

**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 December 18, 2002, in room 104-A, Jamie L. Whitten Federal Office Building, U.S. Department of Agriculture, Washington, D.C. The public was invited to attend the Open Session portion of the meeting.

Meeting
December 18, 2002

The meeting was called to order at 9:10 a.m., in Executive Session.

Call to Order
Executive Session

Present were J. B. Penn, Under Secretary, Farm and Foreign Agricultural Services (FFAS); Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.

Present

Also present were Jim Butler and Butch May, FFAS; David Grahn, Kim Arrigo, and Don Brittenham, Office of the General Counsel (OGC); Joe Glauber, Office of the Chief Economist (OCE); Byron Anderson, David Hatch, Ann Jorgensen, Tim Witt, Nelson Maurice, Vondie O'Conner, Bill Bing, Larry Piatz, Johnnie Perdue, Alan Ott, Alex Christensen, and Martha Smith of the Risk Management Agency (RMA); and David Bossman, Peter Griffin, Barbara Leach, Ken Ackerman, and Carlos Sobrado, American Agri-Business Insurance Company (AABIC).

Tim Hoffmann, RMA, arrived in the Executive Session at 9:20 a.m.

Tim Hoffmann

Barbara Leach left the Executive Session at 9:30 a.m., and returned to the Executive Session at 9:35 a.m.

Barbara Leach

Kim Arrigo left the Executive Session at 9:45 a.m., and returned to the Executive Session at 9:55 a.m.

Kim Arrigo

Barbara Leach and Nelson Maurice left the Executive Session at 9:50 a.m., and returned to the Executive Session at 9:55 a.m.

Barbara Leach
Nelson Maurice

Roger Heckman, Converium Reinsurance (North America), Inc. (CINA) arrived in the Executive Session at 9:55 a.m.

Roger Heckman

David Grahn and Kim Arrigo left the Executive Session at 9:56 a.m.	David Grahn Kim Arrigo
Ross Davidson left the Executive Session at 9:57 a.m., and returned to the Executive Session at 9:58 a.m.	Ross Davidson
Alan Ott left the Executive Session at 10:09 a.m.	Alan Ott
Ross Davidson and Alex Christensen left the Executive Session at 10:10 a.m.	Ross Davidson Alex Christensen
Ross Davidson, David Grahn and Kim Arrigo returned to the Executive Session at 10:15 a.m.	Ross Davidson David Grahn Kim Arrigo
Alan Ott and Alex Christensen returned to the Executive Session at 10:20 a.m.	Alan Ott Alex Christensen
Diana Moslak left the Executive Session at 10:28 a.m., and returned to the Executive Session at 10:30 a.m.	Diana Moslak
Byron Anderson and Carlos Sobrado left the Executive Session at 10:31 a.m.	Byron Anderson Carlos Sabrado
Carlos Sobrado returned to the Executive Session at 10:33 a.m.	Carlos Sabrado
Jim Staiert of the Office of Budget and Program Analysis (OBPA) arrived in the Executive Session at 10:35 a.m.	Jim Staiert
Butch May left the Executive Session at 10:43 a.m.	Butch May
Ross Davidson, David Grahn, and Nelson Maurice left the Executive Session at 10:48 a.m.	Ross Davidson David Grahn Nelson Maurice
Nelson Maurice returned to the Executive Session at 10:50 a.m.	Nelson Maurice
Alan Ott left the Executive Session at 10:51 a.m.	Alan Ott
Martha Smith left the Executive Session at 10:52 a.m.	Martha Smith
Jim Staiert left the Executive Session at 10:55 a.m.	Jim Staiert
Ross Davidson returned to the Executive Session at 10:56 a.m.	Ross Davidson
Martha Smith returned to the Executive Session at 10:57 a.m.	Martha Smith

