



February 10, 2016

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

**FROM:** Brandon C. Willis /signed/  
Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4332

United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

1400 Independence  
Avenue, SW  
Stop 0801  
Washington, DC  
20250-0801

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on February 10, 2016.

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

The following three reports, which were contracted with a third party, were sent to Congress on December 21, 2015 as required by the Agricultural Act of 2014:

**Study on Poultry Catastrophic Disease Program**, for poultry catastrophic disease losses;

**Swine Catastrophic Disease Loss Feasibility Study**, to determine the feasibility of insuring swine producers for a catastrophic event; and

**Poultry Business Interruption Insurance Policy**, to carry out research and development regarding a policy to insure commercial poultry producers against business interruptions caused by the bankruptcy of the poultry integrator.

**Margin Coverage for Catfish Margin:** A contract to conduct research and development regarding a policy to insure producers against the reduction in the margin between the market value of catfish and selected costs incurred in the production of catfish was awarded to Agralytica. The final report has been received and is under review at RMA.

### **Proposed Rules**

**Texas Citrus Crop Insurance Provisions:** The purpose of the rule proposes to amend the Common Crop Insurance Regulations, Texas Citrus Fruit Crop Insurance Provisions to provide policy changes to better meet the needs of policyholders, to clarify existing policy provisions, and to reduce vulnerability to program fraud, waste, and abuse. Specifically, this proposed rule intends to modify or clarify certain definitions, clarify unit establishment, clarify substantive provisions for consistency with terminology changes, modify the insured causes of loss, clarify required timing for loss notices, modify portions of loss calculation formulas, and address potential misinterpretations or

ambiguity related to these issues. The proposed rule was published in the Federal Register January 12, 2016.

### **Final Rules**

#### **Cotton Crop Insurance Provisions and Extra Long Staple Crop Insurance**

**Provisions:** The purpose of the rule is to amend the Common Crop Insurance Regulations, Cotton and Extra Long Staple Crop Insurance Provisions to remove the requirement that producers leave stalks in the field unless required by the Special Provisions, and to clarify and revise policy provisions. The final rule, with comments was published in the Federal Register December 29, 2015. The changes will be effective for the 2017 and succeeding crop years.

**General Administrative Regulations; Subpart V - Submission of Policies, Provisions of Policies and Rates of Premium, Final Rule:** This rule will amend the General Administrative Regulations to strengthen the marketability assessment required for new products, remove the scope and complexity scoring, make clarifications, increase input from Approved Insurance Providers, lessen the burden of submitters of 508(h) products by removing the actuarial certification requirement and the legal review requirement, and incorporating changes that are consistent with those made in the 2014 Agricultural Act. The rule is expected to be published later this Spring.

### **Data and Systems**

**Acreage and Crop Reporting Streamlining Initiative (ACRSI):** The ACRSI Team conducted limited pilot programs for spring 2015 crops in Illinois and Iowa, and for fall 2015, nine crops in 15 states: AR, DE, GA, IL, IO, IN, KY, MD, MT, NC, ND, PA, SC, SD, and TN.

The pilots allowed participating producers to complete their acreage report with either their insurance agent, their FSA County Office, or a specified third party, and have that information shared as appropriate to satisfy other USDA program reporting requirements.

The ACRSI Team will conduct a significantly expanded 2016 Spring Pilot covering 13 crops (alfalfa, corn, cotton, Conservation Reserve Program, fallow, grass, oats, peanuts, rice, rye, sorghum, soybeans, and wheat) in all 50 states.

Expanding availability of the ACRSI framework broadens the platform for improved policy integration and advancements in data sharing capabilities among USDA agencies, including approved insurance providers. Lessons learned from the pilot programs inform process, procedure, IT changes, and enhancements for subsequent pilot phases.

### **Program Changes/Issues**

**Mississippi River Flooding:** The Springfield Regional Office monitored flood issues across Illinois in January 2016 because of heavy rains during December 2015. Flooding occurred statewide, but much of the focus was on the Mississippi and Illinois rivers. A relatively small number of levees overtopped or breached and flooding affected much of the wheat crop. Since wheat acres in Illinois have declined significantly over the last ten

years, only 289,000 acres were insured this year. The RO will continue to monitor the status of damaged levees as spring planting season approaches.

**Calls to Producers Continue for Conservation Compliance:** The Davis RO completed over 500 calls to crop insurance policyholders missing their AD-1026 conservation compliance forms, during November 2015. A majority of producer responses indicated changes or sale of their operation or were not interested in crop insurance.

### **Compliance**

**Improper Payment Rate Reviews:** RMA completed its FY 2015 improper payment rate reviews of 250 policies for reinsurance year 2013. The improper payment rate for FY 2015 was 2.2 percent. This reflects a 3.38 percentage point drop from the previous year.

**Improper Payment Methodology:** On February 22, 2016, the Office of Management and Budget approved RMA's sampling methodology for improper payments for FY 2017 and beyond.

**Compliance Process Re-design Initiative:** During Phase 2 of the RMA Compliance Process Redesign project, contractor Eagle Hill has conducted a detailed, targeted analysis of its current compliance processes through a series of follow-up interviews, workshops, and compliance database analysis. As an outcome of this analysis, Eagle Hill is identifying root causes of current challenges, potential high-level process recommendations, and baseline metrics.