



**United States
Department of
Agriculture**

Federal Crop
Insurance
Corporation

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Washington, DC
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DATE: April 24, 2008

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Eldon Gould /signed/
Manager

SUBJECT: Manager's Report
Exhibit No. 2933

This memorandum serves as the Manager's Report to the Board of Directors (Board), Federal Crop Insurance Corporation (FCIC), for the April 24, 2008 meeting. The report relates to program issues as outlined below:

Program Issues:

Pasture, Rangeland, Forage-Sixth Rainfall Index (PRF-RI) Interval Results - On March 31, 2008, the results of the sixth Index Interval for the PRF Rainfall Index pilot area were released. This was the final Index Interval time period in 2007. RMA and its contractor followed standard operating procedures for validating the data at the end of the Index Interval prior to release. The time period for Index Interval VI is from December 1 thru January 31.

Sales for 2008 are down approximately 7 percent from 2007. The largest decrease occurred in Idaho (PRF-RI). Also, it appears sales are down in areas suffering drought conditions in 2006, such as Colorado, Oklahoma and Texas where these same States experienced normal or near normal rainfall in 2007. Sales were up in areas that suffered drought conditions in 2007, such as South Carolina and Pennsylvania.

The states of Wyoming, Alabama, and the southern counties of New York were added in 2008. Policies sold in Alabama totaled 586 and 312 policies in Wyoming. There were no PRF sales in New York.

For 2008 there are a total of 7,561 PRF-RI policies earning premium covering over 23.3 million acres. There are 1,476 PRF-VI policies earning premium covering over 6.3 million acres.

Tables 1 and 2 below, summarize the PRF-RI results through Index Interval VI and provides PRF-RI results throughout 2007 by state. The estimated Loss Ratio through Index Interval 6 is .64 for all states. (See footnote below Table 2)

Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity	Percent Acreage Insured by Interval	Loss Ratio
I	81%	\$3,138,412	\$43,741,585	\$9,444,678	\$812,341	13%	0.09
II	82%	\$5,961,286	\$82,600,344	\$12,974,490	\$307,048	24%	0.02
III	81%	\$3,890,560	\$51,746,135	\$8,358,870	\$1,299,879	16%	0.16
IV	82%	\$4,993,245	\$67,481,537	\$13,275,430	\$1,124,030	20%	0.08
V	81%	\$3,249,696	\$42,515,798	\$9,639,079	\$19,101,544	13%	1.98
VI	81%	\$3,296,955	\$39,573,411	\$10,227,062	\$17,960,086	13%	1.76
Total	81%	\$24,530,153	\$327,658,810	\$63,919,609	\$40,604,928	100%	0.64

Table 1

State	State Code	Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity	Percent Acreage Insured by Interval	Loss Ratio
CO	8	I	85%	284,011	\$5,092,173	\$1,160,413	\$477,740	14%	0.41
CO	8	II	84%	653,579	\$8,707,247	\$1,166,600	\$17,012	32%	0.01
CO	8	III	84%	451,547	\$6,043,308	\$647,558	\$380,244	22%	0.59
CO	8	IV	84%	210,762	\$3,931,367	\$541,176	\$198,443	10%	0.37
CO	8	V	83%	242,148	\$2,992,874	\$763,567	\$1,679,745	12%	2.20
CO	8	VI	85%	222,658	\$2,963,467	\$628,306	\$33,975	11%	0.05
ID	16	I	71%	43,022	\$5,121,622	\$459,931	\$750	13%	0.00
ID	16	II	73%	61,809	\$3,906,906	\$414,519	\$143,012	19%	0.35
ID	16	III	72%	118,811	\$3,342,767	\$437,601	\$126,360	37%	0.29
ID	16	IV	76%	18,144	\$453,912	\$82,807	\$1,684	6%	0.02
ID	16	V	70%	12,313	\$1,888,331	\$191,755	\$0	4%	0.00
ID	16	VI	70%	67,073	\$603,663	\$81,001	\$0	21%	0.00
ND	38	I	87%	153,776	\$2,281,384	\$447,820	\$20	12%	0.00
ND	38	II	87%	336,098	\$4,461,486	\$727,511	\$35,167	26%	0.05
ND	38	III	87%	378,980	\$4,931,730	\$543,645	\$782,996	30%	1.44
ND	38	IV	87%	195,085	\$2,538,296	\$404,238	\$417,215	15%	1.03
ND	38	V	87%	103,315	\$1,501,764	\$398,458	\$468,969	8%	1.18
ND	38	VI	86%	111,724	\$1,591,228	\$278,977	\$1,010,381	9%	3.62
PA	42	I	90%	43	\$16,661	\$1,513	\$0	2%	0.00
PA	42	II	77%	425	\$102,072	\$4,296	\$6,638	19%	1.55
PA	42	III	81%	1,009	\$147,094	\$8,794	\$7,366	44%	0.84
PA	42	IV	84%	664	\$66,297	\$5,358	\$0	29%	0.00

