



Federal Crop  
Insurance  
Corporation

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November 15, 2019

**TO:** Board of Directors  
Federal Crop Insurance Corporation

**FROM:** Martin R. Barbre */signed/*  
Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4575

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on November 15, 2019.

### **Disaster Bill**

**First Prevented Planting Supplemental Disaster Payments:** On October 16 and 17, 2019, the Risk Management Agency (RMA) transferred approximately \$540 million to Approved Insurance Providers (AIPs) to be distributed to qualifying producers. AIPs had 10 business days to distribute the payments to producers, however most producers received their payments that week. The program pays an additional 10 percent or 15 percent to producers with a qualifying prevented planting indemnity in 2019. Additional payments will be made each month as claims are processed.

**Program Update: High Amylose, White, and Waxy Specialty Corn 508(h):** (Manager's Bulletin MGR 19-025). The High Amylose and the White and Waxy Specialty Corn Crop Insurance Programs were developed under Section 508(h) of the Federal Crop Insurance Act by Sheer Simplicity, Inc. The FCIC Board of Directors approved the maintenance of these products to be transferred to RMA beginning September 28, 2019.

### **Research, Contracts, Studies, and Workgroups**

**Guar:** On October 22, 2019, RMA issued a notice of intent for research and development of a guar crop insurance program. The notice seeks preparatory input from interested parties for review, including level of participant interest and potential availability of data. Comments are due from the public on November 18, 2019.

**Onion Program/Pilot Onion Stage Removal Option Evaluation:** RMA awarded a contract to Agralytica to review the Onion Crop Insurance Program. The draft program evaluation issues report has been received and reviewed by RMA. The final program evaluation issues report was received October 4, 2019, and is currently under review by

## **Outreach/Travel**

**Citrus Listening Sessions:** RMA and contractor, Agralytica, hosted listening sessions with growers, agents, adjusters, and other stakeholders to obtain feedback and recommendations for improvements to existing revenue coverage for Citrus crops. The listening sessions were conducted September 16-19, 2019, in Bakersfield and Tulare, California as well as September 24-27, 2019, in Sebring and Ft. Pierce, Florida. The listening sessions are required under a contract to research and develop improvements to existing citrus policies, in accordance with the 2018 Farm Bill.

**Hemp:** September 23-27, 2019, RMA met with representatives of the Kentucky Department of Agriculture and other government partners to learn about the hemp industry, tour a hemp farm, and a hemp processor. RMA had the opportunity to discuss hemp production with local agronomists and regulators. Discussion topics also included hemp harvesting methods, THC testing, and seed production.

## **Compliance**

RMA Compliance has issued final findings to reinsured companies for the period of September 10, 2019, through October 28, 2019:

- Premium overstatements of \$62,599;
- Indemnity overpayments \$16,861;
- Premium understatements of \$2,322; and
- Indemnity underpayments of \$2,225.

**Audits:** OIG Audit 05601-0004-22 Controls over Multiple Peril Crop Insurance Policies with Additional Coverage for Hail entrance conference was on October 22, 2019.

OIG Audit 05401-0011-11 FCIC RMA fiscal years (FY) 2019 and 2018 Financial Statements exit conference was on October 7, 2019.

### **Improper Payments Elimination and Recovery Improvement Act (IPERIA)**

**Reviews:** Regional Compliance Offices (RCO) continue to conduct reviews of the documents submitted by the policyholders and AIPs to determine if any improper payments were made. The deadline for RCOs to submit Initial Findings to the AIPs is November 15, 2019. Of the 366 case policies selected in the IPERIA sample, 173 reviews have been completed and the case policies closed.

**AIP Performance Reviews (APRs):** RCOs are conducting reviews on the past performance data for the five AIPs under review for FY2020. Once this portion of the review has been completed, APR introduction letters will be submitted to the AIPs and the RCOs will then move forward with developing their review plans.

**Criminal Investigation Press Release:** Kansas – On October 21, 2019, Mr. Struss plead guilty to one count of 18 U.S.C. 1014 (Crop insurance Fraud) and one count of 18 U.S.C.

152(3) (Bankruptcy Fraud). The United States Attorney for the District of Kansas is seeking restitution in the amount of \$2,105,821 for RMA. Sentencing is set for January 21, 2020.

The Department of Justice Press Release available at <https://www.justice.gov/usao-ks/pr/kansas-farmer-pleads-guilty-crop-insurance-fraud>

**Brief Summary:** Mr. Struss' AIP reported suspected misrepresentation after locating more than 80K bushels of unreported corn at grain elevators during the loss adjustment on his crop year 2016 corn claim. RMA's Central Region Compliance Office referred the case to the Special Investigations Staff and a joint investigation with the Office of the Inspector General pursued. The investigation revealed that Mr. Struss underreported corn and grain sorghum production on his crop year 2014, 2015, and 2016 claims. Production was concealed by being sold in the names of other individuals and sold to locations that were not disclosed during the loss adjustment process.

**Plea Arraignments:** Bradley Price, Brandon Price and Jimmy Price entered guilty pleas in Federal Court on Thursday, October 24, 2019, for crop insurance fraud. Bradley also plead to money laundering charges. Additional information is not available at the time of this report.

**Upcoming Court Dates:** (subject to change)

Trials

Kentucky Tobacco Related Cases:

November 12, 2019 – Brierly

December 10, 2019 - Hickerson

Sentencing Hearings

November 6, 2019 – Dickerson, Louisiana

December 19, 2019 – Jolly, Kentucky

January 21, 2020 – Struss, Kansas

January 22, 2020 – Bradley Price, Kentucky

February 21, 2019 – Foley, Kentucky

Pending New Date – Stamp Farms, Michigan (worked closely with MRCO)

**CBCA Case Settled:** In the Matter of Rural Community Insurance Company (In re: Oberg Family Farms), CBCA 6209-FCIC:

This case concerns a Final Administrative Determination issued by RMA regarding actions taken by Appellant, Rural Community Insurance Company ("RCIC") on a Federally reinsured 2017 crop insurance policy issued by RCIC to Oberg Family Farms ("Oberg") for corn and dry beans in Norman County, Minnesota. Specifically, RMA determined that RCIC failed to comply with FCIC regulations and procedures in making a prevented planting payment to Oberg, resulting in an indemnity overpayment of \$182,587 and a premium overstatement of \$61,591. The total cost to the Government of

RCIC's improper prevented planting payment to Oberg was \$173,987.36. On July 25, 2018, RCIC filed a complaint and notice of appeal with the Civilian Board of Contract Appeals. After some initial discovery, the parties fully resolved the case by signing a settlement agreement in October of 2019.