



**United States
Department of
Agriculture**

Federal Crop
Insurance
Corporation

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DATE: November 20, 2008

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Eldon Gould /signed/
Manager

SUBJECT: Manager's Report
Exhibit No. 2971

This memorandum serves as the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors for the November 20, 2008, meeting.

Program Updates:

Pasture, Rangeland, Forage and Apiculture Pilot Programs

The Farm Service Agency gave a presentation on the Pasture, Rangeland, Forage (PRF) pilot program at their national training meeting on the 2008 Farm Bill, during the week of October 6. RMA attended the event and helped answer questions about these new programs. Following the event, the Nebraska FSA State Office asked RMA to give a presentation on PRF to its field offices during their 2008 Farm Bill Training. RMA will provide an overview of the PRF and Apiculture programs and their relationship to the Non-Insured Assistance Program, Supplemental Revenue Assistance Payment Program (SURE), and the Livestock Forage Disaster Program. RMA also provided training to Approved Insurance Providers' (AIPs) representatives during the National Crop Insurance Services Spring Update meeting on PRF and Apiculture. RMA focused its training on the new technologies these two programs use and questions that frequently come up about the two pilot programs.

Regulatory Update:

Tobacco Update

Product Management has resolved the Office of General Counsel's issues with the final rule on tobacco. The final rule rewrites and renames the current Guaranteed Tobacco Crop Provisions to the Tobacco Crop Provisions reflecting the elimination of tobacco quotas. The proposed rule also eliminates the Quota Tobacco Crop Provisions. The final rule will take effect at the beginning of the 2010 crop year.

2008 Farm Bill Highlights

Submission Regulation of Subpart V in 2008 Farm Bill

Product Management has prepared a final rule to remove all references to premium

reduction plans. This change is mandated by the 2008 Farm Bill.

The SURE Program

The 2008 Farm Bill authorized the SURE program for the 2008 through 2012 crop years. Although administered by FSA, SURE contains a risk management purchase requirement for program eligibility, which requires producers to purchase crop insurance for each eligible insurance commodity along with some exceptions provided for grazing land, minimal crops, and pilot programs. Product Management is working with the FSA SURE taskforce. FSA plans to use RMA data to establish the crop insurance portion of the SURE guarantee to determine revenue by using RMA indemnity records and policyholders' subsequent years' Actual Production History certifications.

Grain Sorghum Pricing

The 2008 Farm Bill has directed RMA to seek solicitations from Institutions of Higher Learning for new grain sorghum pricing methods and to set up a contract with the National Sorghum Producers and two USDA persons to develop a new grain sorghum pricing method. The solicitation that RMA sent out closed on October 14. After RMA receives all four proposals, a technical evaluation team will meet to review them. Then, RMA will evaluate the five methodologies and will use the most appropriate for setting the grain sorghum price.

Information Technology Modernization (ITM)

In the 2008 Farm Bill, Congress authorized \$60 million [\$15 million for each fiscal year, 2008 through 2012] for RMA to modernize its Information Technology (IT) systems and infrastructure. A technical correction to the Farm Bill recently reduced this total by \$6 million, leaving \$54 million for IT modernization efforts. RMA will be able to pay for mission critical upgrades to our existing IT systems. Our core systems were last updated 15 years ago.

The project plan has taken into consideration a more logical sequence of delivery for ITM databases and applications and prioritized development based on the natural flow of the business processes. The project is divided into two phases, which should reduce risk and minimize complexity. The first phase will include the Agency's actuarial and policy acceptance systems, which will help RMA deliver the COMBO rule for the 2011 crop year. The second phase will include accounting, reporting, regional office exceptions, and a few of the remaining actuarial systems. All systems will be completed and in production no later than calendar year 2011 for the 2012 crop year.

RMA will use the redesigned system for at least the next ten years. Therefore, the design and development will be geared toward easily accommodating potential changes or initiatives for improvements within the crop insurance program.

