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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C 20548

RESOURCES COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

RELEASED

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123967

The Honorable Jesse Helms, Chairman
The Honorable Roger Jepsen
Committee on Agriculture,
Nutrition, and Forestry
United States Senate

Subject: Information on the Federal Crop Insurance Program in North Carolina and Iowa (GAO/RCED-84-120)

In your September 15, 1983, and October 26, 1983, letters and subsequent discussions with your offices, you asked that we obtain information on the Department of Agriculture's federal crop insurance program administered by the Federal Crop Insurance Corporation (FCIC). Specifically, you asked us to obtain information on the program in North Carolina and Iowa regarding (1) producer participation, (2) the reasons why many producers are not buying crop insurance, (3) marketing activities, and (4) the program's actuarial soundness. In addition to the information specifically requested for North Carolina and Iowa, we have included general background information on FCIC's crop insurance program in enclosure I.

In summary, we found that

--Acres insured in North Carolina dropped from 17 percent of the total planted acres in 1982 to 12 percent in 1983 and in Iowa from 16 percent in 1982 to 11 percent in 1983. Program participation varied according to the crop.

--Producers cited various reasons for not buying crop insurance including: the high cost of premiums, plans to cover their own losses, and low yield coverage.

--FCIC spent $11.9 million to advertise the crop insurance program during fiscal years 1981 through 1983. A 1983 study of pre- and post-advertising awareness and attitudes toward federal crop insurance showed that producer awareness of the program was about the same before and after the 1983 advertising campaign.

--FCIC must maintain a loss ratio (relationship of indemnities paid to premiums received) of 1.0 or lower to remain

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actuarially sound. The loss ratio for crop year[1] 1982 in North Carolina was 0.90 and in Iowa was 0.33. Loss ratios varied substantially within crops. For example, soybeans had a loss ratio of 0.47 in Iowa and a loss ratio of 1.92 in North Carolina.

Enclosure II provides a summary of previously issued GAO reports dealing with FCIC, and enclosure III provides information on actual and estimated appropriations needed to cover FCIC program costs.

On March 14, 1984, we issued a report entitled More Attention Needed in Key Areas of the Expanded Crop Insurance Program (GAO/RCED-84-65) that discusses changes needed to insure the program's actuarial soundness. The report discusses the need for FCIC to evaluate the rates at which it compensates the private sector for selling and servicing crop insurance and adjusting claims for losses to make sure the rates are both fair to the companies and cost-effective to the federal government. We provided you with a copy of the report.

We reviewed applicable legislation, implementing regulations, publications, and pertinent program policies and procedures. We conducted our review at FCIC and the Department's Statistical Reporting Service (SRS) headquarters in Washington, D.C., and at FCIC's Operations Office in Kansas City, Missouri. To determine why producers were not buying crop insurance, we surveyed producers by telephone in Iowa and North Carolina and interviewed representatives from insurance companies that sell crop insurance in both states. A detailed explanation of our objectives, scope, and methodology is contained in enclosure I.

As you requested, we obtained comments from the Manager and Deputy Manager, Federal Crop Insurance Corporation. They generally agreed with the report's factual content. However, they asked that we use SRS' report on 1983 planted acres rather than FCIC's estimated insurable acres when determining participation rates because the 1983 FCIC acres do not take into consideration acres removed from production due to the Payment-In-Kind Program. We revised the report to use SRS' information on planted acres.

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[1]The year that a crop is normally harvested.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

J. Dexter Peach
Director

Contents

ABBREVIATIONS

ASCS	Agricultural Stabilization and Conservation Service
FCIC	Federal Crop Insurance Corporation
GAO	General Accounting Office
IYC	individual yield coverage
PIK	payment-in-kind
SRS	Statistical Reporting Service
USDA	U.S. Department of Agriculture

INFORMATION ON THE FEDERAL CROP INSURANCE PROGRAM IN NORTH CAROLINA AND IOWA

FEDERAL CROP INSURANCE PROGRAM

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501), as an agency of the U.S. Department of Agriculture (USDA). The act was amended by Public Law 96-365, approved September 26, 1980, to provide for nationwide expansion of an all-risk crop insurance program. FCIC's purpose is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

Before 1980 two federal programs--an insurance program and a disaster payment program--offered farmers some protection against loss of income when their crops were damaged or destroyed by natural causes. The insurance program gave farmers the opportunity to mitigate the risks they faced from weather, insects, and disease by spreading the risks among many persons and over many areas and growing seasons. At that time, the program was operated on a limited basis, compared with the current program, and was characterized as an experimental program.

