United States General Accounting Office

GAO

Report to the Honorable
J. Robert Kerrey, U.S. Senate

LM144525

July 1991

CROP INSURANCE

FCIC's Internal Controls on Safflower Coverage Must Be Improved

RELEASED

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Program Evaluation and Methodology Division

B-243266

July 15, 1991

The Honorable J. Robert Kerrey
United States Senate

Dear Senator Kerrey:

During preliminary evaluation work on our current study to assess the accuracy of the Federal Crop Insurance Corporation's (FCIC's) price forecasts, we identified serious concerns about FCIC's nonirrigated safflower program in several California counties. Our office referred these concerns to the U.S. Department of Agriculture (USDA). A review by FCIC's compliance division and its Office of Inspector General found additional concerns about the adequacy of FCIC's internal controls for expanding existing crops or for establishing new crop insurance programs. We are bringing these weaknesses in internal control concerns to your attention because of the sizable losses involved and the potential for future losses when new crop programs are offered and in order to identify an apparent breakdown in internal controls.

This report (1) provides information on how USDA responded to allegations concerning the California nonirrigated safflower crop insurance and (2) identifies suggested internal control improvements discussed during FCIC's internal review of those allegations.

Background

During the 1980's, the scope of FCIC's insurance program grew dramatically in response to the Federal Crop Insurance Act of 1980, which called for (1) improving the crop insurance program and expanding it nationwide and (2) eventually phasing out the free disaster payments program. County crop programs grew from 4,063 in 1979 (covering 29 crops in 39 states) to 21,373 in 1991 (covering 51 crops in 50 states).[1] (See appendix III, table III.1, for information on crop program growth.) This growth was associated with a considerable increase in federal program costs. Total program costs were $4.4 billion between crop years 1983 and 1989. (See appendix III, table III.2.)

FCIC's expansion during the 1980's came at considerable expense. A recent study indicates that

[1]The number of county crop programs is determined by identifying the number of crops covered in each county and adding the totals of each county together. For example, if County A offers crop insurance for 4 crops and County B for 6 crops, then the total number of county crop programs would be 10.

"for a variety of reasons underwriting controls were relaxed for soybeans in 13 southeastern states to accommodate program expansion. As a result FCIC lost more than $500 million in a few short years. In addition, several other relatively minor crops experienced high losses."[2]

In 1984, we expressed concern about FCIC's expansion. We stated that FCIC did not give appropriate attention to the actuarial soundness of its insurance and therefore has little assurance that the premiums are adequate to cover potential loss claims.[3]

The safflower insurance program is relatively new. FCIC first offered safflower insurance in North Dakota for crop year 1987. Coverage was subsequently offered in selected Montana and California counties. Nationally, FCIC's indemnities for safflowers exceeded premiums for crop years 1987 thru 1989 by $1.1 million. In 1990, losses for the three California counties were greater than losses in all other states since the inception of the program. FCIC anticipated that as of June 15, 1991, paid and outstanding claims to 1990 California safflower growers would be as much as $14.8 million.

While few new programs were offered in 1991, the potential exists for FCIC to offer more in the future. The 1989 Commission for the Improvement of the Federal Crop Insurance Program study recommended that crop insurance be expanded.[4] The study observed that the United States commercially produces approximately 400 commodities for food and fiber. Crop insurance, however, was available for only 51 commodities in 1991. The commission concluded that for the majority of commodities produced in the United States, coverage is not available in any county. The lack of coverage occurs at a time when farmers are encouraged to diversify their farming operations by growing commodities not traditionally produced in the area. The commission report stated that the production of new crops in an area increases the need for new FCIC programs. FCIC records indicate that, as of January 1991, there were about 1,200 requests for new county programs. These requests were for expanding existing crop programs into new counties and for crops not previously insured.

[2]Nesterczuk and Associates, Reforming Federal Crop Insurance: A New Approach to Risk Distribution (Washington, D.C.: December 15, 1989), p. 16.

