



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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DATE: September 18, 2013

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Brandon C. Willis /signed/
Manager

SUBJECT: Manager's Report
Exhibit No. 4151

This document is the Manager's Report to the Federal Crop Insurance Corporation Board of Directors (FCIC) meeting on September 18.

New and Revised Products

RMA made the Actual Revenue History (ARH) Tart Cherry Program available for the 2014 crop year in select counties in New York, Wisconsin, Michigan, Utah, and Washington. Similar to current revenue coverage plans, the ARH pilot program protects growers against losses from low yields, low prices, low quality, or any combination of these events.

Research, Contracts, Studies, and Workgroups

Options for alternative crop insurance approaches for handling reduced irrigation were delivered under the Limited Irrigation Research Study Contract. RMA issued a new task order for development of one of the contractor's recommended approaches for addressing reduced irrigation.

A contract to develop an insurance product for Hybrid Sweet Corn Seed has been completed. The proposed pilot program was sent out for expert review and results of the review will be presented to the FCIC Board of Directors at the November meeting.

Data and Computer Applications

The Acreage and Crop Reporting Streamlining Initiative (ACRSI) project launched the first phase of a pilot acreage reporting web application for 2013 spring crops. The application was available in four central Kansas counties, and was tested by specified USDA employee-producers.

Final Rules

The Catastrophic Risk Protection Endorsement Final Rule was published in the *Federal Register* on August 27. The changes clarify existing policy provisions and incorporate changes that are consistent with those made in the Common Crop Insurance Policy Basic Provisions and the Area Risk Protection Insurance Basic Provisions. The changes will be effective for the 2014 and succeeding crop years for all crops with a contract change date

on or after the effective date of the rule, and for the 2015 and succeeding crop years for all crops with a contract change date prior to the effective date of the rule.

The Processing Sweet Corn Final Rule was published in the *Federal Register* on September 10, and amends the Processing Sweet Corn Provisions to use the base contract price as the price election. This will allow producers the ability to establish an insurance guarantee more reflective of the producer's expected market price for processing sweet corn. The new policy is targeted to be in place for the 2014 crop year.

Proposed Rules

The Forage Seed Proposed Rule was published in the *Federal Register* August 29, seeking public comment. The Forage Seed Crop Provisions provides insurance protection for forage seed that is contracted or grown as certified forage seed.

Oversight

National Financial & Operational Reviews (NFOR): The Financial Oversight Review branch has completed the on-site review of American Agricultural Insurance Company and its Managing General Agent, American Farm Bureau Insurance Services (AFBIS) and will be issuing the final report in 90 days. The purpose of the NFOR is to evaluate the financial stability and overall operations of Approved Insurance Providers (AIPs) in accordance with the Standard Reinsurance Agreement. The following six AIPs have been reviewed in this fiscal year:

- Everest Reinsurance Company (EV)
- Hudson Insurance Company (HU)
- Ace American/Rain & Hail (RH)
- NAU Country (NA)
- Agrinational Insurance Company/AgriServe (AN)
- American Agricultural Insurance Company/AFBIS (FA)

Reinsurance Services Division

On August 23, RMA issued the revised Agent Compensation - Frequently Asked Questions (FAQs) on RMA's public web site. For the 2011 and subsequent reinsurance years, agent compensation is limited to 80 percent of the Administrative and Operating subsidy on a state-by-state basis. An additional 20 percent may be paid to agents from an underwriting gain. Since the implementation of the limitation, RMA has provided guidance regarding what is considered agent compensation. The latest FAQs address an agent's investment in an AIP or affiliate.

Compliance

	PremOver	IndemOver	PremUnder	IndemUnder	Criminal Recovery	A&O Reduction	Indem Cost Avoidance†	Civil Fines	Settlements
6-Aug	\$28,299	\$335,699	\$27,950	\$39,208					
13-Aug	\$4,013		\$922						
20-Aug	\$9,596	\$11,750							
27-Aug	\$2,416	\$104,896	\$810				\$25,754		
3-Sep	\$468,880	\$597,912	\$10,528						
10-Sep	\$9,729	\$44,941	\$520						
Totals	\$522,933	\$1,095,198	\$40,730	\$39,208	\$0	\$0	\$25,754	\$0	\$0

†Cost Avoidance reflects indemnities not paid on account of the review work performed in advance of the claim payment. Cost Avoidance numbers should not be combined with other findings.