

JOHN D. DINGELL
15TH DISTRICT, MICHIGAN
COMMITTEE ON
ENERGY AND COMMERCE
CO-CHAIR
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CONSERVATION COMMISSION

Congress of the United States
House of Representatives
Washington, DC 20515-2215

September 20, 2012

The Honorable Tim Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Secretaries Geithner and Vilsack:

As you know, our nation is still recovering from the impacts of the worst drought in recent memory. Over 1,400 counties nationwide have been designated as disaster areas by your office, which demonstrates the wide spread of the catastrophe. How we deal with this drought will have a major impact on the wellbeing of farmers, food prices, and our economy as a whole.

I write to you regarding the capacity of crop insurance companies and the government to cover the losses incurred by the drought and the eligible payments mandated by crop insurance contracts. An August 26, 2012, article in the *Financial Times* cites figures from economists at the University of Illinois who estimate there will be \$30 billion in gross indemnities and a loss of \$18 billion as a result of the drought. Furthermore, the article highlights the fact that companies which primarily focus on agricultural insurance are at a higher risk than other more diversified firms. Unexpected large losses from both the government and private companies could have a devastating impact on our economy at an already uncertain time. Therefore, I respectfully request answers to the following questions.

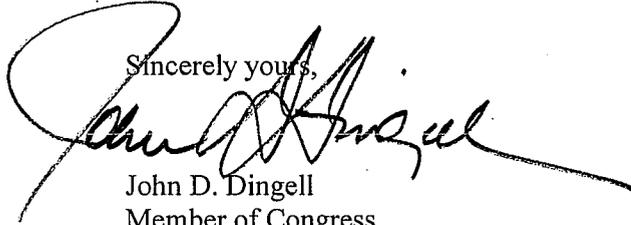
- 1) Does USDA and the Department of the Treasury believe that private agricultural insurance companies have the financial capacity to sustain the increased indemnities as a result of the drought? If yes, please explain why. If no, please provide a detailed explanation as to why not.
- 2) Under the worst case scenario, what are the potential obligations for the U.S. government?
- 3) What would happen to our economy if a crop insurance company was to default on its obligations? Please provide a detailed list of consequences.
- 4) Does USDA or the Department of the Treasury have a contingency plan to prevent a crop insurance company from defaulting on its obligations? If yes, please provide a detailed explanation. If no, please explain why not.

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Answers to these important questions will help provide important information to Congress as we prepare to deal with the aftermath of the worst drought in generations. Given the time sensitive nature of this situation, I request you provide a response to my office by no later than close of business on Tuesday September 25, 2012. If you or your staff should have any questions, please do not hesitate to be in touch with me or Greg Sunstrum of my staff at 202-225-4071 or greg.sunstrum@mail.house.gov.

With every good wish,

Sincerely yours,

A handwritten signature in black ink, appearing to read "John D. Dingell", written over the typed name and title.

John D. Dingell
Member of Congress