On the other hand, the disaster payment program provided a form of free insurance on six major commodities--wheat, grain sorghum, cotton, rice, barley, and corn. Growers of these commodities received federal disaster payments if adverse weather or other natural disasters prevented their planting or harvesting.

The 1980 act radically changed these two programs. Essentially, the act called for improving the insurance program and expanding it nationwide to provide producers adequate protection at a reasonable price through an insurance program. It also called for involving the private sector in selling and servicing the insurance and provided for the government to subsidize up to 30 percent of each farmer's premium. FCIC's insurance covers loss in production from unavoidable causes such as drought, hail, wind, frost, freeze, fire, insect infestation, plant disease, and earthquake. It does not cover loss due to neglect, poor farming practices, and theft, nor financial loss resulting from low prices received for farm products.

OBJECTIVES, SCOPE, AND METHODOLOGY

In response to the September 15, 1983, request from Senator Jepsen and the October 26, 1983, request from the Chairman, Senate Committee on Agriculture, Nutrition, and Forestry, and subsequent discussions with their offices, we agreed to obtain information on certain aspects of FCIC's crop insurance program. Our objectives were to obtain program information on (1) producer participation in North Carolina and Iowa, (2) the reasons why many producers are not buying crop insurance, (3) marketing activities, and (4) the actuarial soundness of the program.

We conducted our review from October through December 1983 at FCIC and USDA's Statistical Reporting Service (SRS) headquarters in Washington, D.C., and at FCIC's Operations Office in Kansas City, Missouri. We reviewed applicable legislation and pertinent USDA policies and procedures. We interviewed FCIC and SRS officials in Washington and FCIC officials in Kansas City. We obtained publications from FCIC on the federal insurance program and from SRS on its sampling techniques for determining crop production information.

To find out why farmers were not buying federal crop insurance, we conducted a telephone survey of producers in North Carolina and Iowa. We also interviewed officials of the eight insurance companies located in Iowa and the two insurance companies in North Carolina that sell federal crop insurance.

Initially, we selected a sample of producers in Iowa and North Carolina to interview from USDA's Agricultural Stabilization and Conservation Service's (ASCS's) name and address file. FCIC does not have a list of all U.S. producers, but instead relies on ASCS's file for its marketing activities. The ASCS file is a nationwide list of corporate and noncorporate farmers eligible to participate in one or more of ASCS' programs. When we attempted to contact the persons in our sample, we found that the list contained a large number of persons deceased, who were no longer involved in farming, or who could not be contacted by telephone. As a result, the ASCS list could not be used to obtain a good indication of why farmers do not buy crop insurance.

Our staff, after discussions with SRS, identified a list from which to draw another sample of producers in Iowa and North Carolina. SRS is responsible for collecting and reporting national and state crop production estimates. Each year it conducts nationwide surveys of producers to obtain information on their crop production. At the time of our survey, SRS' list of active producers contained 90,000 farmers in Iowa and 94,000 farmers in North Carolina.[1]

During its most recent survey in North Carolina and Iowa, SRS sampled 15,000 producers in Iowa and 16,891 producers in North Carolina. SRS received production data responses from 4,372 of the Iowa producers and 9,212 of the North Carolina producers. At our request, SRS selected for each state a random sample of 225 individuals who responded to the SRS survey for us to interview. Therefore, our review is only projectable to those respondents of SRS' latest survey in North Carolina and Iowa.

Of the 225 names on the Iowa and North Carolina lists, we were able to contact 187 and 179, respectively. Of those producers contacted, we were able to interview 163 and 129, respectively, as shown in the table below.

Summary of Efforts to Contact Producers

	Iowa		North Carolina	
	Number	Percent	Number	Percent
Completed interviews	163	72	129	57
No crop interest	15	7	47	21
Refused interview	9	4	3	1
Could not contact	38	17	38	17
Deceased	0	0	8	4
Total	225	100	225	100

We made this review in accordance with generally accepted government auditing standards.

