

Risk Management Agency 1997 Manager Bulletins

**This File is Optimized for Adobe Acrobat Reader 3.0
Download Free from Adobe Systems at
<http://www.adobe.com>**

**Spokane Regional Service Office
USDA Risk Management Agency
112 N University Road Ste 205
Spokane, WA 99206-5275
(509) 353-2147
Fax (509) 353-3149
Email rsowa@rm.fcic.usda.gov**

Risk Management Agency 1997 Manager Bulletins 1

- MGR-97-001** 1997 Cotton (Upland and ELS) Price Election Change
- MGR-97-002** Malting Barley Endorsement
- MGR-97-003** Extension of the Acreage Reporting Date for the 1997 Crop Year for Macadamia Nuts and Macadamia Trees
- MGR-97-004** Crop Revenue Coverage, Income Protection and Revenue Assurance Pilot Programs of Insurance
- MGR-97-004.1** Additional County Eligible for Income Protection (IP) Coverage
- MGR-97-005** 1997 Corn and Soybean Crop Revenue Coverage (CRC) Carryover Policyholders in Iowa and Nebraska and Income Protection (IP) Carryover Policyholders
- MGR-97-005.1** 1997 Corn and Soybean Crop Revenue Coverage (CRC) Carryover Policyholders in Iowa and Nebraska and Income Protection (IP) Carryover Policyholders
- MGR-97-006** Wheat Special Provisions Statement in Certain South Dakota Counties
- MGR-97-007** Third Party Payment of Administrative Fees
- MGR-97-008** 1997 Prevented Planting
- MGR-97-009** Index of Manager Bulletins and Research and Development Informational Memorandums
- MGR-97-010** Damage to Perennial Crops in California Outside the Insurance Period
- MGR-97-011** "DRAFT" 1998 Standard Reinsurance Agreement
- MGR-97-012** Acreage Determination and Other Loss Adjustment Verifications for Multiple Peril Crop Insurance for the 1997 Crop Year
- MGR-97-013** Acreage Reporting Date Extension for 1997 Crop Year Canning and Processing Tomatoes in Fresno, Kern, and Kings County, California
- MGR-97-014** Waiver Of 1997 Crop Year Sugar Beet Rotation Requirements For Michigan and Ohio
- MGR-97-015** Questions Regarding the Draft 1998 Standard Reinsurance Agreement
- MGR-97-015.1** Federal Crop Reinsurance (FCR) Model Documentation
- MGR-97-016** Extension of the Sales Closing, Acreage Reporting, and the Cancellation and Termination Dates for 1998 Florida Citrus Fruit Insurance
- MGR-97-016.1** Extension of the Sales Closing, Acreage Reporting, and the Cancellation and Termination Dates for 1998 Florida Citrus Fruit Insurance
- MGR-97-017** Revised 1997 Standard Reinsurance Agreement 2nd Installment Rates
- MGR-97-018** Accepting Late Production Reports in Minnesota, North Dakota, and South Dakota
- MGR-97-019** Delivery of Crop Insurance Policies for the 1998 Crop Year and Beyond
- MGR-97-020** Limited Resource Farmers

- MGR-97-021** Establishing Insurance Coverage for Sugar Beets involving Joint Ventures, Limited Partnerships, and Late Filed Requests for Sugar Beet Insurance

Risk Management Agency 1997 Manager Bulletins 2

MGR-97-022	Secretary Dan Glickman's Letter on NCS
MGR-97-023	1997 Insurance Coverage for Limited Resource Farmers
MGR-97-024	Procedure for Transferring Policies from Farm Service Agency County Offices to FCIC Approved Reinsured Companies
MGR-97-025	Final Planting Date for Soybeans in Georgia
MGR-97-026	Guidelines for Establishing Single Delivery Transition Committees
MGR-97-027	Draft 1998 Standard Reinsurance Agreement
MGR-97-028	1997 Peanut Seed Allocations
MGR-97-029	Corn Rootworm Integrated Pest Management (IPM) Demonstration Project
MGR-97-030	1997 Cotton Loss Adjustment Deviation for 21 Mississippi Counties
MGR-97-031	1997 Cotton Loss Adjustment Deviation for 27 Alabama Counties
MGR-97-032	Common Crop Insurance Regulations; Basic Provisions; and Various Crop Insurance Provisions; Proposed Rule
MGR-97-033	<ol style="list-style-type: none">1. Revised Final Draft 1998 Standard Reinsurance Agreement (SRA)2. Assigned Risk and Development Fund Designations
MGR-97-33.1	Revised Assigned Risk and Development Fund Designations Dates
MGR-97-034	1998 Projected Market Prices for Wheat, Barley, Oats, and Rye
MGR-97-035	Raisin Reconditioning Payments
MGR-97-036	Final 1998 Standard Reinsurance Agreement (SRA), Plan of Operations (Plan)and Manual 14
MGR-97-037	Raisin Policy Administrative Fee
MGR-97-038	Index of Manager Bulletins and Research and Development Informational Memorandums
MGR-97-039	Acreage Determination and Verification for the 1998 Crop Year and Submission of 1997 Acreage Review Results
MGR-97-040	1998 Projected Market Prices for Corn, Grain Sorghum, Soybeans, Corn Silage and Malting Barley (Option A)

BULLETIN NO.: MGR-97-001

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman /s/ KDA 1/2/97
Acting Administrator

SUBJECT: 1997 Cotton (Upland and ELS) Price Election Change

The Risk Management Agency (RMA) today announced price election changes for the 1997 Upland cotton program, revising those previously announced December 24, 1996, through Informational Memorandum: R&D-96-081, Addendum - 1997 Actuarial Table.

The regional price election for upland cotton is outlined below. ELS cotton remains at \$1.15 per pound for the 1997 crop year.

	1997 Election	CAT Coverage
	-----Dollars Per Pound-----	
Upland Cotton		
Southeastern	0.70	0.42
AL, FL, GA, NC, SC, VA, and East TN		
South Central	0.69	0.42
AR, LA, MO, MS, West TN, and South TX		
Southwest	0.67	0.41
KS, OK, East NM, and North TX		
Western	0.72	0.44
AZ, CA, West NM, and Southwest TX		
ELS Cotton		
All States	1.15	0.69

This price election increases the previously announced price election for upland cotton. All insurance companies must notify insureds of this change. Those cotton policyholders with a January 15, 1997, sales closing date have until February 17, 1997, to make a selection. All other

policyholders must make a selection on or before the sales closing date. Subsidy is based on the new price election, therefore, insureds using the price election previously announced may receive a lower level of subsidy unless a new selection is made prior to the dates specified herein.

Catastrophic coverage will be 60 percent of the new maximum price election.



United States
Department of
Agriculture

Risk
Management
Agency

Office
of the
Administrator

Washington, D.C.
20250

BULLETIN NO.: MGR-97-002

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Malting Barley Endorsement

BACKGROUND:

A new Malting Barley Price and Quality Endorsement was made available for the 1996 crop year. However, since it was made available after the 1996 crop year contract change date, the previous Malting Barley Option was also available in 1996. For the 1997 crop year, the Malting Barley Option will no longer be available and any insured who had such coverage must be advised they will no longer have malting barley coverage unless they elect and qualify for coverage under the new Malting Barley Price and Quality Endorsement.

In addition, FCIC has become aware a malting barley processor contract is now available that offers producers a variable price option that is not referred to in the Malting Barley Price and Quality Endorsement. This option allows a producer to select a locally posted daily malting barley price on any day within the time frame that is specified in the malting barley contract. It also provides a price "floor" that is significantly lower than the "fixed amount" price options contained in the same contract. This "floor" amount is not representative of the expected market price, nor would its use result in equitable price elections between producers who selected the variable price option and those who did not. Therefore, to allow equitable crop insurance price elections to be established, any producer who selects the variable price option in the processor contract must have the insurance price election based on the price that would have applied if he or she had chosen a "fixed amount" price option contained in the processor contract.

ACTION:

All insurance providers must advise insureds with coverage under the Malting Barley Option that the coverage is not available for the 1997 and succeeding crop years, and the insurance provider must cancel the coverage if the insured fails to do so. No malting barley coverage will be in effect for these insureds unless they elect and qualify for coverage under the new Malting Barley Price and Quality Endorsement.

Any insured who elects Option B of the new Malting Barley Price and Quality Endorsement and selects a variable price option contained in their malting barley contract, will have their additional value malting barley price election based on any “fixed amount” price option that is contained in the same malting barley contract. The pricing method for the Malting Barley Price and Quality Endorsement must be selected not later than the acreage report date and will remain in effect for the crop year.



United States
Department of
Agriculture

Risk
Management
Agency

Office of
the
Administrator

Washington, D.C.
20250

January 14, 1997

BULLETIN NO.: MGR-97-003

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Extension of the Acreage Reporting Date for the 1997 Crop Year for Macadamia Nuts and Macadamia Trees

BACKGROUND:

The Catastrophic Risk Protection Endorsement (97-CAT) requires that the administrative fee for catastrophic risk protection (CAT) coverage be paid annually on or before the acreage reporting date for the applicable crop. If the administrative fee is not paid when due, the crop insurance contract terminates effective at the beginning of the crop year for which the administrative fee was not paid.

The macadamia nut and macadamia tree crop insurance policies, which are non-continuous, have an acreage reporting date of January 1 of each crop year which is also the date insurance attaches. Filing of the actuarial documents for insurance of macadamia nuts and macadamia trees is normally initiated by August 31 of each calendar year; however, filing for the 1997 crop year was delayed almost 3 1/2 months to evaluate realignment of the insurance period with the production year used by the macadamia nut industry. Although no change will be made to the insurance period for the 1997 crop year, the delayed filing does not provide applicants for insurance an adequate and reasonable amount of time to pay the administrative fee for 1997 crop year CAT coverage by the January 1 acreage reporting date.

ACTION:

Effective for the 1997 crop year only, the Risk Management Agency has extended the acreage reporting date for macadamia nut and macadamia tree crop insurance policyholders to January 31, 1997. Policyholders with CAT coverage for macadamia nuts or macadamia trees must pay the administrative fees for these crops on or before that date for coverage to have attached on January 1, 1997.



United States
Department of
Agriculture

Risk
Management
Agency

Office of
the
Administrator

Washington, D.C.
20250

BULLETIN NO.: MGR-97-004

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Crop Revenue Coverage, Income Protection and Revenue Assurance Pilot
Programs of Insurance

The Federal Crop Insurance Corporation's (FCIC) Board of Directors (Board) has recently approved expansion of Crop Revenue Coverage (CRC) for corn and soybeans, new CRC programs for cotton, grain sorghum and spring wheat, and expansion of Income Protection (IP) for grain sorghum and soybeans. The Board also approved a new alternative product known as Revenue Assurance, a revenue based insurance plan. Both crop programs, CRC and Revenue Assurance, have been approved for reinsurance and premium subsidy, including subsidy for administrative and operating expenses. Both insurance plans are designed as alternatives for a standard multiple peril crop insurance policy.

The products are now approved and will be available to all reinsured companies to write for the 1997 crop year. However, sales of CRC will begin upon timely receipt from American Agrisure, Inc. of the appropriate premium rates, review of those rates by FCIC and publication of the rates and policies. Sales of IP and Revenue Assurance will begin upon publication of the rates and policies. All of the approved insurance programs' policy language, forms and rate factor tables will be available through the Reporting Organization Server in the very near future.

Beginning this spring, new CRC programs will be available on:

Cotton Arizona - all counties, Georgia - all counties, Oklahoma - all counties,
Texas - (Armstrong, Briscoe, Castro, Deaf Smith, Floyd, Gray, Hale, Hartley, Parmer,
Randall, Swisher, Andrews, Bailey, Cochran, Crosby, Dawson, Gaines, Glasscock,
Hockley, Howard, Lamb, Lubbock, Lynn, Martin, Midland, Terry, Yoakum, Borden,
Childress, Collingsworth, Cottle, Dickens, Donley, Foard, Garza, Hall, Hardeman, Kent,
King, Motley, Wheeler, Wichita, Wilbarger, Baylor, Coleman, Fisher, Haskell, Jones,
Knox, Mitchell, Nolan, Runnels, Scurry, Stonewall, Taylor)

Grain Sorghum Colorado - all counties, Nebraska - all counties, Oklahoma - all counties, Kansas (Gove, Greeley, Lane, Logan, Ness, Scott, Trego, Wallace, Wichita, Clark, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearny, Meade, Morton, Seward, Stanton, Stevens, Barton, Dickinson, Ellis, Ellsworth, Lincoln, McPherson, Marion, Rice, Rush, Russell, Saline, Atchison, Brown, Doniphan, Jackson, Jefferson, Leavenworth, Marshall, Nemaha, Pottawatomie, Riley, Wyandotte), Missouri (Bates, Cass, Cedar, Henry, Jackson, Johnson, LaFayette, St. Clair, Vernon), South Dakota (Aurora, Beadle, Brule, Buffalo, Hand, Hughes, Hyde, Jerauld, Sully, Gregory, Jones, Lyman, Mellette, Todd, Tripp)

Spring Wheat Minnesota - all counties
Montana (Daniels, Roosevelt, Sheridan, Valley),
North Dakota (Dunn, McKenzie, McLean, Mercer, Oliver, Eddy, Foster, Kidder, Sheridan, Stutsman, Wells, Barnes, Cass, Griggs, Steele, Traill, Dickey, LaMoure, Logan, McIntosh, Ransom, Richland, Sargent),

** CRC wheat coverage was available last fall in Kansas, Michigan, Nebraska, South Dakota, Texas, Washington and designated counties in Montana.

Beginning this spring, expansion of Crop Revenue Coverage (CRC) for corn and soybeans will be available in:

Corn Colorado - all counties, Illinois - all counties, Indiana - all counties, Kansas - all counties, Michigan - all counties, Minnesota - all counties, Missouri - all counties, Ohio - all counties, Oklahoma - all counties, South Dakota - all counties, Texas - all counties

Soybeans Illinois - all counties, Indiana - all counties, Kansas - all counties, Michigan - all counties, Minnesota - all counties, Missouri - all counties, Ohio - all counties, Oklahoma - all counties, South Dakota - all counties, Texas - all counties

** CRC corn and soybean coverage was available beginning with the 1996 crop year in all counties in Iowa and Nebraska.

Revenue Assurance is designed to protect a producer's loss of revenue resulting from low prices, low yields, or a combination of both. The Revenue Assurance policy provides coverage on basic units, optional units, enterprise units, or whole-farm units as selected by the producer. Beginning this spring, Revenue Assurance will be available on:

Corn Iowa - all counties
Soybeans Iowa - all counties

CRC and Revenue Assurance plans of insurance will only be available in these counties if an existing multiple peril crop insurance program is also available for the crop.

IP policies protect producers against reductions in gross income when a crop's price or yield declines from early-season expectations. Beginning this spring, expansion of IP for grain sorghum and soybeans will be available in:

Grain Sorghum

Texas (Armstrong, Bailey, Carson, Castro, Cochran, Dallam, Deaf Smith, Gray, Hale, Hansford, Hartley, Hockley, Hutchinson, Lamb, Moore, Ochiltree, Oldham, Parmer, Potter, Randall, Sherman, Swisher, Terry, Yoakum)

Soybeans

Illinois (Champaign, Ford, Iroquois, Livingston, McLean),

Indiana (Benton, Fountain, Warren)

Iowa (Adair, Audubon, Cass, Dallas, Guthrie, Shelby)

Arkansas (Arkansas, Ahley, Chicot, Clay, Conway, Craighead, Crawford, Crittenden, Cross, Desha, Drew, Faulkner, Franklin, Greene, Hempstead, Independence,

Jackson, Jefferson, Johnson, LaFayette, Lawrence, Lee, Lincoln, Little River, Logan,

Lonoke, Miller, Mississippi, Monroe, Perry, Phillips, Poinsett, Pope, Prairie, Pulaski,

Randolph, Sebastian, Sevier, St. Francis, White, Woodruff, Yell)

IP crop insurance policies will continue to be reinsured under the current terms of the 1995/97 Standard Reinsurance Agreement.

Companies who wish to market CRC and/or Revenue Assurance programs under the terms and conditions set forth in the Memorandum(s) of Understanding must complete and submit the attached Optional Amendment No. 3 for CRC crop insurance policies, and/or Optional Amendment No. 4 for Revenue Assurance crop insurance policies.

The Amendments are to the current 1995/1997 Standard Reinsurance Agreement. Section II.B. applies to the aggregate crop insurance premium including CRC and Revenue Assurance premiums written under the Amendments. Maximum cession limitations outlined in Exhibit 15 of the Plan of Operations apply to the aggregate premiums for all plans of insurance. The applicable administrative and operating expense reimbursement and the company's share of underwriting gain or loss will be calculated on the basis of the CRC and/or Revenue Assurance premium associated with the policies written under the Amendments.

Attached are two copies of each Amendment and the applicable Memorandum(s) of Understanding between the Federal Crop Insurance Corporation and the submitting companies for the CRC and Revenue Assurance programs. Each of the four documents must be signed as an original and returned via overnight mail by the date stated below. The Amendments should be signed by a duly authorized person empowered with signature authority by the primary insurance company reinsured under the Standard Reinsurance Agreement.

Signed amendments must be sent, via overnight mail, to the following address by C.O.B. February 10, 1997:

OVERNIGHT MAIL:: USDA/Risk Management Agency
Insurance Services/Reinsurance Services Division
E. Heyward Baker, Acting Director
1400 Independence Avenue, SW
Stop Code: 0530
Room 6727-South Building
Washington, DC 20250
Phone: (202) 720-4232;

Companies may also fax signed copies of each amendment to facilitate the marketing and sales of CRC and Revenue Assurance crop insurance policies. Signed copies may be faxed as soon as possible to (202) 690-3604. However, all signed originals must be received by February 10, 1997.

Questions regarding this bulletin may be addressed to E. Heyward Baker, Acting Director, Reinsurance Services Division, Insurance Services at (202) 720-4232.

Attachments: (Will be sent via overnite mail)

BULLETIN NO.: MGR-97-004.1

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Additional County Eligible for Income Protection (IP) Coverage

The following county was inadvertently excluded from MGR-97-004, Crop Revenue Coverage, Income Protection and Revenue Assurance Pilot Programs of Insurance:

<u>PLAN OF INSURANCE</u>	<u>CROP</u>	<u>COUNTY/STATE</u>
Income Protection	Grain Sorghum	Runnels County, Texas

Please update your documents accordingly.

BULLETIN NO.: MGR-97-005

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: 1997 Corn and Soybean Crop Revenue Coverage (CRC) Carryover Policyholders in Iowa and Nebraska and Income Protection (IP) Carryover Policyholders

BACKGROUND:

Crop Revenue Coverage (CRC) was approved as an insurance program on a limited basis beginning with the 1996 crop year for corn and soybeans in all Iowa and Nebraska counties. Producers in these States purchasing CRC for corn or soybeans received a CRC Insurance Policy (Basic Provisions), CRC Corn Crop Provisions, or a CRC Soybean Crop Provisions. For the 1997 crop year, the Federal Crop Insurance Corporation's Board of Directors (Board) approved the expansion of CRC to additional States and counties for corn and soybeans. The expansion for corn and soybeans also included a request by the submitting company to make revisions to the CRC Basic Provisions and combine the CRC Corn and Soybean Crop Provisions into a CRC Coarse Grains Crop Provisions (corn, grain sorghum, and soybeans) for the 1997 crop year. Additionally, premium rates have changed, generally increasing, for most areas of these two States.

Income Protection (IP) was approved as a pilot program beginning with the 1996 crop year for corn, cotton, and spring wheat, with coverage expanded to selected winter wheat areas for 1997. For the 1997 crop year the Board approved the expansion of IP to grain sorghum in selected counties in Texas and soybeans in selected counties in Arkansas, Illinois, Indiana, and Iowa. Changes have also been made to the IP crop provisions for corn, cotton, and spring wheat for the 1997 crop year to protect the interests of producers.

ACTION:

Since the contract change dates for the 1997 crop year for CRC corn, CRC soybeans, IP cotton, IP corn, and IP spring wheat have passed, companies with carryover CRC corn, CRC soybean, IP cotton, IP corn or IP spring wheat policies must inform their policyholders, in advance of the sales closing/cancellation date, in writing of the changes in the CRC or IP policies. The letter to the policyholders must:

- 1.Explain that the carryover policy will be controlled by the terms and conditions of the 1997 CRC Basic Provisions and CRC Coarse Grains Crop Provisions or IP Crop Provisions;
- 2.Inform policyholders their premium rates may change, and are likely to increase for the 1997 crop year; and
- 3.Inform policyholders they must advise their agent in writing of their acceptance of the new rates and terms and conditions of the policy and that failure to advise the agent in writing of their acceptance before the cancellation date will result in their CRC or IP policy being canceled for the 1997 crop year.

If the policyholder accepts the new policy, the company must issue the new CRC Basic Provisions and CRC Coarse Grains Provisions or the new IP Crop Provisions to all new and carryover CRC or IP policyholders.

BULLETIN NO.: MGR-97-005.1

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: 1997 Corn and Soybean Crop Revenue Coverage (CRC) Carryover Policyholders
in Iowa and Nebraska and Income Protection (IP) Carryover Policyholders

BACKGROUND:

Risk Management Agency (RMA) recently issued MGR-97-005 which provided instructions to be followed for Crop Revenue Coverage (CRC) and Income Protection (IP) carryover policies for the 1997 crop year since the contract change dates for CRC corn, CRC soybeans, IP cotton, IP corn, and IP spring wheat have passed and the policies and premiums have changed. Since issuance of Bulletin MGR-97-005 concerns have been raised regarding the ability to contact absentee landlords or certain other policyholders who for legitimate reasons can not be contacted or will not be able to respond by the cancellation date.

ACTION:

RMA is authorizing reinsured companies and their agents additional time to contact absentee landlords or other policyholders who for legitimate reasons were unable to be contacted or respond by the February 28, 1997, cancellation date in certain cases or the March 15, 1997, cancellation date.

Reinsured companies and their agents may accept confirmation from these policyholders until March 28, 1997, for those policies with a February 28, 1997, cancellation date and April 15, 1997, for those policies with a March 15, 1997, cancellation date. These policyholders may:

- 1) accept the terms of the new policies by indicating so in writing as outlined in MGR-97-005,
- 2) may request cancellation of their coverage, or
- 3) may convert their existing coverage to another plan of insurance available under the Federal Crop Insurance Act.

Any considerations for late designations to the Assigned Risk Fund must be referred to the Reinsurance Services Division no later than April 30, 1997.

All other instructions contained in MGR-97-005 remain in effect.



United States
Department of
Agriculture

Risk
Management
Agency

Office
of the
Administrator

Washington, D.C.
20250

BULLETIN NO.: MGR-97-006

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Wheat Special Provisions Statement in Certain South Dakota Counties

BACKGROUND:

The Special Provisions of Insurance for wheat in South Dakota counties with both winter and spring final planting dates contain a statement that requires broadcast winter wheat to have an adequate stand in the spring to be insurable. This requirement for an adequate stand in the spring would negate any winter coverage an insured person would be eligible for under the terms of the Winter Wheat Coverage Endorsement. Producers electing this endorsement paid additional premium for winter protection. The crop insurance industry in South Dakota believed this statement applied only to broadcast wheat that was not incorporated into the soil (as stated in the small grains crop provisions). Therefore, optional winter coverage was sold to insureds who normally broadcast wheat.

ACTION:

The following Special Provisions statement is NOT applicable for the 1997 crop year in South Dakota counties with both winter and spring final planting dates.

“Broadcast wheat will not be insured unless the acreage has an adequate stand in the spring to produce the yield used to determine the production guarantee. Insurance will then attach to acreage having an adequate stand on the earlier of the spring final planting date or the date we agree in writing to accept the acreage for insurance.”

BULLETIN NO.: MGR-97-007

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Third Party Payment of Administrative Fees

BACKGROUND:

On June 27, 1996, the Federal Crop Insurance Corporation (FCIC) issued an Informational Memorandum regarding the third party payment of administrative fees. Third parties are prohibited from paying the administrative fees on the producer's behalf. It is permissible for a third party to pay the administrative fee when acting in place of the producer, such as a landlord/tenant or legal guardian. The second Informational Memorandum issued on August 15, 1996, provided that certain individuals may pay the administrative fees under an actual business agreement with the producer. This August 15, 1996, Informational Memorandum was never meant to be construed as liberalizing the June 27, 1996 prohibition.

ACTION:

Reinsured companies, insurance agents, producer associations, grower groups, farm cooperatives, etc. may not pay the administrative fees for producers. Only those persons acting in place of the producer under a power of attorney, landlord/tenant agreement, or a legal guardianship, may pay the administrative fee. As outlined in the August 15, 1996, memorandum, insurance agents may accept payment of fees from producers and submit a total sum of the fees to a reinsured company. However, the agent must attach a list of producers from whom the fees were collected to substantiate the sums submitted.



BULLETIN NO.: MGR-97-008

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: 1997 Prevented Planting

BACKGROUND:

The Federal Crop Insurance Corporation (FCIC) has received questions regarding whether the prevented planting provisions that were in effect for the 1996 crop year will remain in effect for the 1997 crop year. Current policy provisions remain in effect for the 1997 crop year.

ACTION:

FCIC is restating prevented planting issues that were clarified in previously issued Manager's Bulletins and R&D Informational Memorandums, as well as clarifying several issues that were recently raised, to assure uniform administration for the 1997 crop year as stated below.

1. Eligible Acreage:

- (a) Maximum eligible prevented planting acres will be determined on a county crop basis. The combination of eligible acreage on all FSN's covered under the policy will constitute the total eligible acreage, subject to the acreage limitations contained in the policy provisions.

