



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

1400 Independence
Ave, SW
Stop 0801
Washington, DC
20250-0801

TO: Board of Directors
Federal Crop Insurance Corporation
February 6, 2003

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

SUBJECT: Board Memorandum No. 697
Manager's Report

This memorandum serves as a Manager's report to the Board of Directors (Board), Federal Crop Insurance Corporation (FCIC), for the February 7, 2003, meeting. The report relates to both program and administrative issues as outlined below:

1. **Program Issues:**

Premium Discount Plan: Converium Reinsurance, Inc.'s (CINA) and Crop1 Insurance Direct, Inc.'s (Crop 1) submission, Premium Discount Plan (PDP), was implemented January 10, 2003. PDP reduces producer paid premium by an amount equal to 3.5 percent of gross premium for all Federally reinsured plans of insurance for the crops and states listed below. The premium reduction is based on administrative efficiencies attained by CINA and Crop 1 through sales of PDP over the Internet and through their operational and distribution systems. The states where PDP is offered are: Iowa, Illinois, Nebraska, Kansas, Minnesota, Indiana, and North Dakota; and the eligible crops are: corn, grain sorghum, soybeans, sugar beets, and wheat. As part of the approval of PDP, CINA and Crop 1 are required to submit weekly progress reports to the Risk Management Agency (RMA).

Common Crop Insurance Policy Basic Provisions: Approximately 210 sets of comments were received in response to proposed changes to the Basic Provisions of the Common Crop Insurance Policy. The comment period ended on November 12, 2002, and since that time RMA has been analyzing and organizing the comments into an acceptable format for publication as a final rule in the Federal Register. Significant issues have been identified and RMA has been working with the Office of the General Counsel on how to address them in the final rule. Although sales closing dates are some time off for 2004 crops, the actuarial documents for some of them must be created no later than the end of April 2003. Therefore, to allow adequate time to determine any premium rate changes and facilitate policy and actuarial filing issuance, the final rule will be needed in the next 60-90 days.

Ownership of Crop Revenue Coverage (CRC) and Group Risk Income Protection (GRIP) plans of insurance: CRC and GRIP are plans of insurance approved for reinsurance by the FCIC Board under section 508(h) of the Federal Crop Insurance Act. These plans of insurance were initially developed and maintained by American Agrisurance, Inc. (AmAg). On December 31, 2002, AmAg informed RMA it would no longer maintain CRC or GRIP and relinquished to FCIC all rights, title and interest in these plans of insurance. RMA is evaluating options for the future of these plans and how to effectively bring them into the fold of RMA's product portfolio. RMA is also working with American Farm Bureau Insurance Services, Inc., the developer of Revenue Assurance (RA), to hold an exploratory meeting of how perhaps RA may also be considered in merging very similar and like products.

Prevented Planting Forums: RMA has scheduled a series of Prevented Planting Forums. The purpose of the forums is to have representation from the crop insurance industry, RMA, trade or service groups, and interested grower groups to work together to resolve problematic areas of the current prevented planting provisions. The initial kick-off meeting for industry representatives was held January 14, 2003, in Kansas City. At the meeting, two work groups were formed and were assigned prevented planting issues to address and resolve. Reports from the two groups are due February 14, 2003, and RMA will schedule conferences with all meeting participants to discuss the findings of the reports and potential courses of action to improve prevented planting coverage for the future. RMA will also be meeting with representatives of various commodity groups that have been designated to serve as members of the prevented planting forums to seek their views, input and advice on how best to structure prevented planting coverage for the future.

2. Administrative Issues:

One of the major challenges facing RMA is the reorganization of RMA and the realignment of resources to meet the needs of both FCIC and the RMA. RMA has been working on numerous initiatives to improve and streamline the work and workforce. In January 2003, I rotated a number of RMA managers to better align the functions with RMA's strategic plan.

- Heyward Baker will lead the **Regulatory Coordination** function, helping to better define RMA's role in regulating insurance programs supported by FCIC. He will also serve as liaison to all federal and state regulatory agencies.
- Denise Hoffmann will be Acting Director of RMA's **Reinsurance Services Division**. Denise will remain in Kansas City and continue as Director of the Actuarial Division.

- Michael Hand will lead the **Compliance Function**, continuing the emphasis on prevention of fraud, waste, and abuse in RMA programs. On an interim basis, Anne Jenkins will serve as Acting Director of **Risk Management Services Division**.
- Larry Piatz will head up the **Program Integrity and Internal Controls** area of RMA and will include reviews of participating insurance companies. Wes Azama will be the Deputy Director of this team.
- Garland Westmoreland will lead the **Strategic Data Acquisition and Analysis Function** to expand the use of data mining and strategic data in all RMA programs. Kirk Bryant will be the Deputy Director of this team.

In addition to these management rotations, I have appointed David Hatch as the **Deputy Manager** of FCIC effective February 6, 2003. David will assist me in my role as the Manager of FCIC.

These changes, which are consistent with RMA's strategic plan, will help us focus more directly on key issues facing RMA. I am very appreciative of the willingness of each person and their staff to accept these new challenges.