

The Honorable Kent Conrad
United States Senate
540 Hart Senate Office Building
Washington, D.C. 20510

January 8, 2001

Dear Senator Conrad:

Thank you for your letter of December 7, 2000, requesting that the Risk Management Agency (RMA) authorize additional time to harvest for producers in North Dakota, as recommended by the RMA Billings, Montana Regional Office. The request was predicated on the late season rain and snow that kept some producers out of their fields and made it impossible for them to harvest before the end of the insurance period identified in their crop insurance contract. RMA did not authorize additional time to harvest this year because the number of acres involved did not present a problem for insurance providers to follow routine end of the insurance period procedures and questions were raised regarding some of the acreage.

In considering whether to allow additional time after the end of the insurance period to harvest insured crops, RMA considers the following: (1) Was the crop delayed to the extent that a significant number of producers were not able to harvest timely thereby altering the actuarial basis on which the rates and coverages were predicated? (2) Will the numbers of outstanding claims prevent insurance providers from treating policyholders equally when pending notices of loss must be cleared by crop appraisals? and (3) Is the risk of additional loss during the additional time allowed acceptable to the extent that RMA is not substantially altering the risk bearing arrangement with insurance providers?

RMA surveyed insurance providers and found the number of producers who remained unharvested was not significant enough to alter standard procedure. The reported 10 percent of sunflower producers and 10-15 percent of corn producers that had not harvested by November 30, 2000 and December 10, 2000, respectively, reflects a marginal increase over the normally expected claims remaining open at the end of the insurance period.

Additionally, no insurance providers indicated that the workload of outstanding claims was going to be a burden on their operations or that the workload would be too great for them to adhere to the policy and finalize the claims fairly and timely. There was no indication that the overall number of claims in the requested States was going to overburden the companies' loss adjustment capacity to the extent that RMA needed to consider providing relief.

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Finally, there was concern that a portion of the acreage had not been harvested due to market conditions and that adding time was just going to make those situations worse than they already were. RMA determined that from a program integrity perspective, it was better for insurance providers to be out in the field assessing these open claims and identifying those acres that were intentionally left unharvested prior to the November rain and snow.

As a practical matter, companies should not, and are not required to, perform final inspections when conditions make it impossible to obtain appraisals accurately according to existing procedures, as has been the case in many of the affected areas in North Dakota this year. Companies are expected to perform appraisals and close out any open claims after the end of the insurance period once conditions improve sufficiently to do so. RMA believes that based on the situation that existed this year, following the standard approved policy and procedure was the most consistent and fair means for all producers in those areas impacted by the late season rain and snow.

We appreciate the opportunity to address your concerns and trust you understand the need to provide equitable treatment for all producers with Federal crop insurance policies and ensure program integrity. Due to the concerns raised regarding some portion of the acreage that remained unharvested at the end of the insurance period this year, we believe that enforcing the insurance contract and assessing the unharvested acreage as soon as possible was necessary and appropriate.

Sincerely,

/s/

Kenneth D. Ackerman
Administrator