Prevented planting acreage will be determined when insureds report their acreage by the acreage reporting date. Any acreage that is reported in excess of the maximum eligible acreage will be deleted from the acreage report.

- (b) Land which is added after the sales closing date, including CRP acreage that is transferred out of the CRP program after the sales closing date, can be eligible for a prevented planting production guarantee as follows:
 - (1) The acreage must be added or transferred out of the CRP program at a time

when there is still a reasonable expectation of being able to plant and produce the insured crop.

- (2) Land for which the insured has no actual production history can qualify for a prevented planting production guarantee by using the greater of the base acreage attributable to the added land or the number of acres of the applicable prevented planting crop planted the previous year by the previous owner or operator, and any eligible acreage from other land the insured has within the county.
- (3) Land that has no base acreage, no production history, and no acreage planted the previous year can qualify for a prevented planting production guarantee by using the eligible acreage from other land the insured has within the county.

For example: If an insured is eligible for 100 acres of prevented planting coverage for soybeans on the original acreage, he/she may report up to that amount of prevented planting acreage on any of the acreage he/she farms, including the added land. Any acreage planted to soybeans on any farm covered under the insured's policy must be subtracted from eligible prevented planting acreage.

- (c) Insured crop acreage which had a prevented planting production guarantee in a prior year will be added to the number of acres planted to the insured crop the prior year when determining the maximum eligible acreage.
- (d) An insured cannot use the previous operator's yield and acreage history to qualify for eligible prevented planting acres except as noted in 1.(b)(2) above.
- (e) If a crop is insured under one policy number, is administered under one Farm Service Agency (FSA) Farm Serial Number (FSN), but is located in more than one county, eligible acreage is determined separately for the land in each county. However, since the FSN base acres are combined for the acreage in both counties, the number of base acres for the insured crop must be prorated between each of the counties based on the number of cropland acres in each county. For example, if 60 percent of the cropland in the FSN is located in county A, then 60 percent of the insured crop's base acres would be attributed to county A when determining eligible prevented planting acreage.
- (f) When eligible acreage for an FSN is determined using the simple average of the number of acres planted on the FSN, and there are multiple units in the FSN, the maximum eligible acreage for the FSN will be determined by adding all acreage in the FSN for each year in the database, totaling acreage for all years, and dividing the result by the number of years the insured crop was planted on the FSN. These calculations must be made on an FSN basis, rather than on an individual unit basis, because current policy provisions establish eligible acreage on an FSN basis.

2. Requests to Increase Maximum Eligible Acreage:

- (a) Requests to increase the maximum eligible prevented planting acreage above the limitations contained in the crop policy must be made by the sales closing date for the applicable crop. Insurance providers may not use “estimated” acres listed on an application to increase eligible prevented planting acreage above the policy limitations. The request must list the acreage “intended” to be planted. An approved intended acreage report may be used.

Requests must account for all insured crops and the total number of acres requested may not exceed the total tillable cropland acres. The approved request should clearly state that if the total number of acres requested exceeds the tillable cropland acres, the approved requested acres will be reduced proportionately. The approved request should also specify that the maximum eligible acreage limitations contained in the policy will not apply and are superseded by the acres agreed to in writing.

For example, if the insured requested 300 acres of wheat, 300 acres of canola, and 300 acres of sunflowers and it is determined during loss adjustment that the insured only had 300 tillable cropland acres, the eligible prevented planting acreage agreed to in writing would be adjusted proportionately to the tillable cropland acres, as 100 acres of wheat, 100 acres of canola, and 100 acres of sunflowers.

These agreements in writing are not the same as written agreements; and therefore, are not subject to policy provisions that exclude the availability of written agreements (e.g., catastrophic risk protection policies, pilot programs, etc.).

- (b) Insurance providers are allowed until the later of the sales closing date or 30 days after the date the request to increase maximum eligible prevented planting acreage is made to take action on such requests.
- (c) Requests to increase maximum eligible prevented planting acreage that are made after the sales closing date must be denied, including such requests for land that is added after the sales closing date.
- (d) If a tenant requested an increase in acreage eligible for a prevented planting production guarantee by the sales closing date and the insurance provider accepted the request, the increase can apply to the landlord if the landlord’s insurance provider agrees to such increase. A request that is approved for a landlord can also apply to the tenant.
- (e) Requests to increase maximum eligible prevented planting acreage that have been accepted by an insurance provider cannot be transferred to a different entity if acreage is transferred to that entity after the sales closing date, except for share arrangements as noted in 2.(d) above.

3. Prevented Planting Coverage for a Spring Crop Intended to Follow a Failed Fall Crop:

- (a) A producer may be eligible for a prevented planting production guarantee for a spring-planted crop that was intended to be planted, even though a fall-planted crop had been planted on the acreage, if the acreage has a history of double-cropping (see 5 below), or if all of the following apply:
- (1) The fall-planted crop failed, crop insurance coverage was not available for the fall-planted crop, and the producer is not eligible for any payment associated with the crop loss;
 - (2) Failure of the fall-planted crop occurs prior to the time that planting of spring crops normally begins in the county;
 - (3) The producer does not derive a benefit from the failed fall-planted crop by harvesting it (haying or grazing is allowed); and
 - (4) An insurance policy with prevented planting coverage is in place for the spring crop that is intended to be planted.
- (b) A producer may be eligible for a prevented planting production guarantee when he/she intends to destroy an existing forage stand and plant a spring crop on the acreage, if the insured is unable to destroy the forage stand and plant the spring crop due to insurable causes, provided that all of the following apply:
- (1) Crop insurance coverage was not available for the forage crop and the producer is not eligible for any payment associated with the forage crop;
 - (2) A majority of producers in the area were prevented from planting the same spring crop;
 - (3) The forage crop was not hayed or grazed until after the spring crop's final planting date; and
 - (4) An insurance policy with prevented planting coverage is in place for the spring crop that is intended to be planted.

4. Eligibility for a Fall-Planted Crop Intended to Follow a Spring-Planted Crop:

A producer may be entitled to a prevented planting guarantee for a fall-planted crop if a mature spring-planted crop could not be harvested because adverse weather prevented harvesting and prevented the producer and other producers in the general area from planting the same fall planted crop. In counties that have crops with only spring final planting dates or both fall and spring final planting dates (e.g., small grains), the insured crop must be prevented from being planted until the spring final planting date to be eligible for a prevented planting guarantee.

5. Double-Cropping:

- (a) To qualify for double-cropped acreage (not allowed for ELS cotton or CAT policies), an insured must provide adequate records of acreage and production showing that the same acreage has a history of double-cropping in each of the last 4 years. This means adequate records of acreage and production for 8 crops planted in the last 4 years on the same physical acres.
- (b) The prevented planting production guarantee for eligible double-cropped acreage will be the same as for prevented planting acreage that is not planted to any crop (e.g., 50 percent for corn). This applies to both crops.

6. Cover Crops/Corn Silage:

- (a) Cover crops which may be planted without disqualifying acreage for a full prevented planting guarantee are the following: annual, biennial, or perennial grasses and legumes, including sweet sorghum, sorghum grass crosses, sudans, volunteer stands other than weeds, and crop residue from using no till or minimum till practices. Barley, oats, rice, wheat, or any other small grains qualify if the crop is not harvested for grain or seed. Such cover crops may be hayed or grazed only if allowed by prevented planting policy provisions. These cover crops are commonly recognized in the farming community and are consistent with those previously approved by the Department of Agriculture for ACR and CU acres.
- (b) Corn planted for silage is not considered to be a cover crop. If a crop other than corn is prevented from being planted and corn is subsequently planted, the corn would be a substitute crop whether or not it is insurable. If corn is prevented from being planted, and the insured plants corn after the end of the late planting period, a prevented planting guarantee would be established and production to count would be determined in accordance with all applicable policy provisions.*

*Exception - In a county where the actuarial table provides a premium rate for grain only, a variety of corn adapted for silage use only will be considered a substitute crop when an insured reports that corn for grain is prevented from being planted and then plants a silage use only variety.

7. Prevented Planting Eligibility when a Substitute Crop is Planted (Not available for CAT policies or when substitute crop prevented planting coverage was excluded):

Current prevented planting policy provisions do not allow prevented planting coverage for a crop intended to be planted (25 percent for most crops), when that crop is prevented from being planted and a substitute crop is planted on the same acreage within 10 days of the final planting date for the intended crop. However, prevented planting substitute crop coverage on one unit cannot be denied for the sole reason that another crop was planted on a different unit by the final planting date for the intended crop.

Insurance providers must determine whether or not the acreage claimed as prevented planting, which was planted to a substitute crop more than 10 days after the final planting date for the intended crop, could have been planted to the intended crop by the final planting date for the intended crop. When determining if the insured was unavoidably prevented from planting due to an insured cause of loss, consideration must be given to acreage that may have been wetter than other acreage due to the location, topography, and soil drainage characteristics of the acreage, crop rotation, chemical application, etc., that resulted in the insured planting other acreage first.

For example: Assume the insured plants in a normal corn\soybean rotation between two sections and plants corn during even years in one location and soybeans during odd years. If the insured claims corn prevented planting on the acreage intended to be planted to corn, and plants the remaining acreage to soybeans, the acreage planted to soybeans should not be deducted from the corn eligible prevented planting acreage just because the insured could have planted corn, when in fact, due to rotation practices corn was not intended to be planted on the remaining acres.

8. Under-Reported Liability:

If the claim liability exceeds the acreage report liability, the claim liability will be limited* to the liability established on the acreage report. For example, if the insured reports 40 acres timely planted and 40 acres prevented planting on the acreage report, but it is determined the insured timely planted 50 acres and was prevented from planting only 30 acres, the liability used to compute the claim for indemnity will not exceed the acreage report liability established for 40 timely planted and 40 prevented planting acres.

*Except for limited situations where FCIC approved procedures allow the liability to be increased [e.g., from P1 (25 percent substitute crop coverage) to P2 (50 percent black dirt coverage)].



BULLETIN NO.: MGR-97-009

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman /s/ KDA 02/28/97
Acting Administrator

SUBJECT: Index of Manager Bulletins and Research and Development Informational
Memorandums

The following is a current index of Manager Bulletins and Research and Development (R&D) Informational Memorandums. The index consists of two sections. Part 1 lists bulletins and informational memorandums which are obsoleted by this bulletin. Part 2 list bulletins and informational memorandums which will remain in effect.

PART 1. Obsolete Bulletins

Manager Bulletins

1989	MGR-89-027			
1990	MGR-90-020			
1991	MGR-91-020	MGR-91-020.1	MGR-91-025	
1992	MGR-92-003	MGR-92-005	MGR-92-013	MGR-92-013.1
	MGR-92-015	MGR-92-034	MGR-92-041	MGR-92-042
	MGR-92-046	MGR-92-050	MGR-92-051	MGR-92-054
	MGR-92-058	MGR-92-059		
1993	MGR-93-002	MGR-93-003	MGR-93-006	MGR-93-010
	MGR-93-011	MGR-93-016	MGR-93-016.1	MGR-93-017
	MGR-93-017.1	MGR-93-017.2	MGR-93-021	MGR-93-023
	MGR-93-024	MGR-93-027	MGR-93-028	MGR-93-029
	MGR-93-030	MGR-93-031	MGR-93-033	MGR-93-035
	MGR-93-036	MGR-93-037	MGR-93-038	MGR-93-040

1994	MGR-94-001	MGR-94-002	MGR-94-003	MGR-94-005
	MGR-94-006	MGR-94-007	MGR-94-008	MGR-94-009
	MGR-94-010	MGR-94-011	MGR-94-013	MGR-94-014
	MGR-94-015	MGR-94-016	MGR-94-017	MGR-94-017.1
	MGR-94-018	MGR-94-019	MGR-94-020	MGR-94-021
	MGR-94-022	MGR-94-023	MGR-94-024	MGR-94-025
	MGR-94-026	MGR-94-027	MGR-94-028	MGR-94-029
	MGR-94-030	MGR-94-031	MGR-94-032	MGR-94-033
	MGR-94-034	MGR-94-035	MGR-94-036	MGR-94-037
	MGR-94-038	MGR-94-039		

1995	MGR-95-001	MGR-95-002	MGR-95-003	MGR-95-004
	MGR-95-005	MGR-95-005.1	MGR-95-006	MGR-95-006.1
	MGR-95-007	MGR-95-007.1	MGR-95-008	MGR-95-009
	MGR-95-010	MGR-95-010.1	MGR-95-011	MGR-95-011.1
	MGR-95-011.2	MGR-95-012	MGR-95-013	MGR-95-015
	MGR-95-016	MGR-95-017	MGR-95-018	MGR-95-019
	MGR-95-020	MGR-95-021	MGR-95-021.1	MGR-95-022
	MGR-95-023	MGR-95-024	MGR-95-025	MGR-95-026
	MGR-95-027	MGR-95-028	MGR-95-029	MGR-95-030
	MGR-95-031	MGR-95-032	MGR-95-033	MGR-95-035
	MGR-95-036	MGR-95-037	MGR-95-038	MGR-95-039
	MGR-95-040	MGR-95-041	MGR-95-042	MGR-95-043
	MGR-95-045	MGR-95-046	MGR-95-047	MGR-95-048
	MGR-95-049	MGR-95-049.2	MGR-95-050	MGR-95-051
	MGR-95-052	MGR-95-053	MGR-95-054	

1996	MGR-96-001	MGR-96-002	MGR-96-003	MGR-96-004
	MGR-96-006	MGR-96-007	MGR-96-008	MGR-96-009
	MGR-96-010	MGR-96-011	MGR-96-012	MGR-96-012.1
	MGR-96-013	MGR-96-014	MGR-96-014.1	MGR-96-019
	MGR-96-022	MGR-96-023	MGR-96-024	MGR-96-026
	MGR-96-027	MGR-96-028	MGR-96-030	MGR-96-031
	MGR-96-033	MGR-96-034	MGR-96-036	MGR-96-036.1
	MGR-96-037	MGR-96-037.1	MGR-96-037.2	MGR-96-045
	MGR-96-046	MGR-96-048	MGR-96-049	MGR-96-051
	MGR-96-052	MGR-96-057	MGR-96-059	MGR-96-063

R&D Informational Memorandums

1994	R&D-94-001	R&D-94-002	R&D-94-003	R&D-94-004
	R&D-94-005	R&D-94-006	R&D-94-007	R&D-94-008
	R&D-94-009	R&D-94-010	R&D-94-010.1	R&D-94-011
	R&D-94-012	R&D-94-013	R&D-94-015	R&D-94-016
	R&D-94-017	R&D-94-018	R&D-94-018.1	R&D-94-019
	R&D-94-020	R&D-94-021	R&D-94-022	R&D-94-023

	R&D-94-023.1	R&D-94-024	R&D-94-026	R&D-94-027
	R&D-94-028	R&D-94-029	R&D-94-030	R&D-94-031
	R&D-94-032	R&D-94-033	R&D-94-034	R&D-94-035
	R&D-94-036	R&D-94-037	R&D-94-038	R&D-94-039
	R&D-94-040	R&D-94-041	R&D-94-042	R&D-94-043
	R&D-94-045	R&D-94-046	R&D-94-047	R&D-94-048
	R&D-94-048.1	R&D-94-049	R&D-94-050	R&D-94-051
	R&D-94-052	R&D-94-053	R&D-94-054	R&D-94-055
	R&D-94-055.1	R&D-94-056	R&D-94-056.1	R&D-94-057
	R&D-94-058	R&D-94-059		
1995	R&D-95-001	R&D-95-002	R&D-95-003	R&D-95-004
	R&D-95-005	R&D-95-006	R&D-95-007	R&D-95-008
	R&D-95-008.1	R&D-95-008.2	R&D-95-009	R&D-95-010
	R&D-95-011	R&D-95-012	R&D-95-013	R&D-95-014
	R&D-95-015	R&D-95-016	R&D-95-017	R&D-95-018
	R&D-95-019	R&D-95-020	R&D-95-021	R&D-95-023
	R&D-95-024	R&D-95-025	R&D-95-026	R&D-95-028
	R&D-95-029	R&D-95-030	R&D-95-031	R&D-95-032
	R&D-95-033	R&D-95-034	R&D-95-035	R&D-95-036
	R&D-95-037	R&D-95-038	R&D-95-039	R&D-95-040
	R&D-95-041	R&D-95-042	R&D-95-043	R&D-95-044
	R&D-95-045	R&D-95-046	R&D-95-047	R&D-95-048
	R&D-95-050	R&D-95-052	R&D-95-053	R&D-95-054
1996	R&D-96-001	R&D-96-002	R&D-96-003	R&D-96-003.1
	R&D-96-004	R&D-96-006	R&D-96-007	R&D-96-008
	R&D-96-008.1	R&D-96-009	R&D-96-010	R&D-96-011
	R&D-96-015	R&D-96-016	R&D-96-017	R&D-96-020
	R&D-96-021	R&D-96-023	R&D-96-026	R&D-96-028
	R&D-96-034	R&D-96-035	R&D-96-046	R&D-96-049
	R&D-96-056	R&D-96-058	R&D-96-061	R&D-96-069

PART 2. Current BulletinsManager Bulletins

1991	MGR-91-031	INTEREST DUE ON FCIC "DETERMINATIONS OF THE CORPORATION"
1993	MGR-93-001	DISTRIBUTION OF EFFECTIVE TOBACCO QUOTA WHEN ONE FARM SERIAL NUMBER IS COMMON TO SEVERAL TOBACCO PRODUCERS
	MGR-93-009	INSURABILITY REQUIREMENTS FOR HYBRID SEED PRODUCERS WHO ARE ALSO THE SEED COMPANY
	MGR-93-020	REQUESTS FOR FINANCIAL ASSISTANCE FOR ATTORNEY FEES AND OTHER COURT COSTS
	MGR-93-022	CLARIFICATION OF THE DEFINITION OF "TROPICAL DEPRESSION" IN THE PEPPER CROP INSURANCE POLICY AND THE DEFINITION OF "CYCLONE" IN THE FRESH MARKET SWEET CORN AND FRESH MARKET TOMATO (DOLLAR PLAN) ENDORSEMENTS FOR THE 1994 CROP YEAR
	MGR-93-041	LIABILITY LIMITS FOR CANNING AND PROCESSING (C&P) TOMATO POLICIES
1994	MGR-94-004	OFFICE OF INSPECTOR GENERAL (OIG) AUDIT OF 1991 CROP YEAR CLAIMS
	MGR-94-012	INSURABILITY REQUIREMENTS FOR POPCORN PRODUCERS WHO ARE ALSO THE PROCESSOR
1995	MGR-95-014	LIBERALIZATION OF THE FLORIDA CITRUS CROP INSURANCE COVERAGE CHANGE DATE FOR THE 1996 CROP YEAR
	MGR-95-034	PILOT PROGRAM FOR INTENDED ACREAGE REPORTS
	MGR-95-044	INSURANCE PURCHASE REQUIREMENTS AND PREVENTED PLANTING RULES
1996	MGR-96-005	PILOT PROGRAM FOR SIMPLIFIED CLAIMS PROCESSING
	MGR-96-005.1	PILOT PROGRAM FOR SIMPLIFIED CLAIMS PROCESSING
	MGR-96-015	REFERRALS FOR INVESTIGATION-PRODUCER MISREPRESENTATION, MISINFORMATION, & SUSPECTED FRAUD (SUPERSEDES FCIC NOTICE N-9.2)
	MGR-96-016	TOLERANCE REVIEWS FOR CATEGORY B CROPS
	MGR-96-017	SELF-CERTIFIED CLAIMS PROCESSING FOR REPLANT PAYMENTS
	MGR-96-018	PRELIMINARY SUBMISSION OF DEBTOR LISTS
	MGR-96-020	CROP-HAIL PREMIUM DISCOUNTS TIED TO MPCCI PURCHASES

MGR-96-021	CROP REVENUE COVERAGE (CRC) INSURANCE PROGRAM QUESTIONS AND ANSWERS
MGR-96-025	KARNAL BUNT WHEAT ADVISORY
MGR-96-029	1997 FLORIDA CITRUS ACREAGE REPORTS
MGR-96-032	1996 PEANUT SEED ALLOCATIONS
MGR-96-035	RAISIN MONITORING PROGRAM
MGR-96-038	ACCEPTABLE COVER CROPS FOR PREVENTED PLANTING ACREAGE
MGR-96-039	AMENDMENT TO THE STANDARDS FOR APPROVAL; REINSURANCE AGREEMENT AND AMENDMENT TO STANDARD REINSURANCE AGREEMENT
MGR-96-040	TRANSMITTAL OF AGENT LOCATOR DIRECTORY
MGR-96-041	PROCEDURE FOR TRANSFERRING POLICIES FROM FSA LOCAL OFFICES TO FCIC APPROVED REINSURANCE COMPANIES
MGR-96-042	CROP REVENUE COVERAGE-WHEAT CROP INSURANCE PROGRAM
MGR-96-043	NAMED PERIL POLICIES
MGR-96-047	(NOT ISSUED AS OF THIS DATE)
MGR-96-050	1997 CROP YEAR PREVENTED PLANTING ISSUES
MGR-96-053	FLUE-CURED TOBACCO FOR AUTOMATIC HARVESTING BY MACHINE AGREEMENT
MGR-96-054	1997 PROJECTED MARKET PRICES FOR WHEAT & RYE
MGR-96-055	1997 PROJECTED MARKET PRICES FOR BARLEY, MALTING BARLEY, OATS
MGR-96-056	RAISIN RECONDITIONING AND VALUE DETERMINATIONS
MGR-96-058	CLARIFICATION OF "COMPETING AGENCY"
MGR-96-060	FINAL PLANTING DATE FOR WINTER WHEAT IN SOUTH DAKOTA
MGR-96-061	SECTION 508(H) CROP INSURANCE POLICIES RECEIVING FEDERAL SUBSIDY AND REINSURANCE
MGR-96-062	ACCEPTANCE OF LATE FILED APPLICATIONS IN SPECIFIC COUNTIES IN SOUTH DAKOTA
MGR-96-064	CLARIFICATION FOR PEANUT LOSS ADJUSTMENT
MGR-96-065	ADDITIONAL GUIDELINES REGARDING TRANSFER OF CAT POLICIES
MGR-96-066	1997 APH YIELD ADJUSTMENTS FOR PEACHES IN SELECTED STATES

R&D Informational Memorandums

1995	R&D-95-022	PLANNED INITIATIVES FOR THE 1996 AND SUCCEEDING CROP YEARS
	R&D-95-027	REPLANTING PAYMENTS FOR 1995 COARSE GRAINS AND SUNFLOWER SEED

	R&D-95-049	CLARIFICATION OF ACREAGE REPORTING REQUIREMENTS FOR WHEAT ISSUED UNDER THE WINTER WHEAT COVERAGE ENDORSEMENT
1996	R&D-96-005	NURSERY: MULTIPLE SPECIES GROWN TOGETHER IN A COMMON CONTAINER
	R&D-96-012	APRIL 15 ACTUARIAL FILING
	R&D-96-013	APRIL 30 ACTUARIAL FILING
	R&D-96-014	SUMMARY OF BUSINESS DATA BY DELIVERY SYSTEM
	R&D-96-018	MAY 31 ACTUARIAL FILING
	R&D-96-019	ADDENDUM-ACTUARIAL TABLE (SPECIAL PROVISIONS)
	R&D-96-019.1	ADDENDUM-1997 ACTUARIAL TABLE
	R&D-96-022	ADDENDUM-1997 ACTUARIAL TABLE
	R&D-96-024	GROUP RISK PLAN COMMON POLICY & BARLEY & WHEAT CROP PROVISIONS FOR 1997 CROP YEAR
	R&D-96-025	REACTIVATION OF FSA-423'S
	R&D-96-027	ADDENDUM-1997 ACTUARIAL TABLE (SPECIAL PROVISIONS)
	R&D-96-029	1997 DATA ACCEPTANCE SYSTEM HANDBOOK EXHIBITS
	R&D-96-030	JUNE 30 ACTUARIAL FILING
	R&D-96-031	PILOT CROP INSURANCE PROGRAM ANNOUNCEMENT FOR AVOCADO
	R&D-96-032	CAT POLICY DATA FOR SINGLE DELIVERY STATES
	R&D-96-033	CROP REVENUE COVERAGE (CRC) WHEAT
	R&D-96-033.1	CROP REVENUE COVERAGE (CRC) WHEAT
	R&D-96-036	CROP REVENUE COVERAGE WHEAT PILOT PROGRAM & SMALL GRAINS QUALITY ADJUSTMENT REVISIONS FOR 1997 CROP YEAR
	R&D-96-037	COLLECTION OF CATASTROPHIC RISK PROTECTION ADMINISTRATIVE FEES WHEN TRANSFERS ARE INVOLVED
	R&D-96-038	1997 WHEAT CROP REVENUE COVERAGE (CRC) - PRICE FACTOR ESTIMATES
	R&D-96-039	1996 CROP REVENUE COVERAGE (CRC) - EARLY LOSS PAYMENTS
	R&D-96-040	1996 SUPPORT PRICES FOR PEANUTS
	R&D-96-041	ACTUARIAL RELEASE
	R&D-96-042	ADDENDUM-1997 ACTUARIAL TABLE, SPECIAL PROVISIONS
	R&D-96-042.1	CORRECTION-1997 ACTUARIAL TABLE, SPECIAL PROVISIONS
	R&D-96-043	ADDENDUM-1997 ACTUARIAL TABLE, SPECIAL PROVISIONS
	R&D-96-043.1	CORRECTION-1997 ACTUARIAL TABLE, SPECIAL PROVISIONS
	R&D-96-044	ADDENDUM-1997 ACTUARIAL TABLE, SPECIAL PROVISIONS
	R&D-96-045	TEXAS CITRUS FRUIT CROP INSURANCE PROVISIONS

R&D-96-047	1997 CANOLA EXPANSION ACTUARIAL MATERIALS
R&D-96-048	1997 BLUEBERRY EXPANSION ACTUARIAL MATERIALS
R&D-96-050	EXTENSION OF THE PILOT PROGRAM PROVIDING ASSIGNED YIELDS FOR NEW PRODUCERS FOR THE 1997 CROP YEAR
R&D-96-051	ARIZONA-CALIFORNIA CITRUS CROP INSURANCE PROVISIONS
R&D-96-052	PIMA COTTON RAINFALL WEATHER INSURANCE POLICY
R&D-96-052.1	PIMA COTTON RAINFALL WEATHER INSURANCE POLICY - CORRECTION
R&D-96-053	7 CFR PART 400 - SUBPART T - GENERAL ADMINISTRATIVE REGULATIONS
R&D-96-054	CATASTROPHIC RISK PROTECTION ENDORSEMENT
R&D-96-055	ADDENDUM TO 1997 ACTUARIAL TABLE -- 1997 WHEAT CROP REVENUE COVERAGE (CRC) - BASE PRICES AND PRICE FACTORS
R&D-96-057	ADDENDUM - 1997 ACTUARIAL TABLE (SPECIAL PROVISIONS)
R&D-96-059	UPDATE ON MGR-96-041 - TRANSFERRING CATASTROPHIC RISK PROTECTION POLICIES
R&D-96-060	FLORIDA FRUIT TREE PILOT PROGRAM - 1997 CROP YEAR
R&D-96-062	1997 INCOME PROTECTION PRICE ANNOUNCEMENT
R&D-96-063	WRITTEN AGREEMENTS FOR PILOT CROP PROGRAMS
R&D-96-064	FARM SERVICE AGENCY ESTABLISHED YIELDS FOR CROP YEAR 1997
R&D-96-065	ACTUARIAL RELEASE
R&D-96-066	PREVENTED PLANTING QUESTIONS AND ANSWERS.
R&D-96-067	CROP REVENUE COVERAGE (CRC) AND FCI-33 SUPPLEMENT.
R&D-96-068	ADDENDUM - 1997 ACTUARIAL TABLE (SPECIAL PROVISIONS).
R&D-96-070	1996 SOYBEAN CROP REVENUE COVERAGE HARVEST PRICE ANNOUNCEMENT
R&D-96-071	LIMITED ACCESS TO SOCIAL SECURITY AND EMPLOYER IDENTIFICATION NUMBER DATA.