Butch May returned to the Executive Session at 11:00 a.m.	Butch May
The Executive Session recessed at 11:05 a.m., to reconvene in Executive Session at 11:17 a.m.	Recess/Reconvene Executive Session
Present were Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.	Present
Also present were Butch May, FFAS; Kim Arrigo and Don Brittenham, OGC; Joe Glauber, OCE; and Byron Anderson, David Hatch, Tim Witt, Tim Hoffmann, Nelson Maurice, Vondie O'Conner, Bill Bing, Larry Piatz, Johnnie Perdue, Alan Ott, and Alex Christensen, RMA.	
Martha Smith arrived in the Executive Session at 11:18 a.m.	Martha Smith
Ross Davidson left the Executive Session at 11:20 a.m., and returned to the Executive Session at 11:21 a.m.	Ross Davidson
Alan Ott arrived in the Executive Session at 11:24 a.m.	Alan Ott
Hunt Shipman, FFAS, arrived in the Executive Session at 11:40 a.m.	Hunt Shipman
David Grahn arrived in the Executive Session at 11:52 a.m.	David Grahn
At 11:53 a.m., Steve Griffin and Billy Rose, Crop1 Insurance Direct, Inc. (Crop1); Roger Heckman and Vincent Nadile, CINA; and Barbara Leach, Government Relations Policy Advisor to Crop1 and CINA were invited into the Executive Session.	Steve Griffin Bill Rose Roger Heckman Vincent Nadile Barbara Leach
Hunt Shipman left the Executive Session at 12:10 p.m.	Hunt Shipman
Ann Jorgensen arrived in the Executive Session at 12:50 p.m.	Ann Jorgensen
Hunt Shipman returned to the Executive Session at 1:05 p.m.	Hunt Shipman
J. B. Penn arrived in the Executive Session at 1:15 p.m.	J. B. Penn
Alan Ott left the Executive Session at 1:17 p.m.	Alan Ott
Butch May left the Executive Session at 1:21 p.m., and returned to the Executive Session at 1:25 p.m.	Butch May

Hunt Shipman left the Executive Session at 1:35 p.m.	Hunt Shipman
Jim Butler arrived in the Executive Session at 1:37 p.m.	Jim Butler
The Executive Session adjourned at 1:40 p.m., to reconvene in Open Session.	Adjourn Executive Session
The meeting was called to order at 2:10 p.m., in Open Session	Call to Order Open Session
Present were J. B. Penn, Under Secretary, FFAS; Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.	Present
Also present were Butch May, FFAS; David Grahn and Don Brittenham, OGC; Joe Glauber, OCE; Byron Anderson, David Hatch, Ann Jorgensen, Eric Edgington, Martha Smith, Tim Witt, Tim Hoffmann, Nelson Maurice, Vondie O'Conner, and Bill Bing of RMA; Anita Chomsky, World Perspectives, Inc.; Elizabeth Haws, American Association of Crop Insurers (AACI); Sarah Tyree, AgriLogic; Stephen Frerichs, American Agrisurance, Inc.(AmAg); Ray Mulera of Levin and Rosenstein; David Bossman, Peter Griffin, and Carlos Sobrado, AABIC; Steve Griffin and Billy Rose, Crop1; Roger Heckman and Vincent Nadile, CINA; Barbara Leach, Government Relations Policy Advisor to Crop1 and CINA; and Ken Ackerman of Olsson, Frank and Weeda, P.C.	
Chairman Keith Collins reminded all the members of the Board of their ethical duties in voting on the products coming before them. This statement was in lieu of the recitation normally read to the Board by the counsel to the Board.	Recitation
A motion was made and seconded to dispense with the reading of the Minutes and to approve the Minutes of the meeting of the Board held on October 21-22, 2002.	Dispense with Reading - Minutes Accepted
The motion carried. (Exhibit No. 2146.)	
A motion was made and seconded to adopt the following resolution:	Approved -
RESOLVED, That Docket No. CI-LRP-Fed Cattle-02-1, Exhibit No. 2148, authorizing implementation of the Livestock Risk Protection-Fed Cattle plan of insurance to offer protection against price declines in fed cattle with reinsurance, risk subsidy in an amount equal to 13 percent of the net book premium, and administrative and operating subsidy in an	Livestock Risk Protection-Fed Cattle Plan of Insurance Beginning with the 2003 Crop Year

amount equal to 24.5 percent of the net book premium beginning in the 2003 crop year in Illinois, Iowa, and Nebraska and other changes as proposed in Executive Session, 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 policy legally sufficient.

