



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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

TO: Board of Directors
Federal Crop Insurance Corporation

May 15, 2000

FROM: Kenneth D. Ackerman /s/ Ken Ackerman
Manager

SUBJECT: Board Memorandum No. 572
Docket No. CI-RA-00-1
Revenue Assurance (RA) - Revision and Expansion For The 2001 Crop Year

On May 17, 2000, there was submitted for your consideration and approval the subject docket authorizing American Farm Bureau Insurance Services, Inc. (AFBIS) to: (1) add winter wheat coverage to the RA wheat policy; (2) add the winter wheat type in counties with Multiple Peril Crop Insurance (MPCI) winter wheat coverage in Idaho and South Dakota (existing RA spring wheat states); (3) expand the RA wheat program into Arkansas, Colorado, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, Tennessee in counties with MPCI wheat coverage; and (4) expand the corn and soybean RA program into Arkansas, Colorado, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, and Tennessee in counties with MPCI corn and soybean coverage. This docket also authorizes the Federal Crop Insurance Corporation (FCIC) to provide reinsurance, administrative and operating expense subsidy and premium subsidy, limited to an amount authorized under section 508(e) of the Federal Crop Insurance Act (Act), for the revised and expanded RA program.

In conjunction with previous approvals for the RA program, approval of this docket will make RA coverage available for:

Corn and Soybeans: Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, South Dakota, and Tennessee

Wheat: Arkansas, Colorado, Idaho, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, South Dakota, and Tennessee

Feed Barley: Idaho and North Dakota

Canola and Rapeseed: Idaho and North Dakota

Sunflowers: North Dakota

Section 508(h)(3) of the Act requires FCIC to provide reinsurance if the policy is actuarially sound and the interests of producers are adequately protected. FCIC also has the authority to pay a portion of the premium and the administrative and operating expenses in an amount authorized under section 508(e) of the Act.

In order for FCIC to provide reinsurance, administrative and operating expense subsidy, and premium subsidy for the revised and expanded RA program, it is necessary for the Board of Directors to approve Docket No. CI-RA-00-1 pending approval and signature by the Under Secretary for Farm and Foreign Agricultural Services.

I recommend approval of Docket No. CI-RA-00-1 through use of the following resolution:

RESOLVED, That Docket No. CI-RA-00-1, Exhibit No. 1994, authorizing American Farm Bureau Insurance Services, Inc. to: (1) add winter wheat coverage to the RA wheat policy; (2) add the winter wheat type in counties with Multiple Peril Crop Insurance (MPCI) winter wheat coverage in Idaho and South Dakota (existing RA spring wheat states); (3) expand the RA wheat program into Arkansas, Colorado, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, Tennessee in counties with MPCI wheat coverage; and (4) expand the corn and soybean RA program into Arkansas, Colorado, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, and Tennessee in counties with MPCI corn and soybean coverage; and also authorizing FCIC to provide reinsurance, administrative and operating expense subsidy, and premium subsidy, limited to an amount authorized under section 508(e) of the Federal Crop Insurance Act (Act), for the revised and expanded RA program beginning with the 2001 crop year, is hereby approved pending signature by the Under Secretary for Farm and Foreign Agricultural Services, AND BE IT FURTHER RESOLVED, That the Board delegates authority to the Manager to approve final policy and procedural requirements and terms.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: May 17, 2000

FCIC Docket: CI-RA-00-1

Revenue Assurance - 2001 Crop Year
Revision and Expansion of the RA Program

Approval by the Board of Directors: May 17, 2000

Approval by the Under Secretary for Farm and Foreign Agricultural Services: May 17, 2000

Notice of Availability will be published in the Federal Register if approved by the Board.

Notice: Date of publication in the Federal Register: _____

Citation: _____

Revenue Assurance - 2001 Crop Year Revision and Expansion
Docket No. CI-RA-00-1

SUMMARY

This docket authorizes American Farm Bureau Insurance Services, Inc. (AFBIS) to: (1) add winter wheat coverage to the RA wheat policy; (2) add the winter wheat type in counties with Multiple Peril Crop Insurance (MPCI) winter wheat coverage in Idaho and South Dakota (existing RA spring wheat states); (3) expand the RA wheat program into Arkansas, Colorado, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, Tennessee in counties with MPCI wheat coverage; and (4) expand the corn and soybean RA program into Arkansas, Colorado, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, and Tennessee in counties with MPCI corn and soybean coverage. This docket also authorizes the Federal Crop Insurance Corporation to provide reinsurance, administrative and operating expense subsidy, and premium subsidy, limited to an amount authorized under section 508(e) of the Federal Crop Insurance Act (Act), for the revised and expanded RA program.

