



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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May 24, 2017

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Heather Manzano */signed/*
Acting Manager

SUBJECT: Manager's Report
Exhibit No. 4408

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on May 24, 2017.

Research, Contracts, Studies, and Workgroups

Garlic: RMA contracted with Watts and Associates, Inc., to conduct a study to gather data and assess the feasibility of the development of an insurance program for garlic in major production areas. The contractor submitted its deliverable under the contract. The report includes a summary of listening sessions conducted throughout production regions to gather stakeholder input, a description of markets for garlic, an assessment of data available for the development of premium rates and price elections, and an analysis of quantification of insurable risks. The contractor recommended development of a yield-based individual crop insurance program for garlic growers. Staff in RMA's Product Management Office and Davis Regional Office are reviewing the deliverable report to determine whether the option for a garlic insurance program should be exercised.

Program Changes

Annual Forage: The Annual Forage (AF) Plan of Insurance was modified for the 2018 crop year to correct a program vulnerability that had been identified related to the acreage reporting dates (ARD). Working in conjunction with the developers and owners of AF, the number of growing seasons in the program were modified from two growing seasons to four. ARD's were then modified to align with the new growing seasons. Additional changes included removal of the December 15 sales closing date (leaving only a July 15 sales closing date); modification of the planted acreage definition; addition of a Special Provision statement limiting the productivity factor in Colorado and New Mexico; clarification that forage cannot be planted into an established grass or legume; reduction of the Percent of Value in Colorado from 45 to 40 percent; added requirements for new breaking acreage; and removal of the capping process for AF.

Flooding, Hail, Snow, and Freeze

Arkansas: Recent storms led to significant flooding in low lying areas in eastern Arkansas. The Arkansas Extension Service predicts total loss of at least 100,000 acres of rice. Hail damage affected soybean and corn crops, however, corn is expected to recover with minor yield loss. Levee breaches along the Black and Current River occurred on May 5, 2017, adding to the damage in some areas.

Missouri and Mississippi Rivers: Central and Southern Missouri are experiencing record flooding. Counties along the Missouri and Mississippi Rivers are predicting the majority of the crop insurance claims to be replant payments with some isolated prevented planting and/or unharvested losses due to loss of land and sediment deposits. There is an expectation for unharvested losses leading into a first crop/second crop situation with land being planted to soybeans as a second crop.

Kansas, Colorado and Nebraska: A late season snow storm hit western Kansas, eastern Colorado and parts of Nebraska, bringing below-freezing temperatures and more than a foot of snow to key wheat-growing areas. Approximately 4 million insured wheat acres in Kansas, Colorado, and Nebraska were affected, an area consisting of 21,000 policies and \$500 million in liability.

Conservation Compliance

The Agricultural Act of 2014 (2014 Farm Bill) applies conservation compliance to Federal crop insurance premium subsidy eligibility requirements. Letters were recently mailed to approximately 3,800 producers concerning possible conservation compliance violations. Policies with sales closing dates between July 1, 2016, and June 30, 2017, were granted an exemption for the 2017 reinsurance year if the producers' first year to farm was after June 1, 2016. Form AD-1026 certifying compliance must be on file with their local USDA Service Center by June 1, 2017, if crop insurance is purchased during the 2018 reinsurance year. Failure to file the form will result in producers being responsible for the full premium.

Outreach

2017 RME Partnership Programs Announced: Recently, RMA announced the availability of \$8.85 million in funding for risk management education partnerships. RMA will award \$4.85 million to deliver crop insurance education to producers in 17 states where there is a low level of Federal crop insurance participation and availability. The Agency will also award up to \$4 million to provide producers general nationwide training and informational opportunities on the subject of crop insurance and other risk management tools. The Request for Applications can be found on www.grants.gov and RMA's public website.

Plan of Operations

RMA is currently reviewing 2018 Reinsurance Year Plan of Operations submissions for Approved Insurance Providers (AIP) seeking approval to participate in the Federal crop insurance program for the upcoming reinsurance year. The Agency reviews the financial stability, operational effectiveness, and overall performance of participating companies in advance of each new reinsurance year. Approval letters will be distributed to AIPs by July 1, 2017.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of January 24, 2017 through May 2, 2017:

- Premium overstatements of \$1,146,417;
- Indemnity overpayments of \$3,011,362
- Premium understatements of \$339,251; and
- Indemnity underpayments of \$417,105.

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

Review: Compliance has begun its fiscal year 2018 IPERIA review. This year, RMA is sampling 473 policies from 17 AIPs. RMA had a kick-off meeting with the AIPs and requested the AIPs to provide all documents for each policy by June. When the documents are received, RMA will begin its IPERIA review of the policies.

AIP Performance Reviews (APR): Compliance completed its performance review of three AIPs and issued the preliminary reports. The AIPs provided their responses and RMA will issue the final reports in April/May. The next round of APR reviews will begin in September 2017.

Spot Check List: Compliance issued the 2017 spot check list of producers. Data mining is used to identify crop policies for which the loss experience is anomalous relative to similar policies in the geographic area. Half of the identified crop policies are assigned to AIPs for inspection and the other half are assigned to the Farm Service Agency. The 2017 list is comprised of 1,633 distinct producers and 2,598 crop policies. Cumulative cost avoidance of the spot check list program from 2001-2015 is estimated at almost \$1.2 billion.