VA	Y	Crop Insurance and Reinsurance Bureau, Crop Insurance Research Bureau
Perry III, Louie	Cornerstone Government Affairs	\$36,200	Washington, DC	Y	US Rice Producers Association, Cotton Growers Warehouse Association

Tables 3 and 4 include a list of the top occupations of individuals donating to federal political candidates, broken down into **outside lobbying groups, commodity or other agriculture organizations, and companies or their affiliates receiving taxpayer subsidies**. Individual crop insurance agents, salespeople, and others not affiliated with larger companies also donated over \$75,000 to political candidates and PACs such as CUNA Mutual Insurance Society, Crop Insurance Professionals Association, American Association of Crop Insurers, Armtech, American Soybean Association, American Farm Bureau, and Rain and Hail Insurance Society.

Table 3: Top 12 Occupations of Individual Crop Insurance Industry Political Contributors		
Outside Lobbying Groups		
Occupation	Political Donations 2008-12	Lobbying on Behalf of
Akin, Gump, Strauss, Hauer & Feld, LLP	\$705,847	Archer Daniels Midland
Peck, Madigan, Jones & Stewart Inc.	\$437,632	Ace Ltd
Alpine Group, Inc.	\$302,700	National Corn Growers Association
Cornerstone Government Affairs	\$182,669	Florida Sugar Cane League, US Rice Producers Association
Davis & Harman LLP	\$69,303	US Sugar
Michael Torrey Associates	\$38,000	Crop Insurance and Reinsurance Bureau, Crop Insurance Research Bureau

Combest, Sell and Associates, LLC	\$30,714	Crop Insurance Professional Association, National Grain Sorghum Producers, Minnesota Corn Growers Association, Cotton Warehouse Association of America, American Sugar Alliance, USA Rice Federation, Western Peanut Growers Association
Olsson, Frank, & Weeda	\$29,200	Watts & Assoc
Policy Solutions	\$18,479	Watts & Assoc
DC Legislative & Regulatory Services	\$16,272	Illinois Corn Growers Association
McLeod, Watkinson & Miller	\$9,699	American Assn of Crop Insurers, Western Peanut Growers Assn, American Peanut Product Manufacturers
Stinson, Morrison & Hecker	\$7,399	National Crop Insurance Services, American Peanut Shellers Association

Table 4: Top 10 Occupations of Individual Crop Insurance Industry Political Contributors			
Commodity or Other Agriculture Organizations		Companies or Affiliates Receiving Taxpayer Subsidies	
Occupation	Political Donations 2008-12	Occupation	Political Donations 2008-12
US Sugar Corporation	\$162,400	Archer Daniels Midland	\$365,519
USA Rice Federation	\$18,655	Great American Insurance	\$203,478
Plains Cotton Growers, Inc.	\$18,394	Deere & Co/John Deere Insurance Co.	\$133,088
Florida Sugar Cane League	\$16,999	American Farm Bureau Federation & State Affiliates	\$114,330
Agricultural Retailers Association	\$15,720	Rain and Hail Insurance LLC	\$109,121
National Farmers Union	\$15,020	NAU Country Insurance	\$85,370
National Cotton Council	\$13,142	Farm Bureau Insurance & State Affiliates	\$74,327
National Corn Growers Association	\$8,060	ACE Ltd.	\$49,030
Farm Credit Council	\$6,650	ARMtech Insurance Services Inc.	\$43,615
California Rice Association	\$5,450	Heartland Crop Insurance	\$34,920

Individuals working in the crop insurance industry donated the most money to ADM from 2008-2012, but also **donated to crop insurance lobbying groups or their PACs**, including the American Association of Crop Insurers, Rain and Hail Insurance Society, Deere and Co, and Armtech Crop Insurance PAC. See Table 5 for more information.

Table 5: Top 15 Recipients of Individual Crop Insurance Political Contributions (to Organizations or Committees)	
Recipient	Political Donations 2008-12
Archer Daniels Midland	\$318,649
Democratic Senatorial Campaign Committee	\$196,900
Democratic Congressional Campaign Committee	\$190,050
American Association of Crop Insurers	\$130,995
Akin, Gump et al	\$121,751
Rain & Hail Insurance Society	\$102,671
Republican National Committee	\$79,712
Florida Sugar Cane League	\$62,500

DNC Services Corp/Democratic National Committee	\$44,200
National Republican Congressional Committee	\$40,440
AmeriPAC: The Fund for a Greater America	\$35,650
Deere & Co	\$35,317
Minnesota Democratic Farmer Labor Party	\$32,300
Armtech Crop Insurance Political Action Committee	\$20,000
PAC to the Future	\$19,000

The **top recipient of donations from the crop insurance industry** (in the political candidate category) was Mitt Romney, followed by Blanche Lincoln (D-AR), former Senator and Chairwoman of the Senate Agriculture Committee, and John H Archer, Jr., the former senior counsel at Deere and Co. and 2012 Republican challenger for Iowa's 2nd Congressional District seat. Individuals from the following crop insurance lobbying firms donated to Reps. Frank Lucas (R-OK) and Collin Peterson (D-MN), Chairman and Ranking Member of the House Agriculture Committee: McLeod, Watkinson & Miller (lobbies for the American Association of Crop Insurers); Combest, Sell, and Associates (lobbies for the Crop Insurance Professional Association); and Michael Torrey and Associates (lobbies for the Crop Insurance and Reinsurance Bureau and Crop Insurance Research Bureau). The former two also donated to Senate Agriculture Committee Chairwoman Debbie Stabenow's (D-MI) 2012 reelection campaign. (Note that the House and Senate Agriculture Committees have jurisdiction over the federal crop insurance program). See Table 6 for a full list of recipients.

