

May 13, 2013

The Honorable Ron Kind
United States House of Representatives
1502 Longworth House Office Building
Washington, DC 20515

The Honorable Tom Petri
United States House of Representatives
2462 Longworth House Office Building
Washington, DC 20515

Dear Congressmen Kind and Petri:

On behalf of Environmental Working Group and our more than 1 million supporters nationwide, I am writing to voice our strong support of the Assisting Family Farmers through Insurance Reform Measures (AFFIRM) Act, which would reform the overly generous, heavily taxpayer-subsidized federal crop insurance program.

Federally subsidized crop insurance is now the most expensive program supporting farm income, and your legislation would save taxpayers more than \$11 billion while maintaining a strong, effective safety net for America's farmers. When Congress expanded the crop insurance program in 2000, one of the given reasons was that it would be cheaper than traditional disaster relief. However, a recent analysis shows that crop insurance payouts for losses from the 2012 drought cost taxpayers more than disaster payments would have. The time has clearly come for reform.

In 2011, 26 Americans received at least \$1 million each in crop insurance premium subsidies and more than 10,000 received at least \$100,000 each. This subsidization of crop insurance – on average taxpayers pay for 62 percent of the premiums – means that we are giving farmers powerful incentives to over-insure. This ends up costing the public even more because taxpayers also subsidize crop insurance indemnities, the payouts for losses. Taxpayers are currently on the hook for approximately 75 percent of the record \$17 billion in indemnities for 2012 claims.

The limit on subsidy payments and means testing proposed in your legislation would cause farmers to more accurately assess their risk and purchase the coverage they truly need. A payment limit of \$40,000 would be the same as what farmers are subject to under the direct payment program.

Currently crop insurance is the only major agriculture program not subject to means testing. Your bill would fix that by cutting off premium subsidies to farmers with a net annual income of more than \$250,000. Data from 2011 shows that 80 percent of farms receive about \$5,000 a year in premium subsidies, while the largest 20 percent received more than \$55,000 a year. Your legislation will ensure that the wealthiest farmers don't receive the lion's share of the subsidies.

Moreover, taxpayers don't just subsidize crop insurance premiums and indemnities. They also send \$1.3 billion a year to the crop insurance industry for administrative and operating costs, or A&O. In a private insurance market, these costs of doing business would be borne by the companies themselves and subject to competitive pressures to increase efficiency and reduce

costs. With the majority of commodity farmers covered by crop insurance, it makes sense to start scaling back this generous subsidy – an important step that your legislation would take.

Along with the substantial A&O subsidy, the crop insurance industry also enjoys an inflated rate of return – the profit on their investment – of 14 percent. The AFFIRM Act would lower it to 12 percent.

Finally, taxpayers have a right to know who is benefiting from the billions of dollars they provide in crop insurance premium subsidies. We know that 26 Americans received at least \$1 million each in premium subsidies in 2011. But because of a legislative loophole, the public has no way to know who the recipients are. With the cost of the crop insurance program soaring and fraud in the system on the rise, it is vital that taxpayers know where their billions are going.

The Assisting Family Farmers through Insurance Reform Measures Act will save more than \$11 billion over 10 years. And it will do it all without limiting how much insurance a policyholder can purchase and while maintaining a robust farm safety net.

We are pleased to support this important legislation.

Sincerely,

A handwritten signature in black ink that reads "Kenneth A. Cook". The signature is written in a cursive style with a large initial "K".

Kenneth A. Cook
President