[3]U.S. General Accounting Office, More Attention Needed in Key Areas of the Expanded Crop Insurance Program, GAO/RCED-84-65 (Washington, D.C.: March 14, 1984), p. 1.

[4]Commission for the Improvement of the Federal Crop Insurance Program, Report of the Commission for the Improvement of the Federal Crop Insurance Program: Findings and Recommendations (Washington, D.C.: July 1989), p. 89.

Allegations Concerning California Safflower Program

In 1990, we identified concerns that, with regard to the three California counties where nonirrigated safflower insurance was available, FCIC

- offered insurance in an area with a history of drought when it was unreasonable to expect the crop to grow and
- allowed farmers to insure their crops more than once.

Because of the potential "fraud, waste, and abuse" nature of these allegations, we referred them to our Office of Special Investigations for further review. This office sent a formal inquiry to USDA's Office of Inspector General. (See appendix I.) In responding to our concerns, USDA stated that FCIC erred in offering insurance on nonirrigated safflowers in selected California counties that had suffered from 4 straight years of drought. Furthermore, USDA's Office of Inspector General concluded that FCIC set the yield guarantee too high and the planting date too late in relation to normal precipitation in these counties. (See appendix II.)

Although an FCIC official initially believed the agency could avoid paying the claims, FCIC's deputy manager concluded that "there appears to be no legally sufficient means of challenging these claims with a reasonable prospect of success." The deputy manager acknowledged that it is "extraordinarily difficult to conclude that good farming practices were followed, that the producers would have acted similarly in the absence of crop insurance, or that the (planting) objective was a safflower crop rather than a probable indemnity." However, the deputy manager stated that "to the extent that producers have met all other policy terms and conditions, they should be paid an appropriate indemnity as specified by their policy." In addition, in an October 23, 1990, memo to FCIC staff and all reinsured companies, the FCIC deputy manager canceled the nonirrigated safflower program in six California counties.[5]

FCIC Kansas City officials stated that they recommended terminating the nonirrigated safflower program for crop year 1991, for these selected California counties, prior to our involvement and that of the Office of Inspector General. We found an April 1990 memo in the Kansas City office recommending that the nonirrigated safflower program be terminated, but an FCIC official in Washington was unable to provide any documentation showing that they planned to terminate the program until we called in the Office of Inspector General.

[5]James E. Cason, "California Safflower Policies With a Non-Irrigated Practice," MGR-90-041, Office of the Manager, Federal Crop Insurance Corporation, Washington, D.C., October 23, 1990.

FCIC staff involved in the internal review of the California safflower program said the losses occurred for two reasons: (1) weak internal controls for expansion of county programs and (2) inability to establish an actuarially sound program because of political pressure to offer insurance immediately.[6] FCIC officials said that expansion of insurance has occurred in a matter of days to a few months but that between 6 and 12 months is necessary to adequately prepare for expansion.[7]

FCIC's compliance division reviewed allegations about the potential for duplicate claims and found that no duplicate claims had been made. While the Office of the Inspector General did not investigate the safflower allegations, it recently completed a broader study dealing with the potential duplicate payments claims issue and is now preparing a report on that general issue.

Internal Control Concerns

In November 1990, FCIC's compliance division made several recommendations to improve the internal controls, but a Kansas City actuary official said that he did not receive a copy of the study until January 1991, after we notified him of the study and he then requested a copy. These recommendations, which are in a memo from the acting assistant manager for compliance to the acting FCIC manager and deputy manager, include the following:

- develop a realistic crop development and expansion program containing specific responsibilities and accountabilities, as well as reasonable implementation time periods;
- develop specific guidelines for establishing rates and yields for expansion as well as for new crop programs;[8]
- establish crop insurance committees comprising company representatives, FCIC representatives, and local agricultural experts to meet and comment on program proposals prior to implementation;

[6] The term "actuarially sound program" requires that insurance premiums be actuarially sufficient to cover all loss claims and establish a reserve for unforeseen losses.

[7] In May 1989, FCIC implemented a Crop Program Development Cycle to formally evaluate new crops. This program establishes a structured program for the completion of more than 72 tasks and takes about 33 months.

