



Federal Crop
Insurance
Corporation

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May 18, 2023

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Marcia Bunger */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 4712

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on May 18, 2023.

Program Update

Notice of Funding Availability; Additional Payment to Approved Insurance Providers (Federal Register) On May 2, 2023, the Risk Management Agency (RMA) published a notice in the Federal Register announcing the availability of funding under the Additional Payment (ADD PAY) Program. The ADD PAY Program is a one-time additional payment to Approved Insurance Providers (AIP) administering eligible crop insurance contracts for 2021 reinsurance year specialty crops. The total funding available for the ADD PAY Program is \$25 million. Funding for the ADD PAY Program will be distributed to AIPs proportionally based on their respective liabilities for eligible crop insurance contracts for 2021 reinsurance year specialty crops.

Livestock Risk Protection, Livestock Gross Margin, and Dairy Revenue Protection - Modifications Effective for 2024 and Succeeding Crop Years (Product Management Bulletin PM-23-022) RMA announced the following changes effective for the 2024 and succeeding crop years:

Livestock Risk Protection

- Modified the end of the sales period to 8:25 AM Central Time; and
- For LRP-Fed Cattle, modified the price series to "Over 80% Choice."
Livestock Gross Margin
- Allowed producers to sign application for coverage ahead of sales period;
- Revised premium billing date to clarify multiple endorsements are purchased;
- Clarified policy terms (i.e., removed obsolete terms, added a definition for "declared share" to clarify insurable interest, converted the "approved target marketings" and "target marketings report" to "cumulative target marketings" and "specific coverage endorsement"), respectively;

- For LGM-Dairy, increased requirement for actual marketings from 75% to 85% of cumulative target marketings to match the Dairy Revenue Protection program; and
- For LGM Cattle & Swine, modified the end of the sales period to 8:25 AM Central Time.

Dairy Revenue Protection

- Updated form standards to conform with the required statements contained in the FCIC 24040 Document and Supplemental Standards Handbook (DSSH) requiring due process/ineligibility notification letters be sent to both the transferee and transferor.

Annual Forage Plan of Insurance - Modifications Effective for 2024 and Succeeding Crop Years and Rainfall Index Basic Provisions Changes (Product Management Bulletin PM-23-022) RMA announced the following changes to the Annual Forage Plan of Insurance effective for the 2024 and succeeding crop years:

- Modified the number of growing seasons in a crop year to 12;
- Revised the acreage reporting dates and planting dates for new growing seasons;
- Expanded the “50% rule” to all counties in Kansas and Nebraska to allow a producer to have coverage in one of the last growing seasons and also be able to have coverage in one of the first growing seasons of the next crop year;
- Allowed producers to insure less than 100% of insurable acres;
- Revised the Dual Use Option availability for new growing seasons; and
- Incorporated FAD-301 into the Rainfall Index Basic Provisions.

Hurricane Insurance Protection-Wind Index (HIP-WI) Changes Effective for the 2023 and Succeeding Crop Years for Crops with a HIP-WI Sales Closing Date of November 1, 2022, or Later (Product Management Bulletin PM-23-008) RMA announced the following changes to HIP-WI applicable for the 2023 and succeeding crop years:

- Added an option for coverage for a tropical storm Weather Event;
- Clarified the definition of “County Loss Trigger”;
- Added the definitions of “Final Rainfall Amount,” “National Oceanic and Atmospheric Administration Climate Prediction Center,” “Sustained Surface Wind,” and “Weather Event”; and
- Revised Section 9 to add that National Oceanic and Atmospheric Administration interpolated gridded precipitation data will be used to calculate the Final Rainfall Amount.

For the 2023 crop year for crops with a HIP-WI sales closing date of November 1, 2022, or later, an insured must elect the Tropical Storm (TS) option on or before April 30, 2023, to be effective. The election must be made on an existing HIP-WI Endorsement. If the insured does not already have a HIP-WI Endorsement, they may elect the HIP-WI Endorsement with TS option. However, a HIP-WI Endorsement without the TS option

cannot be elected if the 2023 sales closing date for HIP-WI has already passed. In future crop years, the sales closing date for the TS option will be the HIP-WI sales closing date.