FOR FURTHER INFORMATION CONTACT:
Diana Moslak, (202) 720-2832

Revenue Assurance - 2001 Crop Year Revision and Expansion
Authorization for Approval
Docket No. CI-RA-00-1

A - INTRODUCTION

I. Purpose

This docket provides the authority for American Farm Bureau Insurance Services, Inc. (AFBIS) to: (1) add winter wheat coverage to the RA wheat policy; (2) add the winter wheat type in counties with Multiple Peril Crop Insurance (MPCI) winter wheat coverage in Idaho and South Dakota (existing RA spring wheat states); (3) expand the RA wheat program into Arkansas, Colorado, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, Tennessee in counties with MPCI wheat coverage; and (4) expand the corn and soybean RA program into Arkansas, Colorado, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, and Tennessee in counties with MPCI corn and soybean coverage. This docket also authorizes the Federal Crop Insurance Corporation to provide reinsurance, administrative and operating expense subsidy, and premium subsidy, limited to an amount authorized under section 508(e) of the Federal Crop Insurance Act (Act), for the revised and expanded RA program.

II. Justification

The authority contained in this docket allows FCIC to provide producers with another option for purchasing revenue insurance coverage (yield and price protection) for corn, soybeans, and wheat in the states mentioned above. Section 508(h)(3) of the Act requires FCIC to provide reinsurance to reinsured companies to provide additional insurance risk management tools to producers if the policy is actuarially sound and the interests of producers are adequately protected.

III. Background Data - Revenue Assurance

The coverage and exclusions of the RA Basic Provisions and Crop Provisions are similar to the MPCI Basic Provisions and Crop Provisions, except that MPCI covers only loss of production, whereas RA covers low yields, low prices, or a combination of both.

RA revenue guarantees are based on a producer's expected per-acre revenue, which depends on approved yields (established using MPCI actual production history rules) and projected harvest prices. Coverage levels from 65 percent through 75 percent are available for basic and optional units. Coverage levels from 65 percent through 85 percent are available for enterprise and whole-farm units. The methods used to calculate the per-acre revenue guarantee varies by the selected unit structure.

B - AUTHORIZATION

I. General

Authority to approve the Revenue Assurance 2001 crop year corn, soybean, and wheat expansion and coverage changes is contained in section 508(h) of the Act (7 U.S.C. 1508(h)).

II. Program Description

Revenue Assurance - The 2001 crop year corn, soybean, and wheat programs provide insurance protection against loss of revenue due to adverse weather; fire; plant disease, but not damage due to insufficient or improper application of disease control measures; insects, but not damage due to insufficient or improper application of pest control measures; wildlife; earthquake; volcanic eruption; failure of the irrigation water supply caused by an insurable cause of loss; or a decline in the fall harvest price below the projected market price. AFBIS is proposing to expand RA to include winter wheat coverage in Idaho and South Dakota, wheat coverage in Arkansas, Colorado, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, Tennessee in counties with MPCCI wheat coverage, and corn and soybean coverage in Arkansas, Colorado, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, and Tennessee in counties with corn and soybean coverage for the 2001 crop year.

III. Operating Provisions

The operating provisions for implementing this revision and expansion are the RA Basic Provisions, Crop Provisions, Winter Wheat Coverage Endorsement, actuarial documents, underwriting rules, and administrative procedures. RA is reinsured under the Standard Reinsurance Agreement.

IV. Administration

This program may be offered by any insurance company reinsured by FCIC. The terms and provisions of reinsurance and administrative and operating expense subsidy will be those provided in the Standard Reinsurance Agreement for the applicable reinsurance year for other revenue products. RMA will make applicable actuarial documents, prices, and other program materials available to all reinsured companies.

V. Effective Date

This docket will become effective upon signature by the Under Secretary for Farm and Foreign Agricultural Services.

VI. Classification

This program docket is for official use only.

VII. For Official Use Only Designation

The "For Official Use Only" designation of this docket will terminate upon approval of this docket by the Under Secretary for Farm and Foreign Agricultural Services.

Approved by the Board of Directors of the Federal Crop Insurance Corporation at a meeting held on May 17, 2000.

/s/ Diana Moslak
Diana Moslak, Secretary
Federal Crop Insurance Corporation

[SEAL]

Approved by: /s/ August Schumacher, Jr.
Under Secretary for Farm and Foreign Agricultural Services

Date: May 17, 2000

RESOLUTION

RESOLVED, That Docket No. CI-RA-00-1, Exhibit No. 1994, authorizing American Farm Bureau Insurance Services, Inc. to: (1) add winter wheat coverage to the RA wheat policy; (2) add the winter wheat type in counties with Multiple Peril Crop Insurance (MPCI) winter wheat coverage in Idaho and South Dakota (existing RA spring wheat states); (3) expand the RA wheat program into Arkansas, Colorado, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, Tennessee in counties with MPCI wheat coverage; and (4) expand the corn and soybean RA program into Arkansas, Colorado, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, and Tennessee in counties with MPCI corn and soybean coverage; and also authorizing FCIC to provide reinsurance, administrative and operating expense subsidy, and premium subsidy, limited to an amount authorized under section 508(e) of the Federal Crop Insurance Act (Act), for the revised and expanded RA program beginning with the 2001 crop year, is hereby approved pending signature by the Under Secretary for Farm and Foreign Agricultural Services, AND BE IT FURTHER RESOLVED, That the Board delegates authority to the Manager to approve final policy and procedural requirements and terms.

Adopted by the Board of Directors on: May 17, 2000

/s/ Diana Moslak
Diana Moslak, Secretary
Federal Crop Insurance Corporation