



Federal Crop
Insurance
Corporation

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February 17, 2022

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Marcia Bunger */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 4626

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on February 17, 2022.

Program Update

COVID-19 Relief (Manager's Bulletin MGR-22-001) The Risk Management Agency (RMA) issued additional relief for producers impacted by COVID-19 for all policies, regardless of crop year, with program requirements due from January 16, 2022, through June 30, 2022, unless otherwise specified. RMA authorized notifications to be sent electronically to producers by the applicable deadline. Signatures may also be provided electronically by producers. Written agreement requests may be submitted after the sales closing date but before the acreage reporting date if producers submit an extension request before the sales closing date. Producer signatures for written agreement requests may also be accepted after the expiration date if certain requirements are met. RMA also authorized additional time to accept determined yield and master yield requests, and additional time to complete inspections for certain crops. The witness signature requirement for approval of assignment of indemnities was also waived.

2022 Crop Year (CY) County Spring Crop Program Expansions (Manager's Bulletin MGR-21-013) RMA announced 2022 CY county spring program expansions for corn, dry beans, dry peas, fresh market sweet corn, fresh market tomatoes, grain sorghum, peanuts, popcorn, safflower, and soybeans.

2023 CY County Spring Crop Pilot Program Expansions (Product Management Bulletin PM-22-009) RMA announced 2023 CY county spring pilot program expansion of the Nursery Value Select policy to 11 new counties in Florida.

Pecan Tree Crop Provisions Changes Effective for the 2023 and Succeeding Crop Years (Product Management Bulletin PM-22-008) RMA announced changes to the Pecan Tree Crop Provisions effective for the 2023 and succeeding crop years. The changes include removing drought as a cause of loss in eastern states; removing the “native” type in states outside the native range of pecan trees; reducing the number of pecan tree improved variety group types from 3 to 2; reducing the number of growth stages from 5 to 3; and offering separate tree reference prices for irrigated and non-irrigated practices.

Post-Application Coverage Endorsement (PACE) Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-22-001) RMA announced the release of a new endorsement that provides coverage for producers who “split-apply” nitrogen. To “split-apply” nitrogen, the producer makes multiple fertilizer applications during the growing season rather than providing all the crop’s nitrogen requirements with a single treatment before or during planting. This climate-smart practice allows for less total nitrogen to be applied, decreased nitrogen run-off, and leaching, and can help reduce the producer’s overall nitrogen application costs. PACE will provide payments for the projected yield lost when producers are unable to apply the post-application of nitrogen during the V3-V10 corn growth stages due to field conditions created by weather. PACE will be available beginning with the 2022 CY for selected counties in Illinois, Indiana, Iowa, Kansas, Minnesota, Michigan, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin for non-irrigated corn with a sales closing date of March 15, 2022, or later.

Hemp Actual Production History (APH) Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-072) RMA announced changes to the Hemp APH program effective for the 2022 and succeeding crop years. Changes include: adding flexibility to insurability requirements for hemp under contract; clarifying how the amount of insurable acreage is determined if the processor contract specifies both an acreage and a production amount; updating reference to the Agriculture Marketing Service final rule, which took effect March 22, 2021; and adding insurability requirements for producers who grow direct-seeded hemp to have acreage inspected and have a minimum of 1,200 live plants per acre two inches or taller with the first true leaf pair after cotyledon emergence.

Area Risk Protection Insurance Regulations, Common Crop Insurance Policy Basic Provisions, Subpart R, Sunflower Seed, Coarse Grains, and Dry Beans Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-071) RMA announced changes to the General and Administrative Regulation Subpart R - Administrative Remedies for Non-Compliance; Area Risk Protection Insurance Regulations; Common Crop Insurance Policy, Basic Provisions; Sunflower Seed Crop Insurance Provisions; Coarse Grain Crop Insurance Provisions; and Dry Bean Crop Insurance Provisions effective for the 2022 and succeeding crop years. A Final Rule with the changes was published in the Federal Register on November 30, 2021, with a public comment period ending on January 31, 2022.

