



**United States
Department of
Agriculture**

Federal Crop
Insurance
Corporation

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DATE: November 29, 2007

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Eldon Gould
Manager

SUBJECT: Manager's Report
Exhibit No. 2923

This memorandum serves as the Manager's Report to the Board of Directors (Board), Federal Crop Insurance Corporation (FCIC), for the November 29, 2007 meeting. The report relates to program issues as outlined below:

Program Issues:

Production Reporting Date Change Under Consideration - RMA is in the initial phases of evaluating and assessing the impacts and needed changes to require insured producers to report their most recent year's harvested production earlier than is currently required. Presently, insured producers are required to report their production the earlier of the acreage reporting date (generally late June into early July for spring seeded crops) or 45 days after the cancellation date (cancellation date March 15 for spring seeded crops thus 45 days later would be around April 30) unless otherwise stated in the special provisions.

RMA believes it may be appropriate to move the production reporting date earlier, while accommodating the completion of harvest and gathering of records (e.g. for most spring seeded crops (maybe late January or early February). RMA believes gathering the most recent year's production information earlier will allow it to more readily and effectively use such information for a variety of program purposes including but not limited to evaluating and reviewing its own programs and sharing information with the National Agricultural Statistics Service (NASS) and other USDA agencies as appropriate.

RMA has begun discussions with impacted parties and recently raised the issue with Approved Insurance Providers (AIPs) in September to November 2007, during an annual update conference and during an industry sponsored Program, Policy and Loss Adjustment Committee meeting. RMA plans to solicit more formal feedback from AIP's, commodity groups, and other program participants seeking comment, feedback and any identified concerns that can be addressed up front.

Pasture, Rangeland, Forage-First Vegetative Index (PRF-VI) Interval Results - In November 2007, the results of the second Index Interval for the PRF Vegetation Index pilot area will be released. RMA and its contractor are following standard operating

procedures for validating the data at the end of the Index Interval prior to release. Any potential anomalies are being verified, including a review by the USDA's Farm Service Agency County Offices.

The vegetation index does not explicitly predict forage on a given producer's operation. Instead, the index is simply a reflection of how the greenness of the vegetation has changed over the given 3-month interval for a specified grid, declared by the producer, relative to a long term average for the same interval and grid. The time period for Index Interval II is from July 1 thru September 30.

Tables 1 and 2, which are provided below, summarizes the PRF-VI results through Index Interval I and provides PRF-VI initial results through Index Interval II by state.

Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity*	Loss Ratio
I	85%	963,961.49	\$18,208,119	\$1,752,392	\$96,990	0.06
II	85%	2,598,933.25	\$36,375,488	\$4,267,661	\$2,934,477	0.69

Table 1

State	State Code	Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity*	Loss Ratio
CO	8	I	77%	40,989.79	\$ 645,145	\$ 37,196	\$ 3,881	0.10
OK	40	I	89%	253,090.83	\$ 5,097,441	\$ 445,602	\$ 15,881	0.04
OR	41	I	79%	26,925.40	\$ 1,129,057	\$ 39,760	\$ 45,291	1.14
SC	45	I	0	0				
SD	46	I	84%	642,955.47	\$ 11,336,476	\$ 1,229,834	\$ 31,937	0.03
CO	8	II	79%	30,551.00	\$ 444,540	\$ 43,831	\$ 6,555	0.15
OK	40	II	89%	352,838.37	\$ 8,539,068	\$ 928,980	\$ 0	0.00
OR	41	II	80%	59,863.80	\$ 1,132,271	\$ 105,219	\$ 240,416	2.28
SC	45	II	81%	318.25	\$ 20,289	\$ 1,060	\$ 0	0.00
SD	46	II	85%	2,155,361.83	\$ 26,239,320	\$ 3,188,571	\$2,687,506	0.84

**Please note: The Indemnities reflect RMA estimates based on the current book or business and final grid indices reported. The PRF-VI Index Interval III period will end December 31, 2007.*

Table 2

Pasture, Rangeland, Forage-Fourth Rainfall Index (PRF-RI) Interval Results - In November, 2007, the results of the fourth Index Interval for the PRF Rainfall Index pilot area will be released. RMA and its contractor are following standard operating procedures for validating the data at the end of the Index Interval prior to release. Any potential anomalies have been verified.

The rainfall index does not explicitly predict forage on a given producer's operation. Instead, the index simply utilizes a NOAA precipitation data set for the area, which is believed to correlate with forage production. The rainfall index measures the precipitation over the given 2-month interval for a specified grid, declared by the producer, relative to a long term average for the same interval and grid. The time period for Index Interval IV is from August 1 thru September 30.

