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May 23, 2024

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

**FROM:** Marcia Bunger */signed/*  
Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4783

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on May 23, 2024.

### **Program Update**

**Notice to Cease and Desist Agent/Agency Contract Terminations** (Manager's Bulletin [MGR-24-003](#)) The Risk Management Agency (RMA) issued a cease and desist notice in response to Approved Insurance Providers (AIP) terminating the agent/agency contract and decreasing their compensation to decrease business in specific crops, plans of insurance, and geographic areas. Actions taken by the AIPs have led to marketplace confusion, disruption, and miscommunication. The notice included a request for information from the AIPs pursuant to the 2024 Standard Reinsurance Agreement and Livestock Risk Protection Agreement.

**Accommodations for Producers Applying for Nursery Value Select Coverage for the 2025 Crop Year in Newly Expanded Counties** (Manager's Bulletin [MGR-24-002](#)) With the expansion of Nursery Value Select (NVS) nationwide, RMA announced that AIPs may cancel policyholder's Nursery Field Grown and Container (FG&C) policies when certain criteria are met. This action prevents a lapse in coverage for producers who want to purchase NVS for the 2025 crop year.

**Livestock Risk Protection, Livestock Gross Margin, and Dairy Revenue Protection - Modifications Effective for 2025 and Succeeding Crop Years** (Product Management Bulletin [PM-24-028](#)) RMA announced the following changes to the Livestock Risk Protection (LRP), Livestock Gross Margin (LGM), and Dairy Revenue Protection (DRP) programs effective for the 2025 and succeeding crop years:

- LRP:
  - Allowed producers to sign application for coverage ahead of sales period;
  - For LRP Fed Cattle and Swine, the insured must provide sales records for swine and fed cattle to receive an indemnity;

- Suspension of offers for LRP-Feeder Cattle and LRP-Fed Cattle on dates when the U.S. Department of Agriculture (USDA) releases the Cattle on Feed report, and suspension of LRP-Swine offers on dates when USDA releases the Hogs and Pigs report;
- Removed the definition of “daily price limit” and added the definition of “limit movement” to allow LRP offers on days when livestock prices change more than the regular limit, but less than the expanded price limit; and
- Updated the policy and handbook to be consistent with other FCIC issued policies and handbooks.
- LGM:
  - Allowed producers to sign application for coverage ahead of sales period;
  - For LGM Cattle and Swine, converted the “approved target marketings” and “target marketings report” to “cumulative target marketings”;
  - For LGM Cattle, added definitions of “target corn weight,” “target feeder cattle weight,” and “target live cattle weight,” and modified definitions for “actual cost of feed,” “actual gross margin per head,” “expected cost of feed,” and “expected gross margin per head” to provide more flexibility in choosing the cattle weight and the amount of corn fed per head;
  - For LGM Swine, modified definitions of “actual corn price,” “actual soybean meal price,” and “actual swine price” to reflect the change in timing and methodology for calculating actual prices, modified definitions of “expected corn price,” “expected soybean meal price,” and “expected swine price” to reflect the change in timing and methodology for calculating expected prices, modified definition of the “marketing report” to provide additional flexibility for swine sold earlier or later than expected, and removed the definition of “expected price measurement period” since that term is no longer used; and
  - Updated the policy and handbook to be consistent with other FCIC issued policies and handbooks.
- DRP:
  - Updated the policy and handbook to be consistent with other FCIC issued policies and handbooks.
  - Provided notice that due to reductions in National Agricultural Statistics Service (NASS) milk reporting, FCIC will not be able to calculate the state yield for certain states (AK, AL, AR, CT, DE, HI, KY, LA, ME, MD, MA, MS, MT, NE, NV, NH, NJ, NC, ND, RI, SC, TN, WV, and WY) for quarters 1 through 3 of 2025. The policy and endorsement revisions for 2025 crop year will account for NASS’s changes and will resume functioning as normal.

