

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 August 5, 2005, in Room 104-A of the Jamie L. Whitten Federal Office Building, Jefferson Drive, Washington, D.C. The public was invited to attend the open session portion of the meeting.

Meeting  
August 5, 2005

The meeting was called to order at 8:00 a.m. in open session.

Call to Order  
Open Session

The Board then immediately went into executive session to discuss confidential matters with RMA staff and submitters.

The open session of the Board reconvened at 10:35 a.m.

The Chairman then requested Board members and guests to introduce themselves. Present were Keith Collins, Chief Economist, USDA and Chairperson; John Askew, Bill Classen, Tim Kelleher, Frank Jones, and Luis Monterde constituting a statutory quorum; J.B. Penn, Under Secretary USDA; Ross Davidson, Manager, FCIC; Brent Doane, Secretary, FCIC; and Marty Wilson, Deputy Secretary, FCIC.

Present

Also present were Floyd Gaibler, Butch May, Farm and Foreign Agricultural Services (FFAS); David Grahn, Kim Arrigo, Office of the General Counsel (OGC); Byron Anderson, Alan Ott, James Callan, Amy Roeder, Ron Lundine, Virginia Guzman, Dave Fulk, Leiann Nelson, Steve Hoy, Cindy Spoor, Eric Edgington, Tom Worth, George Harris, Bridger Roy of the Risk Management Agency (RMA); Russell Redding, Pennsylvania Department of Agriculture; David Bossman, Applied Analytics; Linda Vickers, Rural Community Insurance Corporation; Stephan Frerichs, Rain & Hail; David Graves, American Association of Crop Insurers; Sarah Tyree, AgriLogic; Brian Brandt, ACIC-American Farmland Trust; Mark Powell, Maryland Department of Agriculture, Perry Hedin, CIAB; Richard Conner, Wayne Hamilton, Grassland Management Services; Kerry Shropshire, Jason Schickedanz, AgForce.

Kim Arrigo read a recitation to all members of the Board. One possible issue regarding a member of the FCIC Board of Directors, John Askew, also being a member of the Board of Directors of Iowa Farm Bureau, a submitter of a product, was identified by OGC. Examination of the relationship by OGC led to the determination that the relationship would not have an impact on the personal

Recitation

finances of Mr. Askew that were any different than the impact on the personal finances of the other FCIC Board members. No direct and predictable affects of the relationship was identified.

Dr. Collins then asked Ross Davidson, FCIC Manager for the Manager's Report. Mr. Davidson noted that the report was contained in materials distributed to each Board member and that the reading of the report be dispensed. Hearing no objection, Dr. Collins agreed to dispense with a reading of the Manager's Report (Board Exhibit No. 2800 )

Manager's Report

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 June 8, 2005.

Dispense with Reading – Minutes

The motion carried. (Exhibit No. 2801)

Approved

Dr. Collins shared with the public information contained in a memorandum issued by the Director of the Office of Management and Budget (OMB) regarding the application of Pay-Go to Federal government actions. Dr. Collins explained that the implications for the Board is that any actions that increase mandatory spending will be contingent upon approval of offsetting spending cuts or obtainment of a waiver from OMB to the Pay-Go requirement. Dr. Collins reminded the public that because of the Pay-Go requirement, the actions of the Board this day are not necessarily the ultimate and final action.

Discussion of Pay-Go Requirements

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

Revisions to the AGR-Lite Plan of Insurance

RESOLVED, that pursuant to the information contained in Docket No. CI-Adjusted Gross Revenue-Lite Revisions-05-02, Exhibit No. 2803, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves the following revisions to the AGR-Lite Plan of Insurance: (1) Clarify the definition of insured causes of loss, (2) Increase the maximum liability from \$250,000 to \$1 million, and (3) Add a 3/15 sales closing date for producers and tables the other provisions submitted to the Board for its consideration until such time as such provisions are revised and resubmitted, beginning with the 2006 crop year, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under sections 508(h) of the Federal Crop Insurance Act. 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 Board voted to approve the resolution.

Approved

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

Implementation of the LGM Pilot Program

RESOLVED, that pursuant to the information contained Docket No. CI-Livestock Gross Margin-Cattle Submitted by Iowa Agricultural Insurance Innovations, L.L.C.-05-02. Exhibit No. 2809, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby approves implementation of the Livestock Gross Margin-Cattle Pilot Program beginning with the 2006 reinsurance year with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 523(b) 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. This Board approval is contingent upon the following terms:

- 1. that the insurance policy will be limited to 5,000 head per insurance period and 10,000 head per reinsurance year and,
- 2. that the submitter and RMA resolve any implementation issues identified by RMA and,
- 3. that the submission be limited to the following states: Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming.