United States
Department of
Agriculture

Risk
Management
Agency

Office
of the
Administrator

Washington, D.C.
20250

BULLETIN NO.: MGR-97-010

TO: All Reinsured Companies
All Risk Management Field offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Damage to Perennial Crops in California Outside the Insurance Period

BACKGROUND:

Questions have been raised regarding the insurability of losses to perennial crops which may be attributed to the heavy rains and resultant flooding in January, which were outside the insurance period for many affected crops. The crops of special concern are grapes, cling peaches and prunes, which have an insurance attachment date of February 1, and walnuts, with an insurance attachment date of March 1. Other perennial crops either have an earlier date of insurance attachment or there have not been any reports of flood related damage. While the heavy rains and flood occurred outside the insurance period for some perennial crops, actual flood damage to the perennial crops will not be known until the crops break dormancy in late February or early March.

ACTION:

Damage that can be solely attributed to be outside the insurance period (such as tree/vine wash out) would not be covered for new or existing policyholders. However, if additional rains and damage occur after the insurance attachment date and if we are unable to discern the exact amount of damage occurring outside the insurance period, new and carryover policyholders would be covered.



**United States
Department of
Agriculture**

**Risk
Management
Agency**

**Office
of the
Administrator**

**Washington, D.C.
20250**

BULLETIN NO.: MGR-97-011

TO: All Reinsured Companies
All RMA Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: "DRAFT" 1998 Standard Reinsurance Agreement

Attached for your review and comment is the "Draft" 1998 Standard Reinsurance Agreement (Draft 1998 SRA), Appendices 1 and 2, and the 1998 Plan of Operations. A list of the revisions proposed for the 1998 reinsurance year is also attached for your reference. Written comments on the Draft 1998 SRA are due by COB Friday, April 11, 1997. All written comments should be sent via overnight mail to the following address:

USDA/Risk Management Agency
Reinsurance Services Division
E. Heyward Baker, Director
1400 Independence Ave, S.W.
Rm 6727-South Building, Stop Code 0804
Washington, D.C. 20250

The SRA was revised to incorporate certain recommendations made by the crop insurance industry in its "amended and restated" SRA. Also based on two full years of crop insurance experience under the 1995 SRA, the Draft 1998 SRA updates and addresses three primary areas regarding private program delivery: 1) the financial arrangement between the Federal Crop Insurance Corporation (FCIC) and its reinsured companies, 2) program changes, and 3) compliance and program integrity.

The basic structure of the risk sharing arrangement has not changed; however, revisions were made to percentages within certain loss ratio layers as well as changes to the amount of risk identified by the layer. A fixed reinsurance premium has been applied to the net book premium associated with certain plans of insurance.

For setting a benchmark target for establishing a fair "return on investment" for reinsured

companies, RMA has used a measure of "Return on Capital-at-Risk", or ROCR. Attached is an explanation of the ROCR method. RMA has revised the risk-sharing arrangement between FCIC and the reinsured companies to reflect several factors: 1) analysis of two full years of

actual experience under the 1995 SRA and comparing this performance to other SRAs, 2) improvements to geographic dispersion of risk since 1994, 3) major procedural changes effective for the 1994 crop year for determining yields, 4) increased premium rates resulting in greater premium income, and 5) the impact of Catastrophic Risk Protection (CAT), Crop Revenue Coverage and other plans of insurance on the overall underwriting performance of the program.

RMA has revised the method by which administrative expense reimbursement (AER) is paid under the SRA. Consistent with the 1998 Fiscal Year (FY) Federal budget proposal, payment of AER will be based on a flat \$100 amount per policy plus a percentage of the net book premium, as determined by FCIC, not to exceed the amount allowed by law. For the 1998 reinsurance year, FCIC has determined that the percentage for limited and additional coverage policies will be 18 percent, for Crop Revenue Coverage policies, 16 percent, and for Group Risk Plan policies, 17 percent. CAT crop insurance policies will receive \$50 per policy plus 4.8 percent of the CAT net book premium, i.e. 50/60.

The Draft 1998 SRA contains a "Program Changes" provision based on the National Crop Insurance Services (NCIS) Law Committee's "amended and restated" SRA proposal. When new crop programs, or existing crop programs are changed after the contract change date and such changes cause a material increase or decrease in the cost of performance, an agreed upon, equitable adjustment to the reinsured company's reimbursement and compensation will be made. RMA has also agreed to adopt the language from the NCIS Law Committee "amended and restated" SRA proposal governing the payment of funds from the Reinsurance Account. AER will be paid in one installment at the time acreage is reported and validated by RMA.

With respect to program integrity and compliance, the Draft 1998 SRA provides for "Liquidated Damages" as a simplified method for resolving many compliance disputes. These are agreed-upon damages associated with non-compliant activity on the part of reinsured companies, agents, loss adjusters and other employees of reinsured companies.

In response to reinsured company concerns over the amount of training and quality assurance (QA) requirements, RMA has extensively revised Manual 14. The Draft Manual 14 continues to outline training requirements. Training hours for new agents are increased; however, experienced agents only need to meet continuing education requirements. A test is required for both agents and loss adjusters. Significant reductions were made in the number of QA reviews companies are required to complete. Companies will be required to report the results of QA reviews.

The Draft 1998 SRA has been revised to require the collection and reporting of participation data in support of the February, 1997 report by the Civil Rights Action Team, entitled, "Civil Rights

at the United States Department of Agriculture." A form has been developed for the purposes of collecting this information. Completing the form is voluntary on the part of the applicant, or policyholder. However, reporting the information given either voluntarily, or through observation of the applicant or policyholder, is mandatory.

Other technical changes were adopted from the NCIS Law Committee "amended and restated" SRA, such as the definition of "Approved Insurance Provider." RMA included a definition of "Managing General Agent." Certain provisions were clarified, such as provisions and requirements for suspension and termination of the SRA. RMA also updated Appendix 2, Plan of Operations, to reflect changes to the following SRA Exhibits: Exhibit 20 (Listing of Allowable Costs), reflects findings of the General Accounting Office and Exhibits 12, 13, 14, and 15 will be updated for the current reinsurance year.

An all industry meeting to discuss the changes to the SRA has been scheduled. This meeting will be held the week of March 31. You will be advised of the meeting date, location and time as soon as the arrangements have been finalized.

Your written comments and attendance at the industry meeting are welcomed and appreciated. If you have any questions, please contact the Reinsurance Services Division at (202) 720-4232.

Attachments



BULLETIN NO.: MGR-97-012

TO: All Reinsured Companies
FSA Headquarters, Program Delivery and Field Operations
All Risk Management Field Offices

FROM: Kenneth D. Ackerman
Acting Administrator

SUBJECT: Acreage Determination and Other Loss Adjustment Verifications for
Multiple Peril Crop Insurance for the 1997 Crop Year

BACKGROUND:

The acreage determination verification procedures in effect for the 1996 crop year have been revised to reflect a need for higher levels of review to assess program vulnerability and producer responsibility in reporting acreage for insurance. As in 1996, the Risk Management Agency (RMA) continues to recognize that the Federal Agriculture Improvement and Reform Act of 1996 requires far less acreage certification at local Farm Service Agency (FSA) offices than in the past.

As in 1996, because of the decreased availability of certified acreage information and questions involving the validity of voluntary certified acreage information at local FSA offices, RMA authorizes the following as a modified continuation of the alternative to using acreage information from local FSA offices for claim purposes.

ACTION:

The following modifications of procedures will be incorporated into the FCIC-30010 LAM for 1997 and are effective upon issuance of this bulletin.

- 1 Items, forms, and services available from local FSA offices for the 1997 crop year are:
 - (1) Copies of aerial photos, (2) official field measurement; i.e., boundaries of field have not changed, (3) fly overs of growing crops (may not be as comprehensive as in the past), and (4) measurement service. Farm Serial Numbers will continue to be maintained showing the owner/operator and crop land acres. The FSA-423, -424, and -425 will continue to be provided to reinsured companies free of charge through October 1, 1997, along with copies of aerial photos, and other forms needed to perform loss adjustment duties. Acreage determinations that can be made by local FSA county offices (e.g., planimeter measurement of a partial field) may be requested by reinsured companies.

2 Determined acres.

Determined acres are required on some preliminary claims and all final claims as specified in the crop handbooks. To make acreage determinations, substitute the following procedures in this paragraph for subparagraphs A, B, C, and D in the “Acreage Determination” section of the LAM, and use all other subparagraphs in the “Acreage Determination” section of the LAM.

A Measured acres.

Previously measured acres will be used, if available. Measured acres are considered to be the following:

- (1) crop acres measured by the FSA, a reinsured company, or other firm engaged in the business of land measurements, and these measurements have been made by using measurement methods described in the “Acreage Determination” section of the LAM. In addition to acceptable measurement methods described in the LAM, surveying devices, global positioning systems (GPS), remote sensing devices used in conjunction with aerial photos or satellite imagery, etc., may be used if accuracy is comparable to the measurement methods listed in the LAM.
- (2) prior year(s) measurements of a field by a reinsured company, local FSA office, or firm engaged in land measurement services, provided:
 - (a) the entire field is planted to a single crop (same practices or types if there are separate guarantees), and
 - (b) the field boundaries have not changed.

B Acres not measured.

If measured acres as described in 2A above are not available:

- (1) The crop insurance acreage report may be considered “determined acres” for claim purposes if:
 - (a) the insured has signed the acreage report indicating certification of the reported information; and
 - (b) the loss adjuster can determine through visual inspection of the acreage, the use of FSA certified acreage reports or aerial photo copies (obtained from the local FSA office or other acceptable sources), landmarks, etc., that the acreage would measure within 5 percent of the acreage reported on the acreage report.

- (2) When a determination is made that differs from the reported (certified) acreage, even within the 5 percent tolerance, the determined acreage must be used on the claim.

Note: The following is an example of a situation where the reported acreage is within the 5 percent tolerance, but cannot be used as the determined acreage:

- Previous measurement = 80 acres (field boundaries have not changed).
- Crop insurance acreage report = 80 acres of corn
- Entire field planted to boundaries, but about 2 acres are oats.

In this instance, the reported acres cannot be used as the determined acres. Either an actual measurement must be made (e.g., wheeled) OR because the reported acreage is within the 5 percent tolerance, the acreage can be determined as follows: estimate the oat acreage and deduct from the reported corn acreage. Determined corn acres = 78 acres ($80 - 2 = 78$).

- (3) Acreage must be measured (or re-measured, as applicable) IF it fails to meet the criteria described in 2A or 2B (1) and (2) above OR:
- (a) part of a unit is released and that part released will lose its field identity (i.e., there will be no way to establish the amount of acres at the time of a final loss inspection because of the loss of field identity),
 - (b) the reinsured company or the insured has reason to question the accuracy of the measurement or does not agree with the previously measured acres, or
 - (c) acres of varying practices, types, appraisals, etc. (as appropriate to separate on the claim) are not separated.

C Reinsured companies must select “5 percent” of claims assigned for loss adjustment inspections.

- (1) The selection may be made based upon either:
- (a) a random 5 percent selection of claim units, or
 - (b) random selection of a sufficient number of policies with claims to result in 5 percent of the claim units.
- (2) During the loss adjustment inspection process of these selected units, the acreage must be measured if:

- (a) part of a unit is released and that part released will lose its field identity,
 - (b) acreage has not been previously measured for the crop year or DOES NOT fit the criteria for measured fields as described in 2A,
 - (c) measured acreage is not acceptable or there is reason to question the accuracy of the measurement,
 - (d) the insured does not agree with the measured acreage, or
 - (e) acres of varying practices, types, appraisals, etc. (as appropriate to separate on the claim), are not separated.
- (3) The loss units selected will be identified in a way that the units selected can be identified for compliance/audit review.

NOTE: In addition to the 5 percent selection of policies/units outlined in 2C above, acreage in loss units that do not meet the criteria set forth in 2 A and B must also be measured during loss inspections.

- D For ALL claim inspections requiring determined acres, the method of acreage determination and any calculations used to arrive at the determined acres must be documented in the narrative of the claim or on a special report attached to the claim; e.g., determined acres using crop insurance acreage report - would measure within 5 percent.
- E Whenever acreage measurements are required, measurements must be made by the FSA, a reinsured company, or other firm engaged in the business of land measurements, and these measurements must be made by using any of the measurement methods described in the "Acreage Determination" section of the LAM or additional methods described in paragraph 2 A (1) above.

3 Reinsured company reporting and follow-up.

- A Reinsured companies will submit a report to RMA at the end of the 1997 crop year indicating the results of the random acreage reviews conducted for 1997. These reports will include the following information.
- (1) The number of loss units reviewed.
 - (2) The number of acreage reporting discrepancies identified in four categories.
 - (a) Units reviewed with no acreage discrepancies.
 - (b) Units reviewed with acreage discrepancies between 0.1 and 5.0 percent.
 - (c) Units reviewed with acreage discrepancies between 5.1 and 10.0

percent.

(d) Units with discrepancies exceeding 10.0 percent.

- B Discrepancies will include both over or under-reported acres. In addition, policyholders will be required to provide a written explanation for any unit which is over or under-reported by more than 10.0 percent. The written explanation shall be reviewed and signed by the reinsured company and placed in the policy file.
- C. RMA will pursue regulatory changes for succeeding crop years to require policyholders to measure all policy acreage at their own expense in succeeding crop years if they exceed a specified tolerance for acreage discrepancies. RMA will also continue to assess the legal implications of determining a policyholder to have misrepresented a material fact in order to meet the burden of proof needed to void the policy if policy discrepancies exceed a specified tolerance.

4 Shares/Entities/Owner/Operator and crop acreage verifications.

- A Reinsured companies are responsible for verifying crop share, entity, and crop acreage. These verifications may be done, but are not required to be done, through information obtained from local FSA offices, if such information is available. Reinsured companies can choose sources other than local FSA offices to validate these verifications.
- (1) Reinsured companies are cautioned that **share** arrangements recorded on documents other than the FSA-424 (FSA-578) **may be on a contract-payment basis** rather than on a crop-share basis. The share arrangements recorded on the FSA-424 (FSA-578) will be on a crop-share basis.
 - (2) If the crop share or entity is not verifiable through the local FSA office or the reinsured company chooses not to verify this information at the local FSA office, loss adjusters must follow the share and entity verification procedures in the LAM for insureds who are not participating in programs administered by the FSA.
 - (3) Reinsured companies are encouraged to obtain the FSA-424 (if available) as a source for determining total crop land acres for the Farm Serial Number.
 - (4) Reinsured companies are also encouraged to use aerial photos copies (obtained from the local FSA office or other acceptable source) to verify with the policyholder. The acreage planted and insured as well as uninsured acreage. The following notations on aerial maps are also suggested to determine, if applicable, whether policy requirements for crop rotation have been met from crop year to crop year: The insured's name, policy number, and crop year should be notated on the map and the crop, practice/type, etc., should be notated on each field planted.

BULLETIN NO.: MGR-97-013

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Acreage Reporting Date Extension for 1997 Crop Year Canning and Processing
Tomatoes in Fresno, Kern, and Kings County, California

BACKGROUND:

The Canning and Processing Tomato Endorsement (88-37) defines insurable tomatoes as those grown under a written contract with a canner or processor. This contract must be executed prior to the acreage reporting date. The contract must be completed to the extent that a binding agreement exists requiring the insured to deliver a stated amount of tomatoes and requiring the processor to accept that amount.

At the request of the Sacramento Regional Service Office, the California Tomato Growers Association reviewed producers' contracts for the last two years and determined that over one-third of the contracts were signed after the acreage reporting date. The current acreage reporting date for the California counties of Fresno, Kern, and Kings is April 30. Because of delays in establishing prices for the 1997 crop, many processors will not be in a position to negotiate final contracts with producers prior to the April 30 acreage reporting date. Those producer's unable to secure a processor contract prior to the acreage reporting date will be ineligible for insurance coverage.

Extending the acreage reporting date will allow coverage to attach on acreage meeting all other policy requirements. No additional risk exposure would be added since the insurance period will remain unchanged.

ACTION:

Effective for the 1997 crop year only, the Risk Management Agency has extended the acreage reporting date for Fresno, Kern, and Kings County, California to May 31, 1997.



BULLETIN NO.: MGR-97-014

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Waiver Of 1997 Crop Year Sugar Beet Rotation Requirements For Michigan
and Ohio

BACKGROUND:

Michigan and Ohio experienced unusually cool, wet weather in the spring of 1996 that delayed normal sugar beet planting. A 4-inch rainfall on June 21, 1996, affected sugar beet acreage that was planted by this date. The affected poor stands resulted in thousands of acres of sugar beets being destroyed by producers within weeks of planting. The late growing season forced planting to other crops as it was too late to reseed sugar beets.

The 1997 Sugar Beet Crop Provisions state that acreage planted to sugar beets the preceding crop year is uninsurable. Many sugar beet growers maintain up to a 4 year crop rotation and for rotation purposes, this affected ground had corn or beans planted for the growing season. Since, in 1996, sugar beets were in the ground for such a limited time, the stands were poor, and in many cases, these acres were seeded to other crops; the risk of disease from planting sugar beets on this acreage in 1997 is mitigated and growers may in fact plant this acreage to sugar beets to maintain proper rotation practices for their farming operations for 1997 only and based on these conditions. This practice is supported by Extension Specialists, Sugar Beet Processors, and Sugar Beet Grower Associations.

ACTION:

Effective for the 1997 crop year only, the sugar beet rotation requirements in Michigan and Ohio may be waived for sugar beet acreage damaged on or before July 1, 1996, if the crop was subsequently destroyed and the acreage was seeded to another crop on or before July 15, 1996.

To qualify for this waiver, the producer must submit to the insurance provider, by the acreage reporting date, evidence the 1996 sugar beet crop was destroyed and planted to a different crop on or before July 15, 1996. Evidence recorded by sugar beet processors, the Farm Service Agency, or 1996 insurance acreage and loss reporting forms, must be used to substantiate these dates.

Such evidence must be maintained in the policyholder's file if the rotation requirement is waived.

BULLETIN NO.: MGR-97-015

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Questions Regarding the Draft 1998 Standard Reinsurance
Agreement

At the request of private insurance companies reinsured by the Federal Crop Insurance Corporation (FCIC), the Risk Management Agency (RMA) will extend the date for the receipt of industry comments on the Draft 1998 Standard Reinsurance Agreement (Draft 1998 SRA) until COB Friday, May 2, 1997. All comments regarding the Draft 1998 SRA must be received by May 2 at the address provided under Manager's Bulletin MGR 97 011. On April 3, 1996, the Risk Management Agency (RMA) held a public meeting to discuss the Draft 1998 SRA. During that meeting a series of questions was presented to RMA by private insurance companies currently holding a Standard Reinsurance Agreement. RMA agreed to respond to these questions by COB Friday, April 11, 1997. Also as requested, the slides used during the April 3, 1997, meeting including the posters are also attached. With respect to the question regarding the foundation data supporting the Draft 1998 SRA risk sharing formulas, documentation of the Federal Crop Reinsurance (FCR) model could not be completed by today, April 11. The documentation of the model will be completed early next week and will be distributed when completed. A briefing on the FCR model has been scheduled for Thursday, April 24, 1997. The briefing will be held at the Risk Management Agency Office Building, 9435 Holmes Rd., Kansas City, MO. The briefing will be held from 8:30 a.m. until 4:00 p.m. in rooms 126A and 126B on the first floor of the building. Space will be limited to approximately 30 persons. You are requested to fax an attendance confirmation with the name of the persons attending and the company being represented to Verlerie Eddleman at (816) 926 1825.

Persons attending this briefing will be responsible for their own travel and hotel arrangements. Except for the question regarding the FCR, each question received at the April 3rd meeting and the FCIC response are as follows:

GENERAL

Has the Board of Directors of Federal Crop Insurance Corporation reviewed and approved the proposed SRA?

FCIC response: The FCIC Board of Directors (Board) has delegated the overall management and administration of the Standard Reinsurance Agreement (SRA) to the Manager of FCIC. The Manager has briefed the Board on the Draft 1998 SRA issues in general, but the Board did not formally review and approve the Draft 1998 SRA. The Manager will brief the Board in greater detail at the next scheduled Board meeting.

Why did RMA attempt to advance the proposed 1998 SRA with Congress and the commodity groups without first discussing it with the private sector delivery system?

FCIC response: There was no intent to discuss the Draft 1998 SRA with any group in any particular order; it was a matter of scheduling. However, the SRA also impacts both Congress and commodity groups. Congress, as our appropriator, is interested in the manner in which FCIC responds to budget pressures and the regulatory oversight of the private and Federal delivery system. Commodity groups, representing producers, have a similar interest in the amount of funding provided for services impacting producers, specifically the delivery of the multiple peril crop insurance and other crop insurance programs, and regulatory oversight.

What is the RMA's definition of "risk" and "risk retention?"

FCIC response: Random House defines risk as the exposure to the chance of injury or loss; a hazard or dangerous chance; the hazard or chance of loss; the probability of such loss; the amount that the insurance company may lose. FCIC's definition of risk is the same.

Risk retention is the amount of risk an insurer assumes for its own account. Under the SRA risk retention is the risk assumed by the company after all cessions to FCIC.

RISK SHARING

Why is RMA employing a nonstandard method, Return on Capital At Risk (ROCR), for computing industry returns? There have been many studies of insurance company profitability, and there are standard methods of calculation. ROCR is a non standard method.

FCIC response: In a verbal request for clarification on what the crop insurance industry considered the "standard" for computing returns, industry spokesperson Bob Vancrum replied "return on equity". ROCR is a return on equity measurement. By isolating multiple peril crop insurance (MPCI) income in the numerator and capital at risk in the MPCI program in the denominator, ROCR effectively carves out a company's MPCI return on equity from its total return on equity. Therefore, ROCR is a standard method of computing returns. FCIC is in agreement that the previous standard, Return on Retained Premium, was less than meaningful and a significant deviation from standard business practice.

FCIC is aware there have been many profitability studies of private insurers and regulated utilities and that there are other methods of calculating profitability. FCIC will consider any studies or alternative profitability measure that any company wishes to present.

In RMA's view, what is the acceptable rate of return for companies underwriting crop insurance based on ROCR? How is this rate to be determined? Do the changes bring the rate of return to the acceptable level?

FCIC response: The acceptable rate of return under the Draft 1998 SRA was established during the development of the 1995 SRA(see attached Informational Memorandum for the Under Secretary dated May 13, 1994). That rate, 7 to 8 percent on retained premium, was authorized by the U. S. Department of Agriculture in consultation with the Office of Management and Budget (OMB). The 7-8 percent rate was a pretax measurement. In determining the acceptable rate of return for the 1998 reinsurance year, FCIC converted the 7 to 8 percent on retained premium pretax rate to a ROCR basis, which resulted in a pretax rate under ROCR of approximately 12 percent. According to FCIC analysis, the Draft 1998 SRA reinsurance terms yield an estimated ROCR of 12 percent.

