

MINUTES  
OF THE  
MEETING OF THE BOARD OF DIRECTORS  
OF THE  
FEDERAL CROP INSURANCE CORPORATION

A meeting of the Board of Directors (Board) of the Federal Crop Insurance Corporation (FCIC) was held on August 14 and 15, 2018, in Washington, DC. The public was invited to attend the open session portion of the meeting.

Meeting  
August 15, 2018

The meeting was called to order at 10:45 am on August 14, 2018.

Call to Order  
Open Session

The Board immediately went into executive session to discuss confidential matters with Risk Management Agency (RMA) staff and submitters of private products under section 508(h) of the Federal Crop Insurance Act (Act).

Executive Session

Open session of the Board reconvened on August 15, 2018, at 11:45 am.

Reconvene Open  
Session

Kim Arrigo read the recitation to all members of the Board to advise the Board of its responsibilities in representing the interests of the FCIC and USDA and advised each member to act accordingly.

Recitation

The Chairman requested Board members to introduce themselves. Present were Rob Johansson, Chief Economist, USDA; James Bardenhagen, Iris Saenz, John Finston, Kenneth Sneed, Michael Clemens, Rickey Bearden and Martin Barbre, Manager, FCIC, constituting a statutory quorum, and Robin Anderson, Secretary, FCIC.

Present

Also present were Heather Manzano, Robert Ibarra, Richard Flournoy, Chandra Mason, Ron Lundine, Francie Tolle, Kale Horton, Tom Worth, Isac Shelton, Keith Gray, and Jody Bailey from RMA; Kim Arrigo and Maureen James from the Office of the General Counsel; Ashley Hungerford, Office of the Chief Economist; Clif Parks, Keith Shuman, AgriLogic, LLC; Peter Griffin, Applied Analytics Group; Ken Harrison, Sheer Simplicity; Dave and Dolly Palmer.

Present by phone were; Tara Ponds, Wilma Davis, Angela Conchola, Lane Webb, Kay Hedrick, Jay Hunnicutt, Darryl Hinden, Jennie Yan, Sarah Kliethermes, Shaun Collins, Jaime Padget, Matthew Mitchell, and Zachary White, RMA; David Gibson, Texas Corn Producers; Deb Harrison; Madilyn Nunez, Ray Pruitt, and Kim Harris, AgriLogic; Deborah Marsh, Applied Analytics Group; Alex Offerdahl, Watts and Associates; and Dave Paul, NAU Country.

Chairman Johansson asked Administrator Martin Barbre for the Manager's Report. Mr. Barbre stated that the [Manager's Report](#) is available on line.

Manager's Report

Hearing no objection, Dr. Johansson agreed to dispense with a reading of the Manager's Report. (Exhibit 4478 )

Dispense with Reading Report

A motion was made and seconded to dispense with the reading of the Minutes and to approve the Minutes (Exhibit 4479) of the meeting of the Board held on May 24, 2018.

Dispense with Reading Minutes

The motion carried. (Exhibit 4479)

Approved

Chairman Johansson offered the following resolution Docket No. CI-Section 508(h) Confidential Submission Popcorn Revenue Modification, which was seconded:

Confidential Submission Popcorn Revenue Modification

RESOLVED, that pursuant to the information contained in Docket No. CI-Section 508(h) Confidential Submission Popcorn Revenue Modification 08-15-18 01, Exhibit 4480, as well as other materials that were submitted to the Board on this matter, the Board hereby approves Confidential Submission Popcorn Revenue Modification, beginning with the crop year the Manager determines is practicable with reinsurance and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 508(h) of the Federal Crop Insurance Act. NOW THEREFORE BE IT FURTHER RESOLVED:

That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4480)

Approved

Chairman Johansson offered the following resolution Docket No CI-Section 508(h) Confidential Submission Malting Barley Endorsement Modification 08-15-18 01, Exhibit 4481, which was seconded:

Confidential  
Submission  
Malting Barley  
Endorsement  
Modification

WHEREAS, Section 505(e) of the Federal Crop Insurance Act (Act) requires the Board to enter into contracts with persons experienced as actuaries and in underwriting for reviews of any policy or plan of insurance, or any related material or modification of a policy or plan of insurance proposed to be offered under the Act, NOW THEREFORE BE IT RESOLVED:

That pursuant to the information contained in Docket No. CI-Section 508(h) Confidential Submission Malting Barley Endorsement Modification 08-15-18 01, Exhibit 4481, the Board approves expert review for Confidential Submission Malting Barley Endorsement Modification 08-15-18 01, Exhibit 4481, and directs that the Manager of the Corporation be authorized to take such action as necessary to enter into and execute contracts with the Board approved persons or entities, or the alternates in case the proposed persons are not available.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4481)

Approved

Chairman Johansson offered the following resolution Docket No. CI-Section 508(h) Confidential Submission 0074 08-15-18 01, Exhibit 4482, which was seconded:

Confidential  
Submission 0074

WHEREAS, Section 505(e) of the Federal Crop Insurance Act (Act) requires the Board to enter into contracts with persons experienced as actuaries and in underwriting for reviews of any policy or plan of insurance, or any related material or modification of a policy or plan of insurance proposed to be offered under the Act, NOW THEREFORE BE IT RESOLVED:

That pursuant to the information contained in Docket No. CI-Section 508(h) Confidential Submission 0074 08-15-18 01, Exhibit 4482, the Board approves expert review for Confidential Submission 0074, as soon as the data requested by the Risk Management Agency has been provided, and directs that the Manager of the Corporation be authorized to take such action as necessary to enter into and execute contracts with the Board

approved persons or entities, or the alternates in case the proposed persons are not available.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4482) One member abstained.

