United States Department of Agriculture

Federal Crop Insurance Corporation

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August 15, 2019

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Martin R. Barbre */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 4542

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on August 15, 2019.

Agriculture Improvement Act of 2018 (2018 Farm Bill

Since the last Manager's Report, the Risk Management Agency (RMA) has released the following program updates regarding the 2018 Farm Bill:

Published Farm Bill Rule

RMA published its Farm Bill Rule which added several key provisions to basic provisions. Some of these changes had previously taken effect with Manager's Bulletins but are now memorialized within the policy. First, the administrative fee for catastrophic policies was raised to $655. Second, yield cups, which limits Actual Production History (APH) declines of more than 10 percent to that amount, are now defined within the policy. Third, native sod rules were updated to the 2018 standards. Last, Veteran Farmer or Rancher benefits are now defined within the policy. The rule also contains several non-Farm Bill provisions; particularly, for assigned yields by applying them at the unit-level as opposed to the policy level and allowing electronic distribution of policy materials to be 'opt-out' instead of 'opt-in.'

Released Latest Update to Cover Crop Guidelines

RMA and the Natural Resources Conservation Service (NRCS) published the latest version of cover crop guidelines, along with corresponding special provisions and FAQs, which provide producers with added flexibility for terminating cover crops while remaining eligible for crop insurance. Insurance will attach at time of planting the insured crop and cover crop management practices will be reviewed under RMA rules for Good Farming Practice determinations similar to other management decisions (e.g. fertilizer application, seeding rates, etc.). Additionally, the summerfallow definition has been revised to allow cover crops to be planted on land during the summerfallow period, and to include standard exceptions to the Guidelines, allowing more flexibility to address failed crops and dates for terminating any regrowth of the failed crop. The Guidelines serve as a recognized nationally applicable agricultural expert resource for cover crop termination in cover cropping management systems. The resource is applicable to all U.S. Department of Agriculture (USDA) programs and promote consistent, simple and flexible policy across the USDA.

Program Changes

Prevented Planting Cover Crop Relief: (Manager's Bulletin MGR-19-015). Historical flooding and excessive rainfall throughout much of the country will likely lead to an unprecedented amount of prevented planting claims under Federal crop insurance. Given these extraordinary events and the need for animal feed in many parts of the country, flexibility around the use of a cover crop planted on prevented planted acreage for haying, grazing, and cutting for silage, haylage, and baleage became necessary. For the 2019 crop year only, cutting for silage, haylage, and baleage will be treated the same as haying or grazing. In addition, all references to the November 1 date, as it relates to haying and grazing, in any procedure will be replaced with September 1.

Supplemental Coverage Option (SCO) Endorsement Changes - 2020 and Succeeding Crop Years: (Manager's Bulletin MGR-19-016). RMA updated the 2020 and succeeding crop years policies for SCO due to changes to Title I programs, Agriculture Risk Protection (ARC) and Price Loss Coverage (PLC), in the 2018 Farm Bill. In particular, the policy was changed to require a payment of 60 percent of the producer's premium that was otherwise owed in cases in which ineligible acreage was misreported as eligible. This is due to the fact that ARC/PLC elections could take place after a producer could reasonably know whether SCO would pay. In these cases, producers could adversely select against SCO by *de facto* canceling their policies by making appropriate ARC/PLC elections.

Cover Crop Guidance for the 2020 and Succeeding Crop Years: (Manager's Bulletin MGR-19-017). Provides new Guidelines developed by RMA, the Farm Service Agency (FSA), and NRCS to comply with the 2018 Farm Bill changes concerning to the treatment of cover crops for insurance purposes.

Emergency Process for 2019 Crop Year Processing Tomato Contract Price: (Manager's Bulletin MGR-19-018). Market conditions in California delayed a final contract price being set in order to maintain coverage in accordance with the Processing Tomato Crop Provisions. For the 2019 crop year only, RMA will accept delivery schedules in lieu of the processor contract for policyholders to maintain coverage for the crop.

Additional Time for Acreage Reporting in Certain Areas Impacted by Weather: (Manager's Bulletins MGR-19-019/020). To alleviate the burden on policyholders in areas impacted by extreme weather conditions, RMA allowed insured producers to file acreage reports for all spring-seeded crops by July 22, 2019, in Arkansas, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri, Minnesota, North Dakota, Ohio, Tennessee, and Wisconsin. The additional time to submit acreage reports did not extend other due dates that are tied to the Acreage Reporting Date, such as when Written Agreement and Added Land requests must be made and received.

Texas Citrus Tree Insurance Program Modifications: (PM Bulletin PM-19-036). Announces the release of program materials for Texas Citrus Tree Program Modifications approved by the FCIC Board of Directors on August 15, 2018. Modifications include:

- adding lemon trees as an insurable type in Cameron, Hidalgo and Willacy counties;
- providing an option to select a percent of the price election for all citrus trees by type; and
- allowing enterprise units to insure all acreage of the same tree crop.