PROGRAM PARTICIPATION

Following the 1980 act, FCIC made substantial progress in expanding the program. For crop year[2] 1982, federal crop insurance was available in 2,999 counties, nearly twice as many as in

[1]These farmers account for 90 percent of all the producing acres in Iowa and North Carolina.

[2]The year that a crop is normally harvested.

crop year 1980; the number of county crop programs[3] offered more than tripled, increasing from 4,629 for crop year 1980 to 14,498 for crop year 1982; insurance liabilities totaled over $6 billion on about 44.3 million acres for crop year 1982 compared with about $3 billion on about 26.5 million acres for crop year 1980; and premiums on insurance totaled about $396 million compared with about $158 million for crop year 1980.

After the initial expansion, actual insurance coverage nationwide dropped sharply for crop year 1983. Insurance liabilities dropped to $4.3 billion (a 29 percent decrease), insured acres decreased to about 31.8 million acres (a 28-percent decrease), and premiums on insurance totaled only $284 million (a 28-percent decrease).

Program participation in crop year 1983 dropped in North Carolina and Iowa from crop year 1982 participation levels. In North Carolina, acres insured dropped from about 906,000 acres in 1982, or about 17 percent of the planted acres,[4] to about 565,000 acres in 1983, or about 12 percent. In Iowa, acres insured dropped from about 3,856,000 acres in 1982, or 16 percent of the planted acres, to about 2,342,000 acres in 1983, or 11 percent. Enclosures IV and V provide information on program participation for North Carolina and Iowa for crop years 1981 through 1983.

Program participation rates varied considerably by crop in North Carolina and Iowa for crop year 1983. Of North Carolina's planted acres for its four largest crops, 9 percent of soybean acres, 8 percent of corn acres, 66 percent of tobacco acres, and 7 percent of wheat acres were insured. For Iowa's four largest crops, 14 percent of corn acres, 14 percent of soybean acres, less than 1 percent of oat acres, and 5 percent of wheat acres were insured. The following chart shows the acres insured for each of the major crops in North Carolina and Iowa in crop year 1983.

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[3]In some counties, several different crops are insured, and in others, only one. Each type of crop insured in each county is called a county crop program.

[4]Planted acres were obtained from SRS' January 1984 Crop Production Summary.

Crop	North Carolina Planted acres	Acres insured	Percent of acres insured	Iowa Planted acres	Acres insured	Percent of acres insured
Wheat	625,000	44,291	7	75,000	4,401	5
Cotton	60,000	2,372	4	-	-	-
Corn	1,500,000	117,605	8	9,100,000	1,231,561	14
Grain Sorghum	44,000	974	2	14,000	137	1
Tobacco	277,000	183,402	66	-	-	-
Peanuts	150,000	50,535	34	-	-	-
Soybeans	1,750,000	163,870	9	8,000,000	1,083,784	14
Barley	70,000	1,611	2	2,490[a]	5	0
Oats	140,000	0	0	4,700,000	22,366	1
Apples	9,829[a]	604	6	-	-	-
Total	4,625,829	565,264	12	21,891,490	2,341,854	11

[a]These numbers represent FCIC's estimated insurable acres because SRS did not report planted acres for these crops.

The above table shows the planted acres available for these crops in both states. The number of planted acres shown reflects those acres removed from production because of USDA's 1983 Payment-In-Kind (PIK) Program. This program removed from national production almost 80 million acres of wheat, corn, grain sorghum, cotton, and rice for the 1983 crop year.

WHY PRODUCERS ARE NOT BUYING CROP INSURANCE

Although the intent of the Federal Crop Insurance Act of 1980 was to expand the program nationwide and provide producers adequate protection at a reasonable price through an insurance program, many producers have not opted to buy the insurance. Of the producers who responded to our telephone survey, only 33 of 163 (20 percent) Iowa producers and 43 of 129 (33 percent) North Carolina producers purchased federal crop insurance.[5] Of the remaining producers who responded, various reasons were cited for not buying federal crop insurance: high cost of premiums, low yield coverage, and producers' plans to cover their own losses. The following table identifies these and other reasons cited by producers for not buying insurance.

