

## **Federal Crop Insurance Program Delivery Cost Survey - Reviewed by NASS for RMA**

Here are some thoughts and suggestions I have on ways to improve your docket and questionnaires. I hope you find them helpful.

### **General notes**

Which is correct, "policy holder" or "policyholder"? You have used both throughout the docket, cover letters, and surveys.

[RMA Response]: The correct term is "policyholder." RMA has made the relevant changes in the 2012 Supporting Statement ("OMB package") so the term policyholder is consistent throughout.

Please have someone carefully copy edit your docket and questionnaires for grammar before submission to OMB.

[RMA Response]: Addressed

### **A: OMB Submission**

Section 2 – Are the interviews to be conducted with 15 AIPs, 15 insurance agents, and 15 insured producers the same as the surveys to be administered to larger groups of insurance agents and insured producers? If not, please include the details of these interview questions in your final docket. If so, please indicate that in your docket.

[RMA Response]: The interviews to be conducted with 15 insurance agents and 15 insured policyholders correspond to the interview questions for the agents/producers that are the same as the surveys. RMA has designed a RMA will add the interview questions for the AIPs to the OMB paperwork.

Section 2 – Please reword footnote #2. It is very confusing.

[RMA Response]: RMA has removed the footnote as it was unnecessary to the OMB paperwork.

Section 2 – I am unclear as to the purpose of conducting both interviews and surveys on insurance agents and insured producers. What data do you intend to collect from one method that you are not able to collect from the other? This question could be addressed if the interview questions were provided.

[RMA Response]: The purpose of the interviews with agents and insured producers is to gain a deeper understanding about the activities performed and types of costs incurred by the insurance agents in selling and servicing Federal crop insurance as well as the level of interaction between insurance agents and their policy holders and the level of services required by producers to make an informed insurance choice. These interviews will be conducted using the surveys for agents and producers. Conducting an interview using the surveys will allow for an open ended conversation with the respondents. The interviews will help RMA better understand the information that will be provided by agents and producers that will complete the survey.

Section 2 – In the second paragraph on the Survey of Insurance Agents, what "publicly available information" do you intend to use "to construct estimates of cost of delivery incurred by the insurance agents"? Please be specific about your sources.

**[RMA Response]:** In addition to its in-house data and survey data that will be collected from agents and policyholders, RMA intends to use two additional publicly available sources of data to develop the cost of Delivery estimate for insurance companies and agents, including Statistics of Income (SOI) Bulletin for Sole proprietorship returns and Bureau of Labor Statistics.

Section 2 – In the second paragraph on Interview & Data Usages, what “macro variables available in the public domain” do you intend to use to “develop statistical models testing agent compensation”? Please be specific about your sources.

**[RMA Response]:** SOI data includes income statement for insurance and brokerages reported by SOI division and the Internal Revenue Service, industry-level income and itemized expenses, such as commissions, salaries and wages, utilities, and office expenses. Bureau of Labor Statistics will provide wage data for insurance sales agents by state.

Section 3 – How do you intend to proceed if a respondent’s email address proves to be invalid? Will they be considered a nonrespondent, or will they be mailed a paper-based survey? How do you intend to proceed if a respondent’s mailing address proves to be invalid? Will you attempt to contact them via phone calls?

**[RMA Response]:** To improve the survey response rate, RMA will do as described above. Once RMA learns that certain email addresses are invalid, it will mail paper-based surveys to agents/ policyholders. And if the mailing addresses are also invalid, RMA will place telephone calls to these agents/policyholders. The draft of the email message that will be sent to agents/policyholders is included in the Appendix of the OMB submission document.

Section 3 – In the third paragraph, please add a period to the end of the sentence “To the extent possible, [...] compilation of the response data.”

**[RMA Response]:** The period to the end of the sentence has been added.

Section 3 – Is it possible to include the actual survey URL?