The motion carried. (Board Memorandum No. 690; Exhibit No. 2148.)

A motion was made and seconded to adopt the following resolution:

RESOLVED, That Docket No. CI-LRP-Feeder Cattle-02-1, Exhibit No. 2149, authorizing implementation of the Livestock Risk Protection-Feeder Cattle plan of insurance to offer protection against price declines in feeder cattle with reinsurance, risk subsidy in an amount equal to 13 percent of the net book premium, and administrative and operating subsidy in an amount equal to 24.5 percent of the net book premium beginning in the 2003 crop year in Colorado, Iowa, Kansas, Nebraska, Nevada, Oklahoma, South Dakota, Texas, Utah and Wyoming and other changes as proposed in Executive Session, 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 policy legally sufficient.

The motion carried. (Board Memorandum No. 691; Exhibit No. 2149.)

A motion was made and seconded to adopt the following resolution:

RESOLVED, That American Agri-Business Insurance Company's (AABIC) request to the Board to table the submission (Docket No. CI-LRP-Dairy-02-1, Exhibit No. 2150), for a period not to exceed 120 days or by the Board's April 2003 meeting, whichever comes first, in order for AABIC to review, analyze, and address the new issues raised by reviewers pertaining to the impact of the recently-adopted Farm Security and Rural Investment Act of 2002 on the Livestock Risk Protection-Dairy plan of insurance proposal, is hereby approved.

The motion carried. (Board Memorandum No. 692; Exhibit No. 2150.)

Approved -
Livestock Risk
Protection-Feeder
Cattle Plan of
Insurance
Beginning with the
2003 Crop Year

Tabled - Livestock
Risk Protection-
Dairy Plan of
Insurance

J. B. Penn left the meeting at 2:25 p.m.

A motion was made and seconded to adopt the following resolution:

RESOLVED, That Docket No. CI-LRP-Swine-02-1, Exhibit No. 2151, authorizing implementation of the expansion of the Livestock Risk Protection plan of insurance for Swine into Illinois, Indiana, Minnesota, and Nebraska beginning in the 2003 crop year, with reinsurance, risk subsidy in an amount equal to 13 percent of the net book premium, and administrative and operating subsidy in an amount equal to 24.5 percent of the net book premium, as authorized under section 508(h) of the Federal Crop Insurance Act, is hereby not approved by the Board and the submitting entity is notified of the Board's intent to disapprove Docket No. CI-LRP-Swine-02-1, Exhibit No. 2151, on the basis that the Livestock Risk Protection plan of insurance for Swine is a pilot program, that pilot programs are experimental in nature and tests are needed to ensure that the pilot works as intended, and that Board policy has been to not approve any requests for expansion of pilot programs until such time as the testing is complete and the program demonstrates that the premium rates are actuarially sufficient, the interests of producers are protected, and that there are no adverse affects on program integrity. This notice of intent to disapprove will also be provided to the submitting entity in writing.

The motion carried. (Board Memorandum No. 693; Exhibit No. 2151.)

A motion was made and seconded to adopt the following resolution:

RESOLVED, That the Actual Production History, Revenue Assurance, and Crop Revenue Coverage (APH/RA/CRC) Rate Analysis Report, contracted by the Federal Crop Insurance Corporation, be sent out for review by five persons who have been approved by the Board as expert reviewers, AND BE IT FURTHER RESOLVED, That: 1) the Manager of the Corporation be authorized to take such action as necessary to enter into and execute contracts with the persons or entities on the attached list, or the alternates in case the proposed persons are not available, to review the APH/RA/CRC Rate Analysis Report prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

The motion carried. (Board Memorandum No. 689; Exhibit No. 2147.)

J. B. Penn

Notice of Intent to Disapprove - Expansion of the Livestock Risk Protection Plan of Insurance for Swine

Approved for Expert Review - APH/RA/CRC Rate Analysis Report - Approval of Reviewers and Alternates; Task Order Statement of Work; and Execution of the Contract

Kim Arrigo arrived in the Open Session at 2:30 p.m.