The Board voted to approve the resolution.

Approved

Based upon discussions with the board and concerns expressed by the Board members, the Chair offered the following resolution, which was seconded, for adoption:

Nutrient Best Management Practice Endorsement Revision

RESOLVED, that pursuant to the information contained in Docket No. CI - Revisions to the Nutrient Best Management Practice Endorsement – 05-01, Exhibit No. 2810, as well as other material that were submitted to the Board on this matter, the Board hereby issues its notice of intent to disapprove the revision to the Nutrient Best Management Practice endorsement beginning with the 2006 crop year on the basis that:

- 1. Yield risk is increased and uncertain and therefore, the Board cannot determine that the rates are actuarially sound or the

interests of producers are protected.

The Board voted to approve the resolution.

Before offering its motion, the Chair commented regarding discussions with the Board and concerns expressed by the Board members and expert reviewers regarding the efficacy of the product. The Chair noted that in 2003, only one (1) policy was sold, covering only 10 acres. In 2004, no policies were sold. In 2005, RMA records show zero (0) policies being sold, although the submitter has indicated that four (4) policies have been sold. In expressing concern that the endorsement did not meet the interest of producers and that the resources spent on this product could be better used to meet the interests of producers, Dr. Collins noted the Board's discussion and concerns regarding the cost of research and development, the continued cost of maintenance, the cumbersomeness and the administrative complexity of the program, the costs to RMA and to the companies which include training costs, all for a product that is not selling. The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI - Revisions to the Nutrient Best Management Practice Endorsement –05-01, Exhibit No. 2810, as well as other material that were submitted to the Board on this matter, the Board hereby issues its Notice of Withdrawal of reinsurance, risk subsidy, and administrative and operating subsidy and discontinue the Nutrient Best Management Practice endorsement beginning with the 2006 crop year, on the basis that:

1. the Board can no longer determine the interests of producers are protected for the reasons provided to the submitter.

The Board voted to approve the resolution.

Following the vote, Dr. Collins informed the submitter that this was a Notice of Intent to Withdraw Insurance and that the submitter did have an opportunity to cure the ills described and that the submitter had 30 days to respond to the concerns raised by the Board.

Steve Hoy provided the Board with a presentation on the proposed Nursery Grower's Price Endorsement with a recommendation that the Board approve the endorsement.

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI- Nursery Pilot Grower's Price Endorsement Program-05-02.,

Approved

Nutrient Best  
Management  
Practice  
Endorsement  
Withdrawal

Approved

Nursery Pilot  
Grower's Price  
Endorsement  
Program

Exhibit No. 2811, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves implementation of the Nursery Grower's Price Endorsement beginning with the 2006 crop year in all Alabama, Arkansas, Connecticut, Florida, Georgia, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Virginia, and Washington counties, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager beginning with the 2006 crop year as authorized under section 523(a)(4)(b) of the Federal Crop Insurance Act. 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 Board voted to approve the resolution.

Approved

William Bing provided the Board with a presentation on the proposed expansion of Group Risk Income Protection to cover wheat with a recommendation that the Board approve the expansion.

GRIP Expansion  
to Wheat

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

RESOLVED, that pursuant to the information contained in Docket No. CI-Group Risk Income Protection Expansion to Wheat Beginning with the 2006 Crop Year – 05-02, Exhibit No. 2814, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves, authorizing expansion of the GRIP plan of insurance to wheat beginning with the 2006 crop year for all states and counties approved for GRP wheat for the 2006 crop year and any counties approved for GRP wheat in the future, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager beginning with the 2006 crop year as authorized under section 523(a)(4)(b) of the Federal Crop Insurance Act. 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 Board voted to approve the resolution.

Approved

William Bing provided the Board with a presentation on the proposed expansion of Group Risk Income Protection to cover cotton with a recommendation that the Board approve the expansion.

GRIP Expansion  
to Cotton

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

RESOLVED, that pursuant to the information contained in Docket No. CI-Group Risk Income Protection (GRIP) Expansion to Cotton Beginning with the 2006 Crop Year-05-01, Exhibit No. 2813, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves expansion of the GRIP plan of insurance to cotton beginning with the 2006 crop year for all states and counties approved for GRP cotton for the 2006 crop year and any counties approved for GRP cotton in the future, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager beginning with the 2006 crop year as authorized under section 523(a)(4)(b) of the Federal Crop Insurance Act. 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 Board voted to approve the resolution.