**[RMA Response]:** The actual survey URL has been included.

Section 5 – You did not address any “methods used to minimize burden.”

**[RMA Response]:** RMA has added a discussion about methods used to minimize burden to section 5.

Section 8 – Your docket states that “[a] copy of the Federal Register publication is attached to the supporting statement.” The docket I was sent for review did not include this. Please make sure it is in your final docket.

**[RMA Response]:** RMA has attached a copy of the Federal Register publication.

Section 8 – I think Mr. Holt wants the questions to be published no matter if the data collection method is via interview or survey.

**[RMA Response]:** KPMG will publish both the final survey as well as the interview question outline in the 30-day FRN notice to the public.

Section 8 – In the paragraph beginning with “While RMA acknowledges [...],” you state “interviews with agencies would be [...] cost prohibitive and [...] unable to achieve the appropriate coverage needed,” so why are you doing interviews at all? You would decrease survey cost and respondent burden by eliminating the 45 interviews you have planned, and it seems you would still collect all desired data through the surveys with agents and insured producers.

**[RMA Response]:** RMA believes that while it would be cost prohibitive to interview enough agents and policyholders to get statistically significant results, but interviewing a small amount of agents and policyholders will provide RMA with some qualitative data and will enable RMA to get a better understanding of agents and policyholders’ responses to the survey. RMA will not survey AIPs during this study. However, RMA’s approach to quantifying the costs of delivering and servicing the Federal crop insurance starts with collecting sufficient information on the costs of delivery and the returns earned throughout the entire crop insurance supply chain, including costs and margins earned by the 15 AIPs. RMA believes that it is critical to understand the entire supply chain of the Federal crop insurance delivery and how profits and costs are allocated throughout the various stages of the supply chain to identify opportunities for improvement (e.g., increased efficiency) in the delivery system; and that is why it has made a decision to interview 15 AIPs.

Section 12 – Number and label the sample table.

**[RMA Response]:** The table has been numbered and labeled updated.

Section 12 – Please include response rate by mode. Do you believe you will have the same response rates for mail vs. email respondents?

**[RMA Response]:** The table has updated to include the response rate by mode. While there may or may not be a different response rate for mail vs. email, we believe the difference will be minimal.

Section 12 – For the interviews, why is the nonresponse burden 0 minutes? Why are you assuming a 100% response rate for the interviews but a 30% response rate for the surveys? Why do you think the agents, producers, and AIPs will all have the same response rates?

**[RMA Response]:** The table has been updated to include non-response rates for agents and producers; however, we do not anticipate to have non-response rates for AIPs since we intend to interview all 15 AIPs.

Section 13 – Why are the hours/units and blended rate/price per unit columns NA for direct mail printing/production?

**[RMA Response]:** The units and price per unit have been added to the direct mail printing/production column.

Section 14 – You state “[the] Federal government incurred no cost in administering the interviews and surveys. All work has been contracted out.” Isn’t your agency, as part of the Federal government, paying these contractors? Does that payment not count as cost incurred by the Federal government?

[RMA Response]: The cost incurred by the Federal government has been updated to include the total contractor cost.

Section 15 – Fix the header formatting.

[RMA Response]: The header formatting for section 15 has been fixed.

## **Part B**

Section 1 – You state the survey techniques you will implement project a 30% response rate for the surveys. This is very poor. Have you considered other survey techniques that project a higher response rate? Why do you believe you will have a 100% response rate for interviews sampled from the same populations when the interviews are projected to have a larger burden on each respondent?

[RMA Response]: Since this survey is not mandatory for agents and farmers and they are not required to submit their responses to the surveys, RMA expects that the response rate to be lower. RMA has reviewed this estimate with survey specialists that have agreed that the 30 percent response rate is reasonable. Since the surveys will be sent out to agents and farmers multiple times, agents and farmers will have about two and a half months to provide their responses, and additional follow-up phone calls will be administered, RMA believes that 30 percent response rate is reasonable.

