



To: Board of Directors
Federal Crop Insurance Corporation

August 2, 2001

United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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

FROM: Phyllis W. Honor /s/ *Phyllis W. Honor*
Acting Manager

SUBJECT: Board Memorandum No. 620
Docket No. CI-RA-01-2
Revenue Assurance Revisions for the 2002 Crop Year - Submitted by
American Farm Bureau Insurance Services, Inc.

There is submitted for your consideration and approval or disapproval the subject docket authorizing or not authorizing American Farm Bureau Insurance Services, Inc.'s (AFBIS) request for revisions to the Revenue Assurance (RA) plan of insurance to be sold beginning with the 2002 crop year. RA provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both.

Disapproval of this docket will not make RA policy revisions available as requested. Section 508(h) of the Federal Crop Insurance Act requires FCIC to provide reinsurance if the policy is actuarially sound and the interests of producers are adequately protected.

It is necessary for the Board of Directors to select one of the following options to either approve, approve with revisions, or disapprove, based on an evaluation of all experts and other reviews, Docket No. CI-RA-01-2.

RESOLVED, That Docket CI-RA-01-2, Exhibit No. 2056, authorizing revisions for Revenue Assurance to be sold beginning with 2002 crop year spring crops in those areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Federal Crop Insurance Act, is hereby approved AND 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 policies legally sufficient and to resolve those problems with policy terms identified by the reviewers.

OR

RESOLVED, That changes numbered _____, as specified in Docket CI-RA-01-2, Exhibit No. 2056, is hereby approved effective in the 2002 crop year in areas where the contract change date has not passed and the 2003 crop year where it has AND 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 policies legally sufficient and to resolve those problems with policy terms identified by the reviewers.

OR

RESOLVED, That the submitting entity shall be notified that the Board hereby disapproves Docket No. CI-RA-01-2, Exhibit No. 2056, on the basis that the Board has been unable to make a determination that the interests of producers are adequately protected and that any premiums charged to producers are actuarially appropriate.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on:
August 2, 2001

FCIC Docket: CI-RA-01-2

Revenue Assurance – Revisions
for the 2002 Crop Year

Voted on by the Board of Directors on: August 2, 2001

Revenue Assurance Revisions for the 2002 Crop Year
Docket No. CI-RA-01-2

SUMMARY

If approved by the Board, this docket will authorize the Federal Crop Insurance Corporation (FCIC) to implement the revisions to Revenue Assurance(RA) beginning with the 2002 crop year for those crops and areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Federal Crop Insurance Act (Act).

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

Revenue Assurance Revisions for the 2002 Crop Year
Authorization for Approval or Disapproval
Docket No. CI- RA-01-2

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will provide the authority for FCIC to implement revisions to RA beginning with the 2002 crop year for those crops and areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Act for the program.

II. Justification

The authority contained in this docket is needed for FCIC to implement revisions to RA. Section 508(h) of the Act requires the FCIC to provide reinsurance to reinsured companies to provide additional insurance risk management tools to producers only if the policy is actuarially sound and interests of producers are adequately protected.

III. Background Data - Revenue Assurance

Section 508(h) of Act allows a person to submit to the Board of Directors (Board) other crop insurance policies that if the Board finds that the interests of the producers are adequately protected and that any premiums charged to the producers are actuarially appropriate, will be approved by the Board for reinsurance and for sale by approved insurance providers to producers at actuarially appropriate rates and under appropriate terms and conditions.

RA provides dollar-denominated coverage. American Farm Bureau Insurance Services, Inc. (AFBIS) is requesting the following changes to RA for the 2002 crop year: (1) Add a definition for limited resource farmer to the RA policy; (2) Change the Basic Provisions to allow either basic or optional units, based on APH records, if a producer does not qualify for enterprise or whole farm units; (3) Allow 80 and 85 percent coverage for all unit structures; (4) Change the numbering format in section 15 of the Basic Provisions; (5) Change the policy to state that coverage must be in 5 percent increments; (6) Change the procedure for setting projected harvest prices for corn and soybeans in Arkansas so the price can be provided prior to the sales closing date; (7) Add 38 cents to Idaho wheat prices to adjust for transportation costs; (8) Correct typographical errors in the Settlement of Claim section of the crop provisions; (9) Change the Feed Barley Crop Provisions to correct a typographical error in section 11; (10) Change the definition of projected harvest price to specify that the projected price is used to calculate both expected per-acre revenue and premium; (11) Eliminate the RA Disclosure Statement because revenue products are now common and widely understood; (12) Change the prevented planting section of the Basic Provisions; (13) Change the replanting section in the corn and soybean crop provisions to mirror the MPCI Coarse Grains Crop Insurance Provisions; (14) Change the RA documents to allow preliminary indemnity payments; and (15) Change the title of the claims section in the crop provisions to "Final Settlement of Claim".

B - AUTHORIZATION

1. General

Authority to implement revisions for RA beginning with the 2002 crop year for those crops and areas where the contract change date has not passed and the 2003 crop year where it has, is contained in section 508(h) of the Act .

II. Program Description

The authority provided by this docket will enable FCIC to implement the RA revisions for the 2002 crop year for those crops and areas where the contract change date has not passed and the 2003 crop year where it has. RA provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both. AFBIS submitted revisions to the RA policy effective for the 2002 crop year.

III. Operating Provisions

The operating provisions for implementing this program are RA policy provisions, actuarial documents, underwriting rules, and administrative procedures approved by the Board for RMA to administer.

IV. Administration

If approved by the Board, the implementation of this program will be carried out by RMA in accordance with provisions of the Act. The reinsurance will be provided in accordance with the provisions of the Standard Reinsurance Agreement.

V. Effective Date

This docket will become effective upon signature by the Chairman of the Board.

VI. Classification

This program docket is for official use only.

VII. Availability of Funds

The availability of funds is discussed in the attached memorandum from the Chief Financial Officer of RMA.

VIII. For Official Use Only Designation

The "For Official Use Only" designation of this docket will terminate upon approval of this docket by the Board.

FINAL RESOLUTION

RESOLVED, That changes numbered 1, 4, 6, 8, 9, 10, and 11 are approved; change number 2 is approved as amended to state that optional units or basic units will be determined based on the manner in which production is reported by the production reporting date; change number 3 is approved but limited to where multiple peril crop insurance (MPCI) at the 80-85 percent coverage level is available, with no further Board action needed if 80-85 percent coverage for MPCI is expanded into other areas and crops; change number 5 is approved as amended to specify 5 percentage point increments; change number 7 is withdrawn; change number 12 regarding catastrophic risk protection is withdrawn and the clarification regarding written agreements is approved; change number 13 is withdrawn; change number 14 is amended to limit preliminary payments to only when the fall harvest price option is in effect; and change number 15 is approved as amended to conform to the amendment to change number 14 and to incorporate the preliminary payment methodology into the policy, as specified in Docket CI-RA-01-2, Exhibit No. 2056, effective for the 2002 crop year in areas where the contract change date has not passed and the 2003 crop year where it has AND 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 policies legally sufficient and to resolve those problems with policy terms identified by the reviewers.

Adopted by the Board of Directors on: August 2, 2001

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

[SEAL]

Approved by:

/s/ Keith Collins
Keith Collins
Acting Chairman of the Board

08/02/01
Date