[8] The FCIC compliance division report stated that such guidelines would include (1) procedures for preparing and maintaining program changes; (2) responsibilities for its functional areas, written guidelines for the orderly flow of activities and documents within and between its functions, and allowance for a concurrence system between FCIC divisions; and (3) document flow and quality control systems to ensure that all phases of product development are completed and that valid, recommended changes are ultimately reflected in revised policies or actuarial documents.

- develop procedures for follow-up and review of new and expanded programs, using the field underwriting offices to the maximum extent possible to ensure that programs are actuarially sound or to determine if such programs place FCIC at excessive risk.

The recommendations for improved accountability, procedures, documentation, outside peer group input, and quality control are quite similar to the issues developed in our work and that of others.[9]

Conclusions and Recommendations

The problems associated with the California safflower program highlight weaknesses in FCIC's internal controls. While FCIC has considered measures to address these problems, they had not been implemented as of March 1991.

We recommend that the Administrator of FCIC promptly evaluate the FCIC compliance division's recommendations and fully implement those that are needed as well as any other internal controls necessary to ensure that new and revised county crop programs are implemented in an actuarially sound manner. Further, the Administrator should establish a specific implementation schedule.

Agency Comments

USDA agreed with our recommendations, saying that through current initiatives, it was presently implementing the corrective actions necessary to address the deficiencies indicated in the report. According to FCIC, these actions are included in the publication entitled "Thriving on Challenge and Change: FCIC Management Objectives."[10] An FCIC official stated that the recommendations discussed in our report would be implemented for all crops within 1 year. (See appendix IV for the USDA comments in their entirety.)

[9]Commission for the Improvement of the Federal Crop Insurance Program, Report of the Commission; Milliman and Robertson, Inc., Consulting Actuaries, Actuarial Analysis of Multiple Peril Crop Insurance, study prepared for FCIC (Kansas City, Missouri: January 4, 1984); U.S. General Accounting Office, More Attention Needed in Key Areas, and Concerns About the Actuarial Soundness of the Federal Crop Insurance Program, GAO/Not Specified (Ascension Number 089736) (Washington, D.C.: August 10, 1982.

[10]USDA, FCIC, "Thriving on Challenge and Change: FCIC Management Objectives," Washington, D.C., initially published in January 1991 but subsequently updated; internal document not available for public distribution.

We conducted our review in accordance with generally accepted government auditing standards during the period June 1990 through March 1991.

Unless you announce the contents of this report earlier, we plan no further distribution of it until 30 days from its date. We will then send copies to the Secretary of Agriculture. In addition, we will make copies available to interested organizations, as appropriate, and to others upon request.

If you have any questions or would like additional information, please call me at (202) 275-3092 or Richard Barnes, Assistant Director for Program Evaluation in Physical Systems Areas, at (202) 275-7329. Other major contributors to this report are listed in appendix V.

Sincerely yours,

Kwai-Cheung Chan
Director, Program Evaluation
in Physical Systems Areas

Contents

Tables

Abbreviations

FCIC	Federal Crop Insurance Corporation
GAO	U.S. General Accounting Office
USDA	U.S. Department of Agriculture

GAO Office of Special Investigations Referral to USDA Inspector General

GAO

United States
General Accounting Office
Washington, D.C. 20548

Office of Special Investigations

August 8, 1990

Mr. Dave Dickson
Office of the Inspector General
Department of Agriculture

Dear Mr. Dickson:

During a recent review at the Federal Crop Insurance Corporation (FCIC), the General Accounting Office found questionable practices concerning the 1990 California Safflower reinsurance program. The practice involved allowing crop insurance companies who are contractors to the FCIC, to sell insurance to farmers who knowingly could not produce a safflower crop. The enclosed documentation provides details of these practices gathered during GAO's review.

We are referring this matter (case number 36040) to your office for further inquiry. Please let us know of your initial disposition of this matter within 60 days and your final disposition when your inquiry is complete.