Kim Arrigo

A motion was made and seconded to adopt the following resolution:

Approved -
Expanded Listed of
Reviewers

WHEREAS, Section 505(e) of the Federal Crop Insurance Act requires the Board to enter into contracts 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 by persons experienced as actuaries and in underwriting, NOW THEREFORE BE IT RESOLVED: That 1) the Manager of the Federal Crop Insurance Corporation be directed to perform the activities necessary to enter into contracts with persons or entities on the attached list of proposed expert reviewers, and 2) the attached general statement of work be used to structure the contracts.

The motion carried. (Board Memorandum No. 695; Exhibit No. 2153.)

The meeting recessed at 2:35 p.m., and reconvened in Open Session at 2:45 p.m.

Recess/Reconvene
Open Session

Present were Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.

Present

Also present were Butch May, FFAS; David Grahn, Kim Arrigo and Don Brittenham, OGC; Joe Glauber, OCE; Byron Anderson, David Hatch, Ann Jorgensen, Martha Smith, Tim Witt, Tim Hoffmann, Nelson Maurice, Vondie O'Conner, Bill Bing and Alex Christensen of RMA; Anita Chomsky, World Perspectives, Inc.; Elizabeth Haws, AACI; Sarah Tyree, AgriLogic; Stephen Frerichs, AmAg; Ray Mulera of Levin and Rosenstein; David Bossman, Peter Griffin, and Carlos Sobrado, AABIC; Steve Griffin and Billy Rose, Crop1; Roger Heckman and Vincent Nadile, CINA; Barbara Leach, Government Relations Policy Advisor to Crop1 and CINA; and Ken Ackerman of Olsson, Frank and Weeda, P.C.

A motion was made and seconded to adopt the following resolution:

PDP Business Plan
Delegated
Authority to the
Corporation to
Approve the PDP
Business Plan
Subject to Specific

RESOLVED, That Docket No. CI-PDP-02-1, Exhibit No. 2152, authorizing implementation of the PDP business plan under section 523(d) of the Federal Crop Insurance Act (Act) is withdrawn and resubmitted under section 508(e)(3) of the Act AND BE IT FURTHER RESOLVED,

That the Board recommends that the PDP business plan be approved by the Corporation subject to the following rules, limitations and procedures:

Rules, Limitations
and Procedures

- (1) All questions that have been posed to the expert reviewers are adequately addressed, as determined by the Corporation;
- (2) The submitter can demonstrate that it can reduce its costs by a specific amount through an efficiency in the delivery of the Federal crop insurance program;
- (3) The efficiency employed by the submitter to reduce its costs does not result in a reduction of service to policyholders;
- (4) The submitter can demonstrate that it has the financial capacity to deliver the PDP business plan, as determined by the Corporation, in the areas in which it has been proposed, or approved by the Corporation;
- (5) That the PDP business plan be offered on a limited basis, to be determined by the Corporation, and expanded over time as the capacity and ability of the submitter to deliver the PDP business plan is established, as approved by the Corporation;
- (6) That the submitter and the Corporation shall monitor the performance of the PDP business plan and that the submitter provide weekly reports to the Corporation regarding the performance of the PDP business plan and report any problems discovered;
- (7) That the Corporation report to the Board at each Board meeting the performance of the PDP business plan during the period since the previous Board meeting;
- (8) That the Corporation can take such action as necessary, including the withdrawal of approval, if the Corporation determines that any condition herein has not been fully and satisfactorily met, and continues to be met during the duration of the PDP business plan, or that may be needed to protect the integrity of the program, as determined by the Corporation; and
- (9) That the conditions stated herein be applied to all submitters of plans or proposals for premium reduction governed by section 508(e)(3) of the Act.

The motion carried. (Board Memorandum No. 694; Exhibit No. 2152.)

Alan Ott arrived at the meeting at 2:55 p.m.

Alan Ott

There being no further business to come before the Board, the meeting adjourned at 3:00 p.m., to meet again in February 2003 in Washington, D.C.

Adjourn

January 8, 2003

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