Table 2 Continued on Next Page...

State	State Code	Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity	Percent Acreage Insured by Interval	Loss Ratio
PA	42	V	80%	88	\$17,942	\$1,941	\$0	4%	0.00
PA	42	VI	90%	43	\$16,661	\$1,646	\$0	2%	0.00
SC	45	I	90%	495	\$47,542	\$4,593	\$13,564	24%	2.95
SC	45	II	89%	1,010	\$73,430	\$9,165	\$35,526	49%	3.88
SC	45	III	89%	532	\$30,917	\$3,931	\$932	26%	0.24
SC	45	IV	84%	43	\$8,106	\$713	\$4,365	2%	6.12
TX	48	I	80%	2,657,065	\$31,182,203	\$7,370,408	\$320,267	13%	0.04
TX	48	II	82%	4,908,365	\$65,349,203	\$10,652,399	\$69,693	24%	0.01
TX	48	III	81%	2,939,681	\$37,250,319	\$6,717,341	\$1,981	14%	0.00
TX	48	IV	82%	4,568,546	\$60,483,559	\$12,241,138	\$502,323	22%	0.04
TX	48	V	80%	2,891,832	\$36,114,887	\$8,283,358	\$16,952,830	14%	2.05
TX	48	VI	81%	2,895,457	\$34,398,392	\$9,237,132	\$16,915,730	14%	1.83

Table 2

**Please note: The Indemnities reflect RMA estimates based on the current book of business and final grid indices reported.*

Livestock Risk Protection-Lamb Update – On September 17, 2007, Livestock Risk Protection-Lamb (LRP-Lamb) began sales. To date, LRP-Lamb has sold 442 endorsements providing price protection for 501,056 head of lambs. Table 3 below shows by state the sales, premium, and liability. The end of the first coverage period was December 17, 2007. The most popular coverage choice has been the 13-week endorsement at the 95 percent coverage level.

State	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Number of Head	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
ARIZONA	2	0	2	0	1,400	237,552	4,744	616	0	0
CALIFORNIA	17	5	35	5	73,775	11,186,906	258,996	33,668	174,723	0.67
COLORADO	53	65	100	65	177,493	26,998,922	572,630	74,446	695,810	1.22
IOWA	19	15	32	15	11,556	1,793,036	38,719	5,034	59,825	1.55
IDAHO	14	5	21	5	44,250	6,224,576	202,481	26,324	23,572	0.12
INDIANA	1	0	1	0	150	22,051	804	105	0	0
KANSAS	8	1	11	1	1,895	175,935	3,571	465	1,536	0.43
MICHIGAN	1	0	3	0	475	70,952	1,416	184	0	0
MINNESOTA	14	11	20	11	9,924	1,508,130	33,784	4,393	35,176	1.04
MISSOURI	1	0	2	0	200	25,041	605	79	0	0
NORTH DAKOTA	5	5	8	5	5,370	761,765	21,982	2,858	28,162	1.28
NEBRASKA	5	1	5	1	1,900	244,242	4,878	633	448	0.09
NEVADA	1	0	1	0	1,700	206,168	7,513	977	0	0
OHIO	0	0	0	0	0	0	0	0	0	0
OREGON	12	3	20	3	23,300	3,539,650	96,567	12,553	51,910	0.54
SOUTH DAKOTA	34	41	73	41	55,682	8,244,549	192,682	25,046	143,206	0.74