Tables 3 and 4, which are provided below, summarizes the PRF-RI results through Index Interval IV and provides PRF-RI results through Index Interval IV by state.

Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity*	Loss Ratio
I	81%	3,137,882.68	\$43,790,823	\$ 9,453,218	\$ 814,686	0.09
II	82%	5,959,714.16	\$82,699,183	\$12,990,731	\$ 307,048	0.02
III	81%	3,889,511.85	\$51,916,810	\$ 8,383,674	\$1,299,151	0.15
IV	82%	4,990,863.90	\$67,568,771	\$13,289,515	\$1,124,146	0.08

Table 3

State	State Code	Interval	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity*	Loss Ratio
CO	8	I	85%	284,009.55	\$ 5,092,163	\$ 1,160,386	\$ 480,085	0.41
ID	16	I	71%	43,131.69	\$ 5,138,493	\$ 461,905	\$ 750	0.00
ND	38	I	87%	153,775.88	\$ 2,281,384	\$ 447,820	\$ 20	0.00
PA	42	I	90%	43.46	\$ 16,661	\$ 1,513	\$ 0	0.00
SC	45	I	90%	495.20	\$ 47,542	\$ 4,593	\$ 13,564	2.95
TX	48	I	80%	2,656,426.90	\$31,214,580	\$ 7,377,001	\$ 320,267	0.04
CO	8	II	84%	653,626.76	\$ 8,721,798	\$ 1,169,809	\$ 17,012	0.01
ID	16	II	73%	61,808.71	\$ 3,921,276	\$ 416,131	\$ 143,012	0.34
ND	38	II	87%	336,098.03	\$ 4,461,486	\$ 727,511	\$ 35,167	0.05
PA	42	II	77%	425.17	\$ 102,072	\$ 4,296	\$ 6,638	1.55
SC	45	II	89%	1,010.20	\$ 73,420	\$ 9,165	\$ 35,526	3.88
TX	48	II	82%	4,906,745.29	\$65,419,121	\$ 10,663,819	\$ 69,693	0.01
CO	8	III	84%	451,506.67	\$ 6,035,224	\$ 646,185	\$ 379,516	0.59
ID	16	III	72%	118,810.79	\$ 3,452,302	\$ 449,865	\$ 126,360	0.28
ND	38	III	87%	378,980.05	\$ 4,931,730	\$ 543,645	\$ 782,996	1.44
PA	42	III	81%	1,009.17	\$ 147,094	\$ 8,794	\$ 7,366	0.84
SC	45	III	89%	532.20	\$ 30,917	\$ 3,931	\$ 932	0.24
TX	48	III	81%	2,938,672.97	\$37,319,543	\$ 6,731,254	\$ 1,981	0.00
CO	8	IV	84%	210,801.53	\$ 3,939,451	\$ 542,624	\$ 198,443	0.37
ID	16	IV	76%	18,143.95	\$ 486,485	\$ 87,820	\$ 1,684	0.02
ND	38	IV	87%	195,525.16	\$ 2,536,930	\$ 404,108	\$ 415,090	1.03
PA	42	IV	84%	664.47	\$ 66,297	\$ 5,358	\$ 0	0.00
SC	45	IV	84%	43.00	\$ 8,106	\$ 713	\$ 4,365	6.12
TX	48	IV	82%	4,565,685.79	\$ 60,531,502	\$ 12,248,892	\$ 504,564	0.04

*Please note: The Indemnities reflect RMA estimates based on the current book or business and final grid indices reported. The PRF-RI Index Interval V period will end November 30, 2007.

Table 4

Livestock Risk Protection-Lamb Update - On September 17, 2007, the sales of the Livestock Risk Protection (LRP)-Lamb began . To date, the LRP-Lamb has sold 131 policies covering 121,708 head of sheep. Table 5 shows by state the sales, premium, and liability. The end of the first coverage period is December 17, 2007. On a side note, the 13 week endorsement has been the most popular.

State	Endorsements Earning Premiums	Number	Liability	Total	Subsidy
Colorado	38	51,827	\$7,755,724	\$160,117	\$20,816
Iowa	8	2,705	\$409,835	\$9,942	\$1,293
Idaho	3	4,650	\$699,707	\$13,973	\$1,817
Kansas	2	340	\$48,997	\$978	\$127
Minnesota	8	3,575	\$521,939	\$9,753	\$1,269
Montana	1	350	\$35,879	\$717	\$93
North Dakota	6	4,720	\$676,308	\$20,280	\$2,637
Nebraska	1	800	\$112,291	\$2,242	\$291
South Dakota	41	27,075	\$3,635,538	\$76,086	\$9,891
Texas	7	9,001	\$1,179,366	\$20,242	\$2,632
Utah	1	50	\$7,083	\$141	\$18
West Virginia	1	50	\$5,015	\$100	\$13
Wyoming	13	11,065	\$1,653,533	\$34,614	\$4,501
Grand Total:	131	121,708	\$17,586,923	\$366,074	\$47,594

*LRP Lamb as of October 25, 2007.

