



Federal Crop  
Insurance  
Corporation

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August 20, 2020

**TO:** Board of Directors  
Federal Crop Insurance Corporation

**FROM:** Martin R. Barbre  
Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4618

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on August 20, 2020.

### **Program Update**

**Forage Seeding and Forage Production Crop Insurance:** (PM Bulletin PM 20-029). The Risk Management Agency (RMA) amended the Forage Seeding and Forage Production crop insurance programs effective for the 2021 and succeeding crop years to address adequate stand, ground cover percent, and dates.

**Canola and Rapeseed Crop Provisions:** (PM Bulletin PM 20-033). RMA amended the Canola and Rapeseed Crop Provisions effective for the 2021 and succeeding crop years to align the provisions with other crops that have both spring and fall planted practices.

**Margin Protection Plan of Insurance:** (PM Bulletin PM 20-034). RMA amended the Margin Protection crop insurance program effective for the 2021 and succeeding crop years. The Chicago Mercantile Exchange recently discontinued posting swaps prices for Urea and Diammonium Phosphate (DAP) used to establish guarantees and indemnities under the Margin Protection plan of insurance. As a result of the change in available price data, RMA updated the Margin Protection price provisions to utilize futures prices for Urea and DAP.

**Livestock Risk Protection for Feeder Cattle, Fed Cattle, and Swine:** (PM Bulletin PM 20-035 and PM 20-042). On May 21, 2020, the FCIC Board of Directors approved changes to the Livestock Risk Protection (LRP) plan of insurance for Feeder Cattle, Fed Cattle, and Swine, under section 508(h) of the Federal Crop Insurance Act. Changes include moving the date premium is due to the end of the endorsement period and increasing premium subsidy.

**Sugarcane Actual Production History Plan of Insurance and Sugarcane Crop Replacement Endorsement (CRE):** (PM Bulletin PM 20-038). On March 5, 2020, the FCIC Board of Directors approved policy changes, submitted

by private submitters, to the Sugarcane Actual Production History (APH) plan of insurance and Sugarcane Crop Replacement Endorsement for the 2021 and succeeding crop years. Changes to the Sugarcane Crop Provisions include accounting for APH determination for acreage cut for seed when 100 percent of the unit is cut for seed and clarifying the date by which acreage cut for seed must be reported. Changes to the Sugarcane Crop Replacement Endorsement include adding option B to provide crop replacement coverage without depreciation and specifying the default coverage option when election is not made.

**Pulse Crop Revenue 508(h) Expansion:** (PM Bulletin PM 20-039). On May 21, 2020, the FCIC Board of Directors approved expansion of the Dry Bean Revenue Endorsement (DBRE) and Dry Pea Revenue Endorsement (DPRE), under section 508(h) of the Federal Crop Insurance Act. For the 2021 and succeeding crop years two dry pea types (Small Kabuli Chickpeas and Large Kabuli Chickpeas) were added in Emmons County, North Dakota and four dry bean types (Black, Dark Red Kidney, Navy, and Pinto) were added to two new counties (Clearwater and Goodhue) in Minnesota.

**Malting Barley Endorsement:** (PM Bulletin PM 20-040). On March 5, 2020, the FCIC Board of Directors approved changes to the Malting Barley Endorsement, under section 508(h) of the Federal Crop Insurance Act. Changes effective for the 2021 and succeeding crop years include expansion to 35 Ohio counties, quality adjustment will now be determined using Local Market Price, and quality adjustment will now impact barley actual production history.

**Dry Pea Crop Provisions:** (PM Bulletin PM 20-041). RMA amended the Dry Pea Crop Provisions for the 2021 and succeeding crop years. Changes include allowing insurance on Fava/Faba beans, adding program dates for Arizona and California, adding a moisture adjustment to gross production, updating the policy for consistency with other crops with coverage on both fall and spring-planted acreage in the same county, and clarifying policy provisions.

