



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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TO: Board of Directors
Federal Crop Insurance Corporation

September 17, 2001

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

SUBJECT: Board Memorandum No. 626
Docket No. CI-CRC-CGRAINS/CTN/RICE-01-1
Crop Revenue Coverage Coarse Grains, Cotton, and Rice Revisions for the 2002
Crop Year as Submitted by American Agrinsurance, Inc.

There is submitted for your consideration the subject docket authorizing or not authorizing revisions to Crop Revenue Coverage (CRC) Coarse Grains, Cotton, and Rice plans of insurance to be sold beginning with the 2002 crop year. CRC 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 Federal Crop Insurance Act requires the Federal Crop Insurance Corporation 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, approve with revisions, or disapprove, based on an evaluation of all experts and other reviews, Docket No. CI-CRC-CGRAINS/CTN/RICE-01-1.

RESOLVED, That Docket No. CI-CRC-CGRAINS/CTN/RICE-01-1, Exhibit No. 2064, authorizing revisions for Crop Revenue Coverage Coarse Grain, Cotton, and Rice to be sold beginning with the 2002 crop year as authorized under section 508(h) of the Federal Crop Insurance Act, 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 and the Board reserves the authority to approve 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-CGRAINS/CTN/RICE-01-1, Exhibit No. 2064, on the basis that the Board has been unable to make a determination that the interests of producers are adequately protected and that the policy is actuarially sound.

For Official Use Only" and "Secure Storage Required" Provisions Expired on: September 17, 2001

FCIC Docket No: CI-CRC-CGRAINS/CTN/

RICE-01-1

CRC Coarse Grains, Cotton,
and Rice
Revisions - 2002 Crop Year

Voted on by the Board of Directors on: September 17, 2001

Crop Revenue Coverage Coarse Grains, Cotton, and Rice for the 2002 Crop Year
Docket No. CI-CRC-CGRAINS/CTN/RICE-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 Coarse Grains, Cotton, and Rice plans of insurance beginning with the 2002 crop year, 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 Coarse Grains, Cotton, and Rice for the 2002 Crop Year
Authorization for Approval or Disapproval
Docket No. CI-CRC-CGRAINS/CTN/RICE-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 (CRC) Coarse Grains, Cotton, and Rice plans of insurance beginning with the 2002 crop year, as authorized under section 508(h) of the Federal Crop Insurance Act (Act) for the program.

II. Justification

The authority contained in this docket is needed for FCIC to implement revisions for CRC Coarse Grains, Cotton, and Rice plans of insurance. Section 508(h) of the Act requires FCIC to provide reinsurance to reinsured companies only if the policy is actuarially sound and interests of producers are adequately protected. Such policies will be provided to producers at actuarially appropriate rates and under appropriate terms and conditions.

III. Background Data - Crop Revenue Coverage Coarse Grains, Cotton, and Rice

Section 508(h) of the Act allows a person to submit to the Board of Directors (Board) other crop insurance policies. American Agrisure, Inc., submitted CRC to the Board in 1996 and it was approved at that time.

Since the CRC program's first implementation in 1996 for corn and soybeans in Iowa and Nebraska, the program has expanded to corn in 47 states, grain sorghum in 29 states, soybeans in 32 states, cotton in 18 states, rice in 9 states, and wheat in 35 states. American Agrisure, Inc.'s CRC program insures 29 percent of the multiple peril crop insurance (MPCI) crop acreage and 30 percent of the MPCI liability in the 2000 crop year. CRC policies provide 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 Agrisure, Inc., submitted revisions to the CRC Coarse Grains, Cotton, and Rice policy effective for the 2002 crop year.

B - AUTHORIZATION

I. General

Authority to implement revisions for Crop Revenue Coverage Coarse Grains, Cotton, and Rice beginning with the 2002 crop year is contained in section 508(h) of the Act (7 U.S.C. 1508(h)).

II. Program Description

The revisions to CRC coarse grains, cotton, and rice submitted by American Agrisurance, Inc., are:

1. Changing the harvest price discovery period from which the prices are averaged from November to October for corn and grain sorghum in counties with a March 15 cancellation date;
2. Changing the base price discovery period for corn, grain sorghum, and soybeans in counties with a cancellation date prior to March 15, and for cotton and rice in counties with a cancellation date of January 31, to allow less time between the price discovery period and the sales closing date;
3. Changing the method of calculating the amount of indemnity on CRC enterprise units;
4. Allowing a one-year lag in determining the low price and high price rate factors;
5. Changing the Commodity Exchange Endorsements for each crop to make the coverage unavailable if the trading volume on the commodity exchange market is insufficient to render a Base Price and/or Harvest Price; and
6. Revising the language of the CRC policy to state that policyholders must select the enterprise unit by the sales closing date and the selection will remain in effect from year to year unless changed by the policyholder.

CRC 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, Inc., submitted revisions to the CRC Coarse Grains, Cotton, and Rice policies effective for the 2002 crop year.

III. Operating Provisions

The operating provisions for implementing this program are Crop Revenue Coverage Coarse Grains, Cotton, and Rice policy provisions, actuarial documents, underwriting rules, and administrative procedures approved by the Board for Risk Management Agency (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.

FINAL RESOLUTION

RESOLVED, That, revisions to the harvest price discovery and base price discovery periods be approved for the 2002 crop year with adjustments in the dates for the release of prices to be coordinated and approved by the Risk Management Agency; revisions to allow a one-year lag in price factors and to allow the enterprise unit selection to remain in effect from year to year unless the insured elects a change by the sales closing date be approved beginning with the 2002 crop year; the revision to the method of calculating the amount of indemnity on CRC enterprise units be tabled; the change to the Commodity Exchange Endorsement be amended so that in the event a harvest price cannot be determined, the CRC harvest price would be the base price; and the language approved by the Board for CRC wheat on July 19, 2001, regarding the inability to determine a base or harvest price due to insufficient trades be approved for the CRC policy for coarse grains, cotton and rice.

Adopted by the Board of Directors on: September 17, 2001

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

[SEAL]

Approved by:

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

9/19/01
Date