Research, Contracts, Studies, and Workgroups

Apple Workgroup: RMA has been holding listening sessions in response to comments received on a proposed rule to revise the Apple Crop Provisions on December 16, 2021. Listening sessions have been held in Washington, Michigan, North Carolina, and there was also a virtual session. Listening sessions in New York and New Hampshire were postponed due to adverse weather and are tentatively planned to be rescheduled for June.

Contract Pricing Workgroup: RMA has initiated a workgroup with National Crop Insurance Services (NCIS) and representatives from each AIP to research the feasibility of expanding Contract Price Addendum and other contract pricing options to additional crops, types, and practices. The workgroup will also develop consistent procedures for concerns related to contract pricing. The workgroup anticipates having recommended changes available for the 2025 crop year.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of January 28, 2023, through May 2, 2023, totaling:

- Premium overstatements of \$1,733,521;
- Indemnity overpayments \$2,247,774;
- Premium understatements of \$53,868; and
- Indemnity underpayments of \$61,539.

Approved Insurance Providers Performance Reviews (APR)

During the month of February, Regional Compliance Offices (RCOs) completed APR onsite review activities for three AIPs. Post review activities and report writing began in March and were completed at the end of April. The RCOs identified these nine outcomes between the three AIPs: (1) two outcomes disclosed policy lifecycle control activity deficiencies for two AIPs; (2) an outcome identified that an AIP failed to fully comply with RMA's drug workplace filing requirements; (3) three outcomes reported Training and Performance Plan and Training and Performance Report deficiencies for two AIPs; (4) two outcomes revealed that two AIPs failed to identify discrepancies on companion policies; and (5) an outcome disclosed Quality Control Inspection and Review Inadequacies for an AIP. RCOs will deliver the Preliminary APR Reports for review by May 1, 2023. Exit conferences for the three AIPs will be completed by mid-May.

Improper Payments Elimination and Recovery Improvement Act (IPERIA) Reviews

The fiscal year (FY) 2023 IPERIA review is complete, and the final error rate is being calculated. The final results will be submitted to the Office of the Chief Financial Officer at the end of May. The FY 2024 IPERIA review has commenced and consists of 326 policies. In April, IPERIA notification letters and document request lists were sent to the AIPs and policyholders. AIPs were given a deadline of June 29, 2023, to have all requested documents submitted to the RCOs or request an extension.

Audits

OIG Audit 05401-0015-11: FCIC/RMA's Financial Statements for FYs 2023 and 2022 entrance conference was on February 23, 2023.

OIG Audit 50601-0004-21-USDA Agency Coordination of Organic Crop Information Entrance Conference was on March 13, 2023.

Indictments, Convictions, and Guilty Pleas

On January 30, 2023, in the U.S. District Court for South Dakota, a Federal judge sentenced two individuals to a combined 42 months of imprisonment following jury convictions of crop insurance fraud. The judge also ordered them to pay a combined \$1,324,940 in restitution to RMA.

Sanctions

From at least 2017 to 2018, a North Dakota potato policyholder knowingly made numerous false statements to claim production losses due to an insurable cause of loss, when in fact, his losses were actually due to his intentional failure to follow good farming practices. On August 25, 2022, in the United States District Court, District of North Dakota, the Grand Jury charged the insured on three counts of False Statements to the RMA that resulted in \$887,498 of insurance indemnities he was not entitled to receive. With the March sales closing date approaching, the Administrator issued a Notice of Suspension to the insured on January 12, 2023, to protect the public interest by immediately excluding him from all federal programs. The insured contested the suspension and sought a temporary restraining order (TRO) to stop the enforcement of the suspension. On March 15, 2023, the United States Magistrate Judge denied his motion for a TRO and the suspension remains in place. The insured's criminal case is scheduled for trial in March 2024.

Personnel Announcements

None.