**Multi County Enterprise Unit:** (PM Bulletin PM 20-044). RMA revised the Multi County Enterprise Unit Endorsement for the 2021 and succeeding crop years for crops with a June 30, 2020, and later contract change date. The changes will provide greater flexibility for policyholders who elect enterprise units for both irrigated and non-irrigated practices and discover they do not qualify on or before the acreage reporting date.

**Area Risk Protection Insurance Basic Provisions, Common Crop Insurance Policy Basic Provisions, and Coarse Grains Crop Provisions:** (PM Bulletin PM 20-045). RMA revised the Area Risk Protection Insurance (ARPI) Regulations, Common Crop Insurance Policy (CCIP) Basic Provisions, and Coarse Grains Crop Provisions for the 2021 crop year for crops with a contract change date on or after June 30, 2020. For all other crops the changes are

applicable for the 2022 and succeeding crop years. The changes implement section 11122 of the Agriculture Improvement Act of 2018 (2018 Farm Bill) that required FCIC research and develop methods of adjusting for quality losses. In addition to the 2018 Farm Bill required changes, provisions were updated regarding premium offsets, Administrator reinstatement, notice of loss, double cropping requirements, prevented planting, and units.

**Livestock Gross Margin for Cattle, Dairy, and Swine:** (PM Bulletin PM 20-048). On June 23, 2020, the FCIC Board of Directors approved revisions to the Livestock Gross Margin (LGM) plan of insurance for Cattle, Dairy, and Swine, under section 508(h) of the Federal Crop Insurance Act. Revisions applicable for the 2021 and succeeding crop years include allowing premium to be paid at the end of the endorsement period for LGM Cattle, adding premium subsidy to LGM Cattle and Swine, and other minor editorial revisions to make the policies consistent with each other.

**Production and Revenue History Pilot Strawberry Crop Insurance Program:** (PM Bulletin PM 20-049). On May 21, 2020, the FCIC Board of Directors approved the Production and Revenue History (PRH) Pilot Crop Insurance Program for strawberries. RMA developed PRH for specialty crops to provide revenue coverage in addition to yield coverage. The program is effective for the 2021 crop year in Hardee, Hillsborough, Manatee, and Polk counties, Florida. The program will be effective for the 2022 crop year in California counties where the Actual Revenue History Strawberry crop insurance program is available.

**Hurricane Insurance Protection – Wind Index (HIP-WI) End of Insurance Extension Option:** (PM Bulletin PM 20-051). On June 23, 2020, the FCIC Board of Directors approved HIP-WI the End of Insurance Extension Option. The option is available for the 2020 crop year for apples, blueberries, grapes, and peaches. This one-time time option addresses a gap in coverage for these crops for the 2020 crop year. The option allows producers to extend the end of insurance period date for their existing HIP-WI contract to November 20, 2020 (the 2021 crop year sales closing date). Additional premium will be due since the risk period is extended.

**Forage Seeding Expansion:** (Manager’s Bulletin MGR 20-012). RMA expanded to a number of counties in Colorado, Idaho, Kansas, Michigan, Nebraska, New York, Oregon, and Washington for the 2021 crop year.

**COVID-19 Relief for Organic Plans and Certificates Due at Acreage Reporting:** (Manager’s Bulletin MGR 20-013). For the 2020 crop year, Approved Insurance Providers (AIPs) may allow a producer to report acreage as certified organic, or as acreage in transition to organic, when the producer provides documentation that they have requested, in writing, a written

certification or other written documentation from a certifying agent by the acreage reporting date.

**Livestock Risk Protection for Lamb Data Series Change and Suspension of Sales:** (Manager's Bulletin MGR 20-014). On May 21, 2020, the FCIC Board of Directors suspended sales of the Livestock Risk Protection for Lamb due to data being unavailable to make offers and settle existing insurance contracts. RMA will publish actual ending values for active endorsements by replacing the National Weekly Slaughter Sheep Review (LM\_LM352) formula price with the comprehensive price when the formula price is not available.