[5]The percentages reported here represent persons covered whereas participation percentages cited earlier on page 4 represent acres covered.

Reason for not buying crop insurance	Iowa		North Carolina	
	Number	Percent[a]	Number	Percent[a]
Too expensive	35	27	13	15
Plan to cover own losses	21	16	31	36
Low coverage	15	12	8	9
Bad investment	6	5	15	17
Did not know much about it	15	12	5	6
No substantial past losses	10	8	8	9
Enrolled in PIK program	5	4	0	0
Don't like government programs	1	1	0	0
Other[b]	22	17	6	7
Total	130	100	86	100

[a]The column does not add due to rounding.

[b]Other reasons cited for not buying included purchase of private hail insurance and farming operation was too small.

In addition to surveying producers, we talked to representatives and/or agents of the eight insurance companies in Iowa and the two insurance companies in North Carolina that sell federal crop insurance. We asked them why they believed farmers were not purchasing crop insurance; the overwhelming majority replied that the program provided farmers with inadequate coverage. Further, the company representatives also stated that farmers were not participating in the program because they expect disaster payment programs to continue and they are not being sold on the need for the insurance.

MARKETING ACTIVITIES

From fiscal year 1981 to 1983, FCIC spent $11.9 million advertising the crop insurance program. FCIC plans to spend an additional $4 million during crop year 1984. FCIC's efforts to inform producers of the new insurance program have included direct mailings to millions of producers of crops covered by the farmers disaster program and to FCIC policyholders; national and local news releases; feature stories in national magazines; an advertising program in major farm magazines, including most state publications, backed by a radio campaign; publication of several brochures; and formal training programs for independent agents, insurance company officials, and FCIC employees.

FCIC contracted most of these activities to a private advertising firm. In 1983, FCIC commissioned that firm to conduct a study of pre- and post-advertising awareness and attitudes toward federal crop insurance. In surveying producers, the firm found that their awareness of the federal crop insurance program was about the same before and after the 1983 advertising campaign. The Manager, FCIC, concurred that the 1983 advertising campaign had a negligible effect on producer awareness of the program.

FCIC is responsible for marketing the crop insurance program and encouraging the broadest possible participation. However, we found that only 58 of the 292 producers we interviewed had been contacted by either an insurance agent or FCIC sales agent in the last 2 years. We also found that FCIC does not have an adequate list of active producers. As pointed out on page 2, we found a number of problems with this list as it did not contain accurate information on producers for FCIC's purposes.

ACTUARIAL SOUNDNESS OF THE PROGRAM

The 1980 act provides that FCIC fix adequate premiums for insurance at rates that are actuarially sufficient to cover claims for losses for such insurance and to establish, as expeditiously as possible, a reasonable reserve against unforeseen losses. Prior legislation contained basically the same wording except it did not include the term "actuarially". Like prior legislation, the 1980 act provides that appropriated funds be provided for the FCIC's administrative and operating expenses, including items such as agents' and brokers' commissions, premium subsidies paid by FCIC, and the direct cost of adjusting losses. (These expenses have increased significantly from $38 million in 1980 to $173 million in 1982 and are estimated to be $380 million in 1983 and $474 million in 1984. Enclosure III provides a detailed breakdown of these costs.) This practice differs from the private insurance industry where premium rates are set to cover all administrative and operating costs.

To remain actuarially sound, exclusive of appropriated funds for administrative and operating costs, FCIC must maintain a loss ratio (relationship of indemnities paid to premiums received) of 1.0 or lower. The Corporation's loss ratios have exceeded 1.0 each crop year since 1980. FCIC's loss ratio was 2.26 in 1980, 1.16 in 1981, and 1.33 in 1982. The estimate for 1983 is 2.04. For crop years 1948 through 1982, FCIC had a cumulative loss ratio of 1.15 and an underwriting loss in excess of $334 million.

The loss ratio for crop year 1982 in North Carolina was 0.90 and in Iowa was 0.33. Loss ratios vary subtantially by crop. The following chart shows loss ratios for crop year 1982 in Iowa, North Carolina, and the United States.