Table 5

Regulatory Update:

Combination Regulation Update – The final rule is at the Office of Management and Budget for review and approval. The final rule is to be effective for the 2010 crop year.

Mustard Crop Provisions – Currently, the final rule for mustard crop provisions are with the Office of General Counsel (OGC) for review and approval. The final rule converts the mustard pilot crop insurance program to a permanent program. The final rule is targeted for the 2009 crop year.

Cabbage Crop Provisions – The final rule is in the Product Administration and Standards Division (PASD) for review and approval. The final rule converts the cabbage pilot crop insurance program to a permanent program. The final rule is targeted for the 2009 crop year.

Grape and Table Grape Crop Provisions – The proposed rule is with the OGC for review and approval. The final rule is targeted for the 2009 crop year.

Fresh Market Sweet Corn – On September 26, 2007, the final rule was published in the *Federal Register* and will take effect for the 2008 crop year for counties with the contract change date of

November 30, 2007 and for the 2009 crop year for all other applicable counties.

Northern Potato Crop Provisions and the Central and Southern Potato Crop Provisions – On October 31, 2007, the final rule was published in the *Federal Register*. The rule makes changes to the Storage Coverage Endorsement and the process for determining production to count for claim purposes intended to improve program integrity and address audit recommendations. The final rule is in effect for the 2008 crop year for the Northern Potato Crop Provisions and the 2009 crop year for the Central and Southern Potato Crop Provisions.

Florida Citrus Fruit – The final rule is with OGC for review and approval. The final rule clarifies insurable citrus crops and provides coverage for wind damage on fresh fruit when in conjunction with a hurricane or tornado. The final rule is targeted for the 2009 crop year.

Coverage Enhancement Option (CEO) – On August 6, 2007, the public comment period to the proposed rule ended, and PASD is preparing responses to the comments. The proposed rule converts the pilot program to a permanent program option. The final rule is targeted for the 2009 crop year. Currently, CEO is only offered in Texas for citrus trees.

Cultivated Wild Rice – The final rule is in PASD's concurrence process. The final rule converts the cultivated wild rice pilot crop insurance to a permanent program. The final rule is targeted for the 2009 crop year.

Tobacco – On July 23, 2007, the public comment period to the proposed rule ended, and PASD is preparing responses to the comments. The proposed rule rewrites and renames the current Guaranteed Tobacco Crop Provisions to the Tobacco Crop Provisions reflecting the elimination of tobacco quotas. In addition, the proposed rule eliminates the Quota Tobacco Crop Provisions. The final rule is targeted for the 2009 crop year.

Dry Pea – PASD is working to resolve OGC's issues with the proposed rule. The proposed rule provides coverage for fall planted dry peas and allows insureds to select different coverage levels and price election percentages by dry pea type. The final rule is targeted for the 2009 crop year.

Pilot Programs

Silage Sorghum Endorsement – A contract has been awarded to Promar International to evaluate the pilot program. The evaluation got underway October 25, 2007 and is scheduled to be completed in the Fiscal Year (FY) 2008.

GRP Rangeland – A solicitation for awards opened for an evaluation of the GRP Rangeland Pilot Program on October 30. The evaluation is currently scheduled to be completed in FY 2008.

Sweet Potato – Changes to the definition of *field pack production* have been made to the crop provisions and will be posted by the contract change date of November 30. Supporting materials are under review in PASD.

ARR Navel Oranges – A development contract was awarded to Watts and Associates to apply the actual revenue history concept to navel oranges in anticipation of utilizing this product as a replacement to the citrus dollar pilot program. Work is currently underway.

Processing Chili Peppers – A contract has been awarded to Promar International to conduct an evaluation of the pilot program. The evaluation is expected to conclude in FY 2008.

Program Highlights/Announcements:

RMA Official Receives Honorary American FFA Convention: During week of October 24, RMA official Michelle Fuller received the Honorary American FFA Degree at the National FFA Convention in Indianapolis, IN. The Honorary American FFA Degree is the highest Honorary Degree. The purpose of the honorary degree program is to recognize individuals who have rendered outstanding service to the agricultural education.