Program Highlights/Announcements:

RMA Administrator Speaks at Arkansas Land and Farm Development Corporation Meeting

On October 22, the RMA Administrator spoke at the Arkansas Land and Farm Development Corporation's 28th Annual Conference and Membership Meeting in Little Rock, Arkansas. At the event, the Administrator spoke about crop insurance related issues.

RMA Associate Administrator Speaks at the Farm Credit Services of America Annual Meeting

On October 22, the RMA Associate Administrator spoke at the Farm Credit Services of America Annual Crop Insurance Meeting in Omaha, Nebraska. At the event, the Associate Administrator spoke about current and future issues in crop insurance.

Texas Wheat Update

Many counties in Texas are reporting poor planting conditions for wheat due to drought or abnormally dry weather. According to Texas Agrilife Extension, only the Panhandle and South Plains regions reported adequate or better soil moisture levels. Texas wheat had a total liability of \$388,982,680 with 15,744 policies earning premium for the 2008 crop year.

Texas Panhandle Harvest Slowly Getting Under Way

The cotton harvest in the Texas Rolling Plains is slow. Early in the ginning season, some farmers were reporting one-and-a-half bales to the acre on their dryland cotton. Overall, many producers expect the 2008 harvest to yield about half of last year's record crop. Texas cotton had a total liability of \$1,157,563,500 with 25,728 policies earning premium for the 2008 crop year.

RMA Releases Information Memorandum PM-08-050

On September 30, RMA released the Information Memorandum PM-08-050. The memorandum includes guidelines for Hawaii Tropical Fruit and Hawaii Tropical Tree Crop Provisions, Underwriting Guides, and Loss Adjustment Standards Handbooks for the 2009 and Succeeding Crop Years.

Draft Managers Bulletin MGR-08-004.1—Non-disclosure Requirements

On October 24, RMA sent a draft Managers Bulletin to the AIPs for comment. Comments were due by November 7. Companies had been directed, through MGR-08-004, to ensure that all persons having access to personally-identifiable information sign a non-disclosure certification. RMA determined that modifications to MGR-08-004 were needed. RMA will evaluate the industry comments and prepare a final bulletin.

Draft Managers Bulletin—Privacy Act Statements

On October 24, RMA sent a draft Manager's Bulletin to crop insurance companies for comment. Comments were due by November 14. In the draft bulletin, companies are directed to include RMA-approved Privacy Act statements on all contracts and forms used by employees, agents, and loss adjusters that explain how any personally identifiable information on the forms will be used. RMA will evaluate the industry comments and prepare a final bulletin.

Loss Adjuster Proficiency and State Licensing

RMA has been working closely with the National Association of Insurance Commissioners (NAIC), Crop Insurance Working Group, and the crop insurance industry on loss adjuster proficiency and certain challenges of state licensing of crop insurance loss adjusters. State licensing requirements vary widely and some states require property and casualty tests that do not relate to crop loss adjustment. The NAIC Working Group has sponsored draft model guidelines to separate crop adjustment requirements from broader, property, and casualty licensing requirements and have had other successes in addressing the problem. However, NAIC and RMA have determined that an amendment to the Standard Research Agreement (SRA) is needed to aid in a move to more crop-specific testing

requirements for loss adjusters. The amendment would allow RMA to recognize crop loss adjuster proficiency exams in lieu of state licensing requirements if the state's requirements are not crop-specific. RMA, with the support of the NAIC and the industry, is currently evaluating SRA amendment options.

RMA's New Resource Tool for Farmers

RMA has a new website, <http://farm-risk-plans.usda.gov/>, designed to guide small to medium scale farmers and ranchers through every step of business and risk management planning.

The website supports farmers and ranchers who are starting a new business, managing or growing an existing business, or planning for succession. The web information is organized into four modules: 1) Risk Management Planning; 2) Better Marketing Planning; 3) New Enterprise Planning; and 4) the Farm Planning Library. Downloadable tools include: 1) a risk management check list; 2) an analysis template that can analyze the strengths, weaknesses, opportunities and threats of an enterprise, and 3) various Excel-based planning spreadsheets. All of the materials include links to regional and national resources that can help users create customized plans with specific and local information.

