



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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DATE: August 13, 2014

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Brandon C. Willis /signed/
Manager

SUBJECT: Manager's Report
Exhibit No. 4212

This document is the Manager's Report to the Federal Crop Insurance Corporation Board of Directors (FCIC) meeting on August 14.

Farm Bill Work

Interim Rule for Farm Bill Changes: RMA has completed the Interim rule that will implement many of the changes resulting from the passage of the Agricultural Act of 2014. These include: highly-erodible land and wetland conservation, enterprise units for irrigated and non-irrigated crops, adjustment in actual production history, crop production on native sod, coverage levels by irrigated and non-irrigated practice, beginning farmer and rancher provisions, and the authority to correct errors. The rule was published in the *Federal Register* July 1. The rule revises the Common Crop Insurance Policy Basic Provisions, the Catastrophic Coverage Basic Provisions, and the Area Risk Protection Insurance Basic Provisions.

Supplemental Coverage Option (SCO) Product Release: The SCO insurance policy and materials were released on July 29. The first crop to be covered by SCO will be wheat, which has a sales closing date of September 30. RMA conducted training sessions for all Approved Insurance Providers and Regional Offices on June 17 for SCO. An update was provided to the insurance companies at the July Train the Trainer Conference held by National Crop Insurance Services.

Stacked Income Protection (STAX) Product Release: The STAX insurance policy and materials were released on August 12. This product will enable upland cotton growers to purchase an area-based insurance policy in addition to (or instead of) their individual or area coverage insurance policy. The STAX policy insures up to the first 20 percent of county losses, after a 10 percent deductible, and has a premium subsidy rate of 80 percent. RMA conducted training sessions for all Approved Insurance Providers and Regional Offices at the July Train the Trainer meeting held by National Crop Insurance Services.

Proposed Rules

Macadamia Tree and Macadamia Nut Crop: The provisions were published August 1, and the 60 day comment period is in progress. The purpose of the proposed rule is to remove the provision requiring an optional unit to contain at least 80 acres, add a definition of “scaffold limb”, to allow the insurance company to inspect all insured acreage before removing any destroyed trees, allow the calendar date for the end of the insurance period to be changed by the actuarial documents, and add some definitions. The changes will apply for the 2016 and succeeding crop years for macadamia trees and the 2017 and succeeding crop years for macadamia nuts.

Final Rules

Pears: The Pear Crop Insurance Provisions final rule was published in the *Federal Register* on July 28. The rule amends the pear crop provisions to improve coverage available to pear producers, clarify existing policy provisions to better meet the needs of insured producers, and to reduce vulnerability to program fraud, waste, and abuse. The new provisions are effective for the 2015 crop year.

Data and Systems

Reinsurance Year 2015 Appendix III: The Reinsurance Year 2015 Appendix III to the Standard Reinsurance Agreement (SRA) was released to the public June 30. Appendix III provides standards, procedure, and instructions for reporting Approved Insurance Provider (AIP) data to FCIC. RMA provided the industry two comment periods, of which the second and final comment period included changes to accommodate the new Farm Bill programs: SCO, STAX, Beginning Farmer Rancher, and Native Sod. RMA evaluated the industry comments and made the necessary changes to Appendix III for the “approved” version.

Compliance

Since the June 2014 Board meeting, RMA Compliance has issued final findings to reinsured companies for:

- Premium overstatements of \$244,240;
- Indemnity overpayments of \$809,021;
- Premium understatements of \$18,017;
- Indemnity underpayments of \$29,099.