If the model is applied to 1992 to 1996, what is the rate of return (ROCR)? Exactly how did RMA develop the ROCR formula and the target percentage. Is ROCR rate of return pretax or posttax?

FCIC response: The FCR model uses actual yield data and such data was not inputted for 1995 and 1996. Therefore, the model cannot be applied to 1992 through 1996. However, the FCR model was used to determine the Draft 1998 SRA reinsurance terms, which when applied to 1981 to 1994, the estimated is ROCR is 12 percent. The paper outlining the development of ROCR attached to Bulletin No.: MGR 97 011 is also attached to this bulletin. ROCR is a pretax rate of return.

Please provide the foundation and data RMA used in proposing the changes to the gain/loss formulas.

FCIC response: (Not yet available).

Is ROCR consistent with RMA's standard of financial approval?

FCIC Response: Yes. The ROCR and FCIC's standard of financial approval are both based on the maximum possible underwriting loss (MPUL). ROCR uses MPUL as the denominator of the formula, and the standards of financial approval use MPUL to determine MPCCI writing capacity.

FCIC requires companies to possess 2 to 2.5 times MPUL in surplus for approval of the SRA and its plan of operation. Since the reinsurance year does not correspond to the fall or spring planted crop years (i.e., spring planted crops are obligated before July 1 so are under the reinsurance year in which the obligation occurs, even though the crop is harvested and most losses occur after July 1, the next reinsurance year) companies may have two or three SRA's active at any one time. The

minimum surplus requirement is the estimated amount a company has at risk under these multiple, active SRAs. ROCR measures return on the capital at risk in any one reinsurance year under one SRA.

Has RMA computed a 1993 loss scenario using 1996 retained premium under the current SRA or under the proposed SRA?

FCIC response: Yes. Under the current SRA, for the 1996 reinsurance year, assuming 1993 loss ratios, the net loss to companies would have been approximately \$195 million. Under the current SRA, for 1996 reinsurance year, assuming 1994 loss ratios, the net gain would have been approximately \$345 million. Under the proposed 1998 SRA, using 1996 retained premium, assuming 1993 loss ratios, the net underwriting loss to companies would have been approximately \$266 million. Companies would have also been charged \$17 million in Fixed Reinsurance Premium (FRP) resulting in a net loss of \$283 million. Under the proposed 1998 SRA, using 1996 retained premium, assuming 1994 loss ratios, the net gain would have been \$297 million. Companies would also had been charged \$17 million in FRP resulting in an approximate net gain of \$281 million.

Has RMA analyzed the CAT program under a deficit year (such as 1988 or 1993) scenario? If so, what were the results and if not, why?

FCIC response: In years such as 1988 and 1993, the loss ratio for the CAT business generally will be higher than the loss ratio of the additional business. Conversely, in years with lower overall loss ratios, CAT will have a lower loss ratio than the additional business. Over many years, the loss ratio should be approximately the same for CAT as the additional business. However, the gain and loss sharing parameters of the SRA make CAT more profitable for a company than the additional business.

For example, in a year such as 1993, the loss exposure of the company may already be near its maximum, therefore, a higher loss ratio on CAT will have absolutely no impact. This would have occurred in Minnesota, which had an overall loss ratio of 616 percent in 1993. Most companies had incurred the maximum rate of loss (75 percent in the commercial fund) because the loss ratio exceeded 500 percent. The company's loss would have remained at 75 percent of premium in the commercial fund even if the CAT business had a loss ratio of 900 percent that year. In Illinois and North Dakota, the overall loss ratio exceeded 500 percent in 1988. Again, most companies incurred the maximum rate of loss in those States in 1988, and a higher loss ratio on CAT would have had no additional impact on the company's rate of loss.

In the better years, the lower CAT loss ratio will enable the company to achieve a higher rate of profitability. Consequently, the combination of small or no changes in rate of loss in an occasional year such as 1993, coupled with greater rates of gain in other years, increases the rate of return on CAT business relative to additional business within a state and fund.

At the national level, CAT also has a moderating impact within a year. Severe losses tend to be localized, such as in the Eastern Corn Belt or the Western Corn Belt, the Southern Plains, or the

Northern Plains, etc. The SRA with CAT increases profits in those areas not affected by the severe losses but has limited or no effect in the severe loss areas. At the national level, overall reinsurance losses for CAT alone due to the SRA are estimated to be one third to one half lower than for the combined additional business plus CAT business. For example, if the national loss were on the order of 25 to 30 percent of risk capital for CAT and additional business combined in a year such as 1993, the loss on risk capital for CAT alone is estimated to be 15 to 20 percent.

RMA has made the assigned risk and developmental funds relatively more attractive, compared to the commercial fund. Does RMA wish companies to take less risk than they have been, by switching part or all of their business from the commercial to the other funds?

FCIC response: Under the FCR model, the 1998 SRA ROCR is estimated at 12 percent compared to the 1995 SRA ROCR estimate of 24 percent. This is equal to a 50 percent reduction in overall estimated ROCR. However, by fund, the reduction is 48 percent in the commercial fund, 64 percent in the developmental fund and 35 percent in the assigned risk.

The 1998 SRA reinsurance terms have increased the relative difference between the commercial and developmental fund estimated returns. The developmental and assigned risk funds do not predominate in States such as Iowa, and FCIC expects minimal shifts from the commercial fund in similar States.

With respect to other States, FCIC wishes to provide a return for all crops, insurance plans, and areas sufficient to support a delivery system capable of reaching all producers. However, certain crops and areas have been disproportionately represented in the developmental and assigned risk funds because they are innately more risky and less profitable, and thus have generated less financing with which to support the delivery system. By increasing the potential returns for business in these two funds, FCIC will provide needed support for those companies that choose to write the less attractive crops, plans, and areas.

If the companies have alternative percentages that meet the statutory mandate that the companies retain a greater portion of the risk and the 12 percent ROCR rate, they should submit this information to FCIC for consideration.

Why is a company penalized for misestimating their percentage of assigned risk by placing the excess in the commercial fund instead of the developmental?

FCIC response: In general, companies do not use the assigned risk fund to the maximum cessions stated in Exhibit 15 of the plan of operation. However, in several states such as Texas, the assigned risk fund is utilized in excess of the maximum cessions.

FCIC continues to be concerned about proper claims management in areas where crop losses tend to be higher and a high percentage of crop insurance business is designated to the assigned risk fund to minimize the risks to the company. By transferring the premium amounts in excess of the maximum cession limitation to the commercial fund, FCIC hopes to encourage more companies to focus more on claims management in order to protect the integrity of the program.

Why has RMA instituted reinsurance fees on the commercial fund for CAT and revenue products? What is the foundation for these fees?

FCIC response: Loss ratios from year to year for both CAT and revenue insurance will differ significantly from the MPCCI buy up policies for which the SRA has been designed and would result in a higher gain than the 12 percent ROCR. The reasons for the difference for CAT gains were explained above and similar reasoning applies to the revenue products. Using the FRP contained in the Draft 1998 SRA, all insurance plans fit in one set of stop losses. The current SRA already has 150 stop loss funds three in each State. More funds are not needed.

RMA estimated the additional amount that should be charged in order to bring the applicable product being analyzed in line with the ROCR yield for buy up MPCCI and then quoted a portion of that as the FRP. The quoted FRP is lower than indicated by the analysis because each of these products is new and there is limited historical data to analyze.

ADMINISTRATIVE & OPERATING EXPENSE/PREMIUM SUBSIDY

Is RMA not bound by Section III.E. of the current SRA, which States: "For the 1998 and 1999 reinsurance years, the amount of premium subsidy for administrative and operating expenses included in subsections B. and C. above will be equivalent to the maximum authorized amount specified by law, or such other amount as FCIC and the Company may agree upon."? Has FCIC's Board of Directors authorized this position of RMA?

FCIC response: FCIC is not bound by the terms of an SRA after it has been canceled in accordance with the terms of that SRA. The provisions regarding the 1998 and 1999 reinsurance years were only included to ensure that the parties would know the terms and conditions applicable to such reinsurance years in the event that the 1997 SRA was not canceled. Once canceled, FCIC can offer reinsurance under any term or condition authorized by law.

In any event, FCIC has offered the maximum amount of expense reimbursement currently authorized. Section 508(k)(4) of the Federal Crop Insurance Act, as amended (Act), states that the rate for expense reimbursement cannot exceed 28 percent of the net book premium for the 1998 reinsurance year. However, the President's budget submitted to Congress authorized an expense reimbursement of 24.5 percent of the net book premium. It would violate the Anti Deficiency Act for FCIC to agree to make a payment under a contract or cooperative agreement in excess of the amount that indications show will be appropriated for such use. Until Congress acts, FCIC will be bound by the amount specified in the President's budget.

The FCIC Board has delegated the negotiation and management of the SRA to the Manager of FCIC. Therefore, the FCIC Board authorization is not required.

Why has RMA abandoned the Legislative mandate and contractual responsibilities on premium subsidy for A&O? What is the basis used to determine the amount of premium subsidy for administrative and operating expenses, as such term is used in Section III.H. of the RMA's proposed 1998 SRA?

FCIC response: FCIC has not abandoned its contractual responsibilities. Once the 1997 SRA was canceled, FCIC no longer had any contractual responsibilities with respect to the 1998 reinsurance year. Further, there is no legislative mandate. The Act simply provides the maximum amount of expense reimbursement that FCIC can offer. FCIC certainly has the authority to offer less than this maximum amount.

Since Congress has determined that the payment of the administrative and operating expenses of the insurance companies are to be included in the premium, payment of those expenses by FCIC is considered a premium subsidy. FCIC uses the terms "premium subsidy for administrative and operating expenses" and "expense reimbursement" interchangeably. In the past, the basis for determining the amount of premium subsidy has been an agreement between FCIC and the insurance companies. However, Congress recently limited the amount of expense reimbursement by appropriation and in the Act. Currently, the best analysis of the actual costs of the program is being provided by the General Accounting Office (GAO) report.

This amount of premium subsidy is to reimburse companies for an expected level of service. If the services the insurance company is required to perform deviates from the services required for other plans of insurance, then FCIC has maintained its right to adjust the amount it pays to the companies. Now that companies are also required to report their allowable expenses on their plans of operation, FCIC will be able to more accurately assess costs.

Why did RMA adopt the fixed fee with the percentage reimbursement alternative without even waiting for the industry response to the GAO's proposals?

FCIC response: As indicated in its preamble, the purpose of the SRA is to "deliver multiple peril crop insurance." FCIC's goal is that all producers in all areas of the nation have access to all available crop insurance products that are best suited to meet their risk management needs.

Reliance on a method that is a flat commission creates marketing incentives in favor of high premium/high profit crops, plans, and market areas. A composite method, such as proposed for buy up MPCI \$100 per premium earning crop policy plus 18 percent of net book premium, will tend to support FCIC's goals by:

Encouraging companies to serve all producers, even those with small acreage and low value crops.

Encouraging companies to aggressively sell all crop plans that may be appropriate for some producers, even plans with low premium rates.

Providing incentives for companies to develop and present to FCIC, under section 508(h) of the Act, new crop plans that may be more affordable for producers (i.e., lower out of pocket costs) and that generate lower overall budgetary pressures.

FCIC considered a composite reimbursement prior to, and independent of the GAO report. FCIC has not, as the question states, "adopted" the composite reimbursement plan. FCIC is proposing this plan for reimbursement to the companies and will consider all company comments before deciding whether or not to adopt it.

Does FCIC consider the SRA a cost plus contract or a flat reimbursement contract?

FCIC response: The Act authorizes FCIC to pay a flat reimbursement and the current language in the President's budget also supports a flat reimbursement. Provided that the Act or the budget does not change, companies will receive a flat rate of 24.5 percent of the net book premium. The draft 1998 SRA also contains the flexibility to pay the companies based on a \$100 plus a percent of the net book premium, if such a payment method is authorized by law. FCIC has submitted statutory language which will remove the requirement that the expense reimbursement be paid as a flat rate and authorize exceeding the 24.5 percent cap on expense reimbursement if program participation increases, rates increase, or a change in the mix of policies between high premium policies and smaller dollar premium policies result in excess expense reimbursement being paid.

If authorized by law, the \$100 plus percent of the net book premium is not a cost plus contract since the \$100 is not based on any particular cost. It is simply an amount determined to provide an incentive for companies to aggressively market the additional levels of insurance to smaller farms.

Why does the proposed 1998 SRA list allowable expenses if expenses are not directly reimbursed?

FCIC response: FCIC is using public funds to operate the Federal crop insurance program, including its delivery by the companies. Even though FCIC does not directly reimburse expenses, it still has a responsibility to ensure that the funds paid to companies are only used for proper purposes, the delivery of the program. The list of allowable expenses (Exhibit 20A) is to provide guidance for preparing Exhibit 20B, which reflects the actual company MPCI expenses for the prior calendar year. Exhibit 20B is to aid in determining the adequacy of FCIC's expense reimbursement relative to the delivery of MPCI.

If RMA considers this a flat reimbursement contract, why is it requiring companies to collect data differently for RMA than for corporate reporting?

FCIC response: Corporate reporting takes into consideration all expenses of the company, However, FCIC is only concerned about the costs data for delivery of the crop insurance program. Therefore, FCIC issued guidance for allowable expenses (Exhibit 20A) and the reporting form (Exhibit 20B) to provide a tool for formal reporting of company delivery expense. Prior to Exhibits 20A and B, FCIC had no formal process for reporting delivery expense. The reporting of delivery expense is important, not only to assess the adequacy of the administrative and operating expense subsidy, but also to provide FCIC a basis to audit delivery expenses to

ensure that taxpayer dollars are being utilized for the intended purpose.

Does RMA's pending legislative proposal contain specific authority for payment of excess LAE?

FCIC response: No. What is RMA's justification for the reduction of CAT LAE from 14 percent to 4 percent? Does RMA view the proposed reduction as resulting in a net increase or decrease to a company's operating expenses?

FCIC response: FCIC erred in its draft, which should have read 4.8 percent of CAT premium instead of 4.0 percent. FCIC is proposing to pay \$50 plus a percent of the actual CAT premium for each premium earning CAT policy, such that the aggregate of these amounts do not exceed 4.8 percent of the CAT premium. This calculation is similar to that proposed for the expense reimbursement where FCIC will pay a fixed fee plus a percentage of the premium up to the maximum allowable. This is in addition to the CAT administrative fee paid by the producer.

The CAT loss adjustment expense was reduced to be commensurate with the estimated cost of loss adjustment provided in section V.Y of the Draft 1998 SRA.

LIQUIDATED DAMAGES

What is the justification for the liquidated damages provisions in the proposed SRA? When actual damages can be calculated, why are they not sufficient?

FCIC response: When actual damages are quantifiable, they are sufficient and collectable under section V.K. of the SRA. However, there are instances where FCIC suffers damages and the amount of such damages are difficult to quantify. FCIC is paying the companies to perform services in the delivery of the Federal crop insurance program in accordance with its approved policies and procedures. When the companies violate the policies and procedures, FCIC is not receiving the benefits for which it paid and is entitled to be reimbursed for value of these services. Liquidated damages is a measurement of the damages that FCIC has suffered in those cases because the actual damages are difficult to quantify. FCIC has made a reasonable estimate of the damages suffered in each provision. If the companies believe that there is a more accurate estimate of these damages, it should inform FCIC and provide evidence in support.

Why is the liquidated damages provision unilateral?

FCIC response: Although section V.Y appears unilateral, the company will also receive compensation in the event that FCIC breaches the SRA in accordance with section V.A. of the Draft 1998 SRA.

What criteria were used to establish the percentages to be assessed as liquidated damages? Is the liquidated damages provision viewed by RMA as a penalty?

FCIC response: The percentages to be assessed as liquidated damages were estimated based on

cost data submitted by the companies and provide FCIC's best estimate of the damages it has suffered as a result of the breach of the SRA by the company. Since these liquidated damage provisions are a measure of FCIC's damages, they are not a penalty.

If a policyholder is paid the correct indemnity, but the company violated loss adjustment procedures in determining the indemnity, what damages has RMA suffered?

FCIC response: When proper procedures are not followed, FCIC must expend its own funds and resources to verify that the loss was correctly paid. In essence, FCIC must readjust the loss. Liquidated damages provides FCIC's reasonable estimate of these damages associated with this readjustment.

What procedural rights and rights of due process do the SRA holders have against an arbitrary use of the liquidated damage provision? FCIC response: Since the liquidated damages provision is part of the SRA, the company will have the same appeal and due process rights as for any other provision of the SRA. The company can appeal any imposition of liquidated damages under 7 C.F.R. § 400.169. The following also provides some clarification of the liquidated damage provisions.

Section Y. 1 The expense reimbursement will be reduced 1.5 percent of the net book premium per week for only those policies that are submitted after the 11th week after the transaction cut off date.

Section Y.2 The expense reimbursement is only reduced for those policies for which FCIC takes over the loss adjustment. The amount will be increased to 4.8 percent of the net book premium to be consistent with section IV.

Section Y.3 In the event of termination of the SRA for cause, the company will be required to reimburse 10 percent of the total net book premium for the policies reinsured under the terminated SRA to offset the administrative costs associated with ensuring that the policies are properly serviced.

Section Y.4 The requirement that the company reimburse the entire expense reimbursement when the company commits a pattern of acts or omissions existed in section V.U. of the 1997 SRA. Any contract not reinsured under the SRA is not eligible for premium subsidy or expense reimbursement.

Section Y.5.a The company will be required to reimburse the amount paid for loss adjustment only for those policies where the company failed to comply with FCIC approved loss adjustment procedures.

Section Y.5.b The company will be required to reimburse the amount paid for calculating the actual production history only for those policies where the company failed to comply with FCIC approved actual production history procedures.

Section Y.5.c This provision will be revised to distinguish between the different requirements under M-14010 and when liquidated damage will be imposed on a per policy or the total book basis.

Section Y.5.d FCIC has determined that 0.5 percent of the net book premium for all policies in the county is a reasonable estimate of the damages it will suffer in attempting to establish the correct claim information when the company has failed to take those actions necessary to verify the existence or amount of any loss.

Section Y.6 FCIC has determined that 3.0 of the gross premium included in the quota share agreement is the reasonable value of its agreement to insure a portion of the company's book of business in excess of the amount of premium authorized under the SRA under a quota share agreement.

PROCEDURES & OPERATION

What changes has RMA anticipated in the plan of operations? Does RMA view the proposed changes in the plan of operation as resulting in a net increase or decrease to a company's operating expenses?

FCIC response: The proposed revision to M14010 requires that companies submit detailed descriptions of their own internal operating procedures (i.e., policy selection methodology, corrective action processes, procedures used to expand the scope of reviews, etc.) developed to satisfy M-14010 requirements and the SRA. The detailed descriptions requested in the plan of operation are nothing more than a business plan. In addition, companies are to submit the forms used to document the completion of M-14010 requirements, as well as identify the appointed program managers and individuals assigned the oversight responsibilities for the various programs.

For those companies that are in compliance with M14010 and developed their internal operating procedures, the overall effect should be limited to the reproduction and submittal of the procedures as part of their plans of operation. For companies who have not developed internal operating procedures, the initial development of the procedures may increase operating expenses to a level consistent with the amount of reimbursement that companies have been already receiving to perform this function. However, all companies must still evaluate their respective internal operating procedures to ensure that the procedures allow them to satisfy M14010 requirements. This will afford companies the occasion to reevaluate the effectiveness of their operations.

The proposed changes to the plan of operation will provide FCIC reasonable assurance that companies are familiar with M14010 requirements. The results of recent compliance activities indicate that companies were not as familiar with the requirements as necessary to ensure compliance. The proposed revisions to M14010 will also allow FCIC to reallocate its resources and to concentrate on areas of suspected program abuse. FCIC is also requiring the companies to submit an annual report of the results of the reviews conducted under M14010.

The only cost associated with this report should be the compilation of the report since the companies are already required to conduct and document the reviews. The costs associated with this report should be more than offset by costs savings resulting from the less intrusive and resource intensive national operations evaluations conducted by the Risk Compliance Division (RCD), and the more timely evaluations of the company.

FCIC also proposed that companies perform a quarterly review of the managing general agent's finances and operations. To the extent that companies do not conduct such reviews, this activity will initially result in a net increase to a company's operating expenses. However, this cost should be offset by future savings resulting from closer oversight of the companies operations. Compliance reviews have revealed that, in many instances, the company has been unaware of the activities of its managing general agent and its noncompliance with FCIC requirements. FCIC is also requiring the company to submit to FCIC a plan as to how policyholders will be serviced in the event a managing general agent is unable to do so because of a financial or operational impairment, regulatory action initiated by a state, or by FCIC. To verify that the managing general agent has errors and omissions insurance coverage, a written certification is only required.

What is the justification for the changes to M14010?

FCIC response: M14010 was revised to realign, consolidate and, when applicable, rescind the requirements for the purpose of program simplification. In the past, companies have expressed concern with regard to the apparent duplication of M14010 requirements and the resources required to satisfy those requirements. Evaluations of M-14010 requirements and companies' actual practices disclosed that the company was correct and that M14010 could be revised to correct these deficiencies without sacrificing program integrity.

During the course of the compliance activities, the RCD identified program inefficiencies and developed recommendations to allow for the consolidation of several M14010 requirements. Therefore, even though the total number of reviews may not have decreased, multiple reviews can now be conducted on the same policies and only records of the reviews need to be maintained separately. The consolidation of these requirements should allow companies to reallocate their respective resources and concentrate on the delivery and administration of the Federal crop insurance program.

In addition to the consolidation, the RCD also identified the need to rescind several nonproductive M14010 requirements which used a significant percentage of the companies' resources. One such requirement involved training. RCD reviews revealed that a majority of the problems arising from agent conduct resulted from new agents. Therefore, companies are now only required to provide complete training to new agents, which should provide considerable savings to companies because they will no longer have to expend resources to annually train all agents, copy and disseminate training materials, etc. In view of the proposed changes to the Draft 1998 SRA with respect to the liquidated damages provision, this is especially critical because companies will not be required to forfeit a portion of their expense reimbursement for noncompliance with requirements deemed nonproductive.

A comparison of FCIC's responsibilities with regard to assuring program integrity to the crop insurance programs, authorized under sections 508(h) and (m) of the Act, disclosed that these programs were not previously subjected to the types of oversight activities required to identify program vulnerabilities. Therefore, in order to comply with its responsibilities, FCIC implemented the appropriate program changes in the proposed M14010. This will afford FCIC the opportunity to accurately assess the soundness of the programs authorized under the cited sections of the Act.

What criteria has been used to benchmark the adequacy/inadequacy of the current programs under M14010?

FCIC response: The requirements contained in the current M14010 were evaluated based upon the results of the compliance activities, company recommendations, statistical studies of the data maintained in the FCIC Statistical Database, FCIC's responsibilities for assuring program integrity, and the effectiveness of the current oversight programs to assure program integrity.

The results of recent compliance activities (those completed within the past 2 calendar years) have dictated a need for revising the current M14010 requirements. The companies' November 1996 response to the draft M14010 was also taken into consideration regarding the proposed revisions to the manual. During the operational evaluations, the RCD identified egregious departures from M14010 requirements by companies. Consequently, the impact on program integrity was evaluated, which resulted in the recommendations for rescinding several of the requirements. The RCD concluded that there was negligible or no adverse impact on program integrity in the requirements designated for rescission. Concerns with regard to the required review activities, competency testing, loss adjuster training combinations, tables summarizing the review activities, documenting of sales representative evaluations, new producer reviews, and review checklists were addressed in the proposed revision. Consequently, the number of required review activities was drastically reduced; the issues regarding competency testing and training combinations were clarified; the requirements for sales representative evaluations, new producer reviews and review checklists were deleted; and a table was attached to the manual identifying possible consolidation of M14010 requirements.

Does RMA view the proposed changes to M14010 as resulting in a net increase or decrease in a company's operating expenses?

FCIC response: In comparison to the program requirements set forth in the current M-14010, the proposed revisions significantly reduce the companies' training and quality control requirements and correspondingly, the costs associated with these requirements. Companies will not be required to develop systems to track and monitor the training of all sales representatives (only those classified as new agents and those requiring additional guidance) nor will they be directed to develop, publish, disseminate, and retain the training materials previously needed to satisfy the requirements under the current manual. Further, companies will no longer be required to conduct or retain documentation of the proficiency evaluations of sales representatives previously identified as experienced, random APH reviews, and sales representative APH reviews. A study of two companies, one on each end of the size spectrum in relation to the number of policies

serviced, disclosed that the proposed M14010 requirements will reduce the companies' responsibilities by more than 50 percent (see attachment 2). However, companies will be required to conduct more indepth assessments of the sufficiency of the crop insurance contracts necessary to protect program integrity. Some of the information required to determine the actual reduction was not made available during the course of the operation evaluations. Note, that the information required to determine the dollar savings (i.e., the cost of conducting APH reviews, sales representative training, etc.) are not reported to FCIC.

What is the criteria used in developing the additional training requirements under M14010?

FCIC response: The greatest vulnerability with regard to sales representatives rests primarily with the individuals who have never serviced crop insurance contracts under the Federal crop insurance program, the new agent. Therefore, FCIC has actually reduced the training requirements since only a small percentage of the sales representatives are classified as new agents (a study of three companies shows the actual percentage to be less than 1 percent) and there is no longer a requirement for recurring annual training for all other sales representatives. However, the training requirements for new agents is increased. The new training requirements allows for on the job training (as defined in M14010) under the guidance of a qualified individual during the course of processing applications, production and yield reports, and acreage reports. This type of training allows the companies to give guidance during three of the most critical aspects of servicing and delivering the Federal crop insurance program. It also affords the companies the opportunity to evaluate the individuals' proficiency in "real world" situations. Note, that the companies are also satisfying the proficiency evaluation requirements in addition to providing their agents on the job training.