Section 1 – Based on all information contained in this docket, there is the implication that these surveys will be used to justify a decrease in A&O spending which would lead to a decrease in agents' commissions. Thus it is understandable that agents would have a low response rate as they would view responding to this survey as detrimental to their best interests. I think you should explicitly address this issue in your docket. I do not understand why you believe policy holders will also have the same low response rate. They are a completely separate population with different best interests than the agents. Is there a reason to believe policy holders will also feel this survey is detrimental to their best interests?

[RMA Response]: As stated above, these surveys are non-mandatory; therefore, RMA equally believes that farmers and agents will have lower than expected response rates. However, RMA does not believe that the response rates of agents should be disproportionately affected compared to the response rates of farmers as a result of agents' best interests being affected. As such, RMA anticipates similar response rates from both agents and farmers.

Section 1 – Please define the regions used for stratification.

[RMA Response]: RMA has added the definition of each of the six regions (see Table 4).

Section 1 – In the first paragraph on agent sampling, you state that your sample will have "explicit stratification by region (Midwest, Plains, and other)." This implies to me that you have 3 regions. However in table 2, 6 regions are listed for stratification.

[RMA Response]: RMA has added additional explanation in Footnote 6 to further justify why the remaining four regions were combined together into one category.

Section 1 – Correct the formatting on the last column header in table 3.

[RMA Response]: The formatting has been corrected.

Section 3 – In the first bullet point, correct “easy to respond questions” to “easy to respond to questions.”

[RMA Response]: In the first bullet point “easy to respond questions” has been corrected to read “easy to respond to questions.”

Section 3 – In the third bullet point, correct “conveying to the agents about the surveys” to “conveying to the agents the importance of the surveys.”

[RMA Response]: In the third bullet point conveying to the agents about the surveys” has been corrected to read “conveying to the agents the importance of the surveys.”

Section 3 – You state you are offering an email address on the survey for respondents to submit questions. However, there is no email address listed on the cover letters or the surveys. Both cover letters direct respondents to “contact [name] at [phone number].”

[RMA Response]: A contact person with an email address has been added to the final survey.

#### **B: 2009 GAO Report**

No comments.

#### **C: CIPA Comments**

The Crop Insurance Professional Association (CIPA) is not in favor of your survey plans. How much of an impact do you feel this will have on your response rates? Do you have any plans to mitigate these effects?

[RMA Response]: Due to the sensitive nature of this project, RMA understands that we will have less agent support potentially impacting survey response rates. That is why RMA selected its response rate at 30 percent. RMA has reviewed this estimate with survey specialists that have agreed that the 30 percent response rate is reasonable. In addition, in the pre-OMB interviews conducted with insurance agents and insured producers, RMA discussed and solicited their views on the preferred survey format, survey duration, and measures that may help boost the response rates in conducting the surveys of insurance agents and policyholders. The surveys will be sent out to agents and farmers multiple times, additional follow-up phone calls will be administered, and agents and farmers will have about two and a half months to provide their responses. Therefore, we believe we will receive the required number of responses.

#### **D & E: General Draft Comments**

Please include drafts of the emails you intend to send to agents and policy holders.

[RMA Response]: The draft email has been attached to the OMB submission.

Based on OMB's turnaround on dockets, I do not believe you will be able to administer your survey on your intended schedule. Is it possible to shift your intended data collection period to early 2013? You could then use the surveys to collect data on the 2012 crop year. I feel that respondents will be able to more accurately respond certain survey questions if they are asked about a more recent time frame.

[RMA Response]: At the time of the survey's creation, only 2011 data was available. While the delay in our original timeline would mean that the 2012 information will be finalized, it does not make sense from a cost perspective standpoint to do all of the additional work required to update the survey year.

For all questions asking for percent break downs. Add a note indicating whether the percents need to total to 100.

[RMA Response]: This update has been made to the final surveys.