State	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Number of Head	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
TEXAS	19	23	57	23	43,286	6,078,709	136,809	17,787	210,554	1.54
UTAH	21	4	24	4	29,150	3,715,857	122,296	15,899	35,416	0.29
VIRGINIA	1	0	1	0	40	3,377	67	9	0	0
WEST VIRGINIA	1	1	1	1	50	5,015	100	13	15	0.15
WYOMING	13	10	19	10	15,890	2,349,491	48,868	6,354	28,274	0.58
Grand Total:	247	192	442	192	501,056	73,919,658	1,761,359	228,983	1,499,454	0.85

Table 3

Regulatory Update:

Combination Regulation Update – Publication of the final rule is on hold pending the funding or resolution of certain issues within the RMA’s automation systems.

Mustard Crop Provisions – On February 26, 2008, the final rule published in the *Federal Register*. The rule converts the mustard pilot crop insurance program to a permanent program. The final rule is effective for the 2009 crop year.

Cabbage Crop Provisions – The final rule is in the Product Administration and Standards Division (PASD) for review and approval. The final rule converts the cabbage pilot crop insurance program to a permanent program and is targeted for the 2010 crop year.

Grape and Table Grape Crop Provisions – On February 29, 2008, the proposed rule was published in the *Federal Register* and public comment period ends on April 29, 2008. The rule proposes several changes requested by grape producers and the grape industry and is targeted for the 2010 crop year.

Coverage Enhancement Option –The final rule is in Product Management’s concurrence process. It converts the pilot program to a permanent program option in follow up to previous Board action and is targeted for the 2009 crop year. Currently, CEO is only available for Texas citrus trees.

Cultivated Wild Rice – On March 3, 2008, the final rule was published in the *Federal Register*. The final rule converts the cultivated wild rice pilot crop insurance to a permanent program and is effective for the 2009 crop year.

Tobacco – On July 23, 2007, the public comment period to the proposed rule ended, and the PASD is preparing responses to the comments. The proposed rule rewrites and renames the current Guaranteed Tobacco Crop Provisions to the Tobacco Crop Provisions reflecting the elimination of tobacco quotas. In addition, the proposed rule eliminates the Quota Tobacco Crop Provisions. The final rule is in Product Management’s concurrence and is targeted for the 2009 crop year, pending possible changes contained in the 2008 farm bill.

Dry Pea – On March 18, 2008, the proposed rule public comment period ended. The rule proposes to provide coverage for fall planted dry peas and allow those who are insured to select different coverage

levels and price election percentages by dry pea type. The final rule is targeted for the 2009 crop year.

Program Highlights/Announcements:

RMA Announces the 2008 FFA Winners in Agency Essay Contest - On March 27, RMA announced the 10 winners of the 2008 Essay Contest. The winners were chosen out of 188 applicants. Each applicant wrote a 1,000-word essay that challenged his/her understanding on the principles of risk management. From April 30 to May 2, the 10 winners and their advisors will visit Washington, DC. During their visit, the winners will be recognized for their accomplishments at a USDA Ceremony. They will also visit the White House and their respective Congressional Members.