The training requirements for loss adjusters was reduced from the 10 days identified in the previous draft to 8 days in the proposed revision. A review of companies' responses to the previous draft disclosed that no one commented on the length of training. However, the companies did comment that, other than the required classroom training, they should be authorized to complete the remainder of the training in a combination of any other approved method. The proposed revision allows the companies to complete the training requirements in any combination of classroom, on the job training (as defined in the manual), and field training seminars. However, companies must ensure the minimum classroom training requirements are satisfied.

What is the supporting detail to the changes announced by RMA to M13 for the 1998 reinsurance year? Does RMA view the proposed changes to M13 as resulting in a net increase or decrease to a company's operating expenses?

Including:

1. Automation of the escrow funding process
2. RMA ceasing to create and distribute accounting reports
3. Implementation of the ineligible regulations
4. Conversion of crop policies to the common policy format
5. Reimbursements for FCIC errors

FCIC response: The changes outlined in Informational Memorandum R&D 97 023 for Manual 13 are designed to reduce errors and enhance error resolution that was previously done manually. These changes, as suggested by company data processing representatives, are targeted at improving the efficiencies of a processing operation, thus lowering overall expenses.

The addition of the application signature date on the Record type 14 will provide the means for an automated determination of policy ownership in handling duplicate policies. This reduces the time companies now spent contacting other companies and Farm Service Agency offices and waiting for follow up corrective actions. Some companies requested this during June 1996 to eliminate questions associated with duplicate policies. The recommendation was agreed to by all company data processing representatives at the November 1996 Data Processing Managers' meeting. The addition of the "record" linkage will clarify edits and error resolution. When an acreage record is processed, for most crops, a match to a yield record must be made. Due to yield differences within a crop, it is difficult to find the correct yield record for the edit and to conduct error resolution properly and efficiently. The record link identifies the yield record the Data Acceptance System (DAS) should use to accept the acreage record. In the case of an error, the company can quickly determine which yield or acreage record needs to be reviewed. The same applies to matching the loss record to the acreage record. This change, requested by a number of companies, has been discussed with data processing managers over the past year and is available for companies to use in 1997 to match an acreage record to a yield record to determine the correct yield and is required for 1997 Revenue Assurance.

Both FCIC and companies will utilize the automated written agreement system when it is moved into production for Actuarial Data Master references when editing a policy. This will improve policy processing at the company and FCIC levels, and automate a manual system while addressing some program vulnerabilities associated with incorrect rates being used on land covered via a written agreement.

The following edit improvements will be added to the 1998 DAS to prevent the acceptance of invalid or incorrect data and to notify the company of incorrect data within its system:

- (1) An edit on tax ID will only allow one EIN tax number for the policy including the SBI records to enforce the current regulations on policy reporting;
- (2) The unit loss guarantee and liability can no longer be greater than the acreage guarantee or liability; and
- (3) The zip code, state and county combination submitted on the agent record must be valid according to the US Postal Service zip code directory.

Companies were notified of these enhancements during the February 1997 Data Processing Managers' meeting.

1. Automation of the escrow funding process. The automation of escrow funding will enhance the timing of the process considerably and provide companies with an electronic means to identify and track losses reimbursed by the FCIC at a policy level. This system improvement should decrease company operating expenses in general. Companies will no longer be required to submit hard copy check registers to support their escrow requests. When escrow funding is automated, companies should have an electronic means to perform any reconciliation between the companies escrow data and the escrow data received by FCIC. Currently, accounting

reconciliation of losses that have been funded currently is a manual process. The company also should be able to readily identify any losses which have not been funded.

2. RMA ceasing to create and distribute accounting reports The proposal calls for FCIC to provide a company with all accepted data records. This change will enable companies to produce their own internal reports as desired and provide the capability to produce their own accounting reports, create other reports within their own accounting system, and reconcile data in their own system using FCIC edited and accepted data. By submitting its own accounting report, the company may be reimbursed sooner for any amounts due.

These records were requested by representatives of the company's accounting departments during the Accounting Reports Workgroup Simplification meeting. If a company chooses not to generate its own accounting report, FCIC will continue to provide these reports.

3. Implementation for the ineligible regulations The development and implementation of an ineligible file have involved FCIC working jointly with companies to design and implement an automated system that will identify producers who are ineligible to participate in crop insurance programs insured or reinsured by FCIC.

A Cost Benefit Analysis as reflected in the proposed rule published in the Federal Register concluded that approximately \$6 million in debts owed will be able to be collected annually. FCIC received over 60 comments to the proposed rule that were due December 30, 1996, none of which suggested this regulation should not be implemented.

Although some startup and maintenance costs will be incurred by FCIC and companies, it is expected that the costs will be offset by the savings associated with collections of past due debts, denying coverage to producers who may already be indebted for prior years, and denying coverage to producers who may be ineligible due to program fraud, misrepresentation or concealment of material information. Additionally, this will be an automated system that will allow companies to submit and receive information regarding ineligible producers automatically rather than the current method of trying to monitor these producers manually, which was open to vulnerabilities.

4. Conversion of the crop policies to the common policy format. The conversion of policies to the common policy format has been a cooperative venture with the crop insurance industry dating back to the early 1990's. Under this initiative, each specific crop provision is used in conjunction with the single Common Crop Insurance Policy Basic Provisions, which contains standard terms and conditions common to most crops.

This action also includes making policy changes identified by FCIC or the crop insurance industry as problematic or difficult to administer and better meet the needs of the insured.

Although this action began prior to the Regulatory Reform Act of 1995, initiated by the Vice President, it is consistent with Regulatory Reform that focuses on reducing the regulatory burden of the Federal government on the general public.

Companies will experience initial costs associated with the distribution of the new policies as they become final rule. However, FCIC expects the end result will be increased operating efficiencies for the companies. The results of this initiative include but are not limited to: (1) increased acceptance and participation because producers and companies have requested many of the changes; (2) changes that will mitigate ambiguity or clarify language that have resulted in arbitration or litigation costs in the past; (3) reduction of the number of policies and policy forms that must be maintained; (4) greater consistency in training due to standard terms and conditions; (5) less procedural requirements and clarifications which will reduce administrative costs; (6) elimination of loop holes or clarifying provisions resulting in less unanticipated losses; (7) potential for increased underwriting gains; and (8) potential for reduced loss adjustment costs due to clearer communication of policy terms and conditions.

5. Reimbursement for FCIC errors

During the past year, FCIC worked with companies on an error identification and resolution process to design an error report companies can fax to the Data Quality Section, which identifies error conditions the companies believe to be RMA's responsibility. In return, a weekly DAS Status report is sent to all companies listing modifications that have been made to DAS, corrections that are in the process of being made, items being researched, and items that were closed. If a company reports an error on a DAS Error Report, and the error is due to a FCIC problem and it is not corrected by the second monthly accounting report, the company may be paid interest on the amount of premium rejected with the error condition identified in the DAS Error Report.

Program Change Provision: How does RMA propose to evaluate compensation to companies for increased administrative costs as a result of FCIC unilateral changes or actuarial errors during the contract term? Please provide specific examples of the types of program changes for which RMA will compensate the companies.

FCIC response: Provided that companies can show that they have suffered damages as a result of a breach of the SRA by FCIC, FCIC will examine the evidence offered by the companies to establish the amount of such damages. This provision will be revised to allow the flexibility for FCIC and companies to agree to an amount of damages only in those cases where there is clear evidence that the improper conduct of FCIC caused a material increase in the cost of performing services under the SRA and the amount is difficult to quantify. The burden will remain on the companies to establish the increase in costs.

Specific examples include changes in the policy after the contract change date, such as the 1995 prevented planting changes. Not included are requirements that companies conduct inspections, monitoring programs and appraisals which are intended to reduce the costs to companies by reducing fraudulent or erroneous claims.

Does MGR 93 020 survive under the 1998 draft SRA? Does it apply to company exposure due to the collection of civil rights data?

FCIC response: MGR 93 020 has no relationship to the SRA. It was a program created by FCIC, at its sole discretion, to assist companies and FCIC when it is necessary to litigate a case to protect program integrity. Notwithstanding any provision of the SRA, FCIC may amend, revise, or eliminate MGR 93 020 at any time. Although MGR 93 020 is currently being reevaluated, it will remain separate from the SRA.

As currently written, MGR 93 020 does not cover collection of civil rights data. Further, since there is no identifiable liability associated with the collection of civil rights data, there are no plans to incorporate such liability into MGR 93 020.

What is RMA's justification for requiring companies to collect civil rights data? Does RMA view the proposed change as resulting in a net increase or decrease in a company's operating expenses?

FCIC response: The requirement to collect civil rights data has been in existence since the 1995 SRA and was agreed upon by the parties. Ensuring that the delivery of any Federal program is performed in a nondiscriminatory manner is a requirement under the Civil Rights Act of 1964 and U.S. Department of Agriculture regulations, 7 C.F.R. part 15. Directive No. 15 of OMB Circular No. A46 provides the standards for providing Federal statistics and administrative reporting. FCIC does not currently have a mechanism to collect this data except through its delivery systems. Data of this type have never been collected by the private delivery system; however, this data is necessary to determine if Federal crop insurance programs are being offered to minorities as required.

Collection of this data should result in a net increase in a company's operating expenses.

At what level of company supervision does RMA intend to mandate dual staffing of marketing and loss adjustment functions?

FCIC response: Since companies may use different field management programs, FCIC cannot identify the specific level of company supervision. As stated in section V.H.4. and 5. of the Draft 1998 SRA, companies will not be able to employ one person to supervise the day to day activities of claims and sales personnel. There is no line of insurance which permits sales agents to direct loss adjustment. Most companies maintain separate sales and claims departments. Even in the automobile insurance industry, which may give agents the discretion to pay small claims, such authority only exists after the policyholder has received three estimates from persons not connected with the agent. Therefore, FCIC's requirement is in line with the rest of the insurance industry.

In light of the current status of the SRA, what are companies' responsibilities given the April 1 Plan of Operation date and approval of the SRA by July 1, 1997?

FCIC response: FCIC will issue a final SRA by mid May, 1997. This will provide ample time for companies that chose to participate in the Federal crop insurance program to have its signed SRA received by FCIC prior to July 1, 1997. The April 1, 1997, date stated in the Draft 1998

SRA will be waived the first year as this date has obviously passed.

Does either the expected, long term underwriting gain or the administrative expense allowance (AER) provide a return on capital assets? (Submitted verbally)

Return on capital assets is not included in the AER. The expense of capital assets measured by depreciation is included in the AER. This effectively reduces the risk associated with a given capital investment. The same is true of the interest expense and lease payments if the asset is leased.

The amount of risk involved with a particular capital investment is dependent on subjective factors such as the skill and competence of the company's management and the company's decision to purchase the assets instead of leasing them. The risk component associated with capital assets is included in the underwriting gain of the SRA. Return on capital assets for other insurers and other business firms is included in those firms' overall profitability, which RMA reviewed when it considered what should be the appropriate level of expected, long term profitability under the SRA.

BULLETIN NO.: MGR-97-015.1

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Federal Crop Reinsurance (FCR) Model Documentation

Attached is the documentation regarding the FCR Model. There has been a change in the time and place for the briefing on the FCR model.

National Crop Insurance Services, Inc. (NCIS) is holding a meeting at the Hyatt Regency Hotel in Kansas City, MO 2345 McGee Street, Phone: (816) 421-1234.

NCIS has graciously provided the Risk Management Agency with two hours on its morning agenda to brief the crop insurance industry on the FCR Model. The briefing will begin at 10:00 a.m. and continue until 12:00 p.m. on Thursday, April 24, 1997. Persons attending this briefing will be responsible for their own travel and hotel arrangements.

If you have any questions, please contact E. Heyward Baker, Director, Reinsurance Services Division at (202) 720-4232.

Attachment

REINSURANCE SIMULATION MODEL

Mario J. Miranda, Joseph W. Glauber, and Keith J. Coble

SRASIM is a computer simulation program designed to compute the expected rate of return of reinsured crop insurance companies under alternative quota-share provisions for the Standard Reinsurance Agreement (SRA). More specifically, SRASIM takes as input a hypothetical schedule of loss-gain share rates for each of the commercial, developmental, and assigned risk funds of the SRA. SRASIM then outputs the expected rate of return under the hypothetical SRA, either by fund and state or by fund and firm. SRASIM's analysis is limited in scope to seven major crops: wheat, corn, soybeans, grain sorghum, cotton, barley, and peanuts.

SRASIM may be implemented using either a "historical" or a "structural" model of the probability distribution of loss-ratios faced by crop insurers. In the historical loss-ratio version, SRASIM assumes that the schedule of loss-ratios experienced by crop insurers between 1981 and 1994 is representative of the loss ratio distribution that will be faced by crop insurers in the future. In the structural version, SRASIM discards the historical loss ratio distribution and generates instead a loss ratio distribution from a series of structural submodels of unit-level indemnity distributions. Unlike the historical version, the structural version of SRASIM allows the user to examine the implications of structural variations in the crop insurance market not experienced during the historical 1981 to 1994 period. Such variations include, but are not limited to, the introduction of new reinsured crop insurance products such as revenue insurance, changes in the proportion of catastrophic versus buy-up coverage, and the effects of weather variability comparable to that experienced over the longer 1957 to 1994 period.

Computational Procedures: "Historical" Loss-Ratios

"Historical" simulations with SRASIM are based primarily on the LOSSDIST database, which contains 1981-1994 loss ratios by crop reporting district and crop, aggregated across all funds, coverages, and firms. While historical loss ratios provide useful information, several limitations of this measure should be considered when assessing actuarial soundness. First, crop

insurance indemnities tend to vary widely from year to year as compared to other common insurance contracts such as automobile, health, and life insurance. As a result, most measures of crop insurance actuarial soundness aggregate across time. Generally, longer time series are expected to more accurately capture and weigh random events because more possible outcomes would be observed.

Historical loss ratio measures also implicitly assume that various aspects of the program, such as coverage options and premium rates, have remained constant over time. That is, an unadjusted approach ignores the effects of alterations in rates or other characteristics of the program over time. Given changes in the program and rates, this measure may have little to do with current actuarial soundness. Recognition of these inconsistencies in the program and participants across time tends to counterbalance the desirability of long time-series to capture random events.

To address the effect of changing premium rates, the model uses an adjusted loss ratio which is computed by dividing the estimated loss cost ratio for each year (indemnity divided by liability) by the current (1995) premium rates. This is done by crop reporting district for each crop in the years 1981-94. Additionally, catastrophic coverage policies are excluded because of the significantly lower coverage associated with those policies. Because insurance rates have increased for many crops and locations over time the adjusted loss ratio is generally lower than the raw historical loss ratios. A decline in 75 percent coverage policies since the early eighties is not explicitly modeled, but would act to further reduce the adjusted loss ratio.

Figure 1 compares the adjusted loss ratio to the raw loss ratio for all crops in the United States for the years 1981-95. Given current rates, the adjusted loss ratio averaged 117 percent compared with 136 percent for the unadjusted historical loss ratios.

SRASIM relies on three other databases to compute expected rates of returns by firm,

state, and fund. All three databases are derived from data supplied by the Economic Research Service and FCIC. The BOOKCNTY database contains total liability in dollars, for 1995, by crop, county, firm, and fund, aggregated across all coverage levels. The BKRETAIN database contains the percent book of business retained in 1995, by state, firm, and fund, aggregated across all crops and coverages. The COVERPCT data base contains the percent of book of business at the 50, 65, and 75 percent coverage levels, in 1995, by district and crop, aggregated across all firms and funds.

In its first phase of execution, SRASIM computes adjusted historical loss ratios for 1980-1994, by state, firm, fund, and coverage level as averages weighted by retained liability. The base loss ratios are taken from the LOSSDIST database and the weights from the BOOKCNTY, BRRETAIN, and COVERPCT databases. To compute the loss-ratios by state, firm, fund, and coverage, SRASIM makes the following assumptions:

- 1) The percent book of business retained is fixed at 1995 levels and is uniform across crops, coverages, and districts within a state, for a given state, firm, and fund. In other words, SRASIM observes variations in retention across states, firms, and funds, but not across crops, coverages, and districts within a state.
- 2) The percent distribution of book of business at the 50, 65, and 75 percent coverage levels is fixed at 1995 levels and is uniform across crops and funds, for a given district and crop. In other words, SRASIM observes variations across districts and crops in percentage business at the different coverage levels, but not across firms and funds.
- 3) Adjusted historical loss ratios between 1980-1994 were uniform across funds, coverages, and firms, for a given district and crop. In other words, SRASIM observes variations in historical loss ratios across districts and crops, but not across funds, coverages, and firms.

In its second phase of execution, SRASIM inputs the user's assumptions regarding quota share rates for the commercial, developmental, and assigned risk funds, for both corn belt and non corn belt states. SRASIM then computes the implied rates of return for 1981-1994 by state, fund, and firm by adjusting the historical loss ratios using the quota-share rule of the hypothetical SRA. Depending on the version of SRASIM being used, these hypothetical rates of return are either averaged across firms and over time to obtain the expected rate of return by state and fund, or are averaged across districts and over time to obtain the expected rate of return by firm and fund.

SRASIM outputs the rates of return either to an ASCII file accessible to the user. The rates of returns are computed using a pretax ROCR measure, which equals net return, after adjusting for the effects of the SRA, as a percent of maximum possible underwriting loss under the SRA.

Computational Procedures: "Structural" Loss-Ratios

The "structural" and "historical" versions of SRASIM differ only with regard to the distribution of loss ratios assumed. Whereas the historical version of SRASIM employs an empirical distribution of historically observed loss ratios, the structural version employs loss ratio distribution generated from a series of structural submodels of unit-level indemnity distributions. Once the loss ratios have been computed from the underlying structural model of unit-level indemnities, the structural version of SRASIM computes expected rates of return just like the historical version, and in particular uses the same weighting scheme as discussed in the preceding section (with a single minor exception discussed below). In this section, we limit discussion to the method by which the structural version of SRASIM generates the loss ratio distribution.

In order to appreciate the need for a structural version of SRASIM, one must understand the limitations of using historical loss ratio distributions to predict the performance of the SRA

under alternative quota-share provisions. Historical distributions are adequate for analysis if one is examining only changes in the SRA structure itself. However, changes in the structure of the underlying crop insurance market, such as increased premium rates, changes in participation, a substantial shift to a new product line (e.g., revenue insurance) or significant changes in the relative incidence of the various coverage levels, will almost certainly change the distribution of loss ratios faced by crop insurers. When such structural changes have occurred, or are expected to occur, using historical loss ratios will likely render inaccurate predictions regarding the rates of return under the SRA. The structural version of SRASIM is designed to control for the effects of structural changes by employing a more disaggregate model of crop insurance indemnities that allows structural variations to be incorporated explicitly.

The structural version of SRASIM relies on two major databases to generate a distribution of loss ratios. The YLDDIST database contains historical crop yields, by crop reporting district and crop, for the period 1957-94. The database also includes detrended yields, detrended using a two-piece linear spline trend function, and correcting for heteroskedasticity in the error term. The YLDDIST database was supplied by Jerry Skees of the University of Kentucky. The YLDINDV data base contains approximately 2 million individual, unit-level yield records filed in conjunction with crop insurance contracts purchased in 1995. The nearly 2 million unit-level records used in the simulations contain no less than five years and no more than 10 years of recent yields for each unit. Each record indicates the crop insurer, the policy number, and the acres in the unit, but no information on coverage level or reinsurance fund assignment. The YLDINDV data base is part of the EXPERSUM data base maintained by the Federal Crop Insurance Corporation and revised by the Economic Research Service.

Consider first how SRASIM models an individual farm unit's indemnity distribution. First, the district in which the unit resides is identified. For this district, there is a record in the YLDDIST database containing the 38 district-level yields for the years 1957-94. The YLDINDV database has a record corresponding to the unit that contains five to ten unit-level yields during

the 1980-1994 period. SRASIM assumes that the ratios of individual yields to the corresponding district yields of the same year constitute realizations of a random variable that is independently and identically distributed over time. (Denote these ratios r_1, r_2, \dots, r_n .) Under this assumption, it is straightforward to compute a simple nonparametric estimate of the per-acre indemnity for the unit, conditional on the county yield. Take, for example, an MPCCI contract with yield guarantee YBAR and price election PBAR. Then the expected per-acre indemnity for the unit, conditional on the district yield being Y is:

$$E[\text{Indemnity} | \text{County Yield} = Y] = (1/n) * \text{Sum}_i \text{PBAR} * \text{Max}(0, Y\text{BAR} - Y * r_i)$$

SRASIM performs this computation for all units growing a particular crop within a district and then computes the acreage-weighted average across all such units. Repeating this process for all districts, crops, and coverage levels, and by conditioning on the detrended district-level yields between 1957 and 1994, SRASIM generates a 1994-equivalent, joint distribution of district-level per acre indemnities for all crops, districts, and coverages. By construction, the joint distribution is consistent with weather variations experienced during the 1957-94 period.

The distribution of district-level per-acre indemnities is then converted into a corresponding distribution of district-level loss-ratios in one of two ways. If instructed to do so, SRASIM will impose actuarial fairness by dividing by the implied average per-acre indemnity; in this case, the loss ratios for a given district, crop, and coverage will average to one, but will vary in a manner consistent with the weather patterns of 1957-94. Alternatively, SRASIM will, by default, normalize the per-acre indemnities so that the computed loss ratio series replicates the average loss-ratios historically observed over the 1981-94 period, the period for which district-level loss ratios are available.

SRASIM can be used to analyze CAT and buyup policies separately or combined in a single book of business. SRASIM can also be adapted to generate a distribution of district-level

loss ratios for non-MPCI crop insurance products, such as Crop Revenue Coverage, Income Protection or Revenue Assurance. With revenue insurance policies, aggregate U.S. yields are constructed from the YLDDIST database. Market prices are then calculated using an aggregate U.S. supply and demand model.



United State
Department
of Agriculture

Risk
Management
Agency

Office
of the
Administrator

Washington, DC
20250

BULLETIN NO.: MGR-97-016

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Extension of the Sales Closing, Acreage Reporting, and the Cancellation
and Termination Dates for 1998 Florida Citrus Fruit Insurance

ISSUE:

Agents have requested additional time to explain the changes in the Florida citrus fruit crop insurance program to growers. This would require extending the sales closing, acreage reporting, and the cancellation and termination dates for the 1998 crop year.

BACKGROUND:

Since 1996, concerns have been raised regarding the differences in the final date by which Florida citrus insureds could change their policy coverage. The sales closing date of August 15, and the cancellation and termination dates of April 30, differed and caused discrepancies in service options between carryover and new insureds. Also, the late sales closing date, which occurred in the middle of the hurricane season, created an unacceptable insurance risk. On January 22, 1997, the Risk Management Agency issued a new Florida Citrus Fruit Crop Insurance Policy for the 1998 crop year that consolidated all three dates at April 30. The new policy also changed the maximum deductible, the coverage level, and the rating structure.

ACTION:

The sales closing, acreage reporting, and cancellation and termination dates for the Florida citrus fruit crop insurance program are extended to May 30, 1997, for the 1998 crop year only.

BULLETIN NO.: MGR-97-016.1

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Extension of the Sales Closing, Acreage Reporting, and the Cancellation and Termination Dates for 1998 Florida Citrus Fruit Insurance

ISSUE:

Agents have requested additional time to explain the changes in the Florida citrus fruit crop insurance program to growers. This would require extending the sales closing, acreage reporting, and the cancellation and termination dates for the 1998 crop year.

BACKGROUND:

On April 18, 1997, Bulletin No. MGR-97-016 was issued to allow a thirty-day extension of the sales closing, acreage reporting, and the cancellation and termination dates for the 1998 crop year. Due to the changes in the new Florida citrus fruit policy, such as changes to the maximum deductible, the coverage levels, and rating structure, agents have requested additional time for 1998. This would allow them to better explain the coverage and rate changes to carryover insureds and to complete their sales efforts with potential new insureds, with whom they previously had until August 15 to complete sales efforts.

ACTION:

The sales closing, acreage reporting, and cancellation and termination dates for the Florida citrus fruit crop insurance program are extended to June 30, 1997, for the 1998 crop year only.



United State
Department of
Agriculture

Risk
Management
Agency

Office
of the
Administrator

Washington, D. C.
20250

BULLETIN NO.: MGR-97-017

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Revised 1997 Standard Reinsurance Agreement 2nd Installment Rates

BACKGROUND:

The Federal Crop Insurance Corporation (FCIC) amended the 1995 Standard Reinsurance Agreement (Agreement) for the 1997 reinsurance year to incorporate two new plans of crop insurance coverage, Crop Revenue Coverage (CRC) and Revenue Assurance (RA). The administrative expense reimbursement (AER) subsidies paid for CRC and RA are not equal. Because of the different AER subsidy rates for each plan of insurance, including the Group Risk Plan (GRP), the 1st and 2nd installments paid under sections III.E. and III.F. of the Agreement are not equal. To reduce the burden associated with different 2nd installment rates, FCIC will adjust the amounts of 1st and 2nd installment rates to ensure that the 2nd installment is equal for all plans of insurance coverage. This action should reduce the number of monthly accounting report worksheets necessary to complete each monthly accounting.