Cover letters – Please include more detailed instructions on how to respond to the survey on the website.

[RMA Response]: The cover letter has been updated in the final surveys.

Cover letters – Where is the unique survey ID a respondent should use if they choose to respond to the survey on the website?

[RMA Response]: Each survey includes a unique PIN number.

#### **D: Agent Survey Draft**

Question 1.3 – Correct the numbering on Advanced Degree from 3 to 4.

[RMA Response]: This update has been made to the final version of the survey.

Question 2.1 – Alphabetize the state lists.

[RMA Response]: This update has been made to the final version of the survey.

Question 2.3 – Correct “less than 34 hours” to “less than 35 hours.”

[RMA Response]: This update has been made to the final version of the survey.

Question 3.1 – Is it possible to sell more than one policy to a producer? Do you want to capture the total number of producers or the total number of policies with this question?

[RMA Response]: It is possible to sell more than one policy to a producer. The question as stated will allow RMA to determine the number of producers that the agents sell to, not the number of policies an agent sells.

Question 3.6 – Change “of your time” to “of your work time.”

[RMA Response]: This update has been made to the final version of the survey.

Question 3.7 – Label the parts of the question as a and b. Correct the numbering on Other Insurance from 5 to 6.

[RMA Response]: This question has been updated in the final version of the survey.

Question 3.8 – Try to get the entire table on the same page. Are agents going to be able to break down their time spent this finely? You have 17 categories listed. Is there any way to combine categories so that there are 10 or fewer options?

[RMA Response]: The final table has been updated to contain 15 categories all on the same page. While this will be one of the more difficult questions, it is important to get the detail for each of these tasks.

Question 3.9 – Add “If not, skip to Question 3.10.” Label the parts of the question as a and b. I feel that “Less than twice as much” is awkwardly worded. Is there a better way to phrase this?

[RMA Response]: This question has been updated in the final survey.

Question 3.9 – Do crop policies always take more time than property/casualty insurance policies to sell/service? Both parts a and b of this question assume that is the case and do not allow for respondents to answer that a crop policy takes less time.

[RMA Response]: RMA believes that this is a reliable assumption. After interviewing a number of agents, RMA has learned that selling and servicing crop insurance to farmers typically requires more time compared to other lines of insurance. This question is designed to help identify any additional time required to be spent on Federal crop insurance.

Question 3.9.a – Correct “relative to property/casualty” to “relative to a new property/casualty.”

[RMA Response]: That this question has been updated in the final survey.

Question 3.9.b – Correct “servicing a Federal crop policy relative to property/casualty” to “servicing an existing Federal crop policy relative to an existing property/casualty.”

[RMA Response]: This question has been updated in the final survey.

Question 3.10 – What do you mean by percent of policies? Do you want the breakdown by number of policies, premium amount, acreage, etc? Please specify in the question.

[RMA Response]: This question has been updated in the final survey.

Question 3.11 – Try to get the entire list on the same page. What do you mean by “top five crops”? Are you asking about total number of policies, total number of policy holders, premium amounts, acreage, production, amount sold, profitability, etc? Please specify in the question.

[RMA Response]: This question has been updated in the final survey.

Question 3.12 – What do you mean by percent of policies? Do you want the breakdown by number of policies, premium amount, acreage, etc? Please specify in the question.

[RMA Response]: This question has been updated in the final survey.

Question 3.13 – I would suggest adding a header to the table to further indicate least to most effort

[RMA Response]: This question has been updated in the final survey.

Question 3.14 – I would increase the font size of the note to match the font size of the question.

[RMA Response]: This has been updated in the final survey.

Question 4.1 – I would suggest defining gross income in the question and only defining expense types in the table. For d. Information Technology in the definition table, please provide examples. Make sure the headers for 4.1.a – 4.1.h are formatted the same.

[RMA Response]: This question has been updated in the final survey.