**Hybrid Vegetable Seed Changes Effective for the 2025 and Succeeding Crop Years** (Product Management Bulletin [PM-24-027](#)) RMA announced the following changes to the Hybrid Vegetable Seed program effective for the 2025 and succeeding crop years:

- Expand the definition of “Minimum Guaranteed Payment” to include any amount, in any contract or payment method issued by the processor or seed company, that is paid regardless of the quantity of seed produced.
- Add stage guarantees to address early season losses.

**Rainfall Index Plan Common Policy, Basic Provisions - Modifications Effective for 2025 and Succeeding Crop Years** (Product Management Bulletin [PM-24-026](#)) RMA announced the following changes to the Rainfall Index Plan Common Policy, Basic Provisions effective for the 2025 and succeeding crop years:

- Clarified that cover crops are not insurable and added consequences if a cover crop is insured under the policy.
- Clarified that an AIP may only cancel a policy with express written consent from FCIC.

**Hurricane Insurance Protection-Wind Index (HIP-WI) Changes Effective for the 2025 and Succeeding Crop Years** (Product Management Bulletin [PM-24-025](#)) RMA announced changes to the HIP-WI Crop Provisions for the 2025 and succeeding crop years in all counties with an April 30, 2024, contract change date, or later, with the following changes:

- Updated the definition of “Adjacent County” to indicate that counties identified as adjacent to an insured’s county will be published in the actuarial documents.
- Clarified in the definition of “Weather Event” that the criteria necessary to meet the County Loss Trigger for a tropical storm must occur within the bounds of a county or adjacent county.
- Added the definition of “Wind Extent.”
- Added within the definition of “Weather Event” that a Final Rainfall Amount of 5.900 inches and above will be rounded to 6 inches.
- Added that Wind Extent data is a matter of general applicability, are presumed to be accurate, and will not be changed once published unless the criteria set forth in section 8(e) are met.

**Tobacco Written Lease Agreement Collection Requirements** (Product Management Bulletin [PM-24-019](#)) RMA announced that AIPs and agents are not required to collect copies of all written lease agreements from insured tobacco producers. The program function that these records were necessary for is no longer applicable, and as part of an ongoing effort to reduce unnecessary paperwork, RMA has not been requiring the collection of these records since the quota program was discontinued.

**Hurricane Insurance Protection - Wind Index Tropical Storm Option – Additional Educational Materials Available** (Product Management Bulletin [PM-24-018](#)) RMA announced updated tools for HIP-WI Tropical Storm Option (TS).

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

**Turfgrass Research and Development** – RMA is researching the potential for development of a turfgrass policy. On March 4, 2024, RMA representatives visited a turfgrass farm near Jefferson City, Missouri. RMA plans to continue outreach efforts and conduct additional site visits this year.

**Production and Revenue History (PRH) Plums Research and Development** – RMA is researching the potential for development of a PRH Plum policy targeted for the counties where plums are currently insurable under the existing Actual Production History (APH) Stonefruit program.

**Production and Revenue History (PRH) Fresh Market Bean Research and Development** – RMA is researching the potential for development of a PRH Fresh Market Bean policy targeted for the counties where fresh market beans are currently insurable under the existing APH Fresh Market Bean program.

**Date Palm Research and Development** - RMA is researching the potential for development of a date palm Federal crop insurance program. RMA representatives plan to attend and present at the at the 2024 California Date Palm Workshop on May 22 in Indio, California.

**Shellfish Outreach** - In March, RMA presented information on the Shellfish pilot crop insurance program at Oyster South Industry Symposium in New Orleans and the National Shellfisheries Association Annual Meeting in Charlotte, NC.

### **Insurance Services**

**ROE Digitization Project and 2024 Written Agreements** - The Regional Office Exceptions (ROE) platform facilitates the processing of policy and procedural exceptions to the crop insurance policies commonly known as written agreements. Written agreements are manually underwritten policies that offer coverage not available in the county or offer specific improved coverage or terms. This process provides significant flexibility to the Federal crop insurance program, which covered almost \$1.5 billion in liability in 2023 from approximately 18,000 written agreement offers.