California Fire Damage Update - In California, Federal, state, tribal, and local government officials' toured parts of the affected area to find that the high heat of the fires scorched citrus and avocado groves. The trees in the perimeters of groves appear to have suffered damage, which may result in the trees being heavily pruned or pulled. For Ventura, Orange, Santa Barbara, and San Bernardino Counties, there have been no reports of damage to crops. Multiple sources have indicated 1,700, 2,500, and 3,500 acres of avocados have been impacted by the fires, but the total is unknown and has not been confirmed at this time. The RMA Davis RO will verify the extent of damage with the California Avocado Commission and the Agricultural Commissioner's Office.

In addition, strong winds caused primary damage and additional damage by carrying fires to scorch and burn crops, knock down fruit, and strip leaves from trees. Lemons received scar damage from winds, while strawberries have received no apparent damage. Also, the fires potentially have affected 11,240 acres of flowers and nursery plants.

For citrus and avocados crops (insured for the 2008 crop year) as well as the nursery (insured under the 2007 crop year), there are 2,222 policies with 73,412 acres insured with \$376,694,091 in established total liability. RMA continues to monitor the situation while working with the local authorities.

California/Arizona Citrus Freeze Update - The freeze event, which occurred in January 2007, did result in less volume and impacted avocados as well. Although, the exact loss to the industry is still unknown, some packers have operated at a 50 percent loss in production, when compared to the previous year. Quality for the packed fruit is good and about half of the crop is salvageable. The AIPs are still awaiting records from packers to finalize any pending claims and large claims. On a side note, there are 5,559 policies sold with \$361,948,818 in total liability for 240,000 acres. There has been a total of \$61,493,575 that has been paid in indemnity thus far due to this particular winter citrus freeze.

Delta Pumps Shut-down Affects California Farmers - The California Department of Water Resources shut off pumps in the Sacramento-San Joaquin River Delta to protect the delta smelt. This summer the pumping station of the Central Valley Project was shut down, but returned service at a reduced capacity. Growers are beginning to see the affects on their perennial crops. In addition,

growers are even determining best crop selection based upon return and the availability of crop insurance because of the potential for the lack of snow pack and rainfall. The outlook on the irrigation water supply could lead to more participation in crop insurance. RMA continues to monitor the situation.

FY 2007 Financial Audit - RMA was the first USDA Agency to receive a clean audit opinion and inform the Departmental Chief Financial Officer (CFO) for the fiscal year 2007 period. Following the financial statement exit conference on November 1, 2007, the official report was issued by the Office of Inspector General (OIG) on November 9, 2007. The audit report number 05401-16-FM, November 2007 is entitled *Federal Crop Insurance Corporation, Risk Management Agency's Financial Statements for Fiscal Years 2007 and 2006*. The audit will soon be available on the OIG web site.

Pasture Rangeland and Forage (PRF) Meeting With South Dakota Ranchers – In October 2007, RMA and GMS, the contractor that developed the PRF vegetative index, met with ranchers and their agents in Rapid City, SD to hear their concerns and better understand how the product performed during its first April-June 2007 interval. Based on previous feedback RMA had been receiving, ranchers in western South Dakota were disappointed with the program's performance in the pilot area and have been anxious to discuss the issue with RMA. However, the underlying problem appears to be pervasive drought over the last several years in the southwestern part of the state impacting and thinning stands of native grass resulting in an infestation of drought resistant weeds both grass and broadleaf. Infestations of cheat grass, wild pear weed, mustard, and other weeds growing on rangeland when native grasses are not growing or dormant due to lack of moisture result in high Normalized Differential Vegetative Index (NDVI) satellite readings, which cannot distinguish, weed chlorophyll greenness readings from native grass.

The vegetation index does not explicitly predict forage on a given producer's operation. Instead, the index is simply a reflection of how the greenness of the vegetation has changed over the given 3-month interval for a specified grid, declared by the producer, relative to a long term average for the same interval and grid. The period for Index Interval I is from April 1 thru June 30.