Please feel free to contact Mr. Carl Aubrey of GAO's Kansas City Regional Office, at (913) 384-7400 or Mr. Harvey Gold at (202) 272-5551, for additional information.

Sincerely yours,

Gary W. Carbone

Gary W. Carbone
Assistant Director

Enclosures

cc: Ms. Nancy Pickering, Agriculture Hotline

ALLEGATION REPORT

Control Number	Date	Specific Names of FCIC Officials Contacted Deleted
36040	7-7-90	

BRIEF OF ALLEGATION

Alleged Gross Mismanagement for federally insuring the California Safflower Crop

ALLEGATION

During a recent audit by the U.S. General Accounting Office of the Federal Crop Insurance Corporation's program for reinsuring farm crops, questionable management practices were discussed with the above mentioned FCIC officials concerning the reinsurance of the 1990 Safflower crop in certain California counties (Fresno; Kings; and Tulare).[1]

Initial allegations concerned crop insurance companies that are going to be filing claims for the loss of producers safflower crop that may result in claims of $20 million. Also the same claimants (farmers) may be filing for duplicate benefits under an Agricultural Stabilization and Conservation Service program.

The claims were filed in July, 1990 and the farmers are being instructed to plow up the crop land after the insurance company has adjusted their claims in order to remove the evidence. The safflower crops were grown by insured farmers in non-irrigated areas that have very little rainfall. These farmers knew the crops would fail because safflowers need 20 inches of water for the seeds to germinate. FCIC offered farmers a "dry" safflower insurance policy. The FCIC had found instances of double insuring crop land in Sacramento, Calif. on safflowers. That is, a policy was on a Master Marketer paper and another on MPCI paper making the legal description of the land almost identical.

The farmers bought safflower crop insurance directly from the FCIC. Those farmers or farms purchased safflower crop insurance from private insurance carriers who are reinsured by FCIC.

[1]We deleted references to specific individuals and corporations provided the OIG from this version of the allegation report.

The real problem involves FCIC's guidelines to the insurance companies. Private insurance companies have been getting farmers to buy FCIC Insurance. One of the officials stated that FCIC was "stupid" enough to offer non-irrigated or "dry" safflower crop insurance policies to farmers. The counties mentioned above have been in a 4-year drought. The farmers were having trouble growing safflower crops. Therefore, if they are going to lose a crop - lose a valuable one like safflowers. In Fresno, Kings and Tulare counties approximately 100,000 to 150,000 acres of crop insurance were sold for "dry" safflower crop. Farmers could receive $178 an acres for their losses ($18 to $25 million) from the government. The real issue is the fact that safflower farmers with the same legal description were paid to two different producers. That is, the same farm could be growing safflower two years in a row, which should not be allowed.

Note: The information provided above was obtained by GAO's Kansas City Regional Office staff.

Also, a cursory check by H. Gold of the GAO Fraud Hotline indicates that the crop insurance companies only received guidance from FCIC in 1990 on how to handle losses which is after-the-fact. There was no guidance to the insurance companies restricting insurance sales in Fresno, Kings and Tulare counties or halting insurance sales altogether. One of the officials stated that at 32% commission on sales of insurance paid by the FCIC to the insurance companies, they would have never stopped selling. Another FCIC official felt the FCIC blundered and it is being called "Safflower Snafu".

USDA Office of Inspector General Response to GAO Inquiry

United States Department of Agriculture

Office of Inspector General

Washington, D C 20250

NOV 7 1990

Mr. Gary W. Carbone
Assistant Director
Office of Special Investigations
General Accounting Office
Washington, D.C.

Dear Mr. Carbone:

This is in response to your letter dated August 8, 1990, concerning GAO's review of the Federal Crop Insurance Corporation (FCIC) 1990 California Safflower Insurance Program.

