



Federal Crop
Insurance
Corporation

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May 19, 2022

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Marcia Bunger */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 4642

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on May 19, 2022.

Program Update

New Relay Cropping Practice Insurable by Written Agreement for Soybeans Seeded into a Small Grain Crop for the 2022 and Succeeding Crop Years (Manager's Bulletin MGR-22-002) RMA announced that for the 2022 and succeeding crop years, soybeans relay cropped into an established small grain crop will be insurable via written agreement. Relay cropping is a practice where a second-planted crop (relay crop) is planted into an established crop (other than a cover crop) where the crops are planted in a manner that allows separate agronomic maintenance and harvest of the crops unless otherwise defined in the Crop Provisions. To ensure relay cropped soybeans, the policyholder must submit a request for a written agreement in accordance with Section 18 of the Common Crop Insurance Policy Basic Provisions and the 2022 Written Agreement Handbook.

Dairy Revenue Protection (DRP) Changes Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-030) RMA announced changes to the DRP plan of insurance effective for the 2023 and succeeding crop years. Changes include: allowing sales to be suspended during the sales period for situations that arise during the sales period in which market conditions adversely change after the fact; adding flexibility to continue coverage when producers experience a disaster at their dairy operation; clarifying the termination date is June 30; and clarifying that an insured cannot have their other livestock insurance on the same milk in the same quarterly insurance period.

Livestock Risk Protection (LRP) Changes Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-029) RMA announced changes to the LRP plans of insurance effective for the 2023 and succeeding crop years. Changes include: increasing head limits; clarifying head limits are tracked by substantial beneficial interest; allowing insureds to purchase

both LGM and LRP as long as coverage is not for the same end month or the same livestock; revising the premium offset language to allow an insured the choice to receive indemnities without a reduction to offset premium on any endorsements that have not ended; requiring insurance companies to pay indemnities within 30 days (previously 60 days); allow unborn swine coverage for operations with multiple entity structures; and changing the endorsement length for swine to a minimum of 30 weeks for unborn swine and a maximum of 30 weeks for all other swine.

Livestock Gross Margin (LGM) Changes Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-028) RMA announced changes to the LGM plans of insurance effective for the 2023 and succeeding crop years. Changes include: expanding coverage availability for cattle, dairy, and swine to all 50 states; allowing insureds to purchase both LGM and LRP as long as coverage is not for the same end month or the same livestock; and revising the premium offset language to allow an insured the choice to receive indemnities without a reduction to offset premium on any endorsements that have not ended.

Hybrid Vegetable Seed Changes Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-027) RMA announced changes to the Hybrid Vegetable Seed plan of insurance effective for the 2023 and succeeding crop years. The policy was revised to determine the amount of insurance in terms of gross acres instead of female acres.

Production and Revenue History (PRH) Changes Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-026) RMA announced changes to the PRH Pilot plan of insurance effective for the 2023 and succeeding crop years. The harvest and post-harvest activities definition was revised to provide a consistent accounting and application of those activities

New Unit Division by Grid Option (UDGO) Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-023) In Georgia, Maine, and Texas, land is not surveyed under the U.S. Public Land Survey System, which is the basis for optional units by sections in many parts of the United States. RMA worked with stakeholders to develop the Unit Division by Grid Option (UDGO) that will be available for the 2023 crop year for certain annually planted crops with additional coverage in these states. UDGO uses a grid system developed by RMA, based on the United States National Grid (USNG), by dividing each approximately 6.2-mile by 6.2-mile USNG polygon into 36 roughly equal sized polygons approximately 686 acres in size. These approximately 686-acre polygons are each identified with a unique Section Equivalent ID and will be considered section equivalent parcels of land legally identified by other methods of measure, in accordance with Federal Crop Insurance Corporation procedures for establishing optional units.

Pandemic Cover Crop Program for 2022 (Product Management Bulletin PM-22-014) RMA announced the Pandemic Cover Crop Program (PCCP) for 2022. The program functions the same as PCCP for 2021 with the following changes: cover crops planted after June 15, 2021, and cultivated over the summer for fall-planted insured crops now trigger the benefit; Whole-Farm Revenue Protection is now eligible for PCCP benefits in addition to any benefit applied to underlying policies; states that maintain their own cover crop program now include a supplemental, dollar-for-dollar Federal match in addition to any base PCCP eligibility. A Final Rule with these changes was published in the Federal Register on February 11, 2022.