Farm Service Agency (FSA) Tracts and Associated Common Land Units (CLUs) Located in Multiple Counties: (PM Bulletin PM-19-039). Provides information on the impact to crop insurance policies when FSA divides tracts and associated common land units located in multiple counties into their physical county location.

Research, Contracts, Studies, and Workgroups

Pistachio Pilot Program Evaluation: RMA contracted with Agralytica, Inc. to evaluate the Pistachio Pilot crop insurance program. The final evaluation report was received on June 25 and is currently under review by RMA. The primary recommendation from the contractor was to convert the pilot to a permanent (regulatory) program. Report findings and recommendations will be presented to the FCIC Board of Directors for action.

Outreach

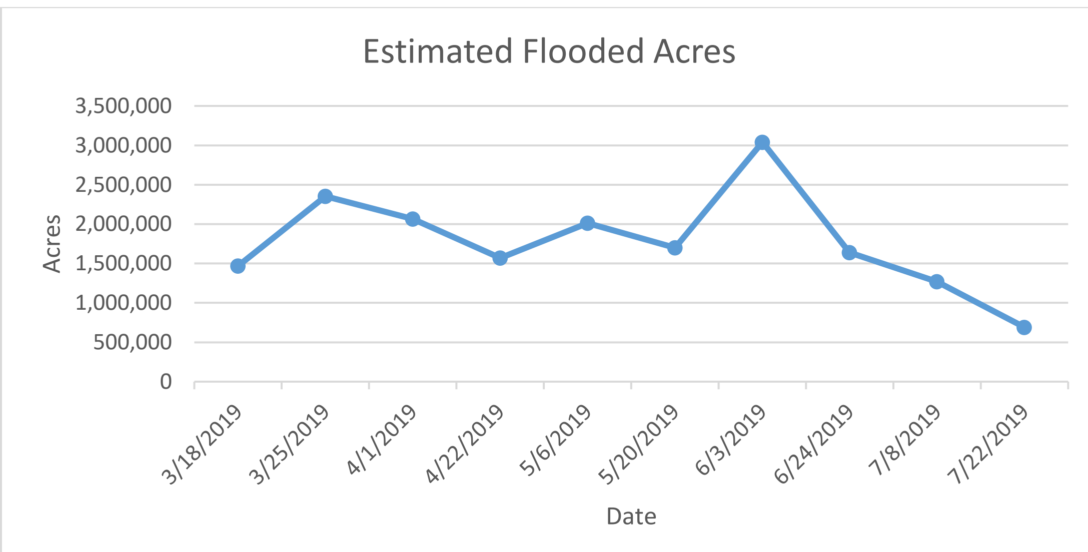
Onion Program/Pilot Onion Stage Removal Option Evaluation: RMA recently awarded a contract to Agralytica to review the Onion Crop Insurance Program. Agrlytica have conducted listening sessions with growers, insurance companies, and other interested parties in major growing areas across the United States and RMA is awaiting the final report.

2019 Written Agreements

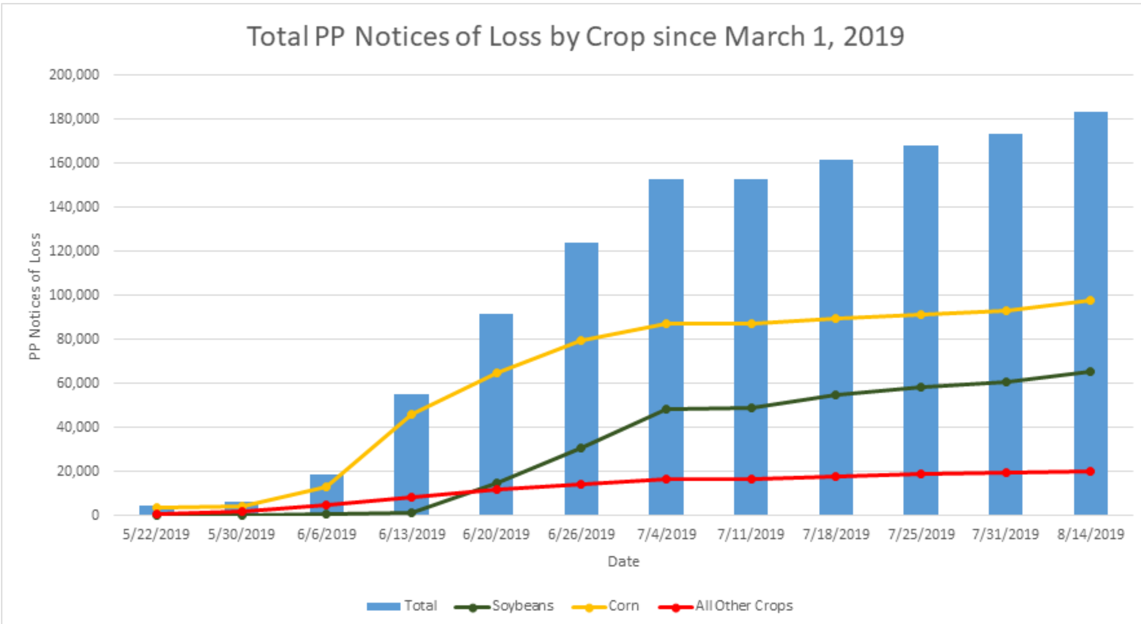
Since 2016, RMA has worked extensively with the industry to improve the customer experience for producers wishing to enhance or obtain coverage that is not available by requesting a written agreement for insurance. RMA continues to leverage the use of multiyear written agreements which allow for coverage to continue for multiple years as long as the policy continues to perform well or is no longer needed by the producer. This leads to substantial resource savings for RMA, AIPs, agents and producers as well as a reduced chance for errors and not being able to obtain coverage. RMA has also developed tools to monitor the performance of these policies more proactively so if performance issues are identified modifications or cancellation can be made to the agreement. Since 2016, RMA has been able to place increase the number requests on multiyear from 1,250 to 5,650 requests on a multiyear written agreement while reducing the number of exceptions from over 13,000 in 2015 to approximately 8,000 in 2019. RMA estimates that these process improvements will save RMA more than 4,500 staff hours in 2020.

