

FCIC revamps agreement on crop insurance service

KANSAS CITY, MO. Federal Crop Insurance Corporation Manager Merrit W. Sprague has announced that the Corporation will offer Master Marketers a new agency sales and service agreement for the 1986 crop year.

Sprague said the new agreement would be substantially different from the current one and that a complete review of the FCIC operations was contemplated.

This action is being taken to streamline the agency's direct writing operations which has outgrown the volume of Federal insurance being written, Sprague said. "Our goal is to make more efficient use of available government resources while assuring the highest level of service to

America's producers," he added.

Since implementation of the Crop Insurance Act of 1980, crop insurance has been sold both by Master Marketers, agents for the sales and service of policies written by the federal government (direct writing), and by private insurance companies who sell identical policies for which the companies assume risk but are reinsured by the federal government against catastrophic losses (reinsured companies).

Today's decision was reached after more than three months of study and deliberation, Sprague said. On March 11, Sprague proposed in a formal rulemaking action that FCIC abandon its direct writing function and become

strictly a reinsurance company, leaving sales and service of crop insurance policies to private commercial insurance companies reinsured under agreement with FCIC.

Sprague said that direct writing would continue, but with substantial changes in both the Master Marketing agreement and the FCIC support structure. The current FCIC structure is "obsolete," he said, and "must, and will, be redesigned to better reflect the volume of FCIC business currently being written."

Recent estimates indicate that over 70 percent of the 1985 business will be written by reinsured companies. The balance, amounting to roughly \$130 million

in annual government policies, will be written by Master Marketers. Only two months ago, Sprague testified before Congress that FCIC projected \$162 million in government policies this year, although the current FCIC workforce was designed to handle around \$300 million.

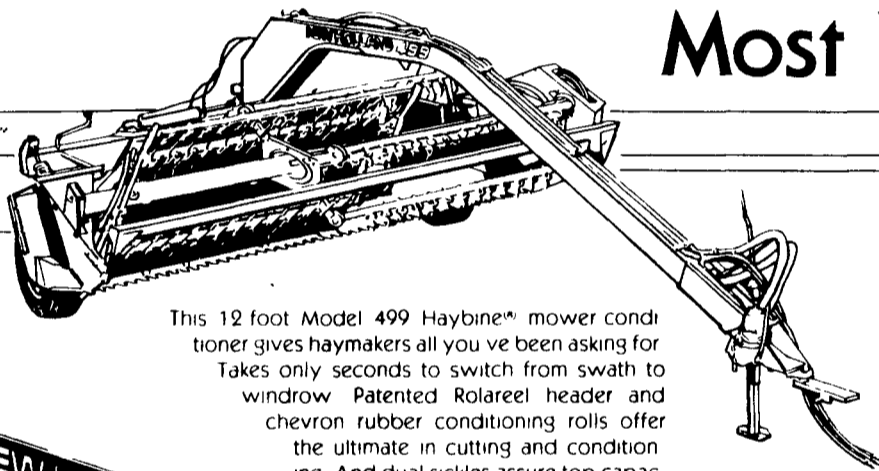
According to Sprague, the decision not to convert to strictly a reinsurance function was based on several factors, including the Administration's commitment that crop insurance be available to all farmers as directed by the Crop Insurance Act of 1980. In addition, he expressed concern regarding the need for an assessment of the steps involved in an orderly transition to reinsured sales.

Despite the decision to remain a direct writer of crop insurance, FCIC employees can anticipate cutbacks in the future, Sprague said. "We fully intend to follow up on the commitment to scale down the Federal operation and make it more reflective of the shift in business to reinsurance operations."

Sprague said that no personnel actions affecting permanent full-time employees will be implemented during the current fiscal year, which ends September 30. There are approximately 300 FCIC employees in the Kansas City office.

He said, "The kind of program and operation that I am recommending is one that is fair, promotes competition, and assures a high quality of service to policyholders."

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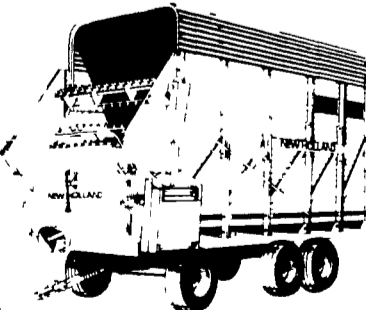
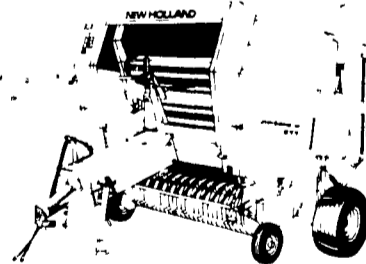
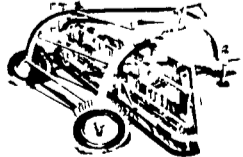
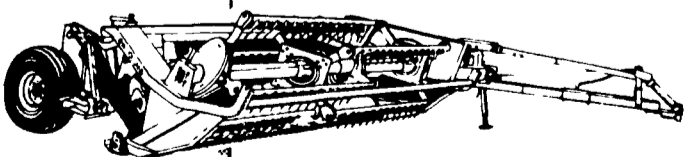
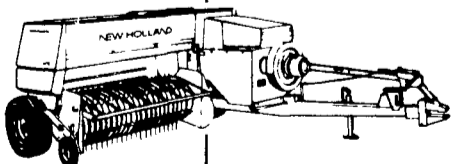
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Wilson named USDA deputy

WASHINGTON - Ewen M. Wilson—an economist with experience in agriculture's private sector, the academic community, conservation and extension work, and farming—has been named deputy assistant secretary for economics at the U.S. Department of Agriculture.

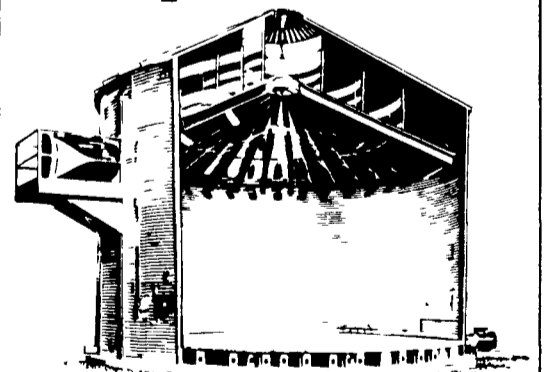
"I look forward to working with a person who has such wide-ranging and impressive credentials as Dr. Wilson," said Robert L. Thompson, assistant secretary for economics.

Wilson was vice president for economics and statistics at the American Meat Institute in Washington, D.C., a national trade association of meat packers and processors, from 1977 until he joined USDA this week.

Previously, he had served as an extension specialist on the faculty of Virginia Polytechnic Institute and State University, and in several overseas posts.

Wilson lives in Falls Church with wife, Kay, and their three children.

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