

Biotech Yield Endorsement

What is the pilot BYE?

The pilot BYE allows eligible producers to receive a premium rate reduction for planted corn on a unit-by-unit basis.

Why does the pilot BYE qualify for the premium rate reduction?

The Monsanto Company, as a co-submitter of the Pilot BYE, has demonstrated that its specific triple-stack genetic traits, when used in combination, provide lower yield risk as compared to non-traited hybrids. The triple-stack genetics protect against: (1) above ground lepidopteran pests (for example, moths, and their larvae); (2) below ground corn rootworm damage; and (3) weeds via spraying of glyphosate (for example, Round-up).

When is the pilot BYE available?

The pilot BYE is available for the 2008 crop year. The pilot Biotechnology Endorsement is available for the 2009 through 2011 crop years, unless cancelled or extended by FCIC.

Are there any eligibility requirements for producers to receive the lower premium rate?

The main requirements are that producers will be required to purchase an individual yield or revenue insurance plan ([APH](#), [RA](#), or [CRC](#)) at a buy-up level of coverage, and at least 75 percent of their total insured corn acres planted in a unit must be non-irrigated corn for grain planted to a corn hybrid containing Monsanto triple-stack genetics. However, producers are still subject to current EPA refuge requirements.

Where is the BYE pilot program available?

The BYE was available for non-irrigated corn in all counties in Illinois, Indiana, Iowa, and Minnesota.

Potential expansion in subsequent years to additional states or other crops will be subject to future submissions supported by adequate research, empirical evidence, and analysis, and be subject to Board review and approval.

Who offers the premium discount?

Western Agricultural Insurance Company was a co-submitter of the pilot BYE and is making it available in the above listed states, but any approved insurance provider (AIP) authorized to sell and service Federal crop insurance in the approved states can elect to offer the pilot BYE premium rate reduction to a producer if all eligibility criteria are met.

All AIPs have indicated they will offer the pilot BYE for the 2008 crop year.

How much is the premium rate reduction?

The average premium rate reduction for coverage levels in the range of 70 to 75 percent (the most common in the pilot area) is around 20 percent under the actual production history (APH) plan of insurance, which insures only yield risk.

For producers with revenue policies, the premium rate reduction would be less because the yield risk accounts for only a portion of the total risk and total premium rate.

The average reduction in premium rates across the entire book of business in the pilot area is likely to be about 13 percent when considering all policies. The reduction will range higher for lower coverage level policies and vice versa for higher

coverage level policies.

Will the premium discount be the same every year?

Each year the premium discount will be reviewed and recalculated, as appropriate, based upon additional field test data from Monsanto and loss data collected by RMA.

How do producers sign up for the pilot BYE premium rate reduction?

All approved insurance providers who elect to offer the pilot BYE will notify their insureds of its availability and the eligibility criteria. If all eligibility criteria are met, the producer will automatically qualify for the premium rate reduction. This determination will be made at acreage reporting time. However, insureds will be subject to spot-check or audit to ensure compliance with pilot BYE requirements.

What process did the Board use to approve the pilot BYE?

The pilot BYE was originally presented as a submission under section 508(h) of the Act. However, after further review, it was determined the submission actually fell under section 523(d) of the Act.

The submission was carefully reviewed by a panel of five expert reviewers, RMA and the Board. It was the majority opinion of the Board that: 1) the interests of producers were adequately protected within the pilot area; 2) the proposed rates of premium were actuarially sound; 3) the size of the proposed pilot was adequate; 4) the pilot BYE would not unfairly discriminate among producers in the pilot area; and 5) if the pilot area were expanded, the pilot BYE would not adversely impact the crop insurance delivery system, not reduce program integrity, still be actuarially appropriate, and not place an additional financial burden on the Federal government.

In addition, the Board also considered:

- Whether the potential premium rate reduction is significant and meaningful (in the case of the pilot BYE, reductions in the yield component of premium rates were generally around 20 percent);
- Whether the proposed reduction is significantly different from other discounts currently available, or is already accounted for in current premium rates;
- That the basis for the reduction cannot be controlled by the producer or any outside third party;
- That an established, reasonable and efficient process exists for independent verification that the producer qualifies for the reduction;
- No unreasonable burdens occur with respect to the crop insurance delivery system, compliance monitoring activities, IT system modifications and data reporting requirements, and that premium rating approaches are transparent;
- That the proposed premium rate reduction is based on credible data and sound analysis; and
- There is a process to collect data on the performance of the proposed reduction so that it may be evaluated and adjusted annually as may be appropriate.

Is the pilot BYE submission available to the public?

Once a submission has been approved, any person can request the submission under the Freedom of Information Act (FOIA). Any documents not exempt from release under FOIA will be provided.

Is only Monsanto's triple-stack genetically traited corn eligible for the premium discount?

Monsanto is the only organization to have made a submission under section 523(d) of the Act that has been approved at this time. However, over 250 companies currently license Monsanto's triple-stack technology. Any approved insurance provider can provide, or partner with a private entity to provide, a submission for a premium rate reduction under section 523(d) of the Act and it will receive consideration by the FCIC Board.

Is the Board's approval of the pilot BYE considered an endorsement by USDA or RMA of Monsanto's triple-stack genetically traited corn?

Approval of the BYE pilot program is **not** an endorsement by USDA or RMA of Monsanto's triple-stack genetically traited corn. All the approval means is that Monsanto's triple-stack genetically traited corn demonstrated a reduction in risk that qualified for a premium rate reduction. There may be other genetically traited corn that could perform as well or better than the one covered by the pilot BYE. Producers should consult with their seed dealers to determine the best seed for them.

If a producer meets all pilot BYE requirements but harvests some of the non-irrigated corn planted for grain as silage, does such action make the producer ineligible for the pilot BYE premium rate reduction?

