



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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TO: Board of Directors
Federal Crop Insurance Corporation
July 19, 2001

FROM: Phyllis W. Honor /s/ Phyllis W. Honor
Acting Manager

SUBJECT: Board Memorandum No. 617
Docket No. CI-CRC-Wheat-01-1
Crop Revenue Coverage (CRC) - 2002 Wheat Coverage Changes Submitted
by American Agrisure, Inc.

There is submitted for your consideration and approval or disapproval the subject docket authorizing or not authorizing revisions to Crop Revenue Coverage (CRC) Wheat plan of insurance to be sold beginning with the 2002 crop year. CRC Wheat provides revenue protection based on price and yield expectations by paying for losses below the guarantee at the higher of an early-season price or the harvest price.

Section 508(h) of the Act requires FCIC to provide reinsurance if the policy is actuarially sound and the interests of producers are adequately protected.

It is necessary for the Board of Directors to select one of the following options to either approve or disapprove, based on an evaluation of all experts and other reviews, Docket No. CI-CRC-Wheat-01-1.

RESOLVED, That Docket CI-CRC-Wheat-01-1, Exhibit No. 2052, authorizing revisions for Crop Revenue Coverage Wheat to be sold with the beginning of the 2002 crop year in those areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Federal Crop Insurance Act (Act) for Crop Revenue Coverage Wheat program, is hereby approved AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policies legally sufficient and to resolve those problems with policy terms identified by the reviewers.

OR

AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policies legally sufficient and to resolve those problems with policy terms identified by the reviewers but the Board reserves the authority to approve the resolution of those problems raised by the reviewers relating to

OR

RESOLVED, That the submitting entity shall be notified that the Board hereby disapproves Docket No. CI-CRC-Wheat-01-1, Exhibit No. 2052, on the basis that the Board has been unable to make a determination that the interests of producers are adequately protected and that any premiums charged to producers are actuarially appropriate.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: 07/19/01

FCIC Docket: CI-CRC Wheat-01-1

CRC Wheat Revisions
2002 Crop Year

Voted on by the Board of Directors on: July 19, 2001

Crop Revenue Coverage Wheat for the 2002 Crop Year
Docket No. CI-CRC-Wheat-01-1

SUMMARY

If approved by the Board, this docket will authorize the Federal Crop Insurance Corporation to implement the revisions for Crop Revenue Coverage Wheat plan of insurance beginning with the 2002 crop year for those areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Federal Crop Insurance Act (Act).

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

Crop Revenue Coverage Wheat for the 2002 Crop Year
Authorization for Approval or Disapproval
Docket No. CI-CRC-Wheat-01-1

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will provide the authority for the Federal Crop Insurance Corporation (FCIC) to implement revisions for Crop Revenue Coverage Wheat plan of insurance beginning with the 2002 crop year for those areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Act for the program.

II. Justification

The authority contained in this docket is needed for FCIC to implement revisions for CRC Wheat plan of insurance. Section 508(h) of the Act requires the FCIC to provide reinsurance to reinsured companies to provide additional insurance risk management tools to producers only if the policy is actuarially sound and interests of producers are adequately protected.

III. Background Data - Crop Revenue Coverage Wheat Endorsement

Section 508(h) of the Act allows a person to submit to the Board of Directors (Board) other crop insurance policies that if the Board finds that the interests of the producers are adequately protected and that any premiums charged to the producers are actuarially appropriate, will be approved by the Board for reinsurance and for sale by approved insurance providers to producers at actuarially appropriate rates and under appropriate terms and conditions.

CRC program was expanded to wheat in selected states in the 1997 crop year. For the 1998 crop year, the CRC program was expanded into 34 additional states for wheat. American Agrisurance's CRC Wheat plan of insurance insures 52 percent of insured winter wheat acreage and 59 percent of the liability in the 2001 crop year. CRC Wheat provides revenue protection based on price and yield expectations by paying for losses below the guarantee at the higher of an early-season price or the harvest price. American Agrisurance submitted revisions to the CRC Wheat policy effective for the 2002 crop year.

B - AUTHORIZATION

I. General

Authority to implement revisions for Crop Revenue Coverage Wheat beginning with the 2002 crop year for those areas where the contract change date has not passed and the 2003 crop year where it has, is contained in section 508(h) of the Act (7 U.S.C. 1508(h)).

II. Program Description

The authority provided by this docket will enable FCIC to implement CRC Wheat revisions for the 2002 crop year for those areas where the contract change date has not passed and the 2003 crop year where it has. CRC Wheat provides revenue protection based on price and yield expectations by paying for losses below the guarantee at the higher of an early-season price or the harvest price. American Agrisurance submitted revisions to the CRC Wheat policy effective for the 2002 crop year.

III. Operating Provisions

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

IV. Administration

If approved by the Board, the implementation of this program will be carried out by RMA in accordance with 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 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.

RESOLUTION

RESOLVED, That Docket CI-CRC-Wheat-01-1, Exhibit No. 2052, authorizing revisions for Crop Revenue Coverage Wheat to be sold with the beginning of the 2002 crop year in those areas where the contract change date has not passed and the 2003 crop year where it has, as authorized under section 508(h) of the Federal Crop Insurance Act (Act) for Crop Revenue Coverage Wheat program, is hereby approved AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policies legally sufficient and to resolve those problems with policy terms identified by the reviewers.

A motion was made and seconded to amend Board Memorandum No. 617 to authorize the revisions to the Crop Revenue Coverage (CRC) wheat policy as proposed by American Agrisurance in Executive Session (copy attached) and allow CRC irrigated wheat to be sold beginning with the 2002 crop year only in Nevada and all other changes to be effective with the 2003 crop year.

The amendment carried.

The motion to adopt the resolution contained in Board Memorandum No. 617, as amended, carried.

Adopted by the Board of Directors on: July 19, 2001

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

[SEAL]

Approved by:

/s/ Keith Collins
Keith Collins
Acting Chairman of the Board

07/19/01
Date