

MINUTES
OF THE
MEETING OF THE BOARD OF DIRECTORS
OF THE
FEDERAL CROP INSURANCE CORPORATION

A meeting of the Board of Directors (Board) of the Federal Crop Insurance Corporation (FCIC) was held on November 19, 2004, in Room 104-A of the Jamie L. Whitten Federal Office Building, Jefferson Drive, Washington, D.C. The public was invited to attend the meeting.

Meeting
November 19, 2004

The meeting was called to order at 11:46 a.m. Present were Keith Collins, Chief Economist, USDA and Chairperson; John Askew, other Board members participating via teleconference were Bill Classen, Tim Kelleher, Frank Jones, Luis Monterde, and Mike Pickens constituting a statutory quorum; Ross Davidson, Manager, FCIC; David Hatch, Deputy Manager, FCIC; Byron Anderson, Secretary, and Vondie O'Conner, Deputy Secretary.

Call to Order

Present

Also present were Floyd Gaibler and Butch May, Farm and Foreign Agricultural Services (FFAS); David Grahn, Kim Arrigo, Don Brittenham, Office of the General Counsel (OGC); Mike Torrey, Office of the Secretary, USDA; Brent Doane, Alan Ott, Jim Callan, Shirley Pugh, George Harris, Craig Witt, Lee Ziegler, Shannon Persetic, and Cindy Spoor of the Risk Management Agency (RMA); Sam Scheef, Mike Jones, and Ken Ackerman (counsel), ARMtech; Barbara Leach, Crop 1 and Applied Analytics Group; Stephen Frerichs, Rain and Hail, LLC.; David Graves, American Association of Crop Insurers; Kellie Bray, Professional Insurance Agents; Patrick O'Brien, Independent Insurance Agents & Brokers of America; Jane Shey, Crop Insurance Research Bureau Inc.; Dan Rosenstein, Rural Community Insurance Services; and Cynthia Sandherr, Deere & Company.

David Grahn read a recitation to all members of the Board.

Recitation

A motion was made and seconded to dispense with the reading of the Minutes and to approve the Minutes of the meeting of the Board held on October 28, 2004.

Dispense with
Reading – Minutes
Accepted

The motion carried. (Exhibit No. 2770)

Chairman Collins then described the FCIC Board's deliberations on Premium Reduction Plans (PRP) that included: discussions at a recent FCIC Board retreat; discussions at the October 28, 2004, FCIC Board meeting; a PRP presentation that was given to FCIC Board members on

November 12, 2004; and a discussion that took place prior to this Board meeting. Chairman Collins then announced that it was his intention at this Board meeting to have the Office of General Counsel provide a legal briefing and then have RMA staff summarize the PRP submissions that are under consideration as well as RMA's recommendations on those pending applications.

David Grahn then explained the requirements of Section 508 (e) (3) of the Federal Crop Insurance Act (7 U.S.C. §1508 (e) (3)) and the procedures that were approved by the FCIC Board for PRP type of applications for the 2005 Reinsurance Year. He stated that the recent PRP applications were judged based on those procedures. He also addressed Crop 1's status in the program by stating that Crop 1 had met those requirements for the 2005 Reinsurance Year.

Craig Witt then provided the FCIC Board with a summary of the PRP applications received by RMA. He stated that the applications were evaluated based on 4 categories: Administrative and Operating reimbursement operations, the ability to demonstrate that efficiencies could be verified by RMA, that there was correspondence between the efficiency and premium reduction, and that the PRP plan addresses potential discrimination issues. Based on the evaluations, Craig Witt stated that RMA would recommend against approving any of the pending applications because each application failed in at least one or more of the categories.

Hearing no objections from the Board, Chairman Collins then asked the Manager to notify the submitters of RMA's intention to disapprove the applications.