Approved

Chairman Johansson offered the following resolution Docket No. CI-Section 508(h) Confidential Submission 0073 Modification 08-15-18 01, Exhibit 4483, which was seconded:

Confidential  
Submission 0073  
Modification

RESOLVED, that pursuant to the information contained in Docket No. CI-Section 508(h) Confidential Submission 0073 Modification 08-15-18 01, Exhibit 4483, as well as other materials that were submitted to the Board on this matter, the Board hereby approves Confidential Submission 0073 Modification, beginning with the crop year the Manager determines is practicable with reinsurance and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 508(h) of the Federal Crop Insurance Act. NOW THEREFORE BE IT FURTHER RESOLVED:

That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4483) Two members abstained.

Approved

Chairman Johansson offered the following resolution Docket No. CI-Section 522(b) Concept Proposal 145 05-24-18 02, Exhibit 4484, which was seconded:

Concept Proposal  
145

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) requires the Board to consider paying an advance payment of up to 50 percent for research and development costs of a concept proposal that will be developed in to a complete and of sufficient quality 508(h) submission, NOW THEREFORE BE IT RESOLVED:

That pursuant to the information contained in Docket No. CI-Section 522(b) Concept Proposal 145 08-15-18 02, Exhibit 4484, the Board approves the advance payment of \$161,000.00, for Concept Proposal 145 as authorized under section 522(b) of the Federal Crop Insurance Act, the regulations published at 7 C.F.R. part 400, subpart V, and the Approved Procedures for

Reimbursements and Determination of Reasonableness Related to Reimbursement Expenses for Concept Proposals, 508(h) Submissions and User Fee Requests.

By approving the advance payment of estimated research and development expenses, the Board is not approving or endorsing the estimated hours, wage rates, or costs requested by the submitters. The submitters will be required to prove that all costs are actual, necessary, and reasonable.

By accepting the advance payment or additional advance payment, the applicant agrees to provide a submission consistent with section 508(h) of the Act to the Board in the February 2020 submission period.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4484) One member abstained.

Approved

Chairman Johansson offered the following resolution Docket No. CI- Section 522(b) Concept Proposal 144, 08-15-18 02, Exhibit 4485, which was seconded:

Concept Proposal  
144

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) requires the Board to consider paying an advance payment of up to 50 percent for research and development costs of a concept proposal that will be developed in to a complete and of sufficient quality 508(h) submission, NOW THEREFORE BE IT RESOLVED:

That pursuant to the information contained in Docket No. CI- Section 522(b) Concept Proposal 144, 08-15-18 02, Exhibit 4485, the Board approves the advance payment of \$193,000.00, for Concept Proposal 144 as authorized under section 522(b) of the Federal Crop Insurance Act, the regulations published at 7 C.F.R. part 400, subpart V, and the Approved Procedures for Reimbursements and Determination of Reasonableness Related to Reimbursement Expenses for Concept Proposals, 508(h) Submissions and User Fee Requests.

By approving the advance payment of estimated research and development expenses, the Board is not approving or endorsing the estimated hours, wage rates, or costs requested by the submitters. The submitters will be required to prove that all costs are actual, necessary, and reasonable.

By accepting the advance payment or additional advance payment, the applicant agrees to provide a submission consistent with section 508(h) of the Act to the Board in the October 2019 submission period.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4485) One member abstained.

Approved

Chairman Johansson offered the following resolution 508(h) Confidential Submission 0072 08-15-18 01, Exhibit 4486, which was seconded:

Confidential  
Submission 0072

RESOLVED, that pursuant to the information contained in Docket No. CI-Section 508(h) Confidential Submission 0072, 08-15-18 01, Exhibit 4486, as well as other materials that were submitted to the Board on this matter, the Board hereby approves Confidential Submission 0072, with revisions as discussed in Executive Session, beginning with the crop year the Manager determines is practicable with reinsurance and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 508(h) of the Federal Crop Insurance Act. NOW THEREFORE BE IT FURTHER RESOLVED:

That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4486)

Approved

Chairman Johansson offered the following resolution Docket No. CI-Section 508(h) Confidential Submission Livestock Risk Protection for Feeder Cattle, Fed Cattle, and Swine Modification 08-15-18 02, Exhibit 4487, which was seconded:

Confidential  
Submission  
Livestock Risk  
Protection for  
Feeder Cattle,  
Fed Cattle, and  
Swine  
Modification

