

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 September 28, 2006, in Room G28C, 6501 Beacon Drive, Kansas City, MO. The public was invited to attend the open session portion of the meeting.

Meeting
September 28,
2006

The meeting was called to order at 8:30 am in open session.

Call to Order
Open Session

Kim Arrigo 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.

Recitation

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

Executive Session

The open session of the meeting reconvened at 9:45 a.m. CDT.

Reconvene Public
Session

The Chairman then requested Board members and guests 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, constituting a statutory quorum; Eldon Gould, Manager, FCIC; Brent Doane, Secretary, FCIC and James Callan, Deputy Manager, FCIC.

Present

Also present were Kim Arrigo, and Don Brittenham, Office of the General Counsel (OGC); William Murphy, Tim Witt, Vondie O'Conner, Tim Hoffmann, Tom Worth, Leiann Nelson, Eric Henry, Tom Worth, Mary Alonzo, Bill Bing, Cindy Spoor, and Bridger Roy, Risk Management Agency (RMA); Mike O'Connell and Matt Stumm, AgriLogic; David Bossman and Peter Griffin, Applied Analytics Group; Paul Rodgers, Burdell Johnson, and Margaret Hinson, American Sheep Industry Association; Dennis Daggett, John Deere Inc.: J.L. Driscoll, Watts and Associates; Roger K. Swartz, American Farm Bureau Insurance Services, Inc.; Paul Horel, CIRB; Dan Miller and Danod Cissell, Office of Inspector General; and Tommie DeKellis Kelleher.

Dr. Collins noted that Floyd Gaibler, Acting Undersecretary of Farm

Gaibler – Voting

and Foreign Agriculture Service had joined the Board as a voting member.	Member
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 RMA's activities with regard to the Pasture, Rangeland, Forage plan of insurance, recently signed partnership agreements, soybean rust spread, aflatoxin and grain quality discussions, reopening of the Combo policy comment period, and the eWA project.	Manager's Report
Hearing no objection, Dr. Collins agreed to dispense with a reading of the Manager's Report. (Board Exhibit No. 2860)	
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 July 13, 2006.	Dispense with Reading Minutes
The motion carried. (Exhibit No. 2859)	Approved
The Chair offered the following resolution, which was seconded, for adoption:	LRP Reimbursement
RESOLVED, that pursuant to the information contained in Docket No. CI Reimbursement Request – Livestock Risk Protection - 06-01, Exhibit No. 2862, as well as other materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby approves reimbursement of fourth year maintenance costs in the amount of \$176,275 for the Livestock Risk Protection Pilot Program as authorized under section 522(b) of the Federal Crop Insurance Act.	
The Board voted to approve the resolution.	Approved
The Chair offered the following resolution, which was seconded, for adoption:	LGM Reimbursement
RESOLVED, that pursuant to the information contained in Docket No. CI Reimbursement Request – Livestock Gross Margin - 06-01, Exhibit No. 2861, as well as other materials that were submitted to the Board on this matter, the Board hereby approves reimbursement of fourth year maintenance costs in the amount of \$100,170 for the Livestock Gross Margin Pilot Program as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.	
The Board voted to approve the resolution.	Approve
The Chair offered the following resolution, which was seconded, for	AGR Lite

adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI-Reimbursement Request – Adjusted Gross Revenue-Lite - 06-01, Exhibit No. 2863, as well as other materials that were submitted to the Board on this matter, the Board hereby approves reimbursement of adjusted third year maintenance costs in the amount of \$39,305 for the Adjusted Gross Revenue-Lite plan of insurance as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

The Board voted to approve the resolution.

The Chair announced that the submitter had requested that consideration of the GRP Oysters plan of insurance be tabled until the next meeting of the Board.

Tim Hoffmann provided a summary of the Livestock Risk Protection (LRP) Lamb plan of insurance as well as the history of the product before the Board. Mr. Hoffmann noted that the submission before the Board has incorporated numerous revisions designed to alleviate concerns expressed by RMA and the Board.