Question 4.1 – I don't understand what is meant by the notation used in the column headers, ex. 5%+ ~ 15%. I am also not clear on which box should be checked if the respondent spends, for example, 15%. Does the respondent mark the box for 5% +~ 15% or the box for 15% +~ 25%? You have three different percent breakdowns for 4.1.a – 4.1.h. I would suggest grouping like percent breakdowns together, so the respondent does not become confused. I am also concerned that respondents will not be able to report their expenses with as much accuracy as you are requesting. Is it reasonable for them to be able to report certain expense categories to a half percent accuracy?

[RMA Response]: This question has been updated in the final survey. The percent breakdown has been updated and expense categories with the similar ranges have been grouped together for easier visual representation. In addition, since some categories are relatively small compared to the overall income, RMA concluded it is reasonable to adopt 0.5 percent incremental break down for certain expenses.

Question 4.1 – Do you feel that requesting this information by percents instead of dollar amounts (or dollar amount ranges) is more useful? Are respondents more likely to answer this question accurately if they are not asked for dollar amounts?

[RMA Response]: RMA determined that asking agents about the exact dollar amounts for their costs could potentially be perceived as sensitive information by agents and will preclude them from providing accurate responses. In addition, RMA designed questions that are clear and easy to understand but encourage truthful answers from the sampled agents.

Question 5.1 – Are you asking about existing or new policy holders?

[RMA Response]: This question is designed to address both policyholder types.

Question 6.1 – Will respondents be able to identify Managers Bulletin MCG-11-017 by this title?

[RMA Response]: This question has changed in the final survey.

### **E: Policyholder Survey Draft**

Cover letter – You used the same wording as the agent cover letter. I feel this will be confusing to policy holders because they are unlikely to be familiar with “the costs that insurance agents incur in the



process of selling and servicing Federal crop insurance policies.” I would suggest changing the first paragraph of the cover letter to be more relevant to policy holder respondents.

[RMA Response]: RMA notes that this update has been made to the final survey.

Question 1.1 – Alphabetize the state lists.

[RMA Response]: RMA notes that this update has been made to the final survey.

Question 2.3 – Try to get the entire list on one page.

[RMA Response]: RMA notes that this update has been made to the final survey.

Question 4.1 – Do you want to know the number of interactions they had with the agent(s) only in 2011 or for an average year? On the agent survey, you asked for number of interaction for an average year, not specifically for 2011. If the policy holder has more than one policy, do you want the average number of interactions per policy or the total number of interactions? Would you like respondents to be able to give a separate answer for each agent they work with?

[RMA Response]: This update has been made to the final survey. The question is designed to elicit relatively broad and general response without any detailed information.

Question 4.4 – Put the question on the same page as the answers. How would you like respondents to answer if they are satisfied with one or more of their agents and dissatisfied with others?

[RMA Response]: This update has been made to the final survey. This is a question about the service as a whole; therefore, it is a general question.

Question 4.5 – Correct “you got sufficient” to “you received sufficient.” How would you like respondents to answer if they feel differently about different agents they have policies with?

[RMA Response]: This question has been updated in the final survey. This is a question about the service as a whole; therefore, it is a general question about the service as a whole.

Question 4.6 – This question is awkwardly worded. Please try to rephrase. Try to get the entire table on one page. Areas f, g, and h are repeats of e and should be deleted. How would you like respondents to answer if they feel differently about different agents they have policies with?

[RMA Response]: This question has been updated in the final survey. This is a question about the service as a whole; therefore, it is a general question about the service as a whole.

Question 4.7 – Correct “less in-person visits” to “fewer in-person visits.” How would you like respondents to answer if they feel differently about different agents they have policies with?

[RMA Response]: This question has been updated in the final survey. This is a question about the service as a whole; therefore, it is a general question about the service as a whole.

Review conducted by Jennifer Rhorer

Statistical Methods Branch

USDA-NASS

202-720-2616

October 3, 2012