Approved

Leiann Nelson and Virginia Guzman provided the Board with a presentations on the proposed extension of the following pilot programs: Adjusted Gross Revenue (2006), Apple Quality Pilot Option (2006), Onion Stage Removal Pilot Program (2006), Florida Fruit Tree Pilot Program (2006), Avocado and Mango Tree Pilot Program (2006), California Avocado Revenue Pilot Program (2007), and Florida Avocado Pilot Program (2007) with a recommendation that the Board approve the extension. The purpose of the extension was to ensure the completion of program evaluations.

Pilot Program  
Extensions

Mr. Kelleher noted that in Michigan, the Onion Stage Removal Option had only been sold on one (1) policy covering 37 acres (less than 1% of the total onion acreage in Michigan) and questioned why the program is being continued in Michigan.

The Chair offered a motion extending each of the pilot programs as recommended by RMA staff. Such motion was seconded. During discussion, Mr. Kelleher offered an amendment to the motion, which was seconded, to limit the Onion Stage Pilot program extension only for New York and not Michigan. In offering his amendment, Mr. Kelleher noted that since this was a pilot program and the goal is to study the benefits of the program, that sufficient information should be obtained from New York and that discontinuing the pilot in Michigan will save administrative resources and costs. Additionally, Mr. Kelleher questioned the

marketability of this product in Michigan.

Mr. Davidson questioned if implemented would this change actually cost more than might be saved. RMA staff acknowledged that there would be costs associated with this change. Mr. Kelleher added that he felt that this additional cost would still be less than the costs being incurred to maintain and administer the pilot in Michigan.

Lastly, RMA staff clarified for the Board that the amendment was only affecting the Onion Stage Removal Option and that the underlying Onion policy would still be available to producers in Michigan.

The Board voted to approve the amendment.

Approved  
Amendment

The Board voted upon the following resolution as amended:

RESOLVED, that pursuant to the information contained in Docket No. CI-Extension of Pilot Programs-Adjusted Gross Revenue (2006), Apple Quality Pilot Option (2006), Onion Stage Removal Pilot Program (2006), Florida Fruit Tree Pilot Program (2006), Avocado and Mango Tree Pilot Program (2006), California Avocado Revenue Pilot Program (2007), and Florida Avocado Pilot Program (2007)-05-01, Exhibit No. 2802, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves the continuation of the following programs as pilot programs for the specified crop years: (1) Adjusted Gross Revenue Pilot Program (AGR) for the 2006 crop year, (2) Apple Quality Pilot Option (AQPO) for the 2006 crop year, (3) Onion Stage Removal Pilot Program (OSRO) in New York for the 2006 crop year, (4) Florida Fruit Tree Pilot Program (FFT) for the 2006 crop year with a revised insurance period, (5) Avocado and Mango Tree Pilot Program (AMT) for the 2006 crop year, (6) California Avocado Revenue Pilot Program (CAR) for the 2007 crop year, and (7) Florida Avocado Pilot Program (FA) for the 2007 crop year, in order to allow time for final program evaluations to be conducted, the results considered by the Board for conversion, modification, or termination, and any implementation work to be conducted, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under sections 523(a)(4)(b) of the Federal Crop Insurance Act. 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 Board voted to approve the resolution.

Approved

Dave Fulk provided the FCIC Board with a presentation on the Processing Cucumber Dollar Pilot Crop Insurance Program and recommended that the pilot be continued subject to program revisions. There was a discussion among Board members regarding whether the best interests of producers are served by this program. Mr. Monterde explained to the Board how important it was to harvest the cucumbers at just the right time in order to meet specifications of the processors. Additionally, the Board expressed concern regarding the high loss ratios, the small percentage of acreage which was covered, whether this program encourages production in areas that are not well suited for the crop, and the fundamental flaws which seemed to exist within the program. RMA staff indicated that Adjusted Gross Revenue or AGR-Lite was an alternative to producers in North Carolina but not Michigan, Texas or South Carolina. For these producers, NAP coverage would be available.

Cucumber Dollar  
Pilot Program

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

RESOLVED, that pursuant to the information contained in Docket No. CI-Extension of Processing Cucumber Dollar Pilot Program-05-01, Exhibit No. 2805, as well as other related materials that were submitted to the Board for consideration and discussion, the Board disapproves the continuation of the Processing Cucumber Dollar Pilot Program beginning with the 2006 crop year on the basis that the Board has been unable to make a determination that: (1) Interests of producers are adequately protected; (2) Premium rates are actuarially appropriate; and (3) The program integrity of the pilot can be reasonably assured.