Our auditors discussed the allegations raised by your review with the FCIC Compliance Division offices in Washington, D.C. and in Sacramento, California. FCIC has acknowledged responsibility for faulty program design. They are aware that they erred in offering a county-wide non-irrigated safflower program, in Fresno, Tulare, and Kings Counties, California; an area suffering from four straight years of drought. In addition to allowing a non-irrigated practice, the transitional yield guarantee was too high and the allowable planting date too late in relation to normal precipitation in these counties. They have admitted that because of faulty program design, the probability of liability claims is very high.

After FCIC realized the weaknesses in the program, they took several actions. On May 10, 1990, FCIC issued Bulletin MGR-90-027, which provided guidelines for reviewing and assessing acceptable farming and cultural practices for safflower. On September 11, 1990, FCIC issued Bulletin MGR-90-035 which suspended payments for indemnity reimbursements while the FCIC Compliance Division Office in Sacramento conducted a review of all claims from these counties.

Effective for the 1991 and succeeding crop years, FCIC will no longer insure non-irrigated acreage of safflowers in Fresno, Kings, Tulare, San Joaquin, Santa Clara, and Salano, Counties, California.

On October 23, 1990, FCIC issued Bulletin MGR-90-041, "California Safflower Polices with Non-Irrigated Practice" (copy enclosed), which details the results of the inquiry conducted by the FCIC Compliance Division into allegations of program fraud or abuse. That bulletin directed that producers that had met all policy terms and conditions, should be paid an indemnity as specified in their policy. That bulletin advised reinsured companies, agency sales and service contractors, and FCIC field personnel that it would have been unreasonable to expect agricultural producers to have irrigated prior to planting safflowers on a policy that specified a non-irrigated practice since this requirement was not expressed in the policy or by other verifiable means. There was no expressed requirement contained in the safflower policies in effect for the 1990 crop year that good non-irrigated farming practices would include irrigation at or before planting if subsoil moisture was too low to guarantee germination and growth. Further, FCIC had communicated a requirement to its representatives that the safflower crop had to be planted between March 10, and April 15, 1990. FCIC had advised agents that coverage might be voided if producers planted prior to March 10; even though information provided by the Extension Service to the FCIC Compliance Division during their inquiry indicated that planting of non-irrigated safflowers in the counties in question should have been completed prior to March 1, to take advantage of seasonal rainfall.

The FCIC Compliance Division Office, Kansas City, Missouri, is currently conducting an internal controls review of the FCIC Underwriting Office, Kansas City, to determine why the Safflower Program was offered in the counties located in central California and why their procedures allowed such an offering.

Because FCIC has taken corrective administrative action, and its Compliance Division is making an inquiry which addresses this matter, our auditors have not initiated any special audit coverage at this time. However, auditors from our Western Regional Office in San Francisco, California, will continue to monitor the FCIC Compliance Division's review in California. Additionally, auditors from our Great Plains Region in Kansas City, are in the process of completing an audit to identify any instances of an insured receiving payments from master marketers and reinsured companies. A copy of the list of producers identified in your referral has been provided to our Great Plains Region. They have been requested to match this list of producers against FCIC's list of those insured to identify any farmers who may have purchased policies from master marketers and reinsured companies on the same crop.

In view of the above we are leaving our file open pending completion of FCIC Compliance Division's review of this matter. If you would like to discuss this issue in more detail please contact me at 202 447-6701.

Sincerely,

David F. Dickson

DAVID F. DICKSON
Director
Program Investigations Division

Enclosure

Program and Cost Information

Table III.1: Insured Counties and Crop Programs 1979-91

Calendar year	States	Counties	Crops	County programs	Annual additions County programs	Annual additions Crops
1979	39	1,526	29	4,063		
1980	39	1,680	30	4,632	569	1
1981	40	1,928	30	5,969	1,337	0
1982	49	2,999	29	14,498	8,529	0
1983	49	3,000	32	15,415	917	3
1984	49	3,010	37	17,868	2,453	5
1985	49	3,012	39	18,892	1,024	2
1986	49	3,013	41	19,053	161	2
1987	49	3,014	42	19,263	210	1
1988	49	3,015	44	19,611	348	2
1989	50	3,019	49	20,507	896	5
1990	50	3,026	51	21,354	847	2
1991	50	3,026	51	21,373	19	0