Chairman Collins then announced that it was the consensus of the Board to proceed with a proposed and final rule on Premium Reduction Plans. David Grahn then explained the purpose of the resolution which was then read by Vondie O'Conner. Chairman Collins then offered the resolution that was seconded and adopted unanimously.

Premium Reduction
Plan Resolution

Approved

Premium Reduction Plan Resolution, Exhibit 2772

WHEREAS, on October 28, 2004, the Board adopted a resolution to publish an advanced notice of proposed rulemaking seeking advice of the public on issues related to Premium Reduction Plans;

WHEREAS, the Risk Management Agency (RMA) has conducted further review, since the October 28, 2004, Board meeting, of the manner in which the Premium Reduction Plan requirements should be reviewed and

modified and now recommends that RMA immediately proceed with notice and comment rulemaking on this matter;

WHEREAS, Notice and comment rulemaking would give the public a better opportunity to provide comments and analysis in the development of the Premium Reduction Plan requirements if it is given the opportunity to comment on a proposed rule;

THEREFORE RESOLVED, that the resolution adopted by the Board on October 28, 2004, Exhibit No. 2769, regarding issues related to proposed Premium Reduction Plans be rescinded and that the Board adopt the following resolution in its place:

“WHEREAS, Issues have been raised regarding the legality of the current Premium Reduction Plan procedures;

WHEREAS, Issues have been raised regarding the effect of the Premium Reduction Plan on the crop insurance delivery system;

WHEREAS, Issues have been raised regarding the effect of the Premium Reduction Plan on all farmers including small, minority, and limited resource farmers.

WHEREAS, Issues have been raised regarding the equity of the Premium Reduction Plan procedures as they apply to small and large approved insurance providers; and

WHEREAS, Implementation issues have been raised by the new submissions that were not contemplated when the procedures were drafted;

THEREFORE, RESOLVED THAT the Board now directs the Federal Crop Insurance Corporation (FCIC) to publish a Proposed and Final Rule to address the above stated and other issues as identified by FCIC, as expeditiously as possible.”

Chairman Collins then asked the Manager for a timeline on completing the Rule. The Manager stated that it was his goal to conclude the rulemaking process during the 2006 Reinsurance Year.

Chairman Collins stated that he wanted to constitute an ad hoc task force of the Board to work with RMA on developing the Proposed Rule. David Grahn then stated that Board members serving on the task force would be subject to the same restrictions and confidentiality requirements as RMA employees and that in constituting an ad hoc task force, there was

no modification of the delegation to the Manager on this issue. John Askew said that he was encouraged by the pursuit of a rulemaking and he had been concerned about how Crop 1 had been handled, particularly about Board members not being notified about a previous regulation.

Chairman Collins then stated that because there were numerous concerns about PRP issues, he thought that it would be beneficial to have expert reviewers assess PRP issues. A resolution was then read by Vondie O'Conner. A motion was made to adopt the resolution. It was seconded and then adopted unanimously.

CI-Premium Reduction Plan Issues-04-02, Exhibit No. 2771

WHEREAS, The Federal Crop Insurance Act (Act) requires the Board to enter into contracts with persons experienced as actuaries and in underwriting for reviews of any policy or plan of insurance, or any related material or modification of a policy or plan of insurance proposed to be offered under the Act, NOW THEREFORE BE IT

RESOLVED: That: 1) the Manager of the Corporation be authorized to take such action as necessary to enter into and execute contracts with the persons or entities on the attached list, or the alternates in case the proposed persons are not available, to review the Premium Reduction Plan Issues prior to Board action; and 2) the attached task order statement of work as modified to reflect concerns of the Board be used to execute the contracts.

There being no further business to come before the Board, the meeting adjourned at 1:40 p.m. to meet again in mid-December 2004 in Washington, D.C. if there was pressing business to consider.

Expert Review of
the Premium
Reduction Plan
Issues
Approved

Adjourn

November 19, 2004

/signed/
Byron Anderson, Secretary
Federal Crop Insurance Corporation

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