**COVID-19 FSA Acreage Reporting Date:** (Manager's Bulletins MGR 20-015 and MGR 20-020). RMA extended the correction time period for an acreage report, or other forms due by the acreage reporting date, for an additional 30 days for the 2020 crop year, acreage reporting dates that occur on or after May 15, 2020. RMA extended the correction time period for an acreage report, or other forms due by the acreage reporting date, for an additional 30 days for the 2021 crop year acreage reporting dates before August 1, 2020. RMA allowed AIPs to consent to revise an acreage report after the acreage reporting date when no cause of loss has occurred or the acreage of the crop being added will produce at least 90 percent of the yield used to determine its guarantee or the amount of insurance, based upon an appraisal of only the added acreage. RMA provided AIPs discretion to require an appraisal when revisions for acreage within a field is the lessor of 10 acres or 10 percent of the total acreage in the field.

**COVID-19 Additional Deferral of Interest Charges:** (Manager's Bulletin MGR 20-016). RMA waived interest accrual on premium payments and administrative fees to the earliest of an additional 60 days of the scheduled payment due date or the termination date on policies with premium billing dates between May 1, 2020, and July 31, 2020. RMA allowed AIPs to consider payments to be made timely up to 60 days of the scheduled payment due date for Written Payment Agreements due between May 1, 2020, and July 31, 2020.

**Dairy Revenue Protection Sales Period Modification:** (Manager's Bulletin MGR 20-017). RMA changed the definition of sales period effective June 5, 2020, by restricting the time period allowed to purchase Dairy Revenue Protection quarterly endorsements over a weekend. The weekend sales period will begin when the coverage prices and rates are published on Friday afternoon and ends at 9:00 AM Central Time on Sunday.

**Conversion of the Grass Seed Program to Permanent Status:** (Manager's Bulletin MGR 20-018). The Grass Seed program was determined by the FCIC Board of Directors to be permanent after the pilot testing was complete. The program was converted to permanent program status for the 2021 and succeeding crop years.

**2021 Crop Year County Fall Crop Program Expansions:** (Manager's Bulletin MGR 20-019). RMA expanded the number of counties where certain crops are insurable for the 2021 crop year having a June 30 contract change date. The expansion includes: alfalfa seed to Jerome County Idaho; dry peas to La Paz, Maricopa, and Pinal Counties in Arizona and Colusa, Fresno, Kings, Monterey, San Joaquin, Solano, Stanislaus, Sutter, and Yolo Counties in California; and rye to Benton, Norman, and Polk Counties in Minnesota.

### **Research, Contracts, Studies, and Workgroups**

**Apple Contract:** Task order 2 of the RMA contract with Agralytica for apples is now complete. RMA received the data gathering report on June 26, 2020. On July 23, 2020, Agralytica held a teleconference with RMA to discuss their finding in the Data Gathering Report.

**Apple Workgroup:** RMA has been conducting virtual listening sessions in all major apple growing regions to solicit feedback from the insurance and apple industries on potential changes to the Apple policy.

**Guar:** On March 19, 2020, a request for contractor proposals was issued to gather data, perform analysis, and develop a marketable and viable crop insurance program for guar producers. The focus of the effort will be the top guar producing states. On May 14, 2020, RMA awarded the contract to Agralytica. The first deliverable report is due in November 2020.

### **2020 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, Approved Insurance Providers (AIP), 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 cancellations can be made.

Since the 2015 reinsurance year, RMA has increased the number of multiyear written agreements from 1,250 to over 6,000 while reducing the number of exceptions processed annually from approximately 11,000 in 2016 to 7,200 in 2020. RMA took advantage of the efficiencies gained by using multiyear written

agreements and in working with AIPs to reduce submission errors, and as a result, drastically reduced decision/approval turnaround times by 39 percent.

For 2020, the COVID pandemic hit at the same time that ROs experienced their peak exceptions workload. During March and April, it is very common for ROs to receive up to 50% of the exceptions requests that they will process in a given year. The RO staff was extremely successful, and from March to July of 2020, processed 4,297 new requests for written agreement with an average turnaround time of 8.51 days. Clearly, they were more efficient and effective. Compared to the same time period in 2019, where 3,390 exceptions were processed with a turnaround time of 11.13 days.