Loss Ratio for Selected Crops in
North Carolina and Iowa for Crop Year 1982

Crop	North Carolina	Iowa	United States
Corn	.33	.26	.51
Grain Sorghum	1.64	9.54	1.13
Soybean	1.92	.47	2.01
Tobacco	.69	(a)	.95
Wheat	1.75	2.21	.87
Oats	(a)	1.03	.58
Peanuts	.48	(a)	.79
All crops	.90	.33	1.33

[a]Not a major crop.

AGENCY COMMENTS

The Manager and Deputy Manager, FCIC, concurred with the report's factual content. However, they stated that in determining participation rates FCIC's 1983 estimated insurable acres should not be used for comparison with its 1982 estimated insurable acres because the 1983 acres did not take into consideration acres removed from production due to the PIK program. We agreed to use USDA's Statistical Reporting Service's planted acres in lieu of FCIC's estimated insurable acres for participation computation purposes, and we have revised the report accordingly. (See p. 4.) We also included an analysis of participation rates in North Carolina and Iowa for crop years 1981 through 1983 that reflect a general decline in program participation. (See encs. IV and V.)

PREVIOUS GAO REPORTS

JULY 30, 1981, REPORT TO SENATOR JEPSEN

Our report to Senator Jepsen, entitled Analysis of Certain Operations of the Federal Crop Insurance Corporation (CED-81-148), provided information in response to the Senator's questions about changes made or planned subsequent to the 1980 act. In summary, we found that:

--Because of the normal lag in adjusting premium rates and the decision to concentrate staff resources on expanding program coverage, FCIC had not made extensive changes in its premium rates since the passage of the 1980 act. As a result, the significant losses that occurred in crop year 1980 were not reflected in FCIC's premium rates.

--FCIC's methodology in assembling and updating data for establishing an actuarial basis for insurance had not changed since the passage of the 1980 act. However, a committee was established to review the methodology.

--Thrity private insurance companies initially indicated an interest, but only 17 companies sold insurance under the reinsurance agreements for crop year 1981. The primary reasons those interested companies did not participate were the lack of time to implement the program for 1981 and a concern about whether companies that write federal crop insurance would be considered federal contractors subject to Executive Order 11246, which deals with equal employment opportunity. USDA had requested a legal opinion from the Department of Labor on the matter.[1]

--FCIC conducted a promotional campaign to inform producers across the country about the federal crop insurance program, including the availability of private hail and fire insurance and the credit permitted when hail and fire coverage is excluded from federal coverage. Preliminary data showed that few producers applied for the hail and fire exclusion.

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[1] On August 10, 1981, the Department of Labor informed the Department of Agriculture that the reinsurance agreements were not subject to coverage by Executive Order 11246 because they were characterizable as federal financial assistance agreements.

--FCIC estimated that total costs for fiscal year 1981 would amount to $333 million. This amount included the estimated net deficit (indemnities less premium) of $203 million for crop year 1980.

--Preliminary data showed that premiums for crop year 1981 would be about $326.5 million as compared with $157.2 million for 1980, or about a 108-percent increase. Similarly, the number of acres insured increased from about 26.3 million to 47.7 million, or about 81 percent.

AUGUST 10, 1982, REPORT TO THE FCIC MANAGER

Our report, entitled Concerns about the Actuarial Soundness of the Federal Crop Insurance Program, to the FCIC Manager raised several of our concerns about the actuarial soundness of the federal crop insurance program. In summary, we noted that FCIC had concentrated its actuarial resources on the expansion program; consequently, it had not (1) performed the research necessary to resolve long-standing concerns regarding the program's actuarial soundness or (2) maintained normal review and evaluation activities. Specifically, we noted that:

--The general rate-spreading assumption used by the Field Actuarial Offices to establish premium rates for county areas could have resulted in instances in which premium rates were priced too low for county areas with higher than average yields, while county areas with lower than average yields were charged a premium rate that was higher than justified.

--The continued use of a target loss ratio of 0.90 to determine the premium rate factor required to accumulate program reserves may be unrealistic in regard to FCIC's loss experience and may result in insufficient reserve accumulation as the program continues to expand.

--FCIC's procedures for loading county premium rates with a factor to accumulate reserves for unforeseen (catastrophic) losses had not been changed or reevaluated for at least 10 years.

