

**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 July 23, 2002, in room 104-A, Jamie L. Whitten Federal Office Building, U.S. Department of Agriculture, Washington, D.C. The public was invited to attend.

Meeting
July 23, 2002

The meeting was called to order at 9:35 a.m., in Open Session.

Call to Order
Open Session

Present were Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.

Present

Also present were Butch May, Farm and Foreign Agricultural Services (FFAS); Kim Arrigo and Don Brittenham, Office of the General Counsel (OGC); Joe Glauber, Office of the Chief Economist (OCE); Jim Staiert of the Office of Budget and Program Analysis (OBPA); Alan Ott, Tim Witt, Tim Hoffmann, Vondie O'Conner, Don Stonecypher, Ron Lundine, and LeWayne Jansonius of the Risk Management Agency (RMA); Bruce Babcock, Iowa State University; John Bednarik, American Farm Bureau Insurance Services, Inc., (AFBIS); Expert Reviewers/Research and Development (R&D) Contractors Keith Coble, Alan Ker, Barry Goodwin, and Tom Knight; Barry Cleaveland and Stephen Frerichs of American Agrisure (AmAg); Art Barnaby, Kansas State University; and Kent Lanclos and Ben Noble of the National Cotton Council.

The Open Session adjourned at 9:40 a.m., to reconvene in Executive Session at 9:41 a.m.

Adjourn
Open Session
Reconvene
Executive Session

Present were Keith Collins, Chief Economist, USDA and Chairperson; Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.

Present

Board member Roger Swartz recused himself and left the Executive Session.

Roger Swartz -
Recusal

Also present were Butch May, FFAS; Kim Arrigo and Don Brittenham, OGC; Joe Glauber, OCE; Jim Staiert, OBPA; Alan Ott, Tim Witt, Tim Hoffmann, Vondie O'Conner, Don Stonecypher, Ron Lundine, and LeWayne Jansonius of RMA; Bruce Babcock, Iowa State University; John Bednarik, AFBIS; and Expert Reviewers/R&D Contractors Keith Coble, Alan Ker, and Barry Goodwin, and R&D Contractor Tom Knight.

At 11:05 a.m., Bruce Babcock, Iowa State University, and John Bednarik, AFBIS, were asked to leave the Executive Session and at 11:27 a.m., were invited back into the Executive Session.

Butch May left the Executive Session at 11:25 a.m.

Butch May

The Executive Session recessed at 11:40 a.m., and reconvened in Executive Session at 11:45 a.m.

Recess/Reconvene
Executive Session

Present were Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.

Present

Also present were Kim Arrigo and Don Brittenham, OGC; Joe Glauber, OCE; Jim Staiert, OBPA; Alan Ott, Tim Witt, Tim Hoffmann, Vondie O'Conner, Don Stonecypher, Ron Lundine, and LeWayne Jansonius of RMA; Expert Reviewer Tom Knight; Barry Cleaveland and Stephen Frerichs, Am Ag; Art Barnaby, Kansas State University; and Kent Lanclos and Ben Noble of the National Cotton Council.

Tim Witt arrived in the Executive Session at 12:05 p.m.

Tim Witt

At 12:50 p.m., Barry Cleaveland and Stephen Frerichs, Am Ag; Art Barnaby, Kansas State University; and Kent Lanclos and Ben Noble of the National Cotton Council were asked to leave the Executive Session.

Butch May arrived in the Executive Session at 1:00 p.m.

Butch May

At 1:02 p.m., Barry Cleaveland and Stephen Frerichs, Am Ag; Art Barnaby, Kansas State University; and Kent Lanclos and Ben Noble of the National Cotton Council were invited back into the Executive Session and asked to leave the Executive Session at 1:04 p.m.

The Executive Session adjourned at 1:25 p.m., to reconvene in Open Session.

Adjourn
Executive Session

The meeting was called to order in Open Session at 2:00 p.m.

Call to Order
Open Session

Present were Keith Collins, Chief Economist, USDA and Chairperson; Roger Swartz, Susan Fitzsimmons, John Askew, Frank Jones, Tim Kelleher, and Chris Watt, constituting a statutory quorum; Ross Davidson, Manager, FCIC; and Diana Moslak, Secretary.