This year's essay contest winners are:

- Amanda Duvall, Ord, Nebraska; Ord FFA
- Clayton Hawkins, Bethel, Missouri; North Shelby FFA
- Courtney Hodges, Sterling City, Texas; Sterling City FFA
- Eric Kamler, Shickley, Nebraska; Filmore Central FFA
- Lacey Newlin, Cherokee, Oklahoma; Burlington FFA
- Eric Post, Syracuse, Nebraska; Syracuse-Dunbar-Avoca FFA
- Blaise Scheef, Syracuse, Nebraska; Syracuse-Dunbar-Avoca FFA
- James Sledd, Paducah, Kentucky; Reidland FFA
- Adam Venteicher, Pierce, Nebraska; Pierce FFA
- Jeremy Weichel, Cordell, Oklahoma; Cordell FFA

RMA Administrator Moderates Ag Outlook Session - On February 21, the Administrator moderated a session at the USDA 84th Agricultural Outlook Forum entitled, *Energizing Rural America in the Global Marketplace*. The name of the session was called *Policy & Trade: Farm Policy*.

RMA Administrator and Associate Administrator Attend US House Hearing - On April 10, the RMA Administrator and Associate Administrator attended a US House Agriculture Appropriations Subcommittee Hearing in Washington, DC. The purpose of the hearing was to discuss USDA's Fiscal Year 2009 Budget.

RMA Issues Final Findings in Utah Apples Case - On March 11, RMA issued its final findings for an indemnity overpayment of \$237,452 in an apple case (2005 crop year) in Utah County in Utah. The Federal Crop Insurance Corporation (FCIC) policy provisions require apples insured under optional coverage for quality adjustment be included as production to count if sold as U.S. Fancy. The Approved Insurance Provider (AIP) determined production to count by reducing the harvested production for quality based on the field grade determined by the loss adjuster. However, RMA obtained pack out records showing the policyholder sold more apples as U.S. Fancy than the Company determined as production to count.

RMA Associate Administrator Addresses RMA Leadership Training Program - On April 7, the RMA Associate Administrator welcomed and addressed the new agency Leadership Training Program participants, who were selected in a competitive process for a year-long project management program. The kick-off meeting was held at RMA's offices in Kansas City, MO and featured Farm Service Agency presenters and some 24 leadership trainees.

RMA Associate Administrator Speaks at Several Functions in Minnesota - From March 17 to March 18, the RMA Associate Administrator spoke and attended several functions in Minnesota. On March 17, he spoke to the Minn-dak Farmers Cooperative in Fergus Falls, MN. Then on the following day, he met with farmers and growers, a district staff member of House Agriculture Chairman Collin Peterson (D-MN-7), local insurance companies, and visited the local Farm Service Agency office in Tintah, MN. At the functions, he spoke about crop insurance and Farm Bill related issues.

Approved Insurance Provider (AIP) Requirement – On March 18, RMA issued a Manager’s Bulletin entitled *Comprehensive Information Management System (CIMS) Non-Disclosure Statements*. The Bulletin requires that all crop insurance companies, company employees, agents, and loss adjusters that have access to personally identifiable information must sign non-disclosure statements certifying that they will preserve the confidentiality of the information. On March 28, RMA held an industry conference call regarding MGR-08-004, during which the industry raised a number of important issues that RMA is carefully evaluating. As a result, RMA will be modifying the Manager’s Bulletin and accompanying non-disclosure statements. Consequently, RMA will not require that companies sign the AIP Non-disclosure Statements by the April 1, 2008 deadline, as required by MGR-08-004. Once modifications have been made, RMA will provide companies with a reasonable time to review any modified non-disclosure materials before requiring that AIP Non-disclosure Statements be signed.

Loss Adjuster Licensing – On March 30, 2008, RMA presented the FCIC program information to the Producer Licensing Working Group (PLWG) of the National Association of Insurance Commissioners (NAIC). This presentation was a continuation of previous discussions between RMA and PLWG regarding the problems RMA and the crop insurance industry have had with inconsistent State licensing requirements for crop loss adjusters. RMA anticipates meeting with NAIC’s Government Relations Leadership Council Taskforce at their summer conference in June 2008. RMA continues to work closely with NAIC Crop Insurance Working Group, Crop Insurance Research Bureau, National Crop Insurance Services, and the State licensing officials to establish crop adjuster licensing uniformity in an effort to alleviate this issue.

