



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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Washington, DC
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TO: Board of Directors
Federal Crop Insurance Corporation
October 18, 2002

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.*
Manager

SUBJECT: Board Memorandum No. 682
Docket No. CI-RA-MaltBarley-02-2
Expansion of the Revenue Assurance Plan of Insurance to Cover Malting
Barley - Submitted by American Farm Bureau Insurance Services, Inc.,
Beginning with the 2003 Crop Year

There is submitted for your consideration the subject docket authorizing or not authorizing the expansion of the Revenue Assurance (RA) plan of insurance to cover malting barley in all counties in Idaho, except Shoshone County, beginning with the 2003 crop year as submitted by American Farm Bureau Insurance Services, Inc., with reinsurance, risk subsidy, and administrative and operating subsidy.

Under section 508(h) of the Federal Crop Insurance Act (Act), the Board shall approve a submission if the interests of producers are protected and the premium rates are actuarially appropriate. While section 508(h) of the Act states that submissions may be prepared without regard to the limitations in the Act, it is not unrestricted. The coverage level and price elections have been specifically referenced as examples of the limitations that do not apply. These provide the guidelines regarding what constitutes a limitation. All other provisions of the Act, such as prohibitions, are applicable to the submission. If the submission violates one of these other provisions, then the Board does not have the authority to approve the submission. Since the Act also requires the agency to take such action to make the program actuarially sound and protect the integrity of the program, the Board does not have the authority to approve submissions that contain program vulnerabilities or adversely affect program integrity.

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-RA-MaltBarley-02-2.

RESOLVED, That Docket No. CI-RA-MaltBarley-02-2, Exhibit No. 2135, authorizing implementation of the expansion of the Revenue Assurance plan of insurance to cover malting barley 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 all counties in Idaho, except Shoshone County, 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 policy legally sufficient.

OR

RESOLVED, that the submitting entity is notified of the Board's intent to disapprove Docket No. CI-RA-MaltBarley-02-2, Exhibit No. 2135, 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.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: Oct. 24, 2002

FCIC Docket No. CI-RA-MaltBarley-02-2

Expansion of the
Revenue Assurance
Plan of Insurance to
Cover Malting Barley
Beginning with the
2003 Crop Year

Voted on by the Board of Directors on: October 22, 2002

Expansion of the Revenue Assurance Plan of Insurance to Cover Malting Barley
Beginning with the 2003 Crop Year
Docket No. CI-RA-MaltBarley-02-2

SUMMARY

If approved by the Board, this docket will authorize implementation for the expansion of the Revenue Assurance plan of insurance to cover malting barley with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions determined appropriate by the Board beginning with the 2003 crop year in all counties in Idaho, except Shoshone County, as authorized under section 508(h) of the Federal Crop Insurance Act.

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

Expansion of the Revenue Assurance Plan of Insurance to Cover Malting Barley
Beginning with the 2003 Crop Year
Authorization for Approval or Disapproval
Docket No. CI-RA-MaltBarley-02-2

A - INTRODUCTION

I. Purpose

If approved by the Board of Directors (Board), this docket will authorize implementation for the expansion of the Revenue Assurance (RA) plan of insurance to cover malting barley with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions determined appropriate by the Board beginning with the 2003 crop year in all counties in Idaho, except Shoshone County, as authorized under section 508(h) of the Federal Crop Insurance Act (Act).

II. Justification

Section 508(h) of the Act requires the Federal Crop Insurance Corporation (FCIC) to provide reinsurance to reinsured companies and to provide additional insurance risk management tools to producers only if the policy complies with all applicable provisions of the Act, the interests of producers are adequately protected, the premium rates are actuarially appropriate and program integrity is protected.

III. Background Data – Expansion of the Revenue Assurance Plan of Insurance to Cover Malting Barley

The Board approved RA for corn and soybeans in all counties in Iowa for the 1997 crop year. For the 2002 crop year RA is available for: canola/rapeseed in the states of Idaho and North Dakota; corn in the states of Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, South Dakota, and Tennessee; feed barley in the states of Idaho and North Dakota; soybeans in the states of Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, South Dakota, and Tennessee; sunflowers in the state of North Dakota; spring wheat in the states of Colorado, Idaho, Iowa, Minnesota, North Dakota, and South Dakota; and winter wheat in the states of Arkansas, Colorado, Idaho, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Ohio, Oklahoma, South Dakota, and Tennessee. For the 2003 crop year RA will be available for cotton in the states of Arizona, Arkansas, Louisiana, New Mexico, and Oklahoma and for rice in the states of Arkansas and Louisiana. For the 2002 crop year the total premium for RA is \$190,940,992 and the total liability is \$2,051,052,465.

American Farm Bureau Insurance Services, Inc., is requesting reinsurance, risk subsidy, and administrative and operating subsidy for its expansion of the RA plan of insurance to cover malting barley beginning with the 2003 crop year, in accordance with section 508(h) of the Act.

B - AUTHORIZATION

I. General

Authority to approve the expansion of the Revenue Assurance (RA) plan of insurance to cover malting barley with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions determined appropriate by the Board beginning with the 2003 crop year 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 the expansion of the RA plan of insurance beginning with the 2003 crop year for malting barley in all counties in Idaho, except Shoshone County.

The Revenue Assurance Malting Barley Price and Quality Endorsement multiplies the additional contract price by the approved yield of malting barley varieties and allows producers to buy additional coverage to protect against yield and quality losses.

The Revenue Assurance Malting Barley Price and Quality Endorsement does not provide a revenue guarantee. Malting barley production will be valued at the actual production history (APH) prices for malting barley published in the Special Provisions rather than actual harvest prices.

The submitter expects the RA plan of insurance for malting barley to insure 10 percent of the malting barley acreage in Idaho. The total liability and premium for malting barley is expected to be \$2,500,000 and \$300,000, respectively.

III. Operating Provisions

The operating provisions for implementing this program are the RA plan of insurance policy provisions, actuarial documents, underwriting rules, and administrative procedures approved by the Board for RMA to administer.

IV. Administration

If approved by the Board, this program may be offered under the Standard Reinsurance Agreement by all insurance companies reinsured by FCIC and will be carried out in accordance with the provisions of the Act. The reinsurance will be provided in accordance with such terms and conditions determined appropriate by the Board.

V. Effective Date

This docket will become effective upon signature by the Chairperson 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 Docket No. CI-RA-MaltBarley-02-2, Exhibit No. 2135, authorizing implementation of the expansion of the Revenue Assurance plan of insurance to cover malting barley 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 all counties in Idaho, except Shoshone County, 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 policy legally sufficient.

Adopted by the Board of Directors on: October 22, 2002

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

[SEAL]

Approved by:

/s/ Keith Collins
Keith Collins
Chairman of the Board

10/24/02
Date