Present

Also present were Butch May, FFAS; Kim Arrigo and Don Brittenham, OGC; Joe Glauber, OCE; Jim Staiert, OBPA; Alan Ott, Tim Witt, Tim Hoffmann, Vondie O'Conner, Don Stonecypher, Ron Lundine, and LeWayne Jansonius, RMA; Bruce Babcock, Iowa State University; John Bednarik, AFBIS; Expert Reviewers/R&D Contractors Keith Coble, Alan Ker, Barry Goodwin, and Tom Knight; Barry Cleaveland and Stephen Frerichs, AmAg; Art Barnaby, Kansas State University; Kent Lanclos and Ben Noble of the National Cotton Council; Bob Odom, Commissioner, Louisiana Department of Agriculture and Forestry (LDAF); Randal Johnson, LDAF; Joe Davis (R&D Contractor), Michael Fanning, Dominic Weber, Sarah Tyree, Clif Parks, Roy Tiarks and Clarence Manning of AgriLogic, Inc.; Jerry Oswalt, Robert Brown, and Ron Rabies, Coalition of American Agricultural Producers; Barbara Leach, American Agri-Business Insurance Company; Ray Young; James McCarthy, Farm Credit Bank; Ken Ackerman, Olsson, Frank and Weeda, P.C.; Lance Lorenz, Fireman's Fund; Laura Phelps, American Association of Crop Insurers; Steve Verett, Plains Cotton Growers, Inc.; and Jane Shey, Crop Insurance Research Bureau.

Kim Arrigo 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 May 7, 2002.

Dispense with
Reading -
Minutes Accepted

The motion carried. (Exhibit No. 2104.)

A motion was made and seconded to adopt the following resolution:

Conditional
Approval - Revenue
Assurance
Expansion to Cover
Cotton and Rice

RESOLVED, That Docket No. CI-RA-02-1, Exhibit No. 2105, authorizing implementation for the expansion of the Revenue Assurance plan of insurance to cover cotton and rice with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Board beginning with the 2003 crop year in the states of Arizona, Arkansas, Louisiana, New Mexico, and Oklahoma for cotton and Arkansas and Louisiana for rice, as authorized under section 508(h) of the Federal Crop Insurance Act, is

hereby approved conditioned upon American Farm Bureau Insurance Services, Inc., working with the expert reviewers and the Risk Management Agency personnel to determine an appropriate adjustment to the premium rates for cotton and rice in the above-stated states and reaching agreement and implementing the rate adjustment for the 2003 crop year. If no rate adjustment has been proposed or agreement is not reached within 30 days of the date of this conditional approval, American Farm Bureau Insurance Services, Inc., may bring their policies back to the Board for a vote on unconditional approval or disapproval 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 policy legally sufficient.

The motion carried. (Board Memorandum No. 657; Exhibit No. 2105.) Board member Roger Swartz recused himself from voting.

Roger Swartz -
Recusal

A motion was made and seconded to adopt the following resolution:

Notice of Intent to
Disapprove - Cotton
Cost of Production
Plan of Insurance

RESOLVED, That the submitting entity is notified of the Board's intent to disapprove Docket No. CI-COP-Cotton-02-1, Exhibit No. 2106, on the basis that the Board has been unable to make a determination that the submission complies with all applicable provisions of the Federal Crop Insurance Act, the interests of producers are adequately protected, the premium rates are actuarially appropriate, and that program integrity will be protected for the reasons set forth in the expert, Risk Management Agency, and Office of the General Counsel reviews, and the concerns raised by the Board in Executive Session. This notice of intent to disapprove will also be provided to the submitting entity in writing.

The motion carried. (Board Memorandum No. 658; Exhibit No. 2106.)

Bruce Babcock left the meeting at 2:09 p.m.

Bruce Babcock

R&D Contractor Joe Davis, AgriLogic, Inc., provided an overview of the Cost of Production Insurance Plan (COP) for Cotton.

Overview - COP for
Cotton

Bob Odom left the meeting at 2:20 p.m.

Bob Odom

A motion was made and seconded to adopt the following resolution:

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 proposed FCIC Cost of Production Insurance Plan for Cotton prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

The motion carried. (Board Memorandum No. 659; Exhibit No. 2107.)

A motion was made and seconded to adopt the following 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.

The motion carried. (Board Memorandum No. 660; Exhibit No. 2108.)

Expert Reviewer Keith Coble provided an overview of the cotton study conducted on the impact of the cotton crop insurance program on cotton planted acreage. That report is available to the public on RMA's website: <http://www.rma.usda.gov/aboutrma/fcic/>. (Exhibit No. 2110.)

FCIC Cost of Production Insurance Plan for Cotton - Approval of Reviewers and Alternates; Task Order Statement of Work; and Execution of the Contract

Approved - Expansion of the Pilot Adjusted Gross Revenue Insurance Program for the 2003 Insurance Year

Overview of the Cotton Study

A motion was made and seconded to adopt the following resolution:

Expanded List of Reviewers

WHEREAS, Section 505(e) of the Federal Crop Insurance Act (Act) requires the Board to enter into contracts 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 by persons experienced as actuaries and in underwriting, NOW THEREFORE BE IT

RESOLVED: That 1) the Manager of the Federal Crop Insurance Corporation be directed to perform the activities necessary to enter into contracts with persons or entities on the attached list of proposed expert reviewers, and 2) the attached general statement of work be used to structure the contracts.

The motion carried. (Board Memorandum No. 661; Exhibit No. 2109.)

There being no further business to come before the Board, the meeting adjourned at 2:55 p.m., to meet again in August 2002 in Washington, D.C.

Adjourn

July 23, 2002

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