Machine Harvested Pickling Cucumber Crop Provision Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-070) RMA announced changes to the Machine Harvested Pickling Cucumber Crop Provisions effective for the 2022 and succeeding crop years. The Crop Provisions were revised to clarify that the maximum contract price can be found in the actuarial documents and not in the Special Provisions.

Micro Farm Policy Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-069) RMA issued a new Micro Farm policy for the 2022 and succeeding crop years intended to provide additional insurance options for small-scale producers. The Micro Farm policy was designed based on research required under the Agriculture Improvement Act of 2018 (2018 Farm Bill). The policy development process included obtaining feedback from small-scale producers that have grown products for their local communities. The Micro Farm policy is offered through Whole-Farm Revenue Protection and is enhanced to better meet the needs of small-scale farms. To qualify for this policy producers must have a farm operation that earns an average allowable revenue of \$100,000 or less, or for carryover insureds, an average allowable revenue of \$125,000 or less. Features include coverage levels up to 85 percent, simplified underwriting and recordkeeping requirements, and inclusion of post-production costs activities as revenue.

Stacked Income Protection Plan of Insurance (STAX) Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-068) RMA announced changes to the STAX plan of insurance. To provide clarity for determining insurable acres, RMA set a date of March 15, for determining enrollment status in Agriculture Risk Coverage or Price Loss Coverage for STAX insurability purposes.

Fresh Market Bean Crop Provisions Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-067) RMA announced changes to the Fresh Market Bean Crop Provisions. The changes include converting the policy from pilot to permanent and applying the overplanting factor to production to count to ensure claims are calculated on the same basis as the guarantee.

Camelina Crop Provisions Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-065) RMA announced changes to the Camelina Crop Provisions. The changes include modifying the weighted average contract price calculation to ensure coverage level does not impact the price, updating the indemnity calculation to account for cases where the minimum stand payment is included in the contract, and making other minor clarifications and corrections.

Flue Cured Tobacco Crop Insurance Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-064) RMA announced changes to the Flue Cured Tobacco program through the Special Provisions. These revisions were prompted by feedback from producer groups and other industry stakeholders regarding the contracted tobacco features added for CY 2021. Based on that feedback, revisions were made to improve the weighted average price calculations and incorporate clarifications regarding the deadline for providing a contract and spousal entities.

Hybrid Specialty Seed Crop Provisions Changes Effective for the 2022 and Succeeding Crop Years (Product Management Bulletin PM-21-063) RMA announced changes to the Hybrid Specialty Seed Crop Provisions. The changes include expanding hybrid sweet corn coverage to Umatilla County, Oregon and Yakima County, Washington as well as making minor clarifying and editorial changes.

Research, Contracts, Studies, and Workgroups

Apple Workgroup: RMA issued a proposed rule to revise the Apple Crop Provisions on December 16, 2021, with a public comment period initially ending on February 14, 2022. On January 27, 2022, RMA extended the comment period by an additional 60 days to April 15, 2022. The intended effect of this action is to provide policy changes to better meet the needs of the apple producers. The changes are proposed to be effective for the 2024 and succeeding crop years.

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. The contractor will deliver research results in spring 2022, which will aid in determining potential program development options.

Controlled Environment Agriculture (CEA): The 2018 Farm Bill required RMA to research feasibility of offering a crop insurance program for CEA. RMA has issued a contract for research and development of a crop insurance program for CEA.

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 Peppers on November 30, 2021. The contractor delivered a Data Gathering Report for Fresh Market Sweet Corn on January 31, 2022.

Risk Management Education

On January 10, 2022, RMA announced the availability of up to \$2 million for risk management education and training partnerships that support historically underserved producers, small-scale farmers, and conservation practices. RMA is investing in non-profit organizations, universities, state or local governments, community-based organizations, and others to develop training and education tools to help producers learn how to effectively manage long-term risks and challenges.

RMA will prioritize projects focused on underserved, organic, and specialty crop producers during the selection process. A broad range of risk management training activities are eligible for funding consideration, including training on Federal crop insurance options, record keeping, financial management, non-insurance-based risk management tools, and natural disaster preparedness among others. Organizations providing training related to climate smart ag, Microfarm, wildfire response, local foods, crop insurance education to tribes, and urban ag will be given stronger consideration.