RMA Administrator Gives Radio Interview with Oklahoma Farm Bureau - On April 2, the RMA Administrator gave a radio interview with the Oklahoma Farm Bureau. The Administrator addressed the latest happenings on crop insurance related issues.

RMA Associate Administrator Addresses USDA Secretary Schafer’s Pest Management Summit - On April 17, the RMA Associate Administrator addressed the integrated pest management Pest Information Platform for Education and Extension (PIPE) before a number of USDA stakeholders.

Information Technology (or eWA) Update – In December of 2007, RMA suspended the development and implementation of the new business processing system commonly referred to as eWA. This decision also meant postponing the release of the new COMBO product indefinitely. RMA regretted the necessity to do this, but as we have always known, adequate funding for this project has been the greatest risk. Despite the President’s Fiscal Year (FY) 2008 Budget request that included a participation fee to fund this project, the agency has not yet obtained the necessary legislation or appropriations from Congress.

Currently, RMA is considering options to stabilize its aging IT systems until funding for a fully reengineered system can be obtained. Concurrently, contractor resources are being reduced and new hardware and software purchases are being deferred in order to compensate for increasing costs while the IT budget remains flat.

FSA/RMA/Extension Disaster Response Training – The RMA St. Paul Regional Office has partnered with the Minnesota Farm Service Agency and the Minnesota Extension Service to train County Executive Directors (CEDs) on new disaster reporting system. USDA has several programs that can be affected by having a county declared a disaster, but determining the disaster severity and scope can be difficult at times. Therefore, the goal of this project is to have a more consistent, science-based approach toward recommending disaster declarations to the State Emergency Board. A more consistent process will help in dealing with media inquiries after a severe weather event.

California Water Issues – Farmers and irrigation district officials are facing the possibility of water rationing on the west side of the San Joaquin Valley this summer due to the court-ordered protection of the delta smelt. More than a million acres of farmland could be affected by the rationing. Farmers have resorted to digging wells, voluntary cutbacks, and tapping into others sources. The court decision will have no impact to the Federal crop insurance program because snowpack and precipitation were average for the year and water shortages are being imposed due to environmental issues. The judge's order restricts water pumping of the Sacramento-San Joaquin River Delta for the protection of declining fish populations. RMA is preparing an Information Bulletin to assist Approved Insurance Providers in assessing potential prevented planting claims.

FY 2008 Risk Management Education Request for Applications (RFA) – The Risk Management Education Division received 165 applications for all three of its programs, which are Commodity Partnerships, Small Sessions, and Targeted States. Approximately 130 applications met the first level review and will be reviewed by independent panels the week of May 12, 2008 in Kansas City, MO.

Premium Reduction Plan (PRP) – For the 2006 reinsurance year, 8 (eight) companies were determined to be eligible for the opportunity to offer PRP. To offer a discount under PRP, companies must have submitted a request between February 17 to December 31, 2007. One company was approved by RMA to pay a PRP discount for the 2006 reinsurance year.

For the 2007 reinsurance year (RY), PRP was not available because of language in the 2006 appropriations bill. However, PRP is available for the 2008 and future reinsurance years. For the 2008 reinsurance year, five (5) companies were determined by RMA to be eligible for the opportunity to offer PRP. For the 2009 reinsurance year, RMA is currently reviewing requests from four (4) companies who have submitted requests for PRP-eligibility in their annual Plans of Operation.