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

RESOLVED, that pursuant to the information contained in Docket No. LRP-Lamb-06-02, Exhibit No. 2865, as well as other materials that were submitted to the Board on this matter, the Board hereby approves implementation of the Livestock Risk Protection-Lamb Pilot Program beginning with the 2007 reinsurance year in all counties in the following states: Arizona, California, Colorado, Idaho, Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming; 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 522(c) and 523(a)(4)(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:

Dr. Collins noted that because this product uses an econometric model to predict a price variable and ultimately the indemnity, a number of provisions that allow the discontinuance of sales by RMA (so-called “circuit breakers”) have been built into the LRP

Reimbursement

Approved

GRP Oysters

LRP Lamb

Lamb policy, which will serve as protection by suspending sale of the product should certain events happen. Those circuit breakers include: (1) a statistical comparison of the current week predicted price to the actual price (time-T); (2) information provided by the Livestock Marketing Information Center work group; (3) the Secretary's standing authority; (4) the unavailability of rates or information upon which to determine rates daily; (5) yearly limits on sales of \$250,000 per day in premium and 1,000,000 head annually; or (6) such other basis determined appropriate by RMA.

Before the Board voted on the resolution, Dr. Collins noted that because the Board has delayed consideration of this product, it has been determined that the submitter may be compensated for maintenance costs, including research and development costs, incurred up to the date the product is released by RMA. After that time, the submitter can only recoup any maintenance costs through a user fee imposed upon approved insurance providers. No user fee has been proposed or approved at this time.

Furthermore, Dr. Collins cautioned that should the LRP Lamb product be approved for sale, it does not necessarily open the door in the future for other products that are model prediction based. Such products will be considered on a case by case basis.

The Board voted to approve the resolution.

Approved

Dr. Tom Worth briefed the Board on the contracted study of Experience Based Discounts focusing on corn, soybeans, cotton, oats and wheat. The Federal Crop Insurance Act (Act) allows FCIC to consider a discount for producers that have experience that is better or compares favorably to other producers in their area. Findings of the study were that: (1) RMA's current risk classification for yield adjustments are effective and they capture most of the variation in individual risk and (2) the most effective approach to structuring an Experienced Based Discount is to compare one producer's loss ratio to other producers' loss ratios in the same county. Dr. Worth concluded by providing the Board with an overview of how the proposed Experienced Based discount would be structured.

Experienced
Based Discount

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 Experience Based Producer Discount 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.

Approved

Before proceeding to the next action item, Dr. Collins commented that the submitter of the LRP Lamb plan of insurance would not be expected to submit a quarterly maintenance reimbursement statement on October 1. This was due to the late date in September when the Board approved the product.

LRP Lamb
Maintenance
Request –
October Quarterly
Statement

Cindy Spoor briefed the Board on proposed changes to the procedures for the submission and review of new and revised crop insurance policies.

Procedures for
Submission and
Review of New
and Revised Crop
Insurance

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

RESOLVED, that the procedures entitled "Procedure for The Submission and Review of New and Revised Crop Insurance Policies" contained in Docket No. CI Revised Procedures for Product Submission and Review - 06-01, Exhibit No. 2866 and its attachments is hereby approved.

The Board voted to approve the resolution.

Approved

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

Expansion of
Expert Reviewers

WHEREAS, Section 505(e) of the Federal Crop Insurance Act (Act) requires the Board to enter into contracts 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 by persons experienced as actuaries and in underwriting, NOW THEREFORE BE IT RESOLVED, that the list of approved expert reviewers be amended to add AgForce Inc., with Dr. Kerry Shropshire as an underwriting reviewer.

The Board voted to approve the resolution.

Approved

As part of Other Business, Mr. Kelleher, on behalf of past and current Board members presented Dr. Collins with an etched glass plaque recognizing the steady guidance and wisdom provided by Dr. Collins in his role as Chairman of the Board. Dr. Collins expressed his surprise and sincere appreciation to all Board members, past and present for this recognition.

Expression of
Appreciation

Dr. Collins noted for the record that the Board had presented to outgoing Board member John Askew a plaque recognizing his exemplary service to the Board.

There being no further business to come before the Board, the meeting adjourned. The Board is scheduled to meet again in November 2006.

Recognition of
John Askew

Next Meeting
Adjourn

September 28, 2006

 /signed/
Brent Doane, Secretary
Federal Crop Insurance Corporation