ACTION:

The new 1st and 2nd installment rates for each plan of insurance are as follows:

	<u>GRP</u>	<u>CRC</u>	<u>RA</u>	<u>All Other Plans</u>
1st	20	18	22	22
2nd	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
	27	25	29	29

Please contact the Reinsurance Services Division at (202) 720-4232, if you have any questions.



United States
Department of
Agriculture

Risk
Management
Agency

Office
of the
Administrator

Washington, D.C.
20250

April 30, 1997

BULLETIN NO.: MGR-97-018

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Accepting Late Production Reports in Minnesota, North Dakota, and South Dakota

BACKGROUND:

The flood waters that are currently receding in Minnesota, North Dakota, and South Dakota have had a devastating effect on the infrastructure of the area surrounding the Red River. In Minnesota, North Dakota, and South Dakota producers are required by procedure to have provided last year's production records to their agents by today. Generally, producers who fail to report their prior year production on time receive an assigned yield for the year that can adversely affect their approved yield. Due to the reported damage to homes, offices, roads, etc., the Risk Management Agency (RMA) received requests to allow additional time for production reporting in the impacted areas.

After reviewing the situation, RMA has determined that current conditions may preclude some producers from timely submitting their production reports. RMA has concluded that allowing additional time to submit these records does not represent increased vulnerability to the crop insurance program given the current circumstances.

ACTION:

Insurance providers in Minnesota, North Dakota, and South Dakota may accept production reports until May 31, 1997, for those crops with an April 30, 1997 production reporting deadline. Producers should be encouraged to file these reports as soon as possible, to ensure that early claims can be adjusted as soon as possible.

BULLETIN NO.: MGR-97-019

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman /s/ S. Dittrich 05/23/97
Administrator

SUBJECT: Delivery of Crop Insurance Policies for the 1998 Crop Year and Beyond

BACKGROUND:

The Federal Agricultural Improvement and Reform Act (the 1996 Act) authorized the Secretary of Agriculture to continue to sell crop insurance directly through Farm Service Agency (FSA) local offices only if there is an insufficient number of private insurance providers selling catastrophic level of crop insurance (CAT) in the area. The following is the text of a press release announced today.

ANNOUNCEMENT BY THE SECRETARY:

Secretary Dan Glickman today announced that crop insurance will be available exclusively through crop insurance agents, beginning in the 1998 crop year. Previously, the catastrophic level of crop insurance (CAT) was available through both local USDA Farm Service Agency offices and crop insurance agents in 36 States.

"While the sales and servicing of policies will be done by the private sector," Glickman said, "this change will not weaken the existing safety net for producers. I am determined that everyone will have access to crop insurance -- large farmers and small farmers alike, especially those with limited resources, minorities and producers in all areas of the country."

"Private company representatives have given me their commitment to reach out to all America's farmers and to assure that the highest level of risk management service is extended to everyone," Glickman said. "I look forward to this partnership."

Glickman said this decision was made after carefully reviewing the number of crop insurance agents in each State to ensure that an adequate sales force is in place to provide all farmers with CAT coverage. This review is required by the 1996 Farm Bill which also requires USDA to transfer the sales of CAT coverage entirely to the private sector if a sufficient number of agents are available in each State to provide this service.

USDA will continue to subsidize all policies, establish policy terms and conditions, set rates, and guarantee funds for the payment of approved claims.

The transfer begins with 1998 fall planted crops. Policyholders will receive a letter informing them of this change in about one month. However, producers are to continue to go to the local FSA office for service on 1997 policies. This includes reporting 1997 planted acreage and production as well as any losses.

Although a producer's policy will be randomly transferred from USDA to an insurance company, producers may select another agent or insurance company if they do so before the sales closing date for the insured crop. To ensure that all producers are served, insurance companies are required to insure all eligible crops, and provide all levels of coverage in the States in which they operate. Further, participating companies must insure all qualified applicants. Waiver of administrative fees for producers who qualify as limited resource farmers is required by the Risk Management Agency and is available through private companies. Private agents are prepared to assist those qualifying producers with certification of their status.

A listing of local crop insurance agents is available in all FSA county offices.

ACTION:

RMA will advise reinsured companies of transfer procedures via a subsequent bulletin to be issued in the near future.

BULLETIN NO.: MGR-97-020

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Limited Resource Farmers

ISSUE:

Reinsured companies and their agents need to be aware of and take appropriate steps to assure that limited resource, minority, and socially disadvantaged farmers are included in the USDA safety net provided by Federally subsidized crop insurance.

BACKGROUND:

When the Federal Crop Insurance Reform Act of 1994 eliminated disaster assistance and the Federal Agricultural Improvement and Reform Act of 1996 eliminated many farm programs, Federally subsidized crop insurance became the primary safety net for most American farmers. To assure that all producers are able to afford at least the Catastrophic level of risk protection (CAT), the CAT Endorsement and Section 4C(1) of the CAT Handbook provides procedure for waiving the administrative fee for limited resource farmers. A limited resource farmer is a producer with an annual gross income of \$20,000 or less. Producers must certify eligibility for this benefit. The Certification Form can be found in Exhibit 24 of the CAT Handbook.

As a private sector delivery partner of the USDA safety net, reinsured companies and their agents share the responsibility to reach out to limited resource, minority, and socially disadvantaged farmers.

The Economic Research Service (ERS) has issued a report which provides information about limited resource and socially disadvantaged farmers. The USDA definition of a socially disadvantaged group is one whose members have been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities. Those groups include African Americans, American Indians or Alaskan natives, Hispanics, and Asians or Pacific Islanders. ERS has added women to the list of socially disadvantaged farm operators. This report may be ordered by calling 1-800-999-6779. Ask for Characteristics and Risks Management Needs of Limited-Resource and Socially Disadvantaged Farmers (AIB-733). The cost is \$12.

ACTION:

1. All insurance providers should remind their employees and agents of limited resource farmer procedures and of their responsibility to reach out to limited resource and socially disadvantaged farmers.
2. Insurance providers are encouraged to make their agents aware of the availability and content of the ERS report mentioned above.



BULLETIN NO.: MGR-97-021

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Establishing Insurance Coverage for Sugar Beets involving Joint Ventures, Limited Partnerships, and Late Filed Requests for Sugar Beet Insurance

BACKGROUND:

Under some circumstances, finalizing arrangements to secure the rights to deliver sugar beets under a processor contract result in the formation of a joint venture or limited partnership entities. For various reasons, primary among them being the excess moisture/flooding in the upper Midwest this year, such entities may be formed after the sugar beet sales closing date. Additional instructions are needed to inform insurance providers about insurance coverage options available for sugar beet acreage grown under the entities formed after the sales closing date.

In addition to the formation of new entities, due to excess moisture/flooding in the Red River Valley of North Dakota and Minnesota, as a means of coping with these conditions, some insureds will have to plant sugar beets on land in a different county in order to fulfill their sugar beet contracts. These insureds did not know they would have to plant sugar beets in a different county, prior to the sales closing date, and did not submit applications for insurance in the new counties. Consequently, they will be uninsured unless Risk Management Agency (RMA) permits applications for sugar beet insurance after the sales closing date for qualifying insureds.

ACTION:

- 1 The following instructions provide the proper procedure for insuring sugar beet acreage grown under a joint venture or limited partnership formed after the sales closing date.
 - A Applications for joint ventures (joint operations) and limited partnerships that have been formed after the sales closing date cannot be accepted, unless the new entity meets ALL of the requirements for a successor-in-interest application (see Par.C below).
 - B An individual under an “individual” entity policy must insure his or her share in a joint venture or limited partnership if the joint venture or limited partnership does not have a separate policy. (Refer to Individual Entity, Exhibit 29 in the Catastrophic Risk Protection (CAT) Handbook or Exhibit 32 in the Crop Insurance Handbook (CIH)).

Example : Fred Jones, the operator, has an “individual” entity insurance policy in Adams County. After the sales closing date, a new limited partnership is formed. Fred has a 90 percent share in the limited partnership. Fred must insure his share in the limited partnership under the existing policy and report his 90 percent share on the acreage report. If the other individual in the limited partnership does not have an existing insurance policy (as an individual entity) in effect at this time, the remaining 10 percent share will be uninsured.

- C If there is a joint venture or limited partnership policy and there is a change in one or more of the parties composing the entity after the sales closing date, a successor-in-interest application may be taken to insure the new entity for the crop year if it meets all successor-in-interest requirements. See successor-in-interest requirements in Section 4, Par. B(11) of the CIH or Section 4, Par. K of the CAT Handbook.

Example: An insurance policy for a “joint venture” entity (composed of Bert Adams, Bob Brown, and Ted Smith) was in effect on the March 15 sales closing date. Sometime after March 15, a new joint venture composed of Bert Adams (operator), Bob Brown, and Jeff Smith (Jeff participated in the previous operation as the farm manager) was formed. In this case, the newly formed joint venture met the criteria for a successor-in-interest, and a successor-in-interest application can be taken to insure the newly formed joint venture.

- D A transfer of a right to indemnity may be used if during the insurance period, the insurable acreage or share changes. Refer to the applicable procedures on this subject.

- 2 The sales closing date for sugar beets has not been extended; however, coverage for a current sugar beet policyholder may be provided for sugar beets in a county for which there is not an existing sugar beet policy if:

- A Land in a new county is obtained to fulfill a sugar beet processor contract, the insured files an application for that county on or before June 6, 1997, and all of the following conditions are met.

- (1) The application must be for a county with a sugar beet program;
- (2) The applicant must have been prevented from planting sugar beets by an insured peril in the county originally insured;
- (3) The coverage level and the price elected must not exceed those elected in the county originally insured and coverage must be with the SAME Insurance Provider;
- (4) The insured must sign a statement that waives prevented planting coverage in the county for which late coverage is being requested and modifies the eligible prevented planting provisions contained in the sugar beet policy.

Sample Statement: “I agree that acreage in “the New” County will not be eligible for a prevented planting production guarantee and that eligible prevented planting acreage in “the Original” County will be limited to the number of acres under contract on the acreage reporting date that I had a reasonable expectation of

planting when the contract was executed. The number of acres planted to sugar beets in either county will be subtracted from the number of acres eligible for a prevented planting production guarantee. All prevented planting guarantees will be based on the production guarantee applicable in “the Original” County.

Signed _____ Dated _____

Example: 200 total acres were contracted in Walsh County (the county originally insured). The insured was prevented from planting 150 acres in Walsh County. The sugar beet contract was rewritten to indicate 50 acres in Walsh County and 150 acres in Grand Forks County. The insured was able to plant 50 acres in Walsh County, signed an application for Grand Forks County (the new county), and was able to plant 120 acres in Grand Forks County. The insured was prevented from planting the remaining 30 acres; however, the 30 acres eligible for prevented planting coverage must be reported in Walsh County and the prevented planting guarantee calculated accordingly.

(5) The statement must be signed by the insured at the time the application is taken.

B Approved Actual Production History (APH) yields for new counties will be calculated using ONLY standard APH procedures for which applicants qualify (many may qualify for new producer procedures in the new county).

(1) Since the sales closing date has passed and to simplify the APH process at this late date, applicants will not be allowed to request Master Yields for the 1997 crop year. For the 1998 crop year any applicable APH procedures, including requests for Master Yields, will apply separately for each county insured.

(2) If the applicant has produced sugar beets in the new county during a previous crop year(s), he or she has until June 6, 1997, to file the required production reports.

C Standard Reinsurance Agreement (SRA) instructions for Data Acceptance System (DAS) purposes. A sugar beet policy for which a late request for insurance is accepted according to paragraph 2A must be:

(1) Placed in the SAME risk pool as the policy in the county originally insured and coded accordingly on the type 14 record. If the policy is to be placed into the Assigned Risk Fund more than 30 days after the sales closing date, the company must insert the code “2” in field 17 of the type 14 record.

(2) Coded as a company approved late request for insurance by entering “1” in field 18 of the type 14 record.

BULLETIN NO.: MGR-97-022

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Secretary Dan Glickman's Letter on NCS

ISSUE:

Many producers, commodity groups, and Congressional offices have raised concerns about the impact of recent disasters on policies to be included in the Nonstandard Underwriting Classification System (NCS).

BACKGROUND:

The recent flooding in the States of Minnesota, North Dakota, and South Dakota as well as prior year drought conditions in the Southern Plains have raised concerns among commodity groups, individual producers and Congressional offices about NCS. This apprehension with NCS has been heightened by fears that producers in the Upper Great Plains, or anywhere in the U.S., who have sustained continuing disasters over a number of years will be adversely impacted by the process because 1997 will be the third consecutive loss year for many of the farmers in these States. In response to this issue, Congressman Earl Pomeroy offered legislation that would have limited the NCS process based on Federal disaster declarations.

Secretary of Agriculture Dan Glickman as provided a response to Congressman Pomeroy which explains USDA's position on this matter, a copy of which is attached for your information.

ACTION:

Please use Secretary Glickman's letter to convey information about the current USDA position on NCS.

Attachment

May 14, 1997

Honorable Earl Pomeroy
U.S. House of Representatives
1533 Longworth House Office Building
Washington, D.C. 20515-3401

Dear Earl:

The recent flooding in the States of Minnesota, North Dakota, and South Dakota has raised concerns by you, other Congressional offices, commodity groups, and individual producers about the Federal Crop Insurance Corporation's Nonstandard Underwriting Classification System (NCS). This apprehension with NCS comes from a presumption that producers in the Upper Great Plains, or anywhere in the U.S., who sustain continuing disasters over a number of years will be adversely impacted by the process because 1997 will be the third consecutive loss year for many of the farmers in these States. In response to this issue, you offered H.R. 790 on February 13, 1997, that would have limited the NCS process based on Federal disaster declarations.

Let me assure you that the Department of Agriculture shares your concerns and has monitored this issue closely over the last several months. NCS is designed to separate extremely poor loss experience from the rest of the insured population for the purpose of establishing crop insurance rates. This provides the opportunity to individually rate those producers whose loss experience would otherwise be absorbed and rated with the mainstream policyholder population. Instead of all producers' premiums rising, the extreme adverse experience is isolated and excluded from the general rating pool. This allows for lower rate adjustments for the majority of producers when needed to achieve congressionally mandated program loss ratios. This approach has proven to be a useful method of dealing with adverse experience outside the normal range of losses paid by the crop insurance program. NCS is not intended to penalize producers who have suffered losses from widespread natural disasters beyond their control, even when they occur in recurring years. In managing that program, it is our firm intention to avoid that outcome.

As a practical matter, the number of policies affected by NCS is small, 24,554 listings in crop year 1996 or 1.52% of all policies sold. In crop year 1997, this number increased slightly to 25,126 listings.

However, the Risk Management Agency (RMA) has developed an action plan to improve and revise the NCS selection process and to ensure that producers who have experienced widespread flood or drought losses are not selected unfairly.

Honorable Earl Pomeroy

2

For the current NCS selection cycle, which takes into consideration insurance losses through the 1996 crop year to individually adjust producer rates and coverages for 1998 and, thus, excludes losses due to the current flood conditions in the Northern Plains area, the RMA Administrator has directed the Regional Service Offices to use existing administrative remedies that can be implemented under current regulations, including (1) modifying the disaster adjustment procedure when the existing procedure does not sufficiently limit the effect of widespread disasters, (2) adjusting the threshold for selecting producers for NCS from a loss of at least 1.5 to one of 2.5 (five or more losses would still be required), and (3) closer monitoring of the entire NCS process by RMA headquarters personnel.

For the longer term, RMA will conduct a systematic review of the underlying NCS regulations and process. RMA will solicit comment from private sector and producer representation in this process and will survey a cross section of parties impacted by NCS. The goals of this overhaul will be to (1) modify and improve the program to assure that it does not penalize farmers suffering losses from widespread natural disasters, (2) moderate the rate impact on new listings to spread the financial burden for NCS producers over a longer period of time and avoid disruptions of farming operations, and (3) reduce the administrative burden of the process.

RMA is committed to accomplishing the long range goals prior to assigning NCS listings for the 1999 crop year. I will also ensure that RMA considers the broader issues associated with NCS, such as the effect of the last farm bill on producers in general and the new role of crop insurance as the primary safety net for the U.S. agricultural sector. I look forward to providing you and your colleagues with progress reports on the findings of the NCS workgroup as their work proceeds and I am confident that RMA can address your concerns and the concerns of producers nationwide who have been impacted by NCS.

Thank you for your continued support of the Federal crop insurance program.

Sincerely,

/s/

DAN GLICKMAN
Secretary

BULLETIN NO.: MGR-97-023

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: 1997 Insurance Coverage for Limited Resource Farmers

ISSUE:

Risk Management Agency (RMA) and private insurance providers intend to ensure the availability of Catastrophic risk protection (CAT) for 1996 limited resource farmers.

BACKGROUND:

When the Federal Crop Insurance Reform Act of 1994 eliminated disaster assistance and the Federal Agricultural Improvement and Reform Act of 1996 eliminated many farm programs, subsidized crop insurance became the primary safety net for most American farmers. To ensure that all producers would be able to afford at least CAT coverage, the 1994 Act provided that the administrative fee would be waived for limited resource farmers. A limited resource farmer is generally defined as a producer or operator with an annual gross income of \$20,000 or less from all sources. (Exact definition may be found in the Catastrophic Risk Protection Endorsement Section 1.) Producers must annually certify eligibility for this benefit.

The Office of the Inspector General recently alerted RMA that some insureds who certified their status as limited resource farmers with the Farm Service Agency (FSA) in 1996, and whose policies were transferred from FSA to private insurance providers for 1997, were not contacted or did not understand that the administrative fee associated with CAT policies could be waived with private insurance providers.

RMA and private insurance providers have agreed that efforts will be made to ensure that all limited resource producers are contacted, and those who decide to continue their CAT coverage are able to do so. MGR-96-041, Exhibit 1.L., provides the authority to offer those producers a 1997 policy.

ACTION:

In consultation with private insurance providers, RMA has determined the following actions should be taken as soon as possible by all companies receiving transferred 1996 FSA policies:

1. Insurance providers shall ensure that all agents are informed about procedures regarding limited resource farmers and the availability of the form to certify status as a limited resource producer. (The CAT Endorsement and Section 4C(1) of the CAT Handbook provides procedure for waiving the administrative fee for limited resource farmers. The Certification Form can be found in Exhibit 24 of the CAT Handbook.)
2. Insurance providers shall identify all 1996 limited resource farmers who do not have a 1997 policy. Policies where the waiver of the administrative fee for limited resource farmers has been approved can be identified on the 14 Record where the administrative fee flag is equal to "W."
3. Insurance providers shall ensure that an agent contacts any limited resource farmer who has not continued his/her policy for 1997, and that procedures for certifying status as a limited resource farmer are explained. If those producers certify their status as limited resource farmers in 1997, the company can accept a late filed application for CAT coverage.
4. The company must submit the policy with a late processed flag of "7" on the 14 Record and the policy can be designated into the assigned risk fund with an assigned risk flag of "4". This action must be completed by August 1, 1997.
5. Insurance providers shall provide to RMA the number of agents informed about procedures on limited resource farmers, number of producers contacted, and number of policies written. Documentation should be Faxed to (202) 690-2095, attention: Marian Jenkins, Insurance Services Division, not later than October 1, 1997.



United States
Department of
Agriculture

Risk
Management
Agency

Office of
the
Administrator

Washington, D. C.
20250

BULLETIN NO.: MGR-97-024

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Procedure for Transferring Policies from Farm Service Agency County
Offices to FCIC Approved Reinsured Companies

BACKGROUND:

The Federal Agriculture Improvement and Reform Act of 1996, (1996 Act) authorizes the Secretary of Agriculture to continue to offer Catastrophic Risk Protection (CAT) crop insurance coverage directly through Farm Service Agency (FSA) County Offices to the extent that there is an insufficient number of approved insurance providers in a State or a portion of a State. The 1996 Act provides that CAT policies sold by FSA County Offices in a State determined to have sufficient numbers of insurance providers available shall be transferred to private insurance companies reinsured by the Federal Crop Insurance Corporation. In accordance with the standards of the 1996 Farm Bill, the Secretary, in consultation with approved insurance providers, has determined the States in which FSA County Offices will no longer service CAT policies.

ACTION:

The Secretary has directed that all CAT policies in all States currently serviced by FSA County Offices be transferred to approved insurance providers. This affects all policies with sales closing dates after June 30, which is generally the 1998 crop year.

The attachment contains the approved process to be followed by all approved insurance providers to assure the timely and efficient transfer of CAT policies.

Attachment

**1997 Procedure For Transferring CAT Policies
From FSA to Approved Reinsured Companies**

1. The Farm Service Agency (FSA) County Executive Directors will send letters by June 20, notifying each insured producer that the FSA County Office will cease selling and servicing Catastrophic (CAT) level crop insurance policies and that the policy renewals will be transferred to private insurers, who are reinsured by the Federal Crop Insurance Corporation. The effective dates are shown in Table No. 1, below.

2. The Risk Management Agency (RMA) will send each policyholder a letter (data mailer) by June 24, stating that:
 - a. the policy has been transferred to a private crop insurance company;
 - b. the name and toll-free telephone number of the company;
 - c. the producer should still go to the County Office for service of policies for the currently insured crop year;
 - d. for the current crop year, producers must file acreage reports, production reports, claims, and other required notice at the County Office by the required deadlines;
 - e. the producer may select any other company or local agent provided it is done by the sales closing date for the insured crop.

3. The transfer begins with crops with sales closing dates occurring after June 30. This will be the 1998 crop year in most cases; but for raisin policies, the sales closing date causes the effective crop year of transfer to be 1997, as shown in Table No. 1. Finally, in the case of citrus fruit and citrus tree policies, 1998 crop-year policies, which are currently active, will also be transferred. In Table No. 1, the terms "active" refers to policies that are currently in the risk period, and "renewal" refers to those for which the coverage period will begin in the future.

Table No. 1: Effective Crop Year For Transfers

Crop	Policy Type	Last Crop Year Serviced by FSA	First Crop Year Serviced by Reins'd Cos.
Citrus Fruit	Active	1997	1998
Citrus Tree (TX)	Active	1997	1998
Raisins	Renewal	1996	1997
All Other Crops	Renewal	1997	1998

4. The transfer covers the 36 States identified by the Secretary plus all remaining policies from the 14 States converted to single delivery in 1996.
5. RMA will assign all policies to participating companies as soon as possible. Assignment will take into consideration, to the extent practicable, the availability of active agents and companies in the county and adjoining counties, as well as other factors.
6. If any policy is missed in the transfer process, it will be transferred when identified even if the transfer is after the sales closing date.
7. If a policy covers more than one crop, all crops will be assigned to the same company.
8. CAT policies for producers who already have buy-up coverage on other crops or non-high risk land with private insurance companies will be transferred to those same insurers to the maximum extent practicable.
9. RMA will notify companies of the policy transfers via its electronic listing system.
10. RMA will electronically provide to assuming companies all 1996 and 1997 policy data available at the time of transfer. RMA will update monthly the assuming company policy file as additional 1997 data are received from FSA.
11. Upon receipt of its transferred policies, each company will establish the producer's policy within its data system and transmit applicable policy records to RMA in accordance with the 1998 M-13.
12. Assuming companies will be responsible for the transferred policies beginning with the crop years shown in the "First Crop Year" column of that table.
13. Companies should not contact producers until after the June 20 and 24 mailing dates.
14. For policies with sales closing dates of September 30, 1997, and later, companies will contact producers not later than 60 days prior to the sales closing date for any covered crop. For all other policies, companies will contact producers as soon as possible.
15. Companies and agents are required to service all eligible producers. Companies must accept and service all CAT policies transferred or assigned to them, as well as crop insurance applicants at all levels and for all crops in accordance with the Standard Reinsurance Agreement (SRA).
16. If policy data are not available for RMA to transfer to the company, the County Office will copy needed policy information for either agents or companies (not both) when requested. If companies receive incomplete, incorrect, or out-of-date address information, they should contact the appropriate County Office, which will provide corrected information.

17. Companies may only request information on policies that have been assigned to them.
18. If a producer accidentally transfers a policy twice, not counting RMA's assignment, the first transfer will be binding unless the companies mutually agree otherwise. A change from CAT to buy-up with the same company will count as a transfer for this purpose.
19. RMA will provide FSA with lists for each state of active agents and available companies for posting in the County Offices.
20. RMA will provide FSA with a list indicating companies to which policies are assigned.
21. County Offices must continue to service policies through the crop years shown in the "Last Crop Year" column of Table No. 1, and may not issue any new policies beginning with the crop years shown in the "First Crop Year" column of that table.
22. County Offices will no longer accept policy cancellations. Producers who wish to cancel should be directed to the companies to which their policies have been assigned.
23. RMA will flag data transmissions to show those policies on which producers qualified as limited resource farmers and had their administrative fees waived for that year.
24. Companies are responsible for assuring that all agents are familiar with procedures for waiving the administrative fee for limited resource farmers. Companies will also assure that limited resource certification forms are available to agents.
25. With respect to transferred 1998 crop year citrus policies (i.e., active policies):
 - a. Companies should process acreage reports as soon as possible and FCIC will lift the late-processed acreage report edits on these policies. The company must submit the policy with a late processed flag of '8' on the type-14 record.
 - b. Policies can be designated to the Assigned Risk Fund (1997 SRA) with an assigned risk flag of '5' on the type-14 record if the action is completed by August 11, 1997.
 - c. County Offices will collect and keep the \$50 CAT fees.
 - d. Companies will report these policies with an 'M' flag in the "Maximum Fee Cause" field and an 'M' flag in the "Administrative Fee Flag" field on the type-14 record.
26. For all renewal policies, including 1997 crop year raisins, companies should collect the \$50 CAT fees from the producers. However, if any producer has already paid this fee to the County Office, the County Office should refund the fee to the producer.

