



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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TO: Board of Directors
Federal Crop Insurance Corporation

June 22, 2001

FROM: Phyllis W. Honor /s/ E. Heyward Baker /for
Acting Manager

Minute Exhibit No 2046
Board Meeting of 6/22/01

SUBJECT: Board Memorandum No. 614
Docket No. CI-RA-01-1
Revenue Assurance –Request to Allow Preliminary Indemnity or Prevented
Planting Payments for 2001 Crop Year Losses Submitted by American Farm
Bureau Insurance Services, Inc.

There is submitted for your consideration for approval or disapproval the subject docket authorizing or not authorizing American Farm Bureau Insurance Services, Inc.'s request for liberalization of the Revenue Assurance (RA) plan of insurance to allow prevented planting payments or preliminary indemnity payments before the fall harvest price is released for 2001 crop year losses. Questions have arisen as to whether or not preliminary prevented planting payments or preliminary indemnity payments are allowed for Revenue Assurance losses before the fall harvest price is released.

Disapproval of this docket will not allow RA partial payment of losses available as requested.

It is necessary for the Board of Directors to select one of the following options to either approve or disapprove Docket No. CI-RA-01-1.

RESOLVED, That Docket No. CI-RA-01-1, Exhibit No. 2046, authorizing the liberalization of the Revenue Assurance (RA) plan of insurance to allow preliminary indemnity or prevented planting payments before the fall harvest price is released under the RA policy for 2001 crop year losses is hereby approved.

OR

RESOLVED, That Docket No. CI-RA-01-1, Exhibit No. 2046, is disapproved on the basis that the Board has been unable to make a determination that the interests of producers are adequately protected and that any premium charged to the producers are actuarially appropriate.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: 6/22/01

FCIC Docket: Docket No. CI-RA-01-1

Revenue Assurance -
Preliminary Indemnity or
Prevented Planting Payments
for 2001 Crop Year Losses

Voted on by the Board of Directors on: 6/22/01

Revenue Assurance – Preliminary Indemnity or
Prevented Planting Payments for 2001 Crop Year Losses
Docket No. CI- RA-01-1

SUMMARY

If approved by the Board, this docket will authorize liberalization of the Revenue Assurance (RA) plan of insurance to allow for preliminary indemnity or prevented planting payments of crop losses for the 2001 crop year before the fall harvest price is released.

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

Revenue Assurance – Preliminary Indemnity and
Prevented Planting Payments for 2001 Crop Year Losses
Authorization for Approval or Disapproval
Docket No. CI-RA-01-1

A - INTRODUCTION

I. Purpose

Questions have arisen as to whether or not preliminary prevented planting payments or preliminary indemnity payments are allowed for Revenue Assurance losses before the fall harvest price is released.

II. Justification

The Revenue Assurance insurance policy does not specifically provide for preliminary indemnity payments prior to the release of the fall harvest price.

RMA has determined that making preliminary prevented planting payments under the RA policy will not result in any overpayment to producers. In addition, making preliminary indemnity payments for crop losses under the RA policy will not result in overpayment to producers in the following cases:

1. Total crop loss (no production to count) when either the projected or fall harvest price is chosen.
2. Partial crop loss **only** if the producer has purchased the Fall Harvest Price Option (HPO).

III. Background Data - Revenue Assurance (RA) Preliminary Payments

When preliminary prevented planting payments or preliminary indemnity payments for crop losses are made before the fall harvest prices are released, indemnities must be recalculated following the release of the fall harvest price. While this process may increase the workload of servicing companies, it assists agricultural producers by providing indemnity payments as soon as possible following crop loss. The submitting company of this 508(h) policy has requested consideration for liberalization under section 6 of the Revenue Assurance Policy.

B - AUTHORIZATION

I. General

Questions have arisen as to whether or not preliminary prevented planting payments or preliminary indemnity payments are allowed for Revenue Assurance losses before the fall harvest price is released.

II. Program Description

Revenue Assurance (RA) provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both. RA protects against low revenue - the risk most important to producers. RA recognizes that producers who operate in different locations in a county face lower total yield risk than a producer who farms in only one location. RA recognizes that some producers forward contract their crop and others do not. Therefore, RA has an option that increases revenue protection if fall harvest prices are higher than the projected harvest prices.

III. Operating Provisions

The operating provisions for implementing this program are Revenue Assurance provisions, actuarial documents, underwriting rules, and administrative procedures approved by the Board for RMA to administer.

IV. Administration

If approved by the Board, RMA will issue the attached Manager's Bulletin which may be offered by all insurance companies reinsured by FCIC and will be carried out with the provisions of the Act. The reinsurance will be provided in accordance with the provisions of the Standard Reinsurance Agreement.

V. Effective Date

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

VI. Classification

This program docket is for official use only.

VII. Availability of Funds

The costs associated with this policy change cannot be determined at this time.

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.

RESOLUTION

RESOLVED, That Docket No. CI-RA-01-1, Exhibit No. 2046, authorizing the liberalization of the Revenue Assurance (RA) plan of insurance to allow preliminary indemnity or prevented planting payments before the fall harvest price is released under the RA policy for 2001 crop year losses is hereby approved.

Adopted by the Board of Directors on: 6/22/01

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

[SEAL]

Approved by: /s/ Keith Collins
Keith Collins
Acting Chairman of the Board

6/22/01
Date