



United States  
Department of  
Agriculture

To: Board of Directors  
Federal Crop Insurance Corporation

July 17, 2002

Federal Crop  
Insurance  
Corporation

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson*  
Manager

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

SUBJECT: Board Memorandum No. 660  
Docket No. CI-AGR-02-1  
Pilot Adjusted Gross Revenue (AGR) – 2003 Insurance Year Expansion

There is submitted for your consideration the subject docket authorizing the Federal Crop Insurance Corporation (FCIC) to expand the pilot AGR insurance program into Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura counties in California; Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York counties in Pennsylvania, or into other counties in these states as determined by the Board, beginning with the 2003 insurance year.

It is necessary for the Board of Directors to select one of the following options.

**RESOLVED, That Docket No. CI-AGR-02-1, Exhibit No. 2108, authorizing expansion of the pilot AGR insurance program into Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura counties in California; Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York counties in Pennsylvania beginning with the 2003 insurance year, as required under section 10004 of the Farm Security and Rural Investment Act of 2002, is hereby approved.**

**OR**

**RESOLVED, That Docket No. CI-AGR-02-1, Exhibit No. 2108, authorizing expansion of the pilot AGR insurance program into \_\_\_\_\_**  
\_\_\_\_\_  
**counties in California; \_\_\_\_\_**  
\_\_\_\_\_  
**counties in Pennsylvania beginning with the 2003 insurance year, as required under section 10004 of the Farm Security and Rural Investment Act of 2002, is hereby approved.**

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: July 23, 2002

FCIC Docket No. CI-AGR-02-1

Pilot Adjusted Gross Revenue  
- 2003 Insurance Year  
Expansion

Voted on by the Board of Directors on: July 23, 2002

Pilot Adjusted Gross Revenue - 2003 Insurance Year Expansion  
Docket No. CI-AGR-02-1

SUMMARY

If approved by the Board, this docket will authorize expansion of the pilot AGR program into Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura counties in California; Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York counties in Pennsylvania, or other counties into these states as determined by the Board, beginning with the 2003 insurance year, as required by section 10004 of the Farm Security and Rural Investment Act of 2002.

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

Pilot Adjusted Gross Revenue - 2003 Insurance Year Expansion  
Authorization for Approval or Disapproval  
Docket No. CI-AGR-02-1

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will authorize expansion of the pilot AGR program into at least eight counties in the State of California and at least eight additional counties in the State of Pennsylvania, beginning with the 2003 insurance year as required by the Farm Security and Rural Investment Act of 2002; Recommended expansion counties are Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura counties in California; Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York counties in Pennsylvania, or other counties in these states as determined by the Board.

II. Justification

Section 10004 of the Farm Security and Rural Investment Act of 2002 requires the Federal Crop Insurance Corporation (FCIC) to include in the pilot AGR program at least eight counties in the State of California and at least eight additional counties in the State of Pennsylvania for the 2003 reinsurance year. The authority contained in this docket is required for FCIC to expand the counties and obtain the data necessary to set premium rates that are actuarially appropriate to assure that the pilot program's integrity will be protected.

III. Background Data – Adjusted Gross Revenue

Producers of agricultural commodities without individual multiple peril crop insurance (MPCI) programs have been a target market for the pilot AGR program since its inception in 1999. AGR strives to provide insurance coverage for producers who must rely on the noninsured crop disaster assistance program (NAP) for protection against natural disasters.

AGR covers revenue from agricultural commodities such as maple sap, various types of aquatic plants, flowers, bedding plants, greenhouse plants, greens, peppers, vegetable seeds, hay crops, grass seeds, fruits, berries, and vegetables that are not covered by existing insurance programs, and a limited amount of revenue from livestock and livestock products. AGR protects the revenue derived from the sale of various agricultural commodities under one policy. Participation is limited to pilot counties. However, if the producer's income is primarily from pilot counties, producers may also derive revenue from agricultural commodities produced in non-pilot counties contiguous to pilot counties. AGR works in conjunction with individual MPCI programs when insured crops are produced on a farm that is also insured under AGR.

Performance of the program is closely monitored each year and the program will be evaluated in 2004. It is important to obtain and evaluate the 2001-2003 data as significant program changes were made in 2001.

## B - AUTHORIZATION

### I. General

Authority to operate the pilot Adjusted Gross Revenue (AGR) program is contained in section 508 of the Act (7 U.S.C. 1508). Section 10004 of the Farm Security and Rural Investment Act of 2002 requires FCIC to carry out the pilot AGR insurance program in effect for 2002 through at least the 2004 insurance year and expand the program into eight counties in California and an additional eight counties in Pennsylvania.

### II. Program Description

The authority provided by this docket will enable FCIC to expand the AGR program into Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura counties in California; Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York counties in Pennsylvania, or other counties as determined by the Board in these states, beginning with the 2003 insurance year.

### III. Operating Provisions

Detailed operating provisions for implementing this program have been issued by RMA.

### IV. Administration

This program may be offered by all insurance companies reinsured by FCIC and will be carried out in accordance with the provisions of the Act. The terms of reinsurance and amount of premium and administrative and operating expense subsidy for the expanded pilot AGR program will be through an optional amendment to the Standard Reinsurance Agreement.

### V. Effective Date

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

### VI. Classification

This program docket is for official use only.

### VII. Availability of Funds

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

### VIII. For Official Use Only Designation

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

FINAL RESOLUTION

RESOLVED, That Docket No. CI-AGR-02-1, Exhibit No. 2108, authorizing expansion of the pilot AGR insurance program into Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura counties in California; Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York counties in Pennsylvania beginning with the 2003 insurance year, as required under section 10004 of the Farm Security and Rural Investment Act of 2002, is hereby approved with the eligibility for AGR coverage in all counties and states where AGR is and will be available limited to individual policies that have a liability of \$6.5 million or less. The Board is concerned about the increased liability in current loss ratio and directs the Risk Management Agency to conduct a study of the insurance experience after the 2002 insurance year to determine whether program changes are needed.

Adopted by the Board of Directors on: July 23, 2002

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

[SEAL]

Approved by:

/s/ Keith Collins  
Keith Collins  
Chairman of the Board

7/23/02  
Date