



Federal Crop
Insurance
Corporation

1400 Independence
Avenue, S.W.
Stop 0801
Washington, DC
20250-0801

November 19, 2021

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Richard H. Flournoy */signed/*
Acting Manager

SUBJECT: Manager's Report
Exhibit No. 4616

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on November 19, 2021.

Program Update

2022 Crop Year County Perennial Crop Program Expansions (Manager's Bulletin MGR-21-012) The Risk Management Agency (RMA) announced 2022 crop year county expansions for almonds, blueberries, grapes, mandarins, pistachios, and walnuts.

Emergency Flexibilities for Producers Impacted by Hurricane Ida (Manager's Bulletin MGR-21-011) RMA issued relief to provide program flexibilities for insurance delivery partners and producers impacted by Hurricane Ida. This includes authorizing insurance providers to allow insureds to increase coverage levels by October 29, 2021, on a case-by-case basis.

COVID-19 Relief (Manager's Bulletin MGR-21-010) RMA authorized additional COVID-19 relief for all policies, regardless of crop year, with program requirements due from July 1, 2021, through January 15, 2022, unless otherwise specified. This relief includes: electronic notification and signature relief for sales closing, production reporting and acreage reporting deadlines; submission and signature relief for written agreements; insurance provider submission deadline relief for category B determined yield and master yield requests; insurance provider submission deadline relief for category C determined yield and Pre-Acceptance Inspection Reports; and witness signature relief for assignment of indemnities.

Research, Contracts, Studies, and Workgroups

Apple Workgroup: As a result of outreach with the apple industry and approved insurance providers (AIP), RMA is targeting the 2023 crop year for implementation of revisions to the apple crop insurance policy. RMA plans to issue a proposed rule later this year in order to receive public comments prior to issuing a final rule.

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.

Controlled Environment Agriculture (CEA): The Agriculture Improvement Act of 2018, the 2018 Farm Bill, required RMA to research feasibility of offering a crop insurance program for CEA. Based on a contracted research report, RMA is moving forward with the contracted development of a crop insurance program for CEA. The first deliverable is a concept paper due January 13, 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 the Data Gathering Report for Fresh Market Tomatoes on September 30, 2021. The contractor is planning to conduct listening sessions for Fresh Market Sweet Corn producers and other stakeholders in November.

Insurance Services

2021 Written Agreements

Over that past 6 years, RMA has worked extensively with industry to improve customer experience for producers who receive enhanced coverage or to obtain coverage through the written agreement process. We continue to leverage the use of multi-year written agreements which allow for coverage to continue for multiple years as long as the policy continues to perform well or is no longer needed by the producer. Since 2015, RMA has increased the number of multi-year agreements to nearly 6,000 and reduced the number of annual agreements by more than 5,700. This shift resulted in significant time and workload savings for the Agency, AIPs and producers and led to fewer errors overall. Decision/approval turnaround times were also reduced by 39 percent over the same time, and those efficiencies were maintained during the pandemic. RMA recently re-established a work group with AIPs to identify common errors, solutions, and potential system enhancements to further improve the process for years to come.

A New Beginning for Risk Management Education

RMA reestablished the Risk Management Education Partnership program in fiscal year (FY) 2021 and awarded nine cooperative agreements totaling nearly \$1 million. The funding went to universities and nonprofits to develop and deliver risk management training and education tools aimed at assisting historically underserved and socially disadvantaged farmers and ranchers. Projects include education on wildfire preparedness, financial management and recordkeeping, as well as Federal crop insurance, including the new Micro Farm policy, urban ag, local foods, etc. For FY22, funding has doubled to

\$2 million. The Notice of Funding Opportunity (NOFA) is expected to go out in January 2022 and it will be posted on Grants.gov for 60 days. The planned start date for 2022 projects is July 2022.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of September 7, 2021 through October 26, 2021:

- Premium overstatements of \$998,347;
- Indemnity overpayments \$516,243;
- Premium understatements of \$3,450;
- Indemnity underpayments of \$2,229; and
- A&O Reduction of \$3,466

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

Reviews: Reviews

Regional Compliance Offices (RCOs) continue to conduct IPERIA reviews to determine if any improper payments were made. Of the 372 policies included in the RY2020 IPERIA sample 249 have been closed. RCOs will continue conducting reviews through the end of October and issue Initial and/or Final Findings to the AIPs for policies in which an improper payment is identified.

Investigations, Indictments, & Convictions

On October 13, 2021, a Federal Grand Jury in South Dakota returned a seven-count indictment against two individuals from Pierre, South Dakota for making false statements to FCIC in crop years 2017-2020. The defendants allegedly falsely certified acreage reports in each year and collectively received \$2,033,059 of indemnities to which they were not entitled. Additionally, the indictment included two counts of major fraud against the United States. The defendant allegedly executed a scheme with the intent to defraud the United States to obtain \$1M in grants and federal assistance authorized from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

On October 19, 2021, a producer from Lake Park, Minnesota signed a plea agreement with the United States Attorney's Office in the District of Minnesota. The insured plead guilty to one count of making false statements to FCIC in crop years 2018 and 2019. The insured agreed to pay restitution to RMA in the amount of \$548,695.

