



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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February 5, 2015

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Brandon C. Willis /signed/
Manager

SUBJECT: Manager's Report
Exhibit No. 4276

This document is the Manager's Report to the Federal Crop Insurance Corporation Board of Directors (FCIC) meeting on February 5, 2015.

Research, Contracts, Studies, and Workgroups

Study of Food Safety Insurance: A contract was awarded to Watts and Associates to conduct a study to determine whether offering policies that provide specialty crops coverage from food safety and contamination issues would benefit agricultural producers. A draft report is being reviewed and the final report is due late February 2015.

Biomass and Sweet Sorghum Energy Crops Insurance Policies: Contract awarded to Watts and Associates in January 2015 to research and develop a policy to insure biomass sorghum and sweet sorghum that are grown expressly for the purpose of producing biofuel, renewable electricity, or bio-based products. A data collection report is due April 2015 to determine if there is adequate data to proceed with development of an insurance program.

Study on Poultry Catastrophic Disease Program: A contract to provide a feasibility study for poultry catastrophic disease losses as required by the Farm Bill, was awarded to Watts and Associates in October 2014. The draft report is due in March 2015.

Swine Catastrophic Disease Loss Feasibility Study: A solicitation was posted for a contract to conduct a study to determine the feasibility of insuring swine producers for a catastrophic event. Proposals were received, reviewed and additional information was requested. The revised proposals were received in January 2015, have been reviewed and sent to the contracting officer. An award should be made by mid-February 2015.

Poultry Business Interruption Insurance Policy: A statement of work has been prepared for a contract 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. The solicitation for this study was posted in late January.

Margin Coverage for Catfish Margin: A statement of work is being prepared for a contract to conduct research and development regarding a policy to insure producers

against reduction in the margin between the market value of catfish and selected costs incurred in the production of catfish. The statement of work has been sent to the contracting officer.

Effective Coverage Level Review: A contracted task to review the adequacy of existing procedures for establishing premium rates given the current approved yield calculation methodology was initiated in November 2014. This task was solicited under an existing contract with Sumaria Systems, Inc. The draft report was received in December 2014 and has been sent out for expert review. Sumaria Systems, Inc. will provide the FCIC Board of Directors with a briefing of the draft report at the February 2015 Board meeting. The final report, including consideration of expert review comments, is anticipated for delivery in late March 2015.

Price Volatility Methodology Review: A contracted task to review the price volatility factor methodology and its use in determining premium rates was initiated in December 2013. This task was solicited under an existing contract with Sumaria Systems, Inc. The draft report was made available for public comment in September 2014 and the final report with responses to public comments was received in late December 2014. Sumaria Systems, Inc. will provide a briefing on this study at the February 2015 meeting of the FCIC Board of Directors, and then plans to post the final report to the RMA website.

Data and Systems

Acres and Crop Reporting Streamlining Initiative (ACRSI): The ACRSI Program Office continues work to achieve:

- (1) The Farm Bill requirement to develop and implement streamlined acres reporting processes that support the options of electronic or conventional one-stop reporting of acres information for producers participating in USDA programs by September 30, 2015; and
- (2) The broader ACRSI objectives of improved policy integration and data sharing capabilities between USDA agencies.

In support of the Farm Bill directions, the ACRSI project team is finalizing details of a pilot program for spring 2015 crops in selected counties in Illinois and Iowa. The pilot will share a producer's common acres reporting information with their FSA County Office and their Insurance Agent, regardless of where they report it. One of the primary goals of the pilot is to reduce the time and effort required of producers to satisfy USDA program reporting requirements.

RMA Mobile: RMA publically released a native application (app) for iOS (Apple) and Android (Google) devices called RMA Mobile. This educational tool initially serves as an offline companion to the web-based Crop Insurance Decision Tool which helps producers and agents understand how the Supplemental Coverage Option and Stacked Income Protection Plan interact with traditional crop insurance. The tool does not provide an exact quote, but rather generalizes the programs as a first step towards making a purchasing decision. RMA plans to release updates to the app that will include other functionality over time.

Oversight

2014 Fiscal Year Federal Crop Insurance Corporation Financial Statements: RMA continues its track record of clean audit opinions again in 2014 with another unmodified opinion on the 2014 Financial Statements of the Federal Crop Insurance Corporation. In 2013, a material weakness was identified in the Estimated Losses on Insurance Claims calculation. During the last year, work has progressed to improve the process for estimating losses but is not complete and the material weakness remains. RMA plans to remediate that weakness in 2015.

Insurance Services Division

On December 17, 2014 John Deere and John Deere Financial Services Inc. (JD), executed a Stock Purchase Agreement to sell all of the issued and outstanding stock of John Deere Insurance Company and its managing general agent, John Deere Risk protection, Inc. to Farmers Mutual Hail Insurance Company of Iowa (FH). FH intends to take all of the current employees, this includes office staff, adjusters and other field employees. The motivation for FH to pursue this acquisition was based on FH and JD having similar crop insurance focused business, a chance to enhance operational results, expand into markets FH currently is not in and to diversify operations. RMA is working with both AIPs who are anticipating to close the sale by April 1, 2015.

Employee Announcements

Tim Gannon is appointed to serve as Associate Administrator for RMA as of January 12, 2015. In this position, Tim will lead major efforts that will result in a stronger crop insurance program and a more streamlined government. Tim will be leading an agency effort to evaluate and implement continued improvements to program integrity and will focus on the on the Acreage Crop Streamlining Initiative.