Research, Contracts, Studies, and Workgroups

Apple Workgroup: RMA issued a proposed rule to revise the Apple Crop Provisions on December 16, 2021, with a public comment period initially ending on February 14, 2022. On January 27, 2022, RMA extended the comment period by an additional 60 days to April 15, 2022. The comment period has closed, and RMA is reviewing the comments. The intended effect of this action is to provide policy changes to better meet the needs of the apple producers. The changes are proposed to be effective for the 2024 and succeeding crop years.

Aquaculture: RMA awarded a contract on July 19, 2021, to determine the validity and feasibility of developing a shellfish program with a focus on coverage that recognizes the difference in perils at different phases of growth. The contractor has delivered research results and RMA has decided to move forward with development of a policy for oysters. The draft Board submission package is due August 30, 2022.

Controlled Environment Agriculture (CEA): The 2018 Farm Bill required RMA to research feasibility of offering a crop insurance program for CEA. RMA has issued a contract for research and development of a crop insurance program for CEA. The contractor delivered a report on March 15, 2022, providing a CEA design concept. The next deliverable is for the Special Provisions and rates, which is due on July 17, 2022.

Production and Revenue History (PRH) for Fresh Tomatoes, Sweet Corn, and Peppers: RMA has contracted for the development of PRH policy for fresh market tomatoes, fresh market sweet corn, and fresh market peppers. The contractor delivered a Data Gathering Report for Fresh Market Peppers on November 30, 2021, and for Fresh Market Sweet Corn on January 31, 2022. A Board submission package for Fresh Market Sweet Corn was received on April 14, 2022. A Board submission package for Fresh Market Peppers is due on June 24, 2022.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of February 1, 2022, through April 25, 2022:

- Premium overstatements of \$2,272,196;
- Indemnity overpayments \$5,053,894;
- Premium understatements of \$312,544;
- Indemnity underpayments of \$7,143; and
- A&O Reduction of \$4,630.

IPERIA Reviews

The Fiscal Year (FY) 2022 IPERIA review is complete and the final error rate is being calculated. The final results will be submitted to OCFO at the end of May. The FY 2023 IPERIA review has commenced and consists of 445 policies. In April, IPERIA notification letters and document request lists were sent to the Approved Insurance Providers (AIPs) and policyholders. AIPs were given a deadline of June 14, 2022, to have all requested documents submitted to the Regional Compliance Offices (RCOs) or request an extension.

Audits

- OIG Audit 05401-0014-11 Federal Crop Insurance Corporation/Risk Management Agency's Financial Statement audit entrance conference was on March 16, 2022.
- OIG Audit 11601-0002-12 USDA's DATA Act Compliance Efforts for Fiscal Year 2020 and 2021 Recommendation 1 closed on April 22, 2022.

AIP Performance Reviews (APRs)

All Regional Compliance Offices (RCOs) completed their virtual reviews as scheduled, and began post onsite review activities through March and April of 2022. The Preliminary APR Reports are due to the Centralized APR Team (CAT) on May 2, 2022. Once the reports have been reviewed and approved, the RCOs will schedule exit conferences with the AIPs at the end of May 2022.

Indictments, Convictions, Guilty Pleas, and Sanctions

- On March 24, 2022, a federal judge in the District of Minnesota sentenced, a producer from MN to time served, five years of supervised release, ten months of home confinement, a \$20,000 fine, and \$548,695 in restitution. The

producer pleaded guilty to a criminal information on October 19, 2021, for making false statements to FCIC in crop years 2018 and 2019. The investigation revealed that the producer devised a scheme to manufacture and artificially inflate claims by shifting and hiding production.

- The following represent the most recent activity in the ongoing Eastern Kentucky Tobacco Fraud Investigation:
 - On March 24, 2022, a Kentucky producer, was permanently debarred from USDA programs because of his criminal conviction for crop insurance fraud. His restitution to RMA is \$265,219.
 - On March 28, 2022, a Kentucky producer, was debarred for five years, because of his criminal conviction for crop insurance fraud. His restitution, \$329,083, of which \$194,598 is to RMA, is joint and several with his brother.
 - On March 15, 2022, a Kentucky producer, was permanently debarred from USDA programs, because of his criminal conviction for crop insurance fraud. His restitution order, \$597,002, is partly joint and several with his brother.
 - On April 19, 2022, a loss adjuster was debarred for seven years due to criminal conviction for conspiracy to commit wire and mail fraud to file false crop insurance claims. The loss adjuster submitted false documents in support of MPCCI and private crop hail claims. His restitution is \$2,294,693 and is joint and several with an agent. The loss adjuster received kickbacks from producers for his role in the scheme.

Personnel Announcements

Michael Heiserman is the new Director of the Risk Management Education Division.