BULLETIN NO.: MGR-97-025

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Final Planting Date for Soybeans in Georgia

BACKGROUND:

The 1997 actuarial filing for soybeans in Georgia contained an error in the final planting date. This bulletin corrects the dates.

ACTION:

Insurance providers and producers will use June 30, 1997, as the final planting date for all counties in Georgia.



United States
Department of
Agriculture

Risk
Management
Agency

Stop 0801
1400 Independence Avenue, SW
Washington, D.C. 20250-0801

BULLETIN NO.: MGR-97-026

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Guidelines for Establishing Single Delivery Transition Committees

BACKGROUND:

MGR-97-024 provided procedure relative to Secretary Glickman's decision to transfer all crop insurance policies with sales closing dates after June 30, 1997, from the Farm Service Agency (FSA) to approved reinsured companies.

To facilitate the transition from dual to single delivery and to assist private companies in identifying and serving limited resource or socially disadvantaged farmers, Single Delivery Transition Committees (SDT Committees) will be established at the national level and for all States. Risk Management Agency (RMA) has consulted with the private industry and FSA to develop guidelines under which the SDT Committees will operate. The Deputy Administrator for Insurance Services will assume responsibility for coordinating and facilitating the work of the SDT Committees.

Exhibit 1 conveys the guidelines governing the operation of the Committees.

ACTION:

Responsible offices will take action to begin operation of the SDT Committees in all States.

GUIDELINES FOR SINGLE DELIVERY TRANSITION COMMITTEES

- A. The purpose of the Single Delivery Transition Committee (SDT Committee) is to:
1. facilitate a smooth transition from dual to single delivery;
 2. track RMA Crop Insurance Help Line (RMA's 800 number) issues by jointly cooperating and assisting in problem identification and resolution;
 3. lend assistance to private companies in identifying and serving individual and groups of limited resource, minority, and other socially disadvantaged farmers,
 4. facilitate problem resolution to assure that crop insurance is available to all interested producers.
- B. Following are guidelines for the establishment of the SDT Committees and their functions.
1. A National SDT Committee will be convened to operate on the same principle as the State SDT Committees.
 2. A SDT Committee is to be organized for each state. Particular emphasis will be given to the 36 States affected by the most recent transfer of policies from Farm Service Agency (FSA) to private companies; however, SDT Committees in all States will be concerned with identifying and serving limited resource, minority, and other socially disadvantaged farmers.
 3. SDT Committees will be composed of representatives from the state or regional National Crop Insurance Services (NCIS) Loss Committee and the Regional Service Office (RSO). FSA State Offices will be invited to provide assistance to SDT Committees. Individuals representing these organizations will be at the discretion of each organization.
 4. The appropriate RSO Director will be responsible for establishing each STD Committee at the state level and assuring that meetings have an agenda and recorded minutes. The RSO Director may delegate this responsibility.
 5. The role and responsibility of the RSO will be that of a facilitator. RSOs will act as an intermediary to resolve problems.

6. The role and responsibility of NCIS will be to represent reinsured companies and their agents selling and servicing Federal Crop Insurance Corporation approved policies. NCIS will analyze problems from the perspective of the private industry and communicate with companies for problem resolution.
7. FSA representatives will analyze and help resolve any problems that are referred by SDT Committees.
8. Private companies and RMA will each assume responsibility for implementation of approved procedure established within their organizations. FSA will follow established procedure for their organization.
9. The RSO Director will convene the initial meeting in each State by August 1, 1997, to review the SDT Committee's purpose and objectives, discuss the roles of participants, and develop a plan for future meetings and problem resolution.
10. Any issues that are not quickly resolved at the local level will be forwarded to the RMA Deputy Administrator for Insurance Services in the National Office.
11. Regular meetings will be held each month during the 1998 Crop Year until August 1, 1998. If appropriate, meetings may be conducted via telephone conference call, may include more than one state, and may be called on an *ad hoc* basis if problems arise between meetings or after August 1, 1998.
12. In every state, actions will be taken to identify and serve individual and groups of limited resource, minority and other socially disadvantaged farmers. Local SDT Committees will inform the National SDT Committee of these actions each month by forwarding such information to the RMA Deputy Administrator for Insurance Services.
13. SDT Committees will document problems, actions taken, and resolution achieved, including the time taken to resolve a problem or complaint. On a monthly basis a report of activities will be submitted to RMA Deputy Administrator for Insurance Services.

BULLETIN NO.: MGR-97-027

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Draft 1998 Standard Reinsurance Agreement

Attached for your review and comment is a final draft of the 1998 Standard Reinsurance Agreement (draft SRA), as well as Appendices 1 and 2, Exhibit 20A, and Manual 14. A draft Manual 13 is being provided separately from the Kansas City Office.

The original draft was revised in response to comments received directly from crop insurers and other interested parties as well as comments presented during the meetings from workgroups comprising Risk Management Agency (RMA) and crop insurance industry personnel. For ease of analysis, the SRA issues were divided into four areas, which are:

1. Risk sharing;
2. Administrative and Operating (A&O) subsidy, fees, and other payments;
3. Operations; and
4. Performance under the SRA and Manual 14.

A brief synopsis of changes affecting the four major areas follows. Please read the draft SRA carefully as the synopsis is not intended to be complete.

RISK SHARING

The draft SRA provides three Commercial Funds in each State--one for buy-up policies, one for Catastrophic coverage policies (CAT), and one for revenue coverage policies. It also provides three Developmental Funds in each State on the same basis. One Assigned Risk Fund in each State will be used to accommodate all policies placed in such fund.

Designation of policies to the Assigned Risk Fund will be as before. However, designation of policies to the Developmental Fund will be on a crop contract basis and must be completed by the contract change date for each crop. Retention limits for the Commercial and Developmental Funds may be varied by State and fund. Exhibit 14 will be reduced to one page.

The proposed risk sharing parameters for each fund are shown in Section II. C.

The inception point for the Reinsurance Account has been raised to 17.5 percent and 40 percent of the gain in excess of that limit will be paid to companies to cover income tax liabilities.

A&O SUBSIDY, FEES AND OTHER PAYMENTS

The flat percentage rate of 24.5 percent applied to net book premium will be the basis by which A&O subsidy payments will be made on most buy-up policies. FCIC will provide a 3 percent excess loss adjustment expense payment when loss ratios exceed certain limits. CAT policies will continue to receive the same loss adjustment payments as they did under the expiring SRA. A&O subsidy for revenue coverage and group risk plan policies will be limited as shown in Section III.A. Loss adjustment expenses are more fully discussed in Section IV.

Traditionally, the payment of administrative and operating expenses has been in two installments. During legal review, the payment of the A&O subsidy in one installment has been questioned since some expenses may not yet be incurred at time of payment. RMA will work to resolve this matter and advise accordingly.

OPERATIONS

FCIC has addressed many of the issues identified by those who had comments, including the following:

- Added a new section addressing program changes;
- Revised companies' obligations under USDA's nondiscrimination policy;
- Requires companies to write all plans of insurance, except those approved under section 508(h) of the FCIC Act, in any State in which they operate and to insure all applicants for all crops in such State;
- Adds a definition of "field person," which provides reasonable flexibility to the companies for managing sales and loss adjustment;
- Changed the definition of "managing general agent" to follow State insurance rules wherever possible. In the absence of State rules, or regulations governing an MGA, the National Association of Insurance Commissioners' Model Act will apply; and
- Includes a definition of "records" as original signed documents, which may be either on paper or by electronic means.

PERFORMANCE UNDER THE SRA AND MANUAL 14

Companies are required to perform certain duties under the SRA and comply with the rules and regulations of FCIC. Failure to perform duties or comply with regulations may trigger termination or suspension of the SRA and/or the payment of specified amounts. These are

specified in Section V., subsections J., K., and L.

Also, during final review, Section V.J.5.d. was determined to be an important provision for the overall integrity of the crop insurance program. While this was a controversial issue, during work group discussions, the provision was reworked to include the term "material" and applies only to eligible crop insurance contracts that are reviewed and such failure is determined to have occurred.

Manual 14 was revised significantly. New agents must successfully complete at least 12 hours of structured training and a basic competence test administered by the Company. After the first year, agents must complete at least 3 hours of structured training and be retested every 3 years. Loss adjusters must successfully complete annual training of 10 days of structured training and a basic competence test. After the first year of loss adjustment experience, loss adjusters must annually complete at least 3 days. Loss adjusters must also successfully complete a basic competence retest every 3 years. The company must annually provide to RMA a report of training results.

In regards to quality control, companies must submit their plan to conduct quality assurance reviews. The company must also provide RMA an annual report of the company's quality control review results. General review requirements are provided for both FCIC and the companies.

Your written comments to this draft SRA are appreciated and will be considered if received before close of business on July 14, 1997. They should be sent by facsimile or overnight mail to the following address:

USDA/Risk Management Agency
Reinsurance Services Division
E. Heyward Baker, Director
1400 Independence Ave, S.W.
Rm. 6727-S, Stop Code 0804
Washington, D.C. 20250
Telephone: (202) 690-4232
Fax: (202) 690-3604

If you have any questions, please contact the Reinsurance Services Division.

Attachments



BULLETIN NO.: MGR-97-028

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: 1997 Peanut Seed Allocations

BACKGROUND:

The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) provided that a temporary allocation of quota pounds for each marketing year in which the crop is planted will be made to producers for each of the 1996 through 2002 marketing years, equal to the pounds of seed peanuts planted on the farm. The temporary seed allocation will be in addition to the farm basic poundage quota and will be credited for the applicable marketing year only.

Since allocations are based on planted acres, Farm Service Agency (FSA) county offices will not be able to credit allocations to farm quotas before producers must report their quotas and planted acreage to their insurance provider. The temporary allocation will be based on standardized seeding rates for each type of peanuts.

ACTION:

For the 1997 crop year, peanut producers are to report their effective marketing quota from the FSA 1001, plus the additional poundage quota allocation for seed, when they report their planted acres to the insurance provider. Insurance providers are to use the following temporary “quota (lbs.) per acre” from the table below to calculate insurable quota poundage for each insured farm. Temporary quota allocations for the unit will be based on a producer's planted acres, times the “quota (lbs.) per acre”, by type, (excluding peanuts harvested as green peanuts and peanuts planted under the 1 acre provision).

TYPE	QUOTA (lbs.) PER ACRE
Spanish and Valencia	120
Runner	145
Virginia	165

BULLETIN NO.: MGR-97-028

Example: CAT Coverage 1.000 share (1 unit)*

FSN A-145 = Runners 80.0 Acres X 145 Quota (lbs.) Per Acre = 11,600 lbs.

FSN A-263 = Spanish 65.3 Acres X 120 Quota (lbs.) Per Acre = 7,836 lbs.

Temporary Seed Allocation = 19,436 lbs.

FSN A-145 = Effective Marketing Quota (FSA-1001) = 185,000 + 11,600 = 196,600 lbs.

FSN A-263 = Effective Marketing Quota (FSA-1001) = 120,000 + 7,836 = 127,836 lbs.

Total Acreage Report Quota = 324,436 lbs.

***Note:** For limited or additional coverage 1.000 share (2 units).

If the final acreage reporting date has passed, a revised acreage report is required to add the temporary quota allocation to the reported effective marketing quota on the acreage report for the unit. A crop inspection to increase liability is not required even if the unit is in a loss situation. However, if the reported effective marketing quota and/or the acreage for the unit was under-reported, a crop inspection is required to increase the reported effective marketing quota and/or the acres. All revised acreage reports will require the insured's signature.

Early season crop losses may occur before temporary seed quota allocations are completed and recorded by the FSA county office. For such instances, producers are to be instructed by the insurance provider, to contact their respective FSA county office and request an expedited seed allocation. The FSA county office shall record the effective marketing quota, including the temporary quota allocation, on the marketing card (Smart Card). Peanut final claims will be based on the lesser of the following:

- 1 The effective marketing quota on the revised acreage report (as stated above) for the unit;
 or
- 2 The FSA effective marketing quota for the unit, prior to any fall transfers (transfers occurring after July 31), as determined at the time of final claim. Hard copy documentation of fall transfers are to be obtained from the FSA office for the county and retained in the policyholder's file.

Transfers of quota prior to August 1, may reduce the unit liability according to existing procedure.



United States
Department of
Agriculture

Risk
Management
Agency

Stop 0833
1400 Independence Avenue, SW
Washington, D.C. 20250-0833

BULLETIN NO: MGR-97-029

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery & Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Corn Rootworm Integrated Pest Management (IPM) Demonstration Project

BACKGROUND:

Risk Management Agency (RMA) received a request to provide insurance protection to corn producers participating in the Agricultural Research Service's (ARS) Integrated Pest Management (IPM) Area wide Corn Rootworm Project. This project is funded by the Department of Agriculture and coordinated by the ARS Corn Rootworm Laboratory in Brookings, South Dakota. It involves land-grant Universities in Illinois, Indiana, Iowa, and Kansas, and is intended to demonstrate the effectiveness of IPM procedures to control corn rootworm.

Corn rootworm refers to four *Diabrotica* species commonly named the Northern, Western, Southwestern, and Southern corn rootworm. The larvae of these species damage corn throughout the corn belt by feeding on roots. Eggs are laid by adults in the soil. The eggs hatch the following spring and the larvae feed on roots of young corn plants, thus reducing nutrient and water uptake. Damage is most severe when the corn is stressed, but yield loss is minimal when soil moisture and fertility are adequate.

Analysis of the data submitted by the ARS indicates that the risk of significant damage from corn rootworm in a tightly controlled IPM demonstration project such as this is small. This is due to five factors: 1) the demonstration sites will be scouted weekly from adult emergence through its egg laying stage; 2) the insecticides, SLAM or COMPELL, will be applied as necessary to achieve needed reductions in egg laying; 3) the demonstration areas will be resprayed as necessary; 4) where scouting indicates insufficient control, cooperators will be advised to utilize a soil insecticide treatment or to rotate to a nonsusceptible crop the following year; and 5) multi-year data from ARS supervised trials in South Dakota and Texas indicate control of corn rootworm is equal to current practices. Also, the risk of losses from other pests will be reduced because scouts will identify other problems so that growers can take timely action.

RMA is supporting this ARS demonstration project by assuring cooperating farmers that their crop insurance coverage will apply to acreage in the IPM demonstration sites, which are located in Iroquois County, Illinois; Benton County, Indiana; Clinton County, Iowa; Republic County, Kansas; Brookings County, South Dakota; and Bell County, Texas.

The demonstration project utilizes semiochemical based insecticides, which prevent damage to beneficial insects and reduce human and environmental risks. Two insecticide products will be used on acreage when adult populations exceed a specified threshold, as measured by IPM scouting. This adult control concept will reduce egg laying and preclude the need to use soil insecticides at planting the following year. If weekly IPM scouting reports indicate that adult rootworm suppression was inadequate, cooperating farmers will be advised not to plant corn (this would not entitle farmers to the 25 percent alternative crop prevented planting payment) or to use a soil insecticide treatment for corn rootworm control.

ACTION:

For policyholders participating in the ARS Corn Rootworm Demonstration project, in the above identified counties who insure corn, hybrid corn seed, popcorn, or sweetcorn, reinsured companies are authorized to issue agreements in writing for the 1998 through 2002 crop years that provide the following:

“Recognized good farming practices” will include adult corn rootworm control with semiochemical based insecticides recommended as part of the United States Department of Agriculture/Agricultural Research Service (USDA/ARS) sponsored Area wide Corn Rootworm Integrated Pest Management (IPM) Demonstration Project.

Whenever IPM scouting reports indicate that adult rootworm suppression has been inadequate and you are advised not to plant corn, the affected acreage will not be considered prevented from planting. No prevented planting indemnity for corn, hybrid seed corn, popcorn or sweet corn will be paid on that acreage.

If you have any questions about this pilot program, please contact Vondie O’Conner at (816) 926-6343 or by fax at (816) 926-7343.



United States
Department of
Agriculture

Risk
Management
Agency

Office of
the
Administrator

Washington, D.C.
20250

BULLETIN NO.: MGR-97-030

TO: All Reinsured Companies
All Risk Management Field Offices
Mississippi State FSA Office

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: 1997 Cotton Loss Adjustment Deviation for 21 Mississippi Counties

BACKGROUND:

Mississippi cotton producers in certain counties have experienced early season adverse weather which has had a detrimental effect on the potential for a normal harvest. Approved loss adjustment procedure requires that a stand reduction appraisal be used to determine potential production until boll counts can be made as the crop matures. Cool, wet weather has delayed normal crop progress to the extent that expected maturity for this time of year has not been achieved. Although the plants in many fields appear to be healthy, crop experts have identified that the root systems have been diminished, plants are shorter than normal, and a significant reduction in flowering and boll set are anticipated. Producers have requested that the Risk Management Agency (RMA) develop an appraisal method that would provide a more accurate appraisal of the cotton crop's potential for this year's unusual weather conditions.

Producers that wanted to plant an alternate crop were allowed to leave representative samples to be appraised later when a more accurate appraisal could be made. The producers were required to continue to care for those representative samples as though they were still caring for the entire crop. This allowed the producers to destroy the cotton acreage around the representative samples and plant the acreage to another crop.

The representative sample areas have affected the boll weevil eradication efforts of the State. Eradication officials have indicated that the strips represent a hindrance to their control efforts, and have asked that the representative sample areas be destroyed as soon as possible. Additionally, crop conditions in general have continued to deteriorate in the area. In order to release such acreage and provide appraisals that account for crop conditions and adverse weather, the Cooperative Extension Service, in conjunction with RMA, has developed an appraisal deviation which provides a reasonable assessment of the crop's ultimate potential.

ACTION:

Effective immediately for the 1997 crop year ONLY, insurance providers are authorized to use the following approved appraisal deviation for cotton in the Mississippi counties of Alcorn, Benton, Calhoun, Chickasaw, Clay, Choctaw, Itawamba, Lafayette, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Pontotoc, Prentiss, Tippah, Tishomingo, Union, Winston and Webster County, Mississippi.

Appraisal Method

If cotton in the designated Northeast Mississippi counties has less than 1.0 square per foot of row, appraise the potential as zero.

Effective only **between July 20 and August 1**, to determine the yield potential for cotton that has more than 1.0 square per foot of row, the following method may be used:

For each sample, select representative rows comprising 100 feet. A combination of rows totaling 100 feet is acceptable.

From the samples, only count first and second position fruiting forms (squares, blooms or bolls). Do not count any fruiting forms on the top three nodes of the plant. To determine where to begin counting fruit, count the terminal (uppermost unfurled main stem leaf) as zero and count nodes down the plant, i.e., 0, 1, 2, 3, then start counting fruiting forms. The first position fruiting site is the first site on each fruiting branch and the second is the next site on that branch. Refer to the diagram in Figure 1.

Determine the average number of fruiting forms per row foot by dividing the total number counted by the number of row feet in the sample.

Multiply the average number of fruiting forms per row foot by the appropriate Multiplication Factor based on row width (see table below) to determine the Estimated Potential in pounds of lint per acre.

<u>Row Width</u>	<u>Multiplication Factor</u>
40 inches	8.06
38 inches	8.48
30 inches	10.75

Specific instructions:

- 1 Apply the appraisal deviation in the 21 authorized Mississippi counties ONLY.
- 2 Verify that insurable causes have contributed totally to the reduced production potential identified for this deviation.

- 3 Refer to this Bulletin number in the "Remarks" section of the appraisal worksheet for authorization to use this deviation.
- 4 Document the results of the counts and calculations on the appraisal worksheet or other appropriate document to be maintained in the file.
- 5 Any appraisals made after this deviation expires must be deferred until boll counts can be made. Producers must continue to care for the crop or representative strips until the claim is final.

Attachment



United States
Department of
Agriculture

Risk
Management
Agency

Office of
the
Administrator

Washington, D.C.
20250

BULLETIN NO.: MGR-97-031

TO: All Reinsured Companies
All Risk Management Field Offices
Alabama State FSA Office

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: 1997 Cotton Loss Adjustment Deviation for 27 Alabama Counties

BACKGROUND:

Alabama cotton producers in certain counties have experienced early season adverse weather which has had a detrimental effect on the potential for a normal harvest. Approved loss adjustment procedure requires that a stand reduction appraisal be used to determine potential production until boll counts can be made as the crop matures. Cool, wet weather has delayed normal crop progress to the extent that expected maturity for this time of year has not been achieved. Although the plants in many fields appear to be healthy, crop experts have identified that the root systems have been diminished, plants are shorter than normal, and a significant reduction in flowering and boll set are anticipated. Producers have requested that the Risk Management Agency (RMA) develop an appraisal method that would provide a more accurate appraisal of the cotton crop's potential for this year's unusual weather conditions.

Producers that wanted to plant an alternate crop were allowed to leave representative samples to be appraised later when a more accurate appraisal could be made. The producers were required to continue to care for those representative samples as though they were still caring for the entire crop. This allowed the producers to destroy the cotton acreage around the representative samples and plant the acreage to another crop.

The representative sample areas have affected the boll weevil eradication efforts of the State. Eradication officials have indicated that the strips represent a hindrance to their control efforts, and have asked that the representative sample areas be destroyed as soon as possible. Additionally, crop conditions in general have continued to deteriorate in the area. In order to release such acreage and provide appraisals that account for crop conditions and adverse weather, the Cooperative Extension Service, in conjunction with RMA, has developed an appraisal deviation which provides a reasonable assessment of the crop's ultimate potential.

ACTION:

Effective immediately for the 1997 crop year ONLY, insurance providers are authorized to use the following approved appraisal deviation for cotton in the Alabama counties of Blount, Calhoun, Cherokee, Cleburne, Colbert, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Pickens, Saint Clair, Shelby, Talledega, Tuscaloosa, Winston, and Walker County, Alabama.

Appraisal Method

If cotton in the designated Northern Alabama counties has less than 1.0 square per foot of row, appraise the potential as zero.

Effective only **between July 20 and August 1**, to determine the yield potential for cotton that has more than 1.0 square per foot of row, the following method may be used.

For each sample, select representative rows comprising 100 feet. A combination of rows totaling 100 feet is acceptable.

From the samples, only count first and second position fruiting forms (squares, blooms or bolls). Do not count any fruiting forms on the top three nodes of the plant. To determine where to begin counting fruit, count the terminal (uppermost unfurled main stem leaf) as zero and count nodes down the plant, i.e., 0, 1, 2, 3, then start counting fruiting forms. The first position fruiting site is the first site on each fruiting branch and the second is the next site on that branch. Refer to the diagram in Figure 1.

Determine the average number of fruiting forms per row foot by dividing the total number counted by the number of row feet in the sample.

Multiply the average number of fruiting forms per row foot by the appropriate Multiplication Factor based on row width (see table below) to determine the Estimated Potential in pounds of lint per acre.

<u>Row Width</u>	<u>Multiplication Factor</u>
40 inches	8.06
38 inches	8.48
30 inches	10.75

Specific instructions:

- 1 Apply the appraisal deviation in the 27 authorized Alabama counties ONLY.
- 2 Verify that insurable causes have contributed totally to the reduced production potential identified for this deviation.
- 3 Refer to this Bulletin number in the "Remarks" section of the appraisal worksheet for

authorization to use this deviation.

- 4 Document the results of the counts and calculations on the appraisal worksheet or other appropriate document to be maintained in the file.
- 5 Any appraisals made after this deviation expires must be deferred until boll counts can be made. Producers must continue to care for the crop or representative strips until the claim is final.

Attachment

BULLETIN NO: MGR-97-032

TO: All Reinsured Companies
All Risk Management Field Offices
FSA Headquarters, Program Delivery and Field Operations

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Common Crop Insurance Regulations; Basic Provisions; and Various Crop Insurance Provisions; Proposed Rule

This is to inform you that the Federal Crop Insurance Corporation (FCIC) published a proposed rule for the Common Crop Insurance Regulations; Basic Provisions; and Various Crop Insurance Provisions in the Federal Register on August 12, 1997. FCIC proposes to amend the Common Crop Insurance Regulations by deleting the late and prevented planting provisions currently contained in many Crop Provisions, incorporating revised late and prevented planting provisions into the Common Crop Insurance Policy Basic Provisions, and adding definitions and provisions that are common to most crops.

Written comments and opinions on this proposed rule will be accepted until close of business September 11, 1997. Written comments should be submitted to the following address:

USDA/Risk Management Agency
Product Development Branch
9435 Holmes Road
Kansas City, MO 64131

A copy of the regulation can be accessed on the Internet at the following address:
http://www.access.gpo.gov/su_docs/aces/aces140.html. If you cannot access Internet and need a copy of the regulation, please call Diana Moslak, Director, Regulatory Affairs, at (202) 720-2832.



United States
Department of
Agriculture

Risk
Management
Agency

Office of
the
Administrator

Washington, D. C.
20250

BULLETIN NO.: MGR-97-033

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: 1. Revised Final Draft 1998 Standard Reinsurance Agreement (SRA)
2. Assigned Risk and Development Fund Designations

BACKGROUND:

1. Revised Final Draft SRA

The Risk Management Agency (RMA) has revised the draft 1998 Standard Reinsurance Agreement (SRA) released on June 27, 1997, to incorporate comments received from many sources. The efforts of everyone to improve the document are appreciated.

2. Designations

Sales have begun or have been completed for some crops and risk periods are approaching for the 1998 reinsurance year. Designations of contracts to the Assigned Risk Fund and the Developmental Funds must be done as soon as possible for these crops.