Source: FCIC, Program Planning and Evaluation Division

Table III.2: Actuary Cost Information for All Crops 1983-89[a]

	1983	1984	1985	1986	1987	1988	1989	Total
Total premiums	$285.8	$433.9	$439.8	$379.4	$364.6	$436.7	$815 6	**$3,155.7**
Indemnities	$583.7	$638.3	$683.1	$615.2	$369.7	$1,063.5	$1,189.2	**$5,142.7**
Calculated loss ratio[b]	2.04	1.47	1.55	1.62	1.01	2.44	1.46	**1.63**
Program costs[c]								
Losses[d]	$361.6	$302.7	$343.4	$323.8	$92 6	$734.91	$578.8	**$2,737.9**
Premium subsidies	63 7	98.3	100.1	88.0	87.5	108 07	205 3	**750.9**
Reinsurance administrative expenses	35.3	85.4	102.9	102.1	106.5	138.40	263.6	**834.2**
Master marketer commission fees	22.8	21.5	16.0	11.4	9.9	11.09	18.1	**110.7**
Total program costs	**$483.4**	**$507.8**	**$562.4**	**$525.2**	**$296.5**	**$992.47**	**$1,065.8**	**$4,433.7**

[a]Crop years; dollars are millions.

[b]Loss ratio is the indemnities divided by the total premiums Loss ratios in excess of 1.0 indicate premiums are less than indemnities

[c]Administrative expenses such as salaries, interest, and claims adjustments are not included.

[d]Losses are defined as indemnities less producer's premium

Source: FCIC experience data base. FCIC maintains a data base by crop year of all insurance policy sales and experience Crop year data are necessary for actuarial analyses of crop, area, and individual policies. Data reported in the experience data base differ from those used in FCIC's financial reports. While the results are similar, the financial data are reported by fiscal year and contain more than one crop year Crop years 1983 to 1989 premium income exceeds fiscal years 1983 to 1989 reports by 0.5 percent, understates indemnities by about 5 percent, and understates net losses by about 15 percent.

FCIC Official Comments

United States Department of Agriculture | Federal Crop Insurance Corporation | Office of the Manager | Washington, D.C. 20250

TO: Kwai-Cheung Chan, Director
Program Evaluation in Physical System Areas,
Program Evaluation and Methodology Division

April 25, 1991

FROM: Manager

SUBJECT: General Accounting Office Draft Report, "Crop Insurance: FCIC's Internal Controls on Safflower Coverage Can Be Improved"

In response to the General Accounting Office's subject draft report, dated April 1, 1991, the Federal Crop Insurance Corporation (FCIC) has the following comments:

GAO Recommendation:

We recommend that the Administrator of FCIC promptly evaluate the FCIC Compliance Division recommendations and fully implement those that are needed as well as any other internal controls necessary to assure that new and revised county crop programs are implemented in an actuarially sound manner. Further, the Administrator should establish a specific implementation schedule.

FCIC Response:

The Federal Crop Insurance Corporation (FCIC) through current initiatives is presently implementing the corrective actions necessary to address the deficiencies indicated in the subject report. These initiatives do address the recommendations indicated in the report issued by the Acting Assistant Manager for Compliance (AMC).

If you have any questions, please do not hesitate to contact Mary Ann Manor of my staff at 382-1040.

James E. Cason

JAMES E. CASON

Roland R. Vautour

ROLAND R. VAUTOUR
Under Secretary, Small Community & Rural Development

The Federal Crop Insurance Corporation is an agency of the Department of Agriculture

CONCUR [signature] 4/26/91
Stephen B. Dewhurst, OBPA

CONCUR [signature] APR 29 1991
for Alan Charles Raul, OGC

Records#1/Records#2

cc: OIG, Room 447-E	Mgr/Chron
GAO file report	T. Witt/APA
L. Atkinson/AMC	D. Armstrong/A&US
AMA/Chron	PHKiessling/AMA

FCIC:AMA:PHKiessling/MAManor:4/25/91:memo:3492U

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Bibliography

Cason, James E. "California Safflower Policies With a Non-Irrigated Practice," MGR-90-041. Office of the Manager, Federal Crop Insurance Corporation, Washington, D.C., October 23, 1990.