Idaho Department of Water Resources Issues Notice of Potential Curtailment of Ground Water Rights in the Eastern Snake Plains Aquifer - On October 17, 2007, the Idaho Department of Water Resources (IDWR) issued a notice of potential curtailment of ground water rights to users of the Snake Plains Aquifer. The notice potentially affects more than 2,700 junior water rights-holders, who draw from Southern Idaho's Eastern Snake Plain Aquifer. With Idaho's water year beginning on October 1, and running to April 1, IDWR has noted that if the projected runoff is 105 percent of normal and reservoirs fill, no curtailments will be necessary in response to the senior water users' call on the Snake River. However, if the projected runoff is inadequate, then curtailments likely will be necessary. The early notification has regional Approved Insurance Providers asking how potential curtailments would impact crop insurance since producers have been notified so early in water year. The potential curtailment affects fourteen counties, which are South Central Idaho, Bingham, Blaine, Bonneville, Butte, Clark, Fremont, Gooding, Jefferson, Jerome, Lincoln, Madison, Minidoka, Power, and Twin Falls. Currently, RMA continues to monitor by working with the IDWR and local insurance providers as the season progresses.

Managerial Controls Program - During fiscal 2007 Insurance Services (IS) designed and began implementation of a system of standard operating procedures in full compliance with directives from OMB A-123 regarding managerial controls and OMB A-11 regarding performance planning and reporting. This process includes clarifying roles and responsibilities across the divisions and reviewing written procedures specifically for managerial controls sufficiency. Because of these improvements to management capacity, IS can more accurately, efficiently identify priority resource needs and uses, and respond to rapidly changing workload demands. IS managers have improved capacity to balance the program development challenges dictated by the Strategic Plan with program delivery challenges which are dictated by same vagaries of nature that drive the need for agricultural risk management services.

FY 2006 and 2007 Projects Update - The Risk Management Education Division (RMED) is receiving final project reports and requests for reimbursement for FY 2006. Statements of work are being reviewed to determine if all deliverables have been met prior to closeout. In addition, on September 18 to 19, 2007, RMED conducted the Partner Post Award Training/Conference in Denver, CO. This was followed by individual entrance conference calls, which discussed the statement of work and deliverables with each partner in detail. All 2007 projects have been established and have begun. In addition, RMED has begun the process of notifying unsuccessful applicants and the applicants that did not meet the 1st level review.

FY 2008 Request for Applications (RFAs) – RMA’s Chief Financial Officer (CFO) has requested that the RFA’s process for the fiscal year 2008 be implemented earlier this year. RMED is working with the CFO to meet this request. Also, RMED is working with the CFO to determine funding restrictions due to the new Farm Bill. RMED is inserting *special emphasis topics* by regional office again this year in the Commodity Partnerships RFA. RMED's goal is to have the three RFA’s published by November 30, 2007.

FFA Risk Management Writing Contest – On October 24 to 26, 2007, RMED kicked off the 11th year of the Risk Management Writing Contest during the National Future Farmers of America (FFA) Convention which was held in Indianapolis, IN. The application deadline is January 31, 2008.

Loss Adjuster Licensing - On September 30, 2007, RMA provided the Crop Insurance Working Group of the National Association of Insurance Commissioners (NAIC) with an update on crop insurance and, together with National Crop Insurance Services (NCIS), gave a presentation on the problems the crop insurance program faces with inconsistent State requirements for loss adjuster licensing. A conference call with RMA, NAIC Working Group Members, NCIS representatives, and industry representatives was conducted on October 25, 2007 to consider options for state loss adjuster licensing uniformity.

On November 2007, RMA finalized and issued an informational memorandum, which notified the industry of the financial penalties it will assess companies that violate the Standard Reinsurance Agreement (SRA) requirement that all loss adjusters must be licensed by the State if the State requires licensing.

Federal/State Rebating Enforcement Initiative - RMA and insurance commissioners from a number of key states are planning to issue concurrent letters to AIPs announcing a collaboration in the enforcement of State and Federal anti-rebating statutes. AIPs will be directed to ensure that agents and loss adjusters are fully aware of the rebating prohibitions and increased collaboration between RMA and the state regulators in the enforcement of rebating laws prior to spring sales in March 2008.

Geospatial Update - RMA is currently working on consolidating geospatial (geographic information systems & remote sensing) hardware and software. The effort will increase functionality and provide better management support. This new platform will provide a geospatial framework for projects like eWA. ArcGIS Explorer (a Google Earth-like application) will be deployed internally within RMA that will allow for better access to geospatial data within the Agency.

IT Security - RMA has been working with USDA's Office of the Chief Information Officer and the Approved Insurance Providers (AIPs) to develop a FISMA (Federal Information Security Management Act) plan of action for implementing Federal security controls over the privacy information collected for FCIC by the AIPs. Over the next several months, the goal is to collaboratively determine which Federal security controls the AIPs must have in place and to work with them for an orderly, cost effective implementation.

eWA Project Update - The electronic written agreement project (eWA), an effort to replace virtually all of RMA's business processing systems, