



Federal Crop
Insurance
Corporation

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May 21, 2020

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Martin Barbre */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 4606

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on May 21, 2020.

Disaster Bill

Prevented Planting Supplemental Disaster Payments: Approved Insurance Providers distributed prevented planting 'top-up' payments to qualifying producers. The program pays an additional 10% or 15% to producers with a qualifying prevented planting indemnity in 2019. The program has paid out more than \$594 million at this juncture and will continue as additional insurance claims are finalized.

Program Update

Nursery Value Select: (PM Bulletin PM 20-010). On November 15, 2019, Nursery Value Select (NVS) was approved for implementation by the Federal Crop Insurance Corporation Board of Directors. RMA developed NVS to make nursery crop insurance more attractive and effective for producers. NVS is available in select states and counties for the 2021 crop year.

Requests to Increase Prevented Planting Coverage Level: (PM Bulletin PM 20-013). RMA provided information on what factors Approved Insurance Providers should consider when determining whether to approve requests for changes in prevented planting coverage levels.

Prevented Planting Coverage on Added Land: (Manager's Bulletin MGR 20-003). Allows Approved Insurance Providers to consider conditions at the time the new tenant (insured) takes possession of the added acreage when making prevented planting coverage determinations. This may require determining if a cause of loss exists at the time the insured takes possession of added land that may prevent planting.

Hurricane Insurance Protection - Wind Index (HIP-WI): (PM Bulletin PM 20-014). On November 15, 2019, the Federal Crop Insurance Corporation Board

of Directors approved the implementation of Hurricane Insurance Protection – Wind Index (HIP-WI) Endorsement. HIP-WI is available for the 2020 crop year for both Catastrophic (CAT) and additional coverage for Common Crop Insurance Policy Basic Provisions policies, when provided in the actuarial documents, in counties located in the vicinity of the Gulf of Mexico and the Atlantic Ocean, as well as Hawaii.

Dairy Revenue Protection Revisions: (PM Bulletin PM 20-021). On November 15, 2019, the Federal Crop Insurance Corporation's Board of Directors approved revisions to the Dairy Revenue Protection (DRP) plan of insurance, under section 508(h) of the Federal Crop Insurance Act for the 2021 and succeeding crop years. Revisions include: adding a Weighting Factor Option and Nonfat Solids Price to the Component Pricing Option; allowing Class B milk to be insured; and modifying the minimum declared protein and butterfat.

Publication of Whole-Farm Revenue Protection Interpretations of Procedure: (PM Bulletin PM 20-024). RMA will begin publishing Interpretations of Procedure for Whole-Farm Revenue Protection on RMA's website for informational purposes and to reduce administrative burden on program participants.

Emergency Loss Procedures for 2019 Crop Year Crops Flooded Above the Edible Portion: (Manager's Bulletin MGR 20-004). RMA authorized the use of emergency procedures to all counties in Minnesota, Missouri, North Dakota, and South Dakota in situations where the catastrophic nature of the losses due to flooding or excess precipitation is such that not authorizing the emergency procedures could result in claim settlement delays.

COVID-19 and Crop Insurance Deadlines: (Manager's Bulletin MGR 20-005). RMA granted Approved Insurance Providers additional time to submit Written Agreement Requests and applicable documentation into the RMA Regional Office Exception (ROE) system. RMA also authorized policyholders to provide information over the phone with appropriate documentation of the call or using electronic methods to select policy elections.

COVID-19 and Impact on Production Reporting Date (PRD) for Crops Insured Under the Common Crop Insurance Policy, Basic Provisions: (Manager's Bulletin MGR 20-006). Authorized Approved Insurance Providers (AIPs) to accept production reports through the earlier of the acreage reporting date or 30 days after the applicable production reporting date for crops insured under the Basic Provisions with a production reporting date of March 15, 2020, or later for the 2019 and 2020 crop years.