The development team included farmers, extension agents, risk management education consultants, the National Agricultural Law Center at the University of Arkansas, and RMA.

2009 Risk Management Writing Contest

RMA kicked off the annual writing contest during the National FFA Career Show and Convention in Indianapolis, Indiana the week of October 20. The winners of the essay writing contest, along with their advisors, will visit and tour Washington, DC in Spring 2009. The deadline for the essay writing contest is January 31.

Compliance Announcements /Highlights

Comprehensive Information Management System (CIMS)

CIMS has now been approved for initial production processing and will be able to allow a limited number of approved users access to RMA and FSA producer reported information. CIMS provides timely access to producer information and identifies differences in data reported by a producer to each agency. After signing Non Disclosure Statements, crop insurance companies will be able to request producer information, including reports of identified differences for their insured customers.

The CIMS server capacity will need to be increased and USDA's eAuthentication web access services will have to be implemented in order to provide crop insurance companies and FSA county offices broader access and to increase the data available in CIMS. FSA and RMA will use CIMS to help administer our programs by implementing efficient electronic data sharing between USDA agencies and crop insurance companies. CIMS will also provide information necessary for data reconciliation efforts between RMA and FSA, as required by the Agricultural Risk Protection Act of 2000 (ARPA) and the 2002 Farm Bill.

Compliance Activities and Results System (CARS)

CARS is being developed to replace the aging MAGNUM case management system. The new system uses the commercial, off-the-shelf package, Microsoft Dynamics, with customization to meet RMA's unique requirements. The project will start in December 2008 and is scheduled to be completed in 6 to 8 months. CARS will support more efficient and effective information collection and work flow management for Compliance policy reviews and cases.

Compliance Database Modernization Project

As part of the overall Information Technology Modernization (ITM) project, RMA's Compliance offices are obtaining a replacement database management system. The specifications call for the new system to be compatible with the RMA platform configuration and run with "off-the-shelf" software to reduce costs and increase electronic interfaces with the companies. Compliance envisions a system in the future that will accommodate an all-electronic exchange of findings and responses to each of the companies. RMA is working with one company to start testing this concept and develop the processes necessary for paperless interactions.

Enterprise Document Management System

RMA handles large quantities of electronic and paper documentation on a daily basis. To better comply with the National Archives & Records Administration (NARA) Act of 1984 and USDA Departmental mandates, the Enterprise Document Management System Project was started in early 2008.

RMA's records' managers, working with NARA, developed a file plan for handling, storage, retention, and retrieval of electronic and paper documents. RMA is using commercial, off-the-shelf packages from Microsoft to develop a user friendly electronic system featuring search, retrieval, and archival capabilities based upon the business requirements outlined in the RMA file plan. This system uses the latest Microsoft Office 2007 Technology, which incorporates a web services user interface, Microsoft Office SharePoint Server 2007, and Microsoft SQL Server 2005. The system is in the development phase and is scheduled to be migrated to production early next year.

National Program Operations Reviews (NPOR)

The Compliance Offices are completing the notification process to the AIPs for findings associated with the policies selected for the crop year 2007 NPORs.

FSA Crop Disaster Program Referrals

As of November 1, FSA had sent **5,972** Crop Disaster Program referrals to RMA for crop years 2005 to 2007. About half of these referrals are from reported-entity discrepancies between FSA and RMA. Producers often structure their operations to maximize FSA benefits, but fail to amend their entity structure on their crop insurance policy. In some cases a producer's policy can be voided. RMA issued Manager's Bulletin MGR-08-008, *Correction of Named Insureds* (Dated June 4, 2008), to provide certain relief for the 2006 and 2007 crop years. This does not address those producers who changed entities in 2005 or earlier and failed to correct their crop insurance identification.

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