The notice of funding opportunity was posted on grants.gov and will be open for 60 days. Interested organizations must apply by 5:59 p.m. eastern standard time on March 11 through the Results Verification System at rvs.umn.edu.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of November 2, 2021, through January 25, 2022:

- Premium overstatements of \$458,211;
- Indemnity overpayments \$967,937;
- Premium understatements of \$13,323;
- Indemnity underpayments of \$16,446; and
- A&O Reduction of \$0.

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

Reviews: Regional Compliance Offices (RCOs) are currently issuing final findings for any IPERIA policy in which an initial finding was submitted to the Approved Insurance Providers (AIPs). The final findings process will continue through March 2022. Of the 372 policies sampled, approximately 310 reviews have been completed and the case policies closed.

Audits:

Office of Inspector General (OIG) Audit Number 50024-0002-24 the U.S. Department of Agriculture's (USDA) Compliance with Improper Payment Requirements for fiscal year (FY) 2021 entrance conference was on December 21, 2021.

OIG Audit 05401-00014-11 FCIC/RMA Financial Statements for FYs 2022 and 2021 engagement memo sent to RMA. OIG will set up an entrance conference in February.

Approved Insurance Provider (AIP) Performance Reviews (APR): Regional Compliance Offices (RCO) have submitted their AIP Performance Review Plans, and all were approved by December 20, 2021. RCOs continue to conduct their offsite reviews in preparation for the entrance conferences and onsite reviews with the AIPs. All entrance conferences and reviews will be conducted virtually through Microsoft Teams and other video/teleconference conference platforms. The reviews are scheduled to start February 22, 2022, through March 4, 2022.

Indictments, Convictions, and Guilty Pleas:

On November 17, 2021, a Kentucky insured n was sentenced to 7 months incarceration followed by 36 months of probation for crop insurance fraud. The insured pled guilty to conspiracy to commit crop insurance fraud, in violations of 18 U.S.C. 1014, for false claims on December 19, 2019. The insured hid tobacco production in the name of others and exchanged tobacco production for labor. In addition, with the assistance of his adjusters and agent, he also added fields to his private hail policy. The insured was ordered to pay \$323,974 to RMA and \$28,848 to the AIP.

On December 17, 2021, a Kentucky insured was sentenced to 56 months incarceration and 36 months of probation for crop insurance and tax fraud. From at least 2006 through 2015, the insured conspired and led others in complex schemes, including money laundering, to hide production, misreport acres, use nominee names as policyholders, and other actions for the purpose of making false claims. In addition, the insured paid kickbacks to adjusters and agents. Restitution for this case is pending.

On January 4, 2022, a Kentucky insured was sentenced to 18 months' incarceration and 60 months of probation for crop insurance fraud. The insured pled guilty to criminal information in May 2021. The insured admitted that from at least 2014 through 2015, he underreported his tobacco production. The insured was a member of the FSA County Office Committee for several years. The insured has been ordered to pay \$265,219 in restitution to RMA.

Sanctions:

On December 15, 2021, the RMA Administrator issued a Notice of Final Debarment to a former Federal crop insurance program participant in Texas. From April 2003 to June 2017, the individual submitted false, fictitious, and fraudulent Federal crop insurance policies to the FCIC, representing himself to be a producer for purposes of qualifying for the Federal crop insurance program, while knowing such policies to be false, fictitious, and fraudulent. On February 20, 2020, in the U.S. District Court, Northern District of Texas, the individual pled guilty to one count of theft of public money and aiding and abetting. The court ordered the individual to pay a \$25.00 assessment fee to the court, a fine of \$75,000.00, and restitution in the amount of \$1,627,115.00 to USDA's RMA. Based upon his conviction and history of substantial and long-lasting misconduct, RMA debarred the individual from all covered transactions under the Federal procurement and non-procurement programs until July 14, 2025.

Personnel Announcements

Marcia Bunger is the new RMA Administrator.

Kim Jackson is the new acting RMA Chief of Staff.