Harvesting some of the non-irrigated corn for grain acreage, used to qualify for the pilot BYE, as silage does not, by itself, affect the producer's eligibility for the pilot BYE premium rate reduction.

After an insured indicates on their acreage report that a unit(s) meets the pilot BYE requirements, may an insured modify their acreage report to indicate unit(s) no longer meets the applicable requirements? If so, what effect does such modification have on the insured's underlying policy?

Neither the pilot BYE nor the pilot BYE Insurance Standards Handbook modify the acreage reporting provisions contained in the applicable basic provisions (Section 6 for APH policies and Section 7 for RA and CRC policies). Accordingly, before the acreage reporting date an insured may modify their acreage report to indicate they are not eligible for the pilot BYE with no impact on their underlying policy.

The acreage reporting provisions contained in the applicable basic provisions allow for certain changes to an insured's acreage report after the acreage reporting date with the consent of the AIP. If such a change to the acreage report results in the insured no longer meeting the requirements of the pilot BYE, the insured's corn crop policy would not be voided solely because of the permitted change to the acreage report, provided there was no false or fraudulent information involved. However, an

AIP cannot consent to change an acreage report after an insured's policy is selected for spot-check solely to avoid the policy being voided.

What is the process for collecting and testing plant tissue samples for the required traits when a pilot BYE policy is selected for spot-check?

The pilot BYE quality control measures, including the testing of plant tissue samples (plant leaves), were developed to ensure that producers who receive the pilot BYE premium rate reduction meet all eligibility requirements and to maintain the integrity of the pilot in an efficient manner.

The process for the collection and testing of plant leaves starts with the random selection of policies by the AIP. All policies for which the pilot BYE premium rate reduction is applied are subject to random selection to determine whether the insured has met all pilot BYE eligibility requirements. Each AIP randomly selects for spot-check 3% of applicable policies with liability less than \$500,000 and 5 percent of applicable policies with a liability equal to or greater than \$500,000 in accordance with the pilot BYE Insurance Standards Handbook.

For policies randomly selected, the insured will be contacted by a representative from the AIP and informed they have been selected for spot-check. All units which the insured identified on their acreage report as eligible for the pilot BYE premium rate reduction will be reviewed. Only those units the insured identified as eligible for the pilot BYE will be spot-checked. No plant leaves will be collected from any unit that was not identified as eligible for the pilot BYE.

The insured identifies the physical location of the acreage that is non-irrigated corn for grain planted to qualifying hybrids and identifies the physical location of any other corn planted within the unit. The producer is responsible for being able to identify and communicate to the AIP representative such acreage as a condition of the pilot BYE. The purpose of requiring an insured to identify the physical location of other corn planted within a unit is solely to ensure the AIP does not collect tissue samples from such acreage, and inadvertently cause the insured to fail the trait

expression test.

The AIP randomly selects 10 plants from within the unit and collects a plant leaf from each plant. Plant leaves are collected only from the acreage the producer identified as being non-irrigated corn for grain planted to qualifying hybrids. Each plant selected must represent different locations within the applicable field/acreage identified (the plant leaves must be representative of the entire field/acreage identified as non-irrigated corn for grain planted to a qualifying hybrid). In addition, each plant selected must be at least 100 feet apart and must be at least 100 feet from the edge of the field.

The AIP places each of the 10 randomly selected plant leaves in a separate bag to prevent any cross contamination. Within 24 hours of the plant leaves being collected, all 10 samples are mailed to an independent laboratory to test for the required traits. The laboratory randomly selects three of the 10 plant leaves for each unit, and tests each of the three plant leaves for the presence of the required traits using lateral flow test strips. Not all 10 plant leaves are tested. If at least two of the three plant leaves test positive for the required traits, the unit is determined to have met the pilot BYE planting requirements. If 2 or more of the 3 plant leaves test negative for the required traits, the unit is determined to not meet the pilot BYE planting requirements.

Within 10 business days of receiving the plant leaves, the laboratory notifies the AIP of the trait expression test results for each unit. The AIP notifies the insured of the result of the trait expression tests only when the test results are negative and the insured is determined out of compliance with the pilot BYE.

What can an insured do if the plant tissue samples test negative for qualifying hybrids?

After notification of a negative test result, the producer may challenge such result and request the AIP collect an additional 10 plant leaves from the applicable units to be submitted to the laboratory for trait expression testing. The collection and submission of 10 additional plant leaves for trait expression testing is at the discretion of the AIP. If a producer challenges the initial test results and has a

reasonable explanation, as determined by the AIP, as to why such results may not be valid, the AIP may collect and submit an additional 10 plant leaves for trait expression testing. If there is insufficient plant tissue available to collect for an additional trait expression test, the results of the initial trait expression test shall be final.

If the AIP elects to approve a producer's request for testing of additional plant leaves, the AIP must collect the additional 10 plant leaves according to the same procedures as the initial 10 plant leaves were collected, including collecting such additional leaf samples from the same fields/acreage as the initial plant leaves, except when the producer has a reasonable explanation that he/she made an error in identifying the acreage for the initial selection. Further, the AIP must submit the additional plant leaves to the same laboratory that performed the trait expression tests on the initial plant leaves. The laboratory will conduct trait expression testing using the same procedures used for the initial plant leaves.

If the result of the second trait expression test of the additional plant leaves is negative, no further testing of plant leaf samples is authorized. Due to the fact it should be highly unlikely the test results will be negative if the insured in fact complied with the terms and conditions of the pilot BYE, and that such tests are highly accurate, there should be no reason for any further testing. The AIP will contact the insured to inform them of results of the second test.

Monsanto Company has agreed that for the 2008 crop year, the cost of the additional lab tests will be at no charge.