Since these requests are manually underwritten requests, there is a lot of interaction between various stakeholders including AIPs, agents, and producers covering sometimes several hundred pages of application materials. Currently

AIPs are only required to send the RMA Regional Office the basic information needed to log a request into ROE. This process creates an electronic folder that the AIPs can then access through ROE to upload all supporting documentation required to determine the decision on the exception request. The supporting documentation is sent as electronic documents such as PDFs and images. In many instances this AIP is taking data that is currently available in their system and transmitting them as a document/image creating extra manual steps for both ROs and AIPs. The Regional Office specialist is then required to manually sort through the documentation and then create any needed records in the ROE system. Since the documents are currently submitted as PDFs and images, there is no way to verify all required information is submitted by the AIP without going through the entire submission.

If the fall of 2023, RMA began a project to digitize these records to further streamline processing. This project will save a significant number of resources, reduce duplication of effort for RMA and AIPs, and decrease the chance of human error. The project should be completed by Sept 2024 for most of the 2025 Reinsurance Year.

So far, 2024 has been pretty typical for the most part as far as written agreement processing is concerned, however, there are a couple of items to note. Last year the board approved a modification which allowed for Sesame written agreements to not be limited to select states and counties. RMA has seen a significant increase in these requests where coverage is not available in the county. From 2017-2023, RMA issued approximately 8 offers per year, in 2024 this has increased to 128 offers covering 9 states. Additionally, RMA continues to see interest in obtaining coverage for double crop soybeans and grain sorghum with approximately 2250 requests for coverage through either a blanket written agreement or traditionally underwritten agreement.

### **Compliance**

RMA Compliance has issued final findings to reinsured companies for the period of February 5, 2024, through May 7, 2024:

- Premium overstatements of \$180,504;
- Indemnity overpayments \$108,987;
- Premium understatements of \$83,769; and
- Indemnity underpayments of \$0.

### **Payment Integrity Reviews**

The fiscal year (FY) 2024 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 FY2025 Payment Integrity Review has commenced and consists of 388

policies. On May 2, 2024, Payment Integrity Review notification letters and document request lists were sent to the AIPs. AIPs were given a deadline of July 8, 2024, to have all requested documents submitted to the Regional Compliance Offices (RCOs) or request an extension.

#### **AIP Performance Reviews (APRs)**

Regional Compliance Offices (RCOs) completed their onsite reviews at the headquarters and field offices of the AIPs at the beginning of March 2024. Post onsite review activities began and continued through April 2024. The RCOs will start the issuance of the Preliminary APR Reports by mid-May 2024.

#### **Criminal Recover, Indictments, Convictions, and guilty pleas:**

- On March 5, 2024, a producer was sentenced in U.S. District Court. The producer pleaded guilty to a felony of making false statements in violation of 18 USC 1001. His false statements were related to a claim he filed on his 2019 potatoes. He misrepresented his farming practices to an AIP to undermine their determination of his uninsured causes of loss. The Court found his actions had an intended loss amount of more than \$272,000 and sentenced him to one year of probation.

#### **Audits**

- OIG Audit 50024-0004-24 USDA's Compliance with Improper Payment Requirements for FY 2023 entrance conference was on February 5, 2024.
- OIG Audit 50503-0013-12 FY24 USDA FISMA Selected Systems entrance conference was on February 20, 2024.
- OIG Audit 05403-0001-11 USDA Federal Crop Insurance Corporation/Risk Management Agency's FY 2024 Financial Statement Audit Entrance Conference was on March 13, 2024.
- OIG Audit 05601-0005-22 Whole-Farm Revenue Protection Exit Conference was on April 3, 2024. The report was issued with one recommendation on May 6, 2024. Management Decision was reached on May 7, 2024.
- OIG Audit 50501-0027-12 USDA's Compliance with the Geospatial Data Act for Fiscal Year 2024 entrance conference was on April 9, 2024.

#### **Personnel Announcements**

None.