

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 November 16, 2006, in Room 108-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
November 16,
2006

The meeting was called to order at 9:00 a.m. EST in open session.

Call to Order
Open Session

David Grahn read the recitation to all members of the Board to advise the Board of its responsibilities in representing the interests of the FCIC and USDA. No issues were identified that would require recusal of any members of the Board for this meeting.

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

The open session of the meeting reconvened at 9:35 a.m. EST.

The Chairman requested Board members to introduce themselves. Present were Keith Collins, Chief Economist USDA and Chairperson; Floyd Gaibler, Acting Under Secretary Farm and Foreign Agricultural Services (FFAS); Bill Classen; Tim Kelleher; Frank Jones; Mike Pickens and Luis Monterde (participating by phone), constituting a statutory quorum; Eldon Gould, Manager, FCIC; and Brent Doane, Secretary, FCIC and James Callan, Deputy Manager, FCIC .

Present

Also present were David Grahn and Don Brittenham, Office of the General Counsel (OGC); Alan Ott, Tim Witt, Tim Hoffman, Kent Lanclos, Tom Worth, Shirley Pugh, Cindy Spoor, Velerie Eddelman (via phone) and Bridger Roy of the Risk Management Agency (RMA); Roger Swartz, American Farm Bureau Insurance; Dennis Daggett, John Deere Credit Services; Don Armstrong; Paul Rodgers, American Sheep Industry Association; Kent Wilson, Crop Insurance Research Bureau; Myles Watts, Watts and Associates; Ken Ackerman, Olsen, Frank & Weeda; Griffin Schnitzler and Megan Santarius, F.A.R.M. Co.; David Graves, American Association of Crop Insurers; Kellie Bray, National Association of Professional Insurance Agents; Jason Schickedanz and Kerry Shropshire, AgForce (via phone).

Dr. Collins asked Eldon Gould, FCIC Manager for the Manager's Report. Mr. Gould, commented that the Manager's Report is available on the RMA website at www.rma.usda.gov. Mr. Gould commented specifically on his visit to the Oklahoma City regional office and the Dallas regional compliance office, the closing of the COMBO policy comment period, new quality adjustment provisions, conflict of interest comments, the upcoming sales closing date for the Pasture, Forage, Rangeland insurance product, issues regarding wells in Colorado and progress on the electronic written agreement project.

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 September 28, 2006.

Dispense with Reading – Minutes

The motion carried. (Exhibit No. 2869)

Approved

Due to the proprietary nature of the GRP Oyster product, no presentations were made in the public session of the meeting. Dr. Collins noted that the submitter, in response to concerns expressed by OGC and RMA, had submitted an amendment to the original submission. Since, RMA and OGC had not had an opportunity to review the amendment, the resolution to be offered would include contingency language that would require the amendment to resolve legal and other concerns with regard to the product submission.

GRP Oysters

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

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: 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 Group Risk Plan for Oysters Pilot prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

This approval is conditioned upon ensuring that the technical and legal issues raised have been addressed to the satisfaction of the Risk Management Agency and the Office of General Counsel, at which time the ninety (90) day approval/disapproval period will begin, as agreed to by the pilot plan submitter.

The Board voted to approve the resolution. (Exhibit 2871)	Approved
Due to the proprietary nature of the Processing Pumpkins product, no presentations were made in the public session of the meeting.	Processing Pumpkins
The Chair offered the following resolution, which was seconded, for adoption:	
<i>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,</i>	
<i>NOW THEREFORE BE IT RESOLVED 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 Processing Pumpkin Pilot prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.</i>	
The Board voted to approve the resolution. (Exhibit 2872)	Approved
Dr. Tom Worth briefed the Board on two submitted proposals, selected by RMA for Board consideration, which addressed the problem of declining yields over time and the resulting reduction in guarantee for producers. In selecting these products, RMA looked for proposals that would mitigate declining yields and would be equal across producers. Additionally, the products must be affordable, actuarially sound and understandable.	Declining Yields
The first product discussed, Indexed APH, would use the county average yield to stabilize individual APH guarantees.	Indexed APH – Declining Yields
Following the presentation, the Chair commented that both of the declining yield products being submitted were deviations from current procedures and statutory language which defines APH and the use of traditional yield plugs to address low yields in some years. Concern was expressed that the proposed products could create the potential for overinsurance, may require changes in legal language, and there is uncertainty with regard to how these pilot programs would be structured.	
The Chair went on to emphasize that a positive vote by Board members to send either or both of these of products to expert review does not imply that the Board thinks these concerns can be resolved. Instead, sending the products to expert will review will provide the Board more expertise to discuss these products in the future.	

David Grahn, OGC, concurred with comments made by the Chair regarding legal issues and concerns regarding the two products.

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

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: 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 Indexed Actual Production History prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

The Board voted to approve the resolution. (Exhibit 2873)

Approved

The second product discussed, Alternative Yield Measure, would use an individual producers actual yield and a choice of four variants to determine a substitute for a low yield in a particular crop year.

Alternative Yield Measure – Declining Yields

Before offering a resolution, the Chair and David Grahn, reiterated the concerns previously expressed.

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

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: 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 Alternative Yield Methods prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

The Board voted to approve the resolution. (Exhibit 2874)

Approved

The Chair noted that the same expert reviewers would be used to review both products.

In closing remarks, the Chair told attendees that a possible meeting may be needed to address issues with Asiatic Citrus Canker and the Florida Fruit Tree product. Also, recommendations contained in the livestock evaluation report will be addressed at the next Board meeting.

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 to meet again January 25, 2007 in Washington, DC.

November 16, 2006

/Signed/
Brent Doane, Secretary
Federal Crop Insurance Corporation