On September 24, 2021, a federal Grand Jury in Nebraska indicted a producer from Newman Grove, Nebraska. The insured was charged with two counts of making false statements on crop insurance claims in crop year 2015 for corn and soybeans in Holt county, Nebraska. The insured allegedly failed to disclose farm-stored production and production sold in his name and in the name of a family member on claims in crop years

2012-2015. The producer received \$700,092 in indemnities for crop year 2015 as a result of these false statements.

On September 29, 2021, a civil enforcement action was filed in United States District Court against a business owner and one of his companies in Klickitat County, Washington. In 2015, the individual engaged in a scheme and device to conceal more than half of the wheat production of companies he owned and/or controlled by deflating his crop insurance wheat production by concealing it from crop insurance loss adjusters. The action resulted in the insured receiving a total of \$540,208 in false crop insurance payments for the 2015 crop year. The insured attempted to execute a similar scheme and device in 2016 but was discovered by loss adjusters and the U.S. Department of Agriculture (USDA). The insured is facing triple damages totaling over \$1.6 million in addition to penalties under the False Claims Act and the Financial Institutions Reform and Recovery Enforcement Act.

On September 27, 2021, the United States Attorney's Office in the District of Minnesota filed a criminal information against a producer of Lake Park, Minnesota. The insured was charged with making false statements on crop insurance claims in crop years 2018 and 2019 for corn and soybeans in Becker and Clay counties, Minnesota. The producer received \$548,695 in indemnities because of these false statements.

On September 27, 2021, a Judge accepted the binding plea agreement between a former Kentucky loss adjuster and agent. The loss adjuster plead guilty to false claims for appraising a field of tobacco that did not exist. The former loss adjuster will serve 24 months probations, which includes 6 months of home detention with monitoring. She also agreed to a lifetime exclusion from USDA programs and restitution payment totaling \$58,486.

Kentucky Tobacco Case: The following reflects ongoing activity with the Kentucky Tobacco Case being investigated by RMA's Special Investigation Staff and USDA's OIG. Restitution amounts for many of these cases are pending or included with other defendants' who are also subjects of this investigation.

On September 28, 2021, a Kentucky policyholder was sentenced to 24 months incarceration and 36 months of probation. The producer admitted to conspiracy to commit crop insurance fraud. The insured participated in an elaborate scheme with other producers, agents, and adjusters to hide production and make false claims beginning around 2011 - 2015. The producer hid tobacco production and participated in a money laundering scheme that included fake tobacco grades to apply to their insurance claims of loss, which resulted in inflated indemnity payments.

On September 28, 2021, a Kentucky policyholder is sentenced to 8 months incarceration and 36 months of probation. The producer admitted to conspiracy to commit crop insurance fraud. He participated in an elaborate scheme with other producers, agents, and adjusters to hide production and make false claims beginning around 2011-2015. The policyholder hid tobacco production, including contracts under his wife's name, and

participated in a money laundering scheme that included fake tobacco grades to apply to their insurance claims of loss, which resulted in inflated indemnity payments. He used his USPS position to aid others in the scheme.

On September 20, 2021, a former loss adjuster in Kentucky was sentenced to 16 months incarceration and 36 months of probation. The loss adjuster plead guilty to Conspiracy to Commit wire fraud for submitting false documents related to crop insurance claims. The insured is one of several loss adjusters who inflated crop hail damage, falsified reports of field inspections and acreage measurements, and received “kickbacks” from policyholders and/or agents.

On September 20, 2021, a former Kentucky policyholder was sentenced to 18 months incarceration and 36 months of probation. He admitted to conspiracy to commit crop insurance fraud and tax fraud. The insured participated in an elaborate scheme with other producers, agents, and adjusters to hide production and make false claims beginning around 2010-2015. The insured hid tobacco production in order to obtain fake grades to apply to their insurance claims of loss. The insured’s actions resulted in inflated indemnity payments.

On September 10, 2021, a former crop insurance loss adjuster and agent was sentenced to 86 months incarceration and 36 months of probation. The individual conspired with agricultural producers to inflate or fabricate the damage to their crops and falsify the number of acres of crop planted when preparing adjustments on their claims of loss on federal Multi-Peril Crop Insurance (“MPCI”) policies. As an AIP representative, the insured admitted to committing fraud on MPCI and private insurance loss claims of loss. The former adjuster admitted to causing a total loss of more than \$23,000,000. He is ordered to pay in excess of \$3 million in judgments for proceeds earned and over \$19 million in restitution, of which about \$10 million is for MPCI fraud.

On September 10, 2021, a business owner was sentenced to 12 months incarceration and 36 months of probation. He admitted that from September 2013 until at least May 2018, he arranged for farmers to purchase poor quality tobacco, so they could use this tobacco to get fake grades in order to inflate their MPCI indemnity payments. He also produced fake sales receipts, shipping reports, and bale tags to further facilitate fraudulent MPCI claims. The business owner’s fraudulent activities contributed to the filing of multiple false MPCI claims and over \$9 million in loss to the government.

Personnel Announcements

None.