RESOLVED, that pursuant to the information contained in Docket No. CI-Section 508(h) Confidential Submission Livestock Risk Protection for Feeder Cattle, Fed Cattle, and Swine Modification 08-15-18 02, Exhibit 4487, as well as other materials that were

submitted to the Board on this matter, the Board hereby approves Confidential Submission Livestock Risk Protection for Feeder Cattle, Fed Cattle, and Swine Modification, with revisions as discussed in Executive Session, and once approved by the Manager, beginning with the crop year the Manager determines is practicable with reinsurance and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 508(h) of the Federal Crop Insurance Act. NOW THEREFORE BE IT FURTHER RESOLVED:

That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4487)

Approved

Chairman Johansson offered the following resolution Docket No. Hawaii Tropical Fruit and Hawaii Tropical Tree Pilot Insurance Programs 08-15-18-01, Exhibit No. 4488 which was seconded:

Hawaii Tropical  
Fruit and Hawaii  
Tropical Tree Pilot  
Insurance  
Programs

Resolved, that pursuant to the information contained in Docket No. Hawaii Tropical Fruit and Hawaii Tropical Tree Pilot Insurance Programs 08-15-18-01, Exhibit No. 4488, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby authorizes the Federal Crop Insurance Corporation make the Hawaii Tropical Fruit Pilot and Hawaii Tropical Tree Pilot Insurance Programs as permanent, with a modification to remove the cap on the expansion of acreage, with reinsurance, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager under the authority contained in section 522(c) and 523(a)(4) of the Federal Crop Insurance Act (7 U.S.C. 1523(a)(4)). NOW THEREFORE BE IT FURTHER RESOLVED:

That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4488)

Approved

Chairman Johansson offered the following resolution Docket No. CI- Submission Whole-Farm Revenue Protection Plan of Insurance Modification 08-15-18, Exhibit 4489, which was seconded: RESOLVED, that pursuant to the information contained in Docket No. CI- Submission Whole-Farm Revenue Protection Plan of Insurance Modification 8-15-18 0, Exhibit 4489, as well as other materials that were submitted to the Board on this matter, the Board hereby approves Whole-Farm Revenue Protection Plan of Insurance Modifications including:

Whole-Farm  
Revenue  
Protection Plan of  
Insurance  
Modification

- (1) Consolidating commodity codes to a single commodity code for each commodity;
- (2) Adding rate codes to allow premium rates based on types or practices of a commodity; and
- (3) Additional minor policy provisions and clarifications;

beginning with the crop year the Manager determines is practicable with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized sections 522(c) and 523(a)(4) of the Federal Crop Insurance Act (7 U.S.C. 1522(c) and 1523(a)(4)). NOW THEREFORE BE IT FURTHER RESOLVED:

That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient.

There being no discussion, the Board voted to approve the resolution. (Exhibit 4489)

Approved

Chairman Johansson then read the following statement (Exhibit 4490):

Sense of the  
Board Cost  
Notification

It has come to the attention of the Board that many submitters have not provided timely notification in writing when 90 percent of the estimated costs in the cost budget provided in the concept proposal, submission, or maintenance request have been expended as required by section 4(h) of the Board's Approved Procedures for Reimbursements & Determination Of



Reasonableness Related to Reimbursement Expenses for Concept Proposals, 508(H) Submissions & User Fee Requests.

Regardless of when the concept was first approved, the Board's procedures, including the 90 percent notification, apply. Submitters are reminded that a written notice must be provided when 90 percent of estimated costs have been expended and the submitter must include: (1) a new estimated cost budget, if necessary, for completion of the work; and (2) a detailed justification of why the total costs will exceed the original estimated cost budget if additional funding is required to bring the product to completion. Failure of the submitter to provide the required notice to the Board may result in the denial of reimbursement amounts that exceed the amount contained in the original approved cost budget.

Chairman Johansson then read the following statement (Exhibit 4491):

Sense of the Board New Commodities

As stated in the May 24, 2018, Sense of the Board, expansions of existing 508(h) policies or plan of insurance into new locations or to a new commodity are maintenance. This is supported by the definition of "maintenance" contained in 7 C.F.R. § 400.701, which states in relevant part that maintenance includes "adding a new commodity under similar policy terms and conditions with similar rating and pricing methodology, or expanding a plan or policy to additional states and counties." Questions have been raised regarding the practical effect of this interpretation of this definition. For any concept or submission submitted to the Board before May 24, 2018, the Board will still individually consider these as eligible for research and development and four years of maintenance if approved by the Board. For any concept or submission submitted to the Board after May 24, 2018, where there has been a prior 508(h) submission from the submitter/ developer that offers similar coverage for a different commodity or in a different location (for example, Actual Revenue History or tree insurance products), the first submission approved by the Board after the date of this Sense of the Board will be eligible for reimbursement for research and development costs in accordance with applicable regulations and procedures. All other similar submissions will be considered as maintenance unless the submitter/developer can demonstrate that it is impossible or impractical to insure the new commodity under the existing 508(h) policy or plan of insurance. Regardless of the number of similar policies submitted, the Board is limited to four maintenance payments and then the submitter/developer has the

