United States Department of Agriculture

Federal Crop Insurance Corporation

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February 13, 2018

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Heather Manzano */signed/*
Acting Manager

SUBJECT: Manager's Report
Exhibit No. 4453

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on February 13, 2018.

Research, Contracts, Studies, and Workgroups

Acreage and Crop Reporting Streamlining Initiative (ACRSI): For the 2018 spring acreage reporting period, the ACRSI Team again expanded availability of ACRSI to 9 additional crops: flax, millet, mustard, potatoes, safflowers, sesame, sugarcane, sugar beets, and tobacco. ACRSI is now available in all states for 25 crops (alfalfa, barley, CRP, corn, cotton, fallow, flax, grass, millet, mustard, oats, peanuts, potatoes, rapeseed/canola, rice, rye, safflowers, sesame, sorghum, soybeans, sugarcane, sugar beets, sunflowers, tobacco, and wheat). These 25 crops represent about 94 percent of all acres reported to the Risk Management Agency (RMA).

Program Changes

Sugarbeet Replant Payments and Coverage Level Changes: RMA worked with industry partners to update the replant payment for sugarbeets to be more reflective of current replanting costs. For the 2018 crop year, the replant payment per acre was increased from $80 to $110. Additionally, 80 and 85 percent coverage levels were added in 16 Michigan counties.

Prevented Planting Changes: RMA removed the additional 10 percent prevented planting coverage option for the 2018 and succeeding crop years for all crops with a contract change date on or after November 30, 2017, and for the 2019 and succeeding crop years for all crops with a contract change date prior to November 30, 2017. Previously, there has been an option for policyholders of some crops to increase prevented planting coverage by five or ten percent (additional 5 percent option and additional 10 percent option, respectively). While RMA has removed the additional 10 percent option, the additional 5 percent option is still available.

Additionally, RMA has been evaluating and updating prevented planting coverage factors for each crop offering this protection. For the 2018 crop year, factors for buckwheat, canola, dry peas, flax, hybrid seed corn, hybrid sorghum seed, mustard, oats, peanuts, rye, silage sorghum, and sunflower, were reviewed, with factors changing for canola, hybrid seed corn, peanuts, and silage sorghum.

Quality Adjustment for Cotton: RMA revised quality adjustment provisions for the 2018 crop year in response to concerns expressed by cotton producers. Working directly with the cotton industry, RMA made changes to the cotton quality adjustment provisions to increase the trigger to 90 percent (making more cotton producers eligible for quality adjustment) and to eliminate the quality adjustment deductible.

Quality Adjustment for Fumonisin in Corn, Grain Sorghum, and Soybeans: Fumonisin is a mycotoxin that poses health risks to animals and humans if consumed in large quantities. Following high levels of Fumonisin in several Texas counties earlier this year, the RMA reinstated a discount factor chart, that had been removed in 2010, for Fumonisin levels of 2.1 to 100.0 parts per million (ppm). The discount factor reduces the production to count for a crop when the Fumonison level is 2.1 ppm or above.

Regulatory Changes

Administrative Efficiency Regulation: FCIC amended the Catastrophic Risk Protection Endorsement, the Area Risk Protection Insurance Basic Provisions, and the Common Crop Insurance Policy Basic Provisions to revise and clarify policy provisions and reduce burden on producers choosing to insure their crops. The most significant changes were:

- Removing the June 1 conservation compliance certification deadline. This change reduces the administrative burdens created by the June 1 date without impacting proper determinations of conservation compliance and will allow producers, agents, and insurance companies more time to ensure producers comply with the provisions; and
- Allowing enterprise units by practice to be independently selected for irrigated and non-irrigated practices (i.e., a producer may choose an enterprise unit on one practice and choose the most appropriate unit structure on the other practice, be it a separate enterprise unit or optional or basic units). This allows producers to insure irrigated and non-irrigated land differently, which better reflects the risks associated with these different growing practices.

Cultivated Clams: Following FCIC Board of Directors action to convert the Cultivated Clam Pilot Crop Insurance Program to a permanent program, a Final Rule with request for comments was published in the Federal Register on December 27, 2017. This rule converts the Cultivated Clam pilot crop insurance program to a regulatory insurance program for the 2019 and succeeding crop years. The comment period ended January 26, 2018.

California Avocados: Following FCIC Board of Directors action toconvert the California Avocado Insurance Program to a permanent program, a Final Rule with request for comments was published in the Federal Register on December 27, 2017. This rule converts the California Avocado Insurance Program pilot crop insurance program to regulatory program for the 2020 and succeeding crop years. The program is offered in six California counties. The comment period for the Rule expired January 26, 2018.

Nursery: FCIC amended the Nursery Crop Provisions to clarify and simplify policy provisions, allow basic units by non-contiguous land for the field grown practice, reduce the wholesale sales requirement from 50 to 40 percent, and to allow coverage for Christmas trees, if the tree is sold with the root system attached. A final rule was published January 31 in the Federal Register to effect these changes beginning with the 2019 crop year. The changes were in response to feedback form the nursery industry.

Budget

The office of the Chief Financial Officer has been participating in discussions with the Farm Service Agency, Natural Resources Conservation Service, and contractor staff to provide input on the reorganization efforts to establish the Farm Production and Conservation Business Center.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of November 2017 through January 2018:

- Premium overstatements of $159,548;
- Indemnity overpayments of $207,209;
- Premium understatements of $65,741; and
- Indemnity underpayments of $4,438.

Improper Payments Elimination and Recovery Improvement (IPERIA) Reviews:
RMA's Regional Compliance Offices (RCOs) submitted Initial Findings to the Approved Insurance Providers (AIPs) and are waiting for AIPs to agree with the RCO findings or submit additional documentation for reconsideration. Based on the AIPs responses, the RCOs plan to submit Final Findings to the AIPs by February 9, 2018.

AIP Performance Reviews (APR): For the FY 2018 APR, Compliance is scheduled to conduct onsite reviews during February 2018 at six AIPs. During these reviews, RMA will evaluate and assess each AIP's compliance with the terms and conditions of the Standard Reinsurance Agreement as well as their operational and control activities.

Personnel Announcement:
Kimberley Outten joined RMA as the new Budget Officer. She has over 20 years of business, financial, and program experience which includes performing strategic business functions at various organizational levels within the Department of the Navy.