The Board voted to approve the resolution.

Approved

Dave Fulk then provided the Board with a presentation on the Chili Pepper Dollar Pilot Crop Insurance Program and recommended that the pilot be converted to a permanent program.

Chili Pepper  
Dollar Pilot

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

RESOLVED, that pursuant to the information contained in Docket No. CI-Extension of the Chile Pepper Dollar Pilot Crop Insurance Program - 05-01, Exhibit No. 2804, as well as other related materials that were submitted to the Board for consideration and discussion, the Board approves the conversion of the Chile Pepper Dollar Pilot Crop Insurance Program to a permanent APH regulatory program as soon as allowed by the timing of the regulatory process, and further authorizes the continuation of Chile Pepper Dollar Pilot Crop Insurance Program beginning with the



2006 crop year until converted to a permanent APH regulatory program, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 523(a)(4)(b) of the Federal Crop Insurance Act. 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 and the Manager is authorized to expand the existing program to all counties with sufficient actuarial data and agronomic suitability.

The Board voted to approve the resolution.

Approved

Virginia Guzman then provided the Board with a presentation on the Winter Squash Pilot Crop Insurance Program and recommended that the pilot be continued subject to revisions or terminated and growers urged to use the AGR Plan. Board discussion followed regarding the small number of producers being insured, the contractors finding of fundamental flaws in the program, and the difficulty of adjusting for losses when the plan allows for direct marketing of the produce. Mr. Kelleher commented that the resources directed to this product could be better used elsewhere. The Board noted that AGR and/or AGR-Lite would be available as an option in some states and that NAP coverage would also be an option.

Winter Squash  
Pilot Program

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

RESOLVED, that pursuant to the information contained in Docket No. CI- Extension of the Winter Squash Dollar Pilot Crop Insurance Program 05-01, Exhibit No. 2812, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board disapproves the continuation of the Winter Squash Pilot Crop Insurance Program on a pilot basis beginning with the 2006 crop year on the basis that the Board has been unable to make a determination that: (1) The interests of producers are adequately protected, (2) Premium rates are actuarially appropriate, and (3) That crop insurance program integrity will be protected.

The Board voted to approve the resolution.

Approved

Amy Roeder and Ron Lundine provided the Board with a presentation on the "Pasture, Rangeland, and Forage Vegetation Index Pilot Insurance Program" and the "Pasture, Rangeland, and Forage Rainfall Index Pilot Insurance Program". RMA Staff recommended that each product be sent out for expert review.

Pasture,  
Rangeland, and  
Forage  
Vegetation Index  
Pilot Insurance  
Program

Regarding the Pasture, Rangeland, and Forage Vegetation Index Pilot Insurance Program, 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 pursuant to the information contained in Docket No. CI- Pasture, Rangeland, and Forage Vegetation Index-05-01, Exhibit No. 2807, the Board approves expert review for the Pasture, Rangeland, and Forage Vegetation Index and directs 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 Pasture, Rangeland, and Forage Vegetation Index prior to Board action; and 2) use to execute the contracts the attached task order statement of work as modified to reflect any concerns of the Board.

The Board voted to approve the resolution.

Approved

Regarding the Pasture, Rangeland, and Forage Rainfall Index Pilot Insurance Program, a motion was made and seconded to adopt the following resolution:

Pasture, Rangeland, and Forage Rainfall Index Pilot Insurance Program

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 pursuant to the information contained in Docket No. CI-Pasture, Rangeland, and Forage Rainfall Index Pilot Insurance Program - 05-01 Exhibit No. 2806, the Board approves expert review for the Pasture, Rangeland, and Forage Rainfall Index and directs 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 Pasture, Rangeland, and Forage Rainfall Index prior to Board action; and 2) use to execute the contracts the attached task order statement of work as modified to reflect any concerns of the Board.

The Board voted to approve the resolution.

Approved

Chairman Collins then thanked the Board members and staff for their participation and efforts.

There being no further business to come before the Board the meeting adjourned at 1:00 p.m. to meet again in September 2005 possibly in Kansas City.

Adjourn  
Next Meeting

August 5, 2005

*/signed/* \_\_\_\_\_  
Brent Doane, Secretary  
Federal Crop Insurance Corporation