--FCIC's actuarial process was subject to many administrative adjustments and limitations that degrade the actuarial process. For example, increases or decreases in premium rates were allowed to vary only by a stipulated percentage regardless of the rate that was indicated by analysis of actual experience.

--The premium rates for the 75-percent level of coverage may be priced too low while the premium rates for the 50-percent level of coverage may be priced too nigh due to the method FCIC used to set the rates. For example, premium rates for these levels of coverage were set by applying specific premium rate adjustment factors to the premium rate established for a 65-percent level of coverage based on actual experience.

--The newly developed Individual Yield Coverage (IYC) Program may expose FCIC to a significantly higher loss risk if there were a large participation of producers located in the potentially underpriced high yield county areas and they also elected the potentially underpriced 75-percent level of coverage. Additionally, the program's actuarial soundness may be compromised because county area yields can be substituted for actual producer yield. Such substitution provisions may preclude identifying and evaluating actual producer yield data that could provide field underwriters with additional insight into the propriety of the specific county area premium rates assigned to these producers.

MARCH 8, 1983, REPORT TO THE CHAIRMAN, SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT, HOUSE COMMITTEE ON AGRICULTURE

Our report to the Chairman, entitled Information on the Federal Crop Insurance Program (GAO/RCED-83-117), provided information on farm yield coverages, policy cancellations, indemnity payments, and state-provided subsidies.

Specifically, we found that FCIC's methodology for establishing farm yields resulted in yields that were generally accurate on a countywide basis. However, when yield coverages are distributed to individual farm units, many producer guarantees were either too high or too low. For crop year 1982, FCIC began offering an IYC plan which was intended to provide a higher coverage to farmers who could prove their crop production was greater than the coverage offered by FCIC's regular crop insurance. However, participation was limited in 1982 when IYC policies accounted for less than 1 percent of the crop insurance policies sold during crop year 1982.

Many farmers continued to find fault with the program and cancelled their coverage. For example, those farmers who had insured almost 22 percent of the acres for crop year 1981 cancelled their insurance for crop year 1982. About 46 percent of the farmers we contacted told us that they cancelled their policies because of low coverage and/or high premiums.

We also found that FCIC was slow--taking more than 30 days--to process a majority of its indemnity claims. We reviewed FCIC computer records that showed that 57 percent of the indemnity claims submitted by farmers for crop year 1981, totaling more than $241 million, took over 30 days to process for payment.

The Federal Crop Insurance Act authorizes FCIC to enter into agreements with state governments whereby the states may pay an additional premium subsidy to reduce the cost of crop insurance paid by farmers. Although this provision had existed since the 1980 legislation, we did not find any state governments that were providing premium subsidies to farmers.

MARCH 9, 1983, REPORT TO CONGRESSMAN ALEXANDER

Our report to Congressman Bill Alexander, entitled Information on the Federal Crop Insurance Corporation's 1983 Standard Reinsurance Agreement (GAO/RCED-83-114), provided information in response to the Congressman's questions on the 1983 standard reinsurance agreement.

Specifically, we found that the standard reinsurance agreement, which specifies the percent of premiums that is to be allocated between the reinsured company and FCIC, differed in 1983 from the 1982 agreement as follows:

--The maximum gain or loss potential to a private company was increased from 8 to 11-1/3 percent of the premiums.

--A company was offered a percent of the premiums even in certain cases where an underwriting loss may occur. A private company would not share in underwriting losses unless its loss ratio exceeded 1.28-1/3. For 1982 private companies shared in underwriting losses when the loss ratio exceeded 1.00.

--Only when the loss ratio exceeded 2.00 would a company be placed in a less favorable risk-sharing position.

Since 1948 five crops have suffered nationwide loss ratios of more than 5.33-1/3 in any one year. Under the 1983 agreement, the private insurance companies' liability was limited to 11-1/3 percent of the premiums on policies reinsured under the agreement. Under the 1982 agreement, the reinsured companies' liability was limited to 8 percent of the premiums.

We also found that:

--At specified times througnout the year, FCIC reimbursed the companies for the costs associated with operating and administering the program. The amounts paid were based on percentages of premiums collected and net losses incurred and not on the private companies' actual costs. FCIC did not require private companies to report the actual cost of providing their services. Thus, we were unable to determine if any of the companies could profitably provide the same services for less reimbursement.