COVID-19 and Impact on Production Reporting Date (PRD) for Crops: (Manager's Bulletin MGR 20-006.1). Extended relief provided in MGR 20-006 to any crop year insurance policy with a production reporting date of March 15, 2020, through May 15, 2020. Also authorized additional time for Approved Insurance Providers to accept the following requests for Category B crops: Regional Office (RO) Determined Yield, Master Yield, and Irrigated Determined Yield for crops with a PRD of March 15, 2020, through May 15, 2020.

COVID-19 Relief – Deferral of Interest Charges on Crop Insurance Premiums: (Manager's Bulletin MGR 20-007). Authorized Approved Insurance Providers to provide additional time for policyholders to make payment of premium and administrative fees.

COVID-19 Relief: Self-Certification Replant Inspections & Assignment of Indemnity Witness Waiver: (Manager's Bulletin MGR 20-008). Authorized self-certification replant inspections for up to 100 gross acres (before considering share) for the 2020 crop year only. RMA also authorized Approved Insurance Providers to allow policyholders that have elected Basic (BU) or Enterprise Units (EU), to apply the 100-acre limitation, and perform self-certification replant inspections up to 100 acres, for each of the underlying databases that could qualify as separate optional units under the BU; or separate optional or basic units under the EU. Finally, RMA authorized waiver of the witness signature requirement for approval of Assignments through July 15, 2020, as applicable for crop years 2019 through 2021.

COVID-19 and Crop Insurance Deadlines - Additional Relief: (Manager's Bulletin MGR 20-009). Extended allowance under MGR-20-005 that authorized policyholders to provide information over the phone to crops in the 2021 crop year with sales closing dates prior to July 15, 2020 as well as Options, Endorsements, and Forms for Applicable Crop Years with Deadlines prior to July 15, 2020. Also provided additional time and flexibility for completing inspections for certain perennial and specialty crops. RMA also provided additional flexibility to allow written agreement offers to be signed after the expiration date.

Dumped Milk on Dairy Revenue Protection and Livestock Gross Margin for Dairy Policies: (Manager's Bulletin MGR 20-010). Authorized Approved Insurance Providers to count dumped milk towards the milk marketings (for Dairy Revenue Protection) or actual marketings (for LGM-Dairy) regardless of whether the milk was sold for the 2020 calendar year. RMA also removed the testing requirements for dumped milk under the Dairy Revenue Protection program for producers insuring milk under the component pricing option forced to dump milk and allowed use the average butter fat and protein levels for dump milk not tested.

Relief for Initial Year of Hurricane Insurance Protection-Wind Index (HIP-WI): (Manager's Bulletin MGR 20-011). Provided relief for the initial year of HIP-WI availability, for policies with a sales closing date on or before April 30, 2020. Such crops will not have any eligible acres because the sales closing date for the underlying crop policies occurred before HIP-WI became available. Authorizes Approved Insurance Providers to accept an intended acreage report, for HIP-WI purposes only, from the policyholder by the HIP-WI sales closing date instead of the sales closing date of the underlying crop policy and provides procedures on calculating eligible acres if a county is triggered for indemnity. Provides procedure in the event a policyholder does not submit an intended acreage report this initial year of HIP-WI implementation. Also, extends the allowances provided in MGR 20-009 regarding policyholders' signatures to HIP-WI intended acreage reports.

Research, Contracts, Studies, and Workgroups

Apple Contract: RMA has an ongoing contract with Agralytica for apples. Currently, Agralytica is currently conducting virtual listening sessions as part of the second task order. Listening sessions are aimed at gathering feedback on a potential new pilot program for apples.

Apple Workgroup: RMA has been soliciting feedback from the insurance and apple industries on potential changes to the Apple policy. These meetings have been held virtually. RMA met with the NCIS Perennial Workgroup on April 16 and with USApple on April 21st and 23rd. RMA intends to conduct additional regional in-person listening sessions prior to finalizing policy changes.