2019 Prevented Planting and Flooding

Excessive moisture over a large portion of the central US has led to a large amount of flooding, delays in planting, and massive numbers of prevented planting claims. In many areas a wet fall combined with above average snowfall and spring rainfall have led to saturated soils, breached levees, flooding, and field damage. Below is a chart that shows the flooded acres since March. These are cropland only acres, so they exclude areas such as in urban areas or timber. In addition, RMA has separately identified acres that are currently considered high risk and considered frequently flooded and those that are not considered high risk. This allowed for up-to-date information for managers to assess the extreme nature of this year’s flooding.



RMA has also tracked the notices of loss for prevented planting. The chart below identifies the total prevented planting notices of loss for conditions related to excess moisture and flood-related causes since March 1, 2019 from RMA's Corporate Reporting Business Intelligence (CRBI)):



RMA has been actively working with producers, AIPS, grower groups, to answer questions and address concerns. Some recent bulletins/publications include:

- Updated Prevented Planting Fact Sheet, March 2019;
- Updated Flooding, Frequently asked Questions;
- Updated Breached Levee, Frequently asked Questions;
- Additional FAQ's, July 2019;
- Managers Bulletin-19-008, Addresses unharvested 2018 Crop Flooding Claims, April 25;
- Managers Bulletin-19-013, Flooding in the Morganza Floodway;
- Managers Bulletin-19-012 & 012.1, Bulletin Addressing Terminating a Failed Crop, June 5; and
- Managers Bulletin-19-015, Prevented Planting Cover Crop Relief, June 20.

Additionally, RMA has answered numerous questions from AIPs and producers regarding delays in terminating cover crops, prevented planting buy up, and other related questions. RMA also has clarified the breached levee statement on the special provisions which gives producers additional flexibility to request a written agreement for a different rate on their high risk ground if the levee is not rebuilt to prior specifications in time for the 2020 crop year.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of May 13, 2019, through July 23, 2019:

- Premium overstatements of $5,602;
- Indemnity overpayments $647,272;
- Premium understatements of $401; and
- Indemnity underpayments of $0.

Improper Payments Elimination and Recovery Improvement Act (IPERIA) Reviews:
The fiscal year (FY) 2020 IPERIA review has commenced and consists of 366 policies. In May, IPERIA Notification Letters and document request lists were sent to the Approved Insurance Providers (AIPs) and policyholders. AIPs were given a deadline of July 8, 2019, to have all requested documents submitted to RMA's Regional Compliance Offices (RCOs) or request an extension. RCOs are currently reviewing documents to determine if an improper payment was made. As reviews are completed RCOs will notify the AIPs of the results.

AIP Performance Reviews (APRs): RMA has completed the evaluation of the five AIP's whose compliance with the terms and conditions of 2017 Standard Reinsurance Agreement was assessed. The Final APR Reports were issued to the AIPs at the end of July. Compliance has begun preparation for the next cycle of APR and is in the process of selecting the next five AIPs to be reviewed.
FY 2020 APR will begin in October 2019.

Criminal Investigation Press Release: Kentucky – On July 22, 2019, Keith A. Foley, 49, pleaded guilty to conspiring to violate the laws of the United States before U.S. District Court Senior Judge Joseph M. Hood.

Foley, an agricultural producer of tobacco in Bourbon and Jessamine Counties, admitted that from approximately 2011 through 2016, he agreed with others to commit crop insurance fraud. In these years, Foley took out Multi-Peril Crop Insurance to cover his tobacco crops, an insurance program funded by the federal government through the Federal Crop Insurance Corporation but administered through private insurance providers. Foley admitted that he hid his crop production from the insurance companies, in order to claim that his crop suffered enough damage to trigger federal crop insurance indemnity payments.

Foley's conduct caused a loss of approximately $480,000 to the federal government and private insurance companies.

The complete Department of Justice Press Release is available at: https://www.justice.gov/usao-edky/pr/paris-man-pleads-guilty-conspiring-commit-crop-insurance-fraud.