--FCIC relied on state licensing and monitoring of the companies to assure itself of the companies' financial soundness. We were unable to determine from the financial statements available at FCIC whether the reinsured companies had enough reserves or assets to bear the risk undertaken.

ENCLOSURE III

FCIC ADMINISTRATIVE AND OPERATING EXPENSES

	Fiscal year				
	1980	1981	1982	1983 (est.)	1984 (est.)
	(millions)				
Administrative and operating expenses	$38	$92	$116	$236	$279
Premium subsidy	-	-	57	116	170
Restoration of prior year obligations[a]	-	-	-	28	25
Total	$38	$92	$173	$380	$474

[a]The 1980 act authorized the use of premium income to pay some of FCIC's administrative costs in lieu of appropriating enough funds to cover all administrative expenses. These funds will be used to restore those costs from prior years.

ENCLOSURE IV

PROGRAM PARTICIPATION FOR FCIC-INSURED CROPS IN NORTH CAROLINA FOR CROP YEARS 1981 THROUGH 1983

Crop	1981 Planted acres[a]	1981 FCIC acres insured	1981 Percent of acres insured	1982 Planted acres[a]	1982 FCIC acres insured	1982 Percent of acres insured	1983 Planted acres[a]	1983 FCIC acres insured	1983 Percent of acres insured
Wheat	536,000	8,266	1.5	650,000	103,572	15.9	625,000	44,291	7.1
Cotton	83,000	1,353	1.6	71,000	3,635	5.1	60,000	2,372	4.0
Corn	2,000,000	272,986	13.6	1,740,000	199,074	11.4	1,500,000	117,605	7.8
Grain sorghum	80,000	4,756	5.9	72,000	1,913	2.7	44,000	974	2.2
Tobacco	373,700	252,923	67.7	325,040	219,550	67.5	277,000	183,402	66.2
Peanuts	175,000	77,892	44.5	150,000	56,736	37.8	150,000	50,535	33.7
Soybeans	1,920,000	287,886	15.0	2,150,000	318,831	14.8	1,750,000	163,870	9.4
Barley	71,000	78	0.1	75,000	2,337	3.1	70,000	1,611	2.3
Oats	170,000	0	0	155,000	0	0	140,000	0	0
Apples	9,829[b]	248	2.5	9,829[b]	281	2.9	9,829[b]	604	6.1
Total	5,418,529	906,388	16.7	5,397,869	905,929	16.8	4,625,829	565,264	12.2

[a]Planted acres were obtained from SRS' January 1984 Crop Production Summary.

[b]These numbers represent FCIC's estimated insurable acres for crop year 1983 because SRS did not report planted acres for these crops.

PROGRAM PARTICIPATION FOR FCIC-INSURED CROPS IN IOWA FOR CROP YEARS 1981 THROUGH 1983

	1981			1982			1983		
Crop	Planted acres[a]	FCIC acres insured	Percent of acres insured	Planted acres[a]	FCIC acres insured	Percent of acres insured	Planted acres[a]	FCIC acres insured	Percent of acres insured
Corn	14,400,000	3,621,553	25.1	13,700,000	2,463,426	18.0	9,100,000	1,231,561	13.5
Oats	1,200,000	52,461	4.4	1,350,000	43,299	3.2	4,700,000	22,366	0.5
Soybean	8,200,000	1,609,645	19.6	8,470,000	1,339,408	15.8	8,000,000	1,083,784	13.5
Wheat	131,000	4,454	3.4	115,000	8,273	7.2	75,000	4,001	5.3
Barley	2,490[b]	0	0	2,490[b]	16	0.6	2,490[b]	5	0.2
Grain sorghum	21,000	0	0	17,000	1,649	9.7	24,000	137	0.6
Total	23,954,490	5,288,113	22.1	23,654,490	3,856,071	16.3	21,901,490	2,341,854	10.7

[a]Planted acres were obtained from SRS' January 1984 Crop Production Summary.

[b]These numbers represent FCIC's estimated insurable acres for crop year 1983 because SRS did not report planted acres for these crops.

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