Receipt of 2009 RY Plans of Operations – On April 2, 2008, Approved Insurance Providers (AIP) delivered their Plans of Operations for the 2009 RY. The Reinsurance Services Division is reviewing the plans for compliance to the Standard Reinsurance Agreement or the Livestock Price Reinsurance Agreement. On March 3, 2008, RMA issued an Informational Memorandum entitled *2009 Standard Reinsurance Agreement, Appendix II – Plan of Operations Submission Guidance*. This memorandum

provides assistance to AIPs. In addition, the memorandum includes an attachment titled *Exhibit 22 – Quality Control Plan Evaluation Worksheet*, and it states specific requirements and criteria for acceptable quality control plans.

Flood Damage Assessment

Arkansas:

Approximately 104,000 acres of wheat has been damaged or destroyed in Arkansas due to flooding. The counties reporting wheat damage include, Conway, Crawford, Faulkner, Independence, Jackson, Monroe, Poinsett, Pope, Prairie, Sebastian, St. Francis, White, Woodruff, and Yell. These early estimates are based on previous rainfall and do not include damage occurring since April 13, 2008. Additional wheat damage is expected due to continued excess moisture and/or flooding.

The major concern with spring planted crops is prevented planting. Only 26% of Arkansas' 490,000 acre corn crop (NASS expected 2008 planting estimate) has been planted and a good portion of that is damaged and will likely have to be replanted. Before the recent rains, Extension Specialists estimated it would take two weeks before land preparation could begin (3 weeks on heavy clay soils). With a May 10 final planting date, and no end to the rain in sight, a good portion of Arkansas' corn acreage may be eligible for prevented planting payments. There is also concern regarding the possibility of prevented planting acres on other spring crops. Plantings of rice (final planting date 5/31), cotton (final planting date 5/25 south, 5/20 north) and grain sorghum (6/10 final planting date) are in jeopardy if additional rain falls.

Illinois:

The southern part of Illinois was hit hard by flooding in the past month. The Governor of Illinois has requested 15 counties be declared a disaster area. No spring crops have been planted to date in the State. There is also concern for the winter wheat crop in southern Illinois. Typically, in Illinois only 17% of the corn acreage is planted by April 16. Although the State has experienced abnormally cool and wet conditions, there is still plenty of time to get the crop planted once warmer and drier weather arrives.

Missouri:

The RMA Topeka Regional Office is monitoring Mississippi River Gage websites from Iowa to Arkansas in an effort to evaluate potential flooding. Of 14 river gages on the Missouri side of the Mississippi River, 13 of 14 river gages are 1-10 feet above flood stage, with the average being about 2 feet above. West of St. Louis on the Missouri, only the first 3 river gages were observed to be above flood stage.

Rice planting in Southern Missouri has been delayed. The State is expecting to see a sharp rise in aerial rice seeding this year due to wet conditions. The final planting date for rice is May 31. Historically, the "boot heel" of Missouri has around 85% participation in the rice insurance program.

Corn planting in the Missouri's counties that are affected by the Mississippi River flooding are expected to be running behind schedule this year. Both prevented planting and replanting payments are available should producers be affected by delays in planting.

Soft wheat is also being damaged by the saturated soils and flooding. RMA estimates that 55% of the Missouri wheat acres are protected by crop insurance.

Oklahoma:

As of April 11, approximately 750 to 1,000 acres of wheat has been damaged or destroyed in Oklahoma due to flooding/excess moisture. The county reporting the wheat damage was Logan County in Central Oklahoma. The county's early estimate was based on rainfall from the previous week and from earlier that week in the northern part of the county. Damage to other crops in the county has not been reported at this time. The total net of wheat acres (2007 Crop Year) for Logan County is 26,678 with a total liability of \$2,446,316. For an estimated 1,000 acres, this would be an estimated \$92,000 for damages based on 2007 liability.

Texas:

As of April 11, minimal damage has been reported for most of the northeastern counties of Texas. Winds from 70 to 80 mph were reported in a few counties. However, no damage was reported to the wheat due to its stage of growth. Spotty rains were reported in most counties. Nevertheless, hail was reported in the northwestern corner of Denton County and flooding was reported in Delta County. Early estimates are that approximately 20,000 acres of wheat have been damaged in North Texas due to hail/flooding/excess moisture. The counties reporting estimates of wheat damage are Denton and Lamar County.