Recipient	Political Donations 2008-12	Notes
Romney, Mitt	\$90,654	Lost 2012 Presidential election to Democrat Barack Obama
Lincoln, Blanche (D-AR)	\$53,868	Former Agriculture Committee Chairwoman lost 2010 Senate race to now-Republican Senator John Boozman 58%-37%
Archer, John H Jr (R-IA)	\$49,089	Formerly senior counsel at Deere & Co.; won Republican primary for Iowa's 2nd District Congressional seat but ultimately lost general election to Rep. David Loebsack (D-IA)
Obama, Barack	\$45,306	Won 2008 and 2012 Presidential elections versus Republicans John McCain and Mitt Romney
McCain, John (R-AZ, Republican for President)	\$40,645	Lost 2008 Presidential election to Barack Obama
Lucas, Frank D (R-OK)	\$30,940	Chairman of the House Agriculture Committee
Peterson, Collin (D-MN)	\$28,846	Ranking Member of the House Agriculture Committee
Gillibrand, Kirsten (D-NY)	\$24,700	Appointed to Hillary Clinton's New York Senate seat in 2009 and won subsequent 2012 Senate election
Moran, Jerry (R-KS)	\$22,875	Member of Senate Banking, Appropriations, & Veteran's Committees
Portman, Rob (R-OH)	\$22,850	Serves on the Senate Budget, Finance, Energy and Natural Resources, and Homeland Security Committees
Boehner, John (R-OH)	\$20,500	Speaker of the House of Representatives
Baucus, Max (D-MT)	\$19,100	Chairman of the Senate Finance Committee and member of Agriculture and Environment & Public Works Committees
Nelson, Bill (D-FL)	\$18,000	Serves on the Senate Budget, Commerce, Finance, Armed Services, and Aging Committees

Reid, Harry (D-NV)	\$15,600	Senate Majority Leader
Roberts, Pat (R-KS)	\$14,881	Former Ranking Member on the House Agriculture Committee

Conclusion

With a record national debt, our nation can no longer afford to dispense unlimited and nontransparent crop insurance subsidies to agribusinesses coming off several years of record profits. Reining in crop insurance spending would not only save taxpayer dollars, but would also minimize unintended consequences of subsidies, such as current incentives to convert marginal land to intensive row crop production. A more cost-effective, transparent, accountable, and responsive agricultural safety net should be created, but achieving this goal is challenging with powerful and well-financed crop insurance interests standing in the way of common sense reforms.

For more information, visit www.taxpayer.net, or contact Joshua Sewell, josh@taxpayer.net.

¹ <http://www3.rma.usda.gov/tools/agents/companies/indexCI.cfm>

² <http://www.cropinsuranceinamerica.org/about-crop-insurance/just-the-facts/#.UdGoyfnVAfE>, <http://agriculture.house.gov/sites/republicans.agriculture.house.gov/files/documents/Gerdes120517.pdf>

³ http://www.proag.com/sradocuments/RMA_SRA_FAQs_1-10.pdf

⁴ <http://gao.gov/assets/290/289071.pdf>

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<http://www.dtnprogressivefarmer.com/dtnag/common/link.do?symbolicName=/ag/blogs/template1&blogHandle=business&blogEntryId=8a82c0bc3e43976e013f8cd0bec30cc4&showCommentsOverride=false>, <http://www.cropinsuranceinamerica.org/about-crop-insurance/just-the-facts/#.UdG9yfnVAfE>

⁶ <http://www.rma.usda.gov/news/2010/03/marchhistorical-reasonable.pdf>

⁷ <http://www.gao.gov/assets/590/589305.pdf>

⁸ http://www.proag.com/sradocuments/RMA_SRA_FAQs_1-10.pdf

⁹ Please note that years are reported as reinsurance years, which begin in July and end in June. For instance, the 2013 reinsurance year began on July 1, 2012 and will end on June 30, 2013.

http://www.farmdocdaily.illinois.edu/2012/08/initial_perspectives_of_crop_i.html

¹⁰ <http://www.gao.gov/products/GAO-09-445>

¹¹ Farm subsidy totals were obtained from the Environmental Working Group's Farm Subsidy Database (<http://farm.ewg.org/>), and names of farmers and other spokespeople were obtained from the National Crop Insurance Service's website (<http://www.cropinsuranceinamerica.org/category/real-stories/>, <http://www.cropinsuranceinamerica.org/category/real-stories/testimonials/#.UdG4TvnVAfE>)

¹² Farm subsidy totals were obtained from the Environmental Working Group's Farm Subsidy Database (<http://farm.ewg.org/>), and names of farmers and other spokespeople were obtained from the National Crop Insurance Service's website (<http://www.cropinsuranceinamerica.org/category/real-stories/>, <http://www.cropinsuranceinamerica.org/category/real-stories/testimonials/#.UdG4TvnVAfE>)

¹³ All lobbying and PAC data was obtained from the Center for Responsive Politics.

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<http://investing.businessweek.com/research/stocks/people/person.asp?personId=20785018&ticker=ACE>

¹⁵ <http://www.adm.com/en-US/company/leadership/Pages/default.aspx>

¹⁶ <http://www.cropinsuranceinamerica.org/james-deal-presented-crop-insurance-industry-lifetime-achievement-award/#.UeVtJo3VAfE>

¹⁷

<http://investing.businessweek.com/research/stocks/people/person.asp?personId=20785018&ticker=ACE>