ACTION:

1. Attached is the revised final draft of the SRA, with changes to the June 27 draft highlighted. If you have any final comments, they should be submitted to RMA by September 12, 1997. All comments should be sent via overnight mail, or faxed to the following address:

USDA/Risk Management Agency
Reinsurance Services Division
E. Heyward Baker, Director
1400 Independence Ave, S.W.
Rm 6727-S, Stop Code 0530
Washington, D.C. 20250
Fax: (202) 690-3604

2. Designations of eligible crop insurance contracts to the Assigned Risk Fund must be made to the Data Acceptance System as follows:
 - A. For contracts with a sales closing date of July 31, 1997, not later than the cut-off date for the week ending September 6, 1997.
 - B. For all other crop insurance contracts, as specified in the attached revised draft SRA.
3. Designations of eligible crop insurance contracts to the Developmental Fund must be made to the Data Acceptance System as follows:
 - A. For carryover contracts with contract change dates of August 31, 1997, or earlier, not later than the cut-off date for the week ending September 13, 1997.
 - B. For carryover contracts with contract change dates of September 30, 1997, or later, as specified in the attached revised final draft SRA.
 - C. For new contracts with the sales closing date of July 31, 1997, not later than the cut-off date for the week ending September 6, 1997.
 - D. For new contracts with sales closing dates of August 31, 1997, or later, as specified in the attached revised final draft SRA.
4. The Data Acceptance system will be modified to process and accept policies regarding designations to the Assigned Risk and Developmental Funds. A new field will be added to the Insurance in Force - Type 14 record. Companies will need to identify carryover contracts on the Type 14 record. A carryover contract is defined as one in which the person had insurance on a crop with the company in the State and county the previous year. Additional fund designation flags will be added to identify assigned risk policies with written agreements and to transfer a policy from the developmental fund to the assigned risk fund. The Actuarial Division will provide the draft Insurance in Force - Type 14 record with these changes to the Company Data Processing Managers.

Attachment: Revised final draft SRA

RMA:KC:R&D:lmg:08 /13/97/816-926-7914:h:\wpdoc\MGR97033.WPD

Revised:08/22/97



BULLETIN NO.: MGR-97-33.1

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Revised Assigned Risk and Development Fund Designations Dates

BACKGROUND:

The following sections of Manager's Bulletin MGR-97-033 have been revised to provide additional time to submit fund designation data. Please note the new dates, in bold type, for submitting eligible crop insurance contract designation data.

ACTION:

2. Designations of eligible crop insurance contracts to the Assigned Risk Fund must be made to the Data Acceptance System as follows:
 - A. For contracts with a sales closing date of July 31, 1997, not later than the cut-off date for the week ending **September 13**, 1997.
 - B. For all other crop insurance contracts, as specified in the attached revised draft SRA.
3. Designations of eligible crop insurance contracts to the Developmental Fund must be made to the Data Acceptance System as follows:
 - A. For carryover contracts with contract change dates of August 31, 1997, or earlier, not later than the cut-off date for the week ending **October 4**, 1997.
 - B. For carryover contracts with contract change dates of September 30, 1997, or later, as specified in the attached revised final draft SRA.
 - C. For new contracts with the sales closing date of July 31, 1997, not later than the cut-off date for the week ending **September 13**, 1997.
 - D. For new contracts with sales closing dates of August 31, 1997, or later, as specified in the attached revised final draft SRA.

BULLETIN NO.: MGR-97-034

TO: All Reinsured Companies
All Risk Management Field Service Offices

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: 1998 Projected Market Prices for Wheat, Barley, Oats, and Rye

The Risk Management Agency (RMA) today announced the projected market prices for 1998 crops: \$3.65 per bushel for wheat; \$4.25 per bushel for durum wheat; \$2.20 per bushel for barley; \$1.60 per bushel for oats; and \$2.80 per bushel for rye. These price elections are available to all producers of wheat, barley, oats, and rye who insure their 1998 crop(s) at levels above catastrophic coverage. The additional value price election for malting barley endorsement will be set in December at the time the projected market price is determined for corn. Price election choices must be made on or before the sales closing date for the crop in a county.

The preliminary price elections were \$3.65 per bushel for wheat, \$2.10 per bushel for barley, \$1.50 per bushel for oats, and \$2.80 per bushel for rye. When the projected price elections are higher than the preliminary price elections, producers originally electing the preliminary price may be impacted. Exclusion of hail and fire provisions also may be affected.

The price elections for catastrophic coverage are: \$2.19 per bushel for wheat, \$2.55 per bushel for durum wheat, \$1.32 per bushel for barley, \$0.96 per bushel for oats, and \$1.68 per bushel for rye.

RMA:R&D:AD:LJansonius:de:816-926-7912:08/27/97:wp:s:\price\98mgrbu

BULLETIN NO.: MGR-97-035

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman /s/ 09/04/97
Administrator

SUBJECT: Raisin Reconditioning Payments

BACKGROUND:

Concerns have been raised regarding the application of the 1997 Raisin Crop Insurance Provisions as they pertain to reconditioning payments for raisins damaged by insurable causes.

If a reinsured company gives the insured consent to recondition damaged raisins under Section 11. (c) (3) then payment in accordance with Section 11 (e) states "The reconditioning payment for raisins that meet RAC standards for marketable raisins . . ." The policy then goes on to state the basis for payment. The language "for raisins that meet RAC standards" has caused concern that if 20 lots are reconditioned and 2 lots fail to meet the Raisin Administrative Committee (RAC) standards that a strict interpretation of the policy language would only allow for 18 lots to qualify for a reconditioning payment.

Numerous consultations with impacted reinsured companies and the Sacramento Regional Service Office (RSO) resulted in a consensus that reconditioning payments should be allowed for all 20 lots in accordance with the amounts allowed in the policy. It was the consensus of those involved that to reimburse policyholders for gross tonnage of reconditioned raisins, irrespective of whether all lot(s) pass RAC standards, will provide a greater incentive for policyholders to mitigate potential raisin losses through the reconditioning of rain damaged raisins.

ACTION:

Once reconditioning of rain damaged raisins has been authorized or is required by insurance providers, reconditioning payments will be based on the actual number of tons of raisins (unadjusted weight) that are wash-and-dry reconditioned. All lot(s) of reconditioned raisins are not required to meet RAC standards for this payment to be made. The Raisin Loss Adjustment Standards Handbook (FCIC-25390) will reflect this clarification to these policy provisions.

BULLETIN NO.: MGR-97-036

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Final 1998 Standard Reinsurance Agreement (SRA), Plan of Operations
(Plan) and Manual 14

The Risk Management Agency (RMA) has finalized the 1998 SRA from the draft issued August 28, 1997. RMA wishes to thank the entire crop insurance industry as well as all RMA personnel involved in this effort for their significant support, valuable input, and hard work.

A 'redlined' copy of the SRA, showing changes from the August 28 draft, is attached for your information. Although several changes were made, explanations of the following two items were requested by several persons:

1. The language contained in Section II.A.2. regarding a "separate and complete reinsurance agreement" was incorporated so as not to require companies to sell insurance plans that are reinsured outside the SRA.

For example, under this provision all companies must sell revenue insurance plans covered by the SRA but do not have to sell add-on coverages that have their own reinsurance agreements.

2. In section V.G.2.a., the word "Employees" was left in to assure that any person who performs any act normally reserved to sales agents must hold an insurance agent's license. Employees who do not act as sales agents do not require licenses. Thus, in the often-cited example of company employees working trade shows for purpose of disseminating general information, they would not be required to hold an insurance agent's license.

Also attached are the SRA (clean version), Plan, and Manual 14 offered by the Federal Crop Insurance Corporation (FCIC) for the 1998 reinsurance year, which began July 1, 1997.

Manual 13 will be issued directly from RMA's Kansas City Office.

In order to execute the 1998 SRA, two copies of the clean version must be signed as originals in blue ink by a duly-authorized person who is empowered to sign on behalf of the primary insurance company that will be reinsured. The two signed SRAs and two completed copies of the Plan must be submitted by close of business November 3, 1997.

Please send to the following address:

USDA/Risk Management Agency
Reinsurance Services Division
E. Heyward Baker, Director
1400 Independence Ave, S.W.
Rm 6727-S, Stop Code 0530
Washington, D.C. 20250

Upon receipt of the properly executed documents, including all documentation requested in the Plan, FCIC will evaluate them and perform the financial review required by the Standards for Approval (7 CFR, section 400.170). RMA will process submissions in the order received and will make every effort to process each SRA quickly.

Because FCIC may not make any payment under the 1998 SRA until it is signed by both parties, we ask everyone's cooperation in assuring that required documentation is complete upon submission and that companies not wait until the deadline to submit their documents.

When the SRA is approved, one complete copy of the original SRA will be signed by FCIC and returned to the Company along with a copy of the Plan.

RMA will issue a Manager's Bulletin outlining the process to revise guidelines governing litigation support to crop insurance companies. These revised guidelines will be effective for the 1998 reinsurance year which began July 1, 1997.

Thank you again for your participation in FCIC's reinsurance program. If you should have any questions regarding this matter, please contact your account executive.

Attachments



United States
Department of
Agriculture

Risk
Management
Agency

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

BULLETIN NO.: MGR-97-037

TO: All Reinsured Companies
Sacramento Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Raisin Policy Administrative Fee

ISSUE:

The Risk Management Agency has received questions as to the date the raisin policy administrative fee is due under the new policy.

BACKGROUND:

The administrative fee for carry-over policies with the catastrophic level of insurance coverage is due at the acreage reporting date for most crops. Prior to 1997, the raisin policy did not provide for an acreage report and the administrative fee was due on the tonnage reporting date, or March 20. The new 1997 Raisin Policy now contains requirement for an acreage report which is due on the July 31 sales closing date. The new 1997 Raisin Policy acreage report requirement provides for increasing or decreasing insurable acreage up to the final lay down date for the crop. Unlike acreage reports for other crops, the raisin acreage report does not establish the liability under the policy, the tonnage report or claim establishes the liability.

ACTION:

For the 1997 crop year, the raisin grower can pay the administrative fee up to the tonnage reporting date and maintain coverage under the policy. For the 1998 and succeeding crop years, the administrative fee is due no later than the acreage reporting date established in the policy.

BULLETIN NO.: MGR-97-038

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman /s/ 11-21-97
Administrator

SUBJECT: Index of Manager Bulletins and Research and Development Informational
Memorandums

BACKGROUND:

Bulletin No. MGR-97-009, issued February 28, 1997, provided an index of obsolete (Part 1) and current (Part 2) Manager Bulletins and Research and Development (R&D) Informational Memorandums. Since issuance of MGR-97-009, the Risk Management Agency (RMA) has received correspondence requesting that certain Manager Bulletins and R&D Informational Memorandums be reinstated and that RMA clarify what effect declaring a bulletin or memorandum obsolete has on prior determinations made under the obsoleted bulletin or memorandum.

ACTION:

Obsoleting a bulletin or memorandum does not affect determinations made during the effective time frame or crop year provided by the bulletin or memorandum. When applicable, the information contained in the bulletin or memorandum has been incorporated into the applicable multiperil crop insurance documents in many instances. Additionally, RMA will continue to incorporate bulletins and memorandums into appropriate documents, if applicable. Obsolete bulletins and memorandums should be archived for reference use only; e.g., compliance audits, appeals, litigation, claims, etc.

Following is an index of current and obsolete Manager Bulletins and R&D Informational Memorandums by crop year. The index consists of two parts. Part 1 contains bulletins and memorandums obsoleted by this issuance. Part 2 contains a revised list of current bulletins and memorandums. Several bulletins and memorandums previously obsoleted by MGR-97-009 are reinstated and are listed below. You will also find the reinstated bulletins and memorandums listed in Part 2

REINSTATED MANAGER BULLETINS

1992 MGR-92-050

1995 MGR-95-010 MGR-95-010.1

1996 MGR-96-012 MGR-96-012.1 MGR-96-034

REINSTATED R&D INFORMATIONAL MEMORANDUMS

1995 R&D-95-047

1996 R&D-96-020 R&D-96-034

PART 1. OBSOLETE BULLETINS AND MEMORANDUMS

MANAGER BULLETINS

1991 MGR-91-031

1993 MGR-93-022 MGR-93-041

1994 MGR-94-004

1995 MGR-95-014 MGR-95-044

1996 MGR-96-015 MGR-96-016 MGR-96-017 MGR-96-018
MGR-96-021 MGR-96-025 MGR-96-029 MGR-96-031
MGR-96-032 MGR-96-038 MGR-96-039 MGR-96-040
MGR-96-041 MGR-96-042 MGR-96-043 MGR-96-050
MGR-96-053 MGR-96-054 MGR-96-055 MGR-96-056
MGR-96-060 MGR-96-064 MGR-96-065 MGR-96-066
MGR-96-067 MGR-96-067.1 MGR-96-068 MGR-96-068.1
MGR-96-069 MGR-96-070 MGR-96-071

1997 MGR-97-001 MGR-97-002 MGR-97-003 MGR-97-004
MGR-97-004.1 MGR-97-005 MGR-97-005.1 MGR-97-006
MGR-97-008 MGR-97-009 MGR-97-011 MGR-97-013
MGR-97-014 MGR-97-015 MGR-97-015.1 MGR-97-016
MGR-97-016.1 MGR-97-017 MGR-97-018 MGR-97-019
MGR-97-020 MGR-97-022 MGR-97-023 MGR-97-025
MGR-97-027 MGR-97-028 MGR-97-030 MGR-97-031
MGR-97-032 MGR-97-033 MGR-97-034

R&D INFORMATIONAL MEMORANDUMS

1995 R&D-95-022 R&D-95-029 R&D-95-049

1996 R&D-96-005 R&D-96-012 R&D-96-013 R&D-96-014
R&D-96-018 R&D-96-019 R&D-96-019.1 R&D-96-022
R&D-96-024 R&D-96-025 R&D-96-027 R&D-96-029
R&D-96-030 R&D-96-031 R&D-96-032 R&D-96-033

R&D-96-033.1	R&D-96-034	R&D-96-034.1	R&D-96-036
R&D-96-037	R& D-96-038	R&D-96-039	R&D-96-0 40
R&D-96-041	R&D-96-042	R&D-96-042.1	R&D-96-043
R&D-96-043.1	R&D-96-044	R&D-96-045	R&D-96-047
R&D-96-048	R&D-96-050	R&D-96-051	R&D-96-052
R&D-96-052.1	R&D-96-053	R&D-96-054	R&D-96-055
R&D-96-057	R&D-96-059	R&D-96-060	R&D-96-062
R&D-96-064	R&D-96-065	R&D-96-066	R&D-96-067
R&D-96-068	R&D-96-070	R&D-96-072	R&D-96-073
R&D-96-074	R&D-96-075	R&D-96-076	R&D-96-077
R&D-96-078	R&D-96-079	R&D-96-080	R&D-96-081

1997	R&D-97-001	R&D-97-002	R&D-97-003	R&D-97-004
	R&D-97-005	R&D-97-006	R&D-97-007	R&D-97-008
	R&D-97-008.1	R&D-97-009	R&D-97-010	R&D-97-011
	R&D-97-012	R&D-97-013	R&D-97-014	R&D-97-015
	R&D-97-017	R&D-97-019	R&D-97-020	R&D-97-021
	R&D-97-022	R&D-97-023	R&D-97-024	R&D-97-025
	R&D-97-026	R&D-97-027	R&D-97-028	R&D-97-029
	R&D-97-031	R&D-97-033	R&D-97-035	R&D-97-036
	R&D-97-037	R&D-97-038	R&D-97-039	R&D-97-040
	R&D-97-041	R&D-97-044	R&D-97-045	R&D-97-046
	R&D-97-047	R&D-97-048	R&D-97-049	R&D-97-051
	R&D-97-052	R&D-97-052.1	R&D-97-054	R&D-97-055
	R&D-97-056	R&D-97-057	R&D-97-058	R&D-97-059
	R&D-97-060	R&D-97-061	R&D-97-062	R&D-97-063
	R&D-97-064	R&D-97-065		

PART 2. CURRENT BULLETINS AND MEMORANDUMS

MANAGER BULLETINS

1992	MGR-92-050	Late Harvest/End of Insurance Period-Claims Guideline
1993	MGR-93-020	Requests for Financial Assistance for Attorney Fees and Other Court Costs
	MGR-93-009	Insurability Requirements for Hybrid Seed Producers Who are Also the Seed Company
	MGR-93-001	Distribution of Effective Tobacco Quota When One Farm Serial Number is Common to Several Tobacco Producers
1994	MGR-94-012	Insurability Requirements for Popcorn Producers Who are Also the Processor
1995	MGR-95-034	Pilot Program for Intended Acreage Reports

	MGR-95-010.1	Insured's Signature on Acreage Reports--Revised
	MGR-95-010	Insured's Signature on Acreage Reports
1996	MGR-96-062	Acceptance of Late Filed Applications in Specific Counties in South Dakota
	MGR-96-061	Section 508(h) Crop Insurance Policies Receiving Federal Subsidy and Reinsurance
	MGR-96-058	Clarification of "Competing Agency"
	MGR-96-035	Raisin Monitoring Program
	MGR-96-034	1996 Crop Year Acreage Reporting Dates for Limited, Additional, and Catastrophic Risk Protection Coverage for Multiple Spring Crops
	MGR-96-020	Crop-Hail Premium Discounts Tied to MPCCI Purchases
	MGR-96-012.1	Actual Production History (APH) Yields for Acreage Emerging From the Conservation Reserve Program (CRP)
	MGR-96-012	Insurability of Conservation Reserve Program (CRP) Land for the 1996 Crop Year
	MGR-96-005.1	Pilot Program for Simplified Claims Processing
	MGR-96-005	Pilot Program for Simplified Claims Processing
1997	MGR-97-035	Raisin Reconditioning Payments
	MGR-97-029	Corn Rootworm Integrated Pest Management (IPM) Demonstration Project
	MGR-97-026	Guidelines for Establishing Single Delivery Transition Committees
	MGR-97-024	Procedure for Transferring Policies from Farm Service Agency County Offices to FCIC Approved Reinsured Companies
	MGR-97-021	Establishing Insurance Coverage for Sugar Beets involving Joint Ventures, Limited Partnerships, and Late Filed Requests for Sugar Beet Insurance
	MGR-97-017	Revised 1997 Standard Reinsurance Agreement 2nd Installment Rates
	MGR-97-012	Acreage Determination and Other Loss Adjustment Verifications for Multiple Peril Crop Insurance for the 1997 Crop Year
	MGR-97-010	Damage to Perennial Crops in California Outside the Insurance Period
	MGR-97-007	Third Party Payment of Administrative Fees

R&D INFORMATIONAL MEMORANDUMS

1995	R&D-95-047	Loss Adjustment of Crops Damaged by the Early Freeze
	R&D-95-027	Replanting Payments for 1995 Coarse Grains and Sunflower Seed
1996	R&D-96-071	Limited Access to Social Security and Employer Identification Number Data
	R&D-96-063	Written Agreements for Pilot Crop Programs

R&D-96-020	Continuous Hail and Fire Exclusion Option Form
1997 R&D-97-050	Income Protection Yield Procedure
R&D-97-043	Agent and Loss Adjuster Social Security Numbers
R&D-97-032	Clarification of Nonstandard Classification System (NCS) for Crop Revenue Coverage (CRC) and Revenue Assurance (RA)
R&D-97-030	Determination of Florida Citrus Fruit Acreage for the 1998 Crop Year
R&D-97-016.1	Correction to Yield Type Descriptors
R&D-97-016	Additional 1997 and 1998 Actual Production History (APH) and Master Yield Instructions for Carryover Sugar Beet and Dry Bean Insureds

BULLETIN NO.: MGR-97-039

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman /s/ 11-21-97
Administrator

SUBJECT: Acreage Determination and Verification for the 1998 Crop Year and Submission
of 1997 Acreage Review Results

BACKGROUND:

The Risk Management Agency (RMA) has been requested to finalize the acreage determination procedures for the 1998 crop year as early as possible. RMA expects that the number of voluntary acreage certifications at local Farm Service Agency (FSA) offices will continue to decline, therefore increasing the need for the crop insurance program to develop timely procedures to ensure accurate acreage certification by producers and efficient and effective verification methods for insurance providers. The acreage determination and verification procedures in effect for the 1997 crop year were revised to reflect a need for higher levels of review to assess program vulnerability and producer responsibility in reporting acreage for insurance. The results of the 1997 acreage certification reviews are to be provided to RMA at the close of the 1997 crop year. Although the 1997 results are not yet available, RMA has received few questions or complaints about the current procedure.

Based on the limited number of negative comments received on the 1997 procedure, RMA has decided to use the same criteria for the 1998 crop year. Once the 1997 acreage review reports have been received and evaluated, RMA will determine if any modifications should be made for 1998 spring crops. As in 1997, RMA authorizes insurance providers to use the following procedures as an alternative to using acreage information from local FSA offices for claim purposes.

ACTION:

For the 1998 crop year, insurance providers must use the 1) acreage determination, 2) determining insurable share, and 3) entities procedures that were incorporated into the FCIC-25010 Loss Adjustment Manual (also known as General Loss Adjustment Standards) for 1997. These procedures will not be materially changed for 1998.

Items, forms, and services available from local FSA offices for the 1998 crop year include; (1) copies of aerial photos, (2) official field measurement (i.e., boundaries of field have not changed), (3) fly overs of growing crops (may not be as comprehensive as in the past), and (4) measurement service. Farm Serial Numbers will continue to be maintained showing the owner/operator and crop land acres. The FSA-423, -424, and -425 will continue to be provided to reinsured companies free of charge at least through October 1, 1998, along with copies of aerial photos,

and other forms needed to perform policy sales and service. Acreage determinations that can be made by local FSA county offices (e.g., planimeter measurement of a partial field) may be requested by reinsured companies. (NOTE: FSA may charge for this service.)

1998 Review Requirements

Reinsured companies must select "5 percent" of claims assigned for loss adjustment inspections.

(1) The selection may be made based upon either:

- (a) A random 5 percent selection of claim units, or
- (b) Random selection of a sufficient number of policies with claims to result in 5 percent of the claim units.

(2) During the loss adjustment inspection process of these selected units, the acreage must be measured if:

- (a) Part of a unit is released and the part released will lose its field identity,
- (b) Acreage has not been previously measured for the crop year or DOES NOT fit the criteria for measured acres (as defined in the acreage determination section of the Loss Adjustment Manual),
- (c) Measured acreage is not acceptable or there is reason to question the accuracy of the measurement,
- (d) The insured does not agree with the measured acreage, or
- (e) Acres of varying practices, types, appraisals, etc. (as appropriate to separate on the claim), are not separated.

(3) The loss units selected will be identified in a way that the units selected can be identified for compliance/audit review.

For ALL claim inspections requiring determined acres, the method of acreage determination and any calculations used to arrive at the determined acres must be documented in the narrative of the claim or on a special report attached to the claim (e.g., "determined acres using crop insurance acreage report - would measure within 5 percent").

Whenever acreage measurements are required, measurements must be made by the FSA, a reinsured company, or other firm engaged in the business of land measurements, and these measurements must be made by using any of the measurement methods described in the "Acreage Determination" section of the LAM.

Insurance Provider 1998 Reporting and Follow-up

Reinsured companies will submit a report to RMA at the end of the 1998 crop year indicating the results of the random acreage reviews conducted for 1998. These reports will include the following information.

- (1) The number of loss units reviewed.
- (2) The number of acreage reporting discrepancies identified in four categories.
 - (a) Units reviewed with no acreage discrepancies.
 - (b) Units reviewed with acreage discrepancies between 0.1 and 5.0 percent.
 - (c) Units reviewed with acreage discrepancies between 5.1 and 10.0 percent.
 - (d) Units with discrepancies exceeding 10.0 percent.

Discrepancies will include both over or under-reported acres. In addition, policyholders will be required to provide a written explanation for any unit which is over or under-reported by more than 10 percent. The written explanation shall be reviewed and signed by the reinsured company and placed in the policy file.

1997 Final Reports Due to RMA

The 1997 review reports should be submitted no later than January 31, 1998 to:

USDA, Risk Management Agency
Director, Claims and Underwriting Services
1400 Independence Ave, S. W. STOP 0803
Washington, D. C. 20250-0803

BULLETIN NO.: MGR-97-040

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman /s/ 12/19/97
Administrator

SUBJECT: 1998 Projected Market Prices for Corn, Grain Sorghum, Soybeans, Corn
Silage and Malting Barley (Option A)

The Risk Management Agency (RMA) today announces the following projected market prices, which are the maximum price elections for these 1998 crops: corn, hybrid corn seed, hybrid sorghum seed - \$2.60 per bushel; grain sorghum - \$2.30 per bushel; soybeans - \$6.00 per bushel; and corn silage - \$17.60 per ton. The additional value price election for the malting barley option endorsement (option A) is \$0.45. These price elections are available to all producers who insure their 1998 crop(s) at levels above catastrophic coverage. Price election choices must be made on or before the sales closing date for the crop in a county.

The preliminary price elections were \$2.45 per bushel for corn, \$2.30 per bushel for grain sorghum, \$5.80 per bushel for soybeans, and \$16.70 per ton for corn silage. When the maximum price election is higher than the preliminary price election, producers originally electing the preliminary price may be impacted by changes to subsidies and administrative fees. Exclusion of hail and fire provisions also may be affected.

The prices for catastrophic coverage are: corn, hybrid corn seed, hybrid sorghum seed - \$1.56 per bushel; grain sorghum- \$1.38 per bushel; soybeans - \$3.60 per bushel; and corn silage - \$10.56 per ton.