Delta County did not have an estimate at the time of this reporting. Its early estimate for wheat is based on rainfall from the previous couple of weeks. Damage to any other crop in the county has not been reported at this time.

Lamar County expects some prevented planting claims on corn could occur due to the excess moisture. The county indicated they had received 22 inches of precipitation since January with steady rain for the past 6 to 8 weeks and 10 inches of the total rain received on March 31, 2008. No estimates for corn were included at this time.

Nursery Crop Insurance Program Update - On February 28, 2008, in response to an OIG Management Alert resulting from the Audit of 2005 Emergency Hurricane Relief Efforts in Florida, RMA issued bulletin No. MGR-08-003 titled *Documentation to Support Nursery Plant Inventory Value Report (PIVR) and Claims for Indemnity*.

OIG found the following:

- Significant amounts of coverage were established where policyholders did not have inventory records to support their PIVR;
- Adequate documentation is not requested to support the PIVR
- Peak endorsements are not properly supported by physical inventory;
- Policyholders are not always required to provide verifiable wholesale sales records at the time of application if the plants are priced at least 50 percent higher than the nursery software price.

Therefore, MGR-08-003 requires AIPs to obtain and inspect records that support the PIVR, revised

PIVR, Peak Inventory Value Report, and/or the Pilot Nursery Growers Price Endorsement to determine if they are acceptable before completing all 2008 claims for indemnity.

For the 2009 crop year, RMA is asking agents, using a current physical plant inventory, to assist policyholders to use RMA's Crop Inventory Valuation Estimate Report (nursery software) to develop the PIVR. When the nursery software is not used, AIPs must review the policyholder's supporting plant inventory and price documentation to verify that the PIVR, revised PIVR, and/or Peak Inventory Value Report are properly supported.

RMA will annually spot check compliance with the bulletin.

Background on FAD-087:

In response to this MGR-08-003, RMA received a request for a final agency determination (FAD) under the authority of 7 C.F.R. part 400, Subpart X. RMA issued FAD-87 on March 27, 2008, which becomes binding on all participants of the Federal crop insurance program when issued. The FAD provides that insurance cannot attach for any unit for which acceptable supporting records are not provided; and the AIP has no discretion in determining whether the records provided by the policyholder are adequate or inadequate.

Compliance:

Ongoing Investigations/Audits/Sanctions Update – Hilton Parker [Disqualification/Civil Fine]. A complaint alleged that Hilton Parker sold several loads of soybeans in a fictitious name in order to hide the soybeans from his insurance company. The RMA investigation determined that Parker's misrepresentation resulted in indemnity overpayments of \$16,462 in 2003 and indemnity overpayments of \$27,841 in 2004 and recommended that he be disqualified and assessed a civil fine. Parker did not file an answer to the complaint within the allotted period and on December 28, 2007, a Motion to Enter a Default Decision and Order was filed with the Office of the Administrative Law Judge. On April 10, 2008, a Notice of Effective Date of Decision and Order was received. Parker is disqualified for three years (April 7, 2008 through April 8, 2011) and assessed a \$10,000 civil fine.

On April 10, 2008, the Deputy Administrator for Compliance and Special Investigator, Mark Price, attended a negotiation in Minneapolis, MN between representatives for a former Approved Insurance Provider and two Assistant US Attorneys from the District of North Dakota (or Fargo Office). The meeting was arranged to seek settlement of a 2000 Crop Year sugar beet finding. Compliance determined the former AIP owed RMA nearly \$2 million for overpayments due to excessive yields. The negotiations were concluded and the former AIP agreed to settle all outstanding claims for this case for \$2.3 million including interest.