Guar: On March 19, 2020, a request for contractor proposals was issued to gather data, perform analysis, and develop a marketable and viable crop insurance program for guar producers. The focus of the effort will be the top guar producing states. RMA evaluated contractor proposals and the contract was awarded, with work scheduled to commence 120 days after award.

Onion Program/Pilot Onion Stage Removal Option Evaluation: RMA awarded a contract to Agralytica to review the Onion Crop Insurance Program. The final Onion Recommendations Report was received from the contractor on February 21, 2020, and accepted.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of February 18, 2020 through April 28, 2020:

- Premium overstatements of \$331,934;
- Indemnity overpayments \$1,161,343;

- Premium understatements of \$48;
- Indemnity underpayments of \$0; and
- Cost Avoidance \$72,227

Audits

OIG Audit 05401-0012-11 Federal Crop Insurance Corporation/Risk Management Agency's (FCIC/RMA) financial statements for fiscal years 2020 and 2019 entrance conference was on March 16, 2020.

OIG Audit General and Application Controls Audit 50503-0004-12 with a focus on escrow for RMA is in conjunction with OIG Audit 05401-00012-11.

IPERIA Reviews

The Fiscal Year (FY) 2020 (Reinsurance Year 2018) IPERIA review is complete and the final error rate is being calculated. The final results will be submitted to OCFO at the end of June. The sample for the FY2020 (RY 2019) IPERIA review has been drawn and consists of 330 policies.

AIP Performance Reviews (APRs)

The APR for NAU Country could not move forward as scheduled. The APR for this AIP has been rescheduled for Fiscal Year 2021. The remaining APRs are on schedule and RCOs have completed their post onsite review and Preliminary APR Reports. Exit Conferences with the AIPs will be conducted through May 12-22, 2020 to discuss the findings within the reports. The Final APR Report is due on July 15, 2020.

Sanctions

On April 6, 2020, RMA filed disqualification and civil fine complaints against Scott and Mary Tilberg of Dakota Crop Insurance Inc. for crop insurance rebating. The agents have admitted to at least 120 violations of the rebating statute for providing their customers with hotel rooms, meals, door prizes, and live entertainment. The Agency requested a 2-year disqualification and a maximum civil fine of \$11,984 for each distinct category of gifts provided to customers. The total monetary penalty for the four (4) categories of violations is \$47,936.

On February 26, 2020, the Administrator issued a Notice of Debarment to Jackie Branch, a crop insurance agent in South Carolina. The term of the debarment is three years and is based upon Mr. Branch's negligence in servicing policies, backdating, and misrepresentations.

On February 21, 2020, the Administrator issued a Notice of Suspension to Kevin Gubbels, a crop insurance agent in Nebraska. Mr. Gubbels advertised and presented to producers false statements regarding the application deadline for crop insurance. Not only did he encourage producers to apply for crop insurance beyond the deadline, he also misled producers to double-insure their crop in violation of the Federal Crop Insurance Program procedures. RMA referred the case to OIG for further investigation. Debarment proceedings are ongoing.

CBCA Case

In the Matter of Rain and Hail (In re: Giroux Orchards, LLC), CBCA 6775-FCIC

This case concerns a Final Administrative Determination (“FAD”) issued by RMA regarding actions taken by Appellant, Rain and Hail LLC (“RH”) on a Federally reinsured 2016 crop insurance policy issued by RH to Giroux Orchards, LLC (“Giroux”) for apples in Clinton County, New York. Specifically, RMA determined that Rain and Hail failed to provide production records from the 2014 crop year to support fresh apple coverage on one of four units insured as fresh apple. As a result, coverage was reduced from fresh apple coverage to processing apple coverage. The coverage reduction resulted in an indemnity overpayment of \$79,768 and a premium overstatement of \$7,318. On March 23, 2020, RH filed a notice of appeal with the Civilian Board of Contract Appeals.

Personnel Announcements

None