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Milliman and Robertson, Inc., Consulting Actuaries. Actuarial Analysis of Multiple Peril Crop Insurance. Study prepared for FCIC. Kansas City, Missouri: January 4, 1984.

Nesterczuk and Associates. Reforming Federal Crop Insurance: A New Approach to Risk Distribution. Washington, D.C.: December 15, 1989.

Glossary

Actuarially Sound	An actuarially sound program, as required by the 1980 Federal Crop Insurance Act (Public Law 96-365), calls for the crop insurance program insurance premiums to be actuarially sufficient to do two things: (1) cover all loss claims and (2) establish a reserve for unforeseen losses. FCIC officials stated their operational objective calls for breaking even on a national basis over a 10-year period, 85 percent of the time, excluding losses attributable to catastrophe.
Actuary	A person who computes premium rates, dividends, and risks according to probabilities based on statistical records.
County Crop Programs	The number of programs offered in all counties. For example, if County A offers crop insurance for 4 crops and County B for 6 crops, then the total number of county crop programs would be 10.
Crop-Marketing Year	The year in which a crop is harvested and marketed. For wheat, the crop-marketing year is from June 1 to May 31. For corn and soybeans, it is from September 1 to August 31.
Indemnity	The payment to an insured for losses covered under the crop insurance policy.
Internal Controls	The procedures used to provide reasonable assurance that goals and objectives are met; resources are adequately safeguarded and efficiently used; reliable data are obtained, maintained, and fairly disclosed in reports; and laws and regulations are complied with.
Loss	Reduction in the production of a crop as a result of a covered peril or hazard.
Loss Ratio	Ratio of the indemnities divided by the total (federal and producer) premium payments.

Program Costs

The major federal costs associated with the FCIC program, which includes reinsurance administrative expenses, master marketer commission fees, premium subsidies, and losses.

Related GAO Products

Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1989 and 1988 (GAO/AFMD-90-107, Sept. 28, 1990).

Assessing Internal Controls in Performance Audits (GAO/OP 4.1.4, Sept. 1990).

Financial Audit: Federal Crop Insurance Corporation's Fiscal Year 1988 Financial Statements (GAO/AFMD-90-43, Apr. 18, 1990).

Disaster Assistance: Crop Insurance Can Provide Assistance More Effectively Than Other Programs (GAO/RCED-89-211, Sept. 20, 1989).

Crop Insurance: FCIC Should Strengthen Actual Production History Program Controls (GAO/RCED-89-19, Dec. 15, 1988).

Crop Insurance: Federal Crop Insurance Corporation Needs to Improve Decision-Making (GAO/RCED-87-77, July 23, 1987).

Preliminary Results of GAO's Review of the Department of Agriculture's Federal Crop Insurance Program (GAO Testimony, Ascension No. 131061, July 23, 1986).

Farm Payments and Loans: Consistency Needed in USDA Crop Yield Estimates (GAO/RCED-86-118, May 29, 1986).

More Attention Needed in Key Areas of the Expanded Crop Insurance Program (GAO/RCED-84-65, Mar. 14, 1984).

The Department of Agriculture's Federal Crop Insurance Corporation (GAO/Testimony, Ascension No. 121461, May 26, 1983).

Information on the Federal Crop Insurance Program (GAO/RCED-83-117, Mar. 8, 1983).

Concerns About the Actuarial Soundness of the Federal Crop Insurance Program (GAO/Not Specified, Ascension No. 089736, Aug. 10, 1982).

Analysis of Certain Operations of the Federal Crop Insurance Corporation (GAO/CED-81-148, July 30, 1981).

The Federal Crop Insurance Program Can Be Made More Effective (GAO/FOD-77-7, Dec. 13, 1977).

United States
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Washington, D.C. 20548

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