National Program Operations Reviews (NPOR) – The Compliance Offices are preparing to initiate the NPOR's for the 2007 crop year, while continuing to work on wrapping up the 2006 policy reviews and reports. The 2007 policy selections will be made by May 1, 2008, and the entrance conferences for the following AIP's will be held over the next few weeks.

RO code	AIP Name	Compliance Office
AB	ARMtech Insurance Services	WRCO - Davis, CA
AU	CGB Diversified Services	MRCO – Indianapolis, IN
EF	Rural Community Insurance Services	ERCO – Raleigh, NC
GA	Great American Insurance Company	SRCO – Dallas, TX
NA	NAU Country Insurance Company	NRCO – Minneapolis, MN
PL	Producers Agriculture Insurance Company	CRCO – Kansas City, MO

Once the 2006 policy findings are finalized, RMA will complete the three-year Improper Payments review cycle. This will provide RMA with the first full program error rate since it began the NPOR process. Due to further unanticipated corrective actions delays, RMA expects to report the final 3-year program error rate in May 2008.

Update GAO Report on Fraud, Waste, and Abuse – This audit provided recommendations to RMA as to how we could improve compliance efforts. RMA agreed in principle with most of the GAO recommendations and agreed to proceed on the following items:

- Adjusting the producer spot-check list procedures to permit FSA to review fall seeded crops for the following year as opposed to the current year, which was ineffective. RMA discussed the possibility of separating the data mining algorithms for the fall and spring, but determined that essential data would be excluded in the process. Farm Service Agency has said without more resources, it will be unable to perform 100 percent of the designated growing season inspections. **Status - Complete.**

- Distributing to each AIP the listing of its policyholders whose tax identification numbers or shareholders with substantial beneficial interests did not reconcile with FSA’s permitted entity file. RMA will formally require the AIPs to review the discrepancies under Appendix IV and report the results in the future.

Status – Overdue. The Farm Service Agency (FSA) did not add “Taxpayer Identification Number Data Mining by RMA” to its routine use listing under the Privacy Act. Subsequently, until FSA completes this task, RMA cannot use FSA entity information to implement the GAO recommendation. On February 22, 2008, FSA released the draft Notice to OGC for formal review and concurrence.

- Finalizing a quality control program for the AIPs intended to help RMA assess the effectiveness of the quality controls used by the AIPs. In addition, RMA Compliance will continue to test AIP quality control programs during scheduled national operations reviews.

Status – In Progress. RMA continues to work on this recommendation. On April 30, 2007, companies were required to have all their quality control inspections electronically submitted to RMA on “Type 57” records. In the initial review of data, Compliance has identified processing errors that appear to have corrupted some data and is continuing to conduct data testing.

- Finalizing the ARPA-implemented sanctions regulations as soon as OGC has completed its review of the current draft. RMA informed GAO that the lack of these regulations had not hindered RMA from using the statutory authority to sanction some producers. However, getting the regulations in place should help improve the overall sanctions process.

Status – In Progress. The proposed rule to amend the *General Administrative Regulations, Administrative Remedies for Non-Compliance* provisions was published in *The Federal Register* on May 18, 2007, with the comment period ending on June 18, 2007. Compliance has reviewed the comments to the proposed regulation and forwarded the final rule to OGC for clearance. RMA received 17 comments within the comment period. The proposed rule and the comments received are now available online at www.regulations.gov under the Federal Crop Insurance Corporation.

Update on Staffing and Resources – RMA previously reported that due to a number of anticipated and unanticipated retirements in the Compliance Regional Offices, overall Compliance personnel numbers could be short by as many as 12 staff positions by the end of March 2008. Compliance is seeking candidates through routine and alternative-hiring venues, such as the career and summer intern programs in to order to fill these vacancies as quickly as possible. The Eastern Regional Compliance Office has now made offers to two new reviewers. The Northern Regional Compliance Office had hired one new reviewer and an Office Assistant and the Deputy Administrator’s Office opened an announcement on April 9, 2008, to hire an Assistant Deputy Administrator.

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