### **2019 Flooding – Breached Levees and 2020 spring crops**

From March through June of 2019, severe flooding along the Missouri and Mississippi rivers caused about 215 breaches on more than 100 levee systems in 41 counties across Iowa, Nebraska, Kansas, Missouri and Illinois. Approximately 507,000 acres were impacted, with approximately 80 percent of that acreage in the State of Missouri. RMA continues to monitor levee repairs and is in constant contact with producers, agents, insurance companies, US Army Corps of Engineers and other stakeholders from the beginning to ensure that accurate, timely, pertinent information is being shared among all parties.

For RY 2020, RMA included a Breached Levee Special Provision statement that increased flexibility to allow rate adjustments which include rates associated with repairs that occur before the crop insurance contract became effective. RMA has used similar Breached Levee Special Provision statements in the past (such as after the floods of 2011). In addition, RMA added an additional flexibility, considering levees which were temporarily or partially repaired if certified by the USACE or, in the case of non-federal levees, an engineer licensed by the state in which the levee is located. If a breached levee was not repaired by the later of the Sales Closing Date (SCD) or Early Planting Date (EPD), the highest rate classification shown in the Actuarial Documents for the county applied.

As an innovative solution this year, RMA issued 14 Breached Levee offers covering which reduced the paperwork burden for producers and AIPs by allowing the AIPs to apply the offer directly to affected producers without requiring the producer to submit a written agreement request. For the 2020 crop year, approximately 200 crop policies could be positively affected by the Breached Levee blanket offers, saving around 575 staff hours as well as AIP and producer time.

As of August 7, 2020, total breached levee impacted acres have fallen by 63 percent to 186,723. Therefore, approximately 305,798 acres are now eligible for pre-flood insurance rates. In addition, 14,479 acres are protected by levees

partially repaired at a lesser height. These acres are eligible for an intermediate rate based on the level of protection offered by the levee. Similarly, the total number of impacted producers and policies have dropped by about 60 percent.

### **Compliance**

RMA Compliance has issued final findings to reinsured companies for the period of May 5, 2020 through August 4, 2020:

- Premium overstatements of \$1672,896;
- Indemnity overpayments \$2,924,613;
- Premium understatements of \$15,741;
- Indemnity underpayments of \$12,307; and
- A&O Reduction of \$727,812

**Audits:** OIG Audit 50024-0015-11 U.S. Department of Agriculture's fiscal year (FY) 2019 Compliance with Improper Payment Requirement report issued May 18, 2020.

OIG Audit 05601-0007-31 Controls Over Crop Insurance Section 508(h) Products report issued July 2, 2020.

### **Improper Payments Elimination and Recovery Improvement Act (IPERIA)**

**Reviews:** The FY 2021 IPERIA review has commenced and consists of 330 policies. In May, IPERIA Notification Letters and document request lists were sent to the AIPs and policyholders. AIPs were given a deadline of July 8, 2020 to have all requested documents submitted to the RMA 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 Compliance has completed the APRs for Country Mutual, Hudson, Producers Agriculture and Ace American (Rain & Hail LLC) Insurances Companies. The Final APR Reports were issued to the AIPs as of July 14, 2020.

### **Personnel Announcements**

Monte Crosby is the new Chief of the Data Quality Branch in the Product Analysis and Accounting Division of Product Management.

Jeff Bazille is the new Chief of the Reinsurance Accounting and Operations Branch in the Product Analysis and Accounting Division of Product Management.

Michael Hibbs is the new Senior Data Coordinator in the Product Analysis and Accounting Division of Product Management.

Michael Ciliege is the new Senior Program Analyst (Risk Management) in the Product Analysis and Accounting Division of Product Management.

Mandy Welton is the new Branch Chief for the Underwriting Standards Branch in the Product Administration and Standards Division.

Marty Tranbarger was recently hired as the Deputy Director for Risk Management Services Division.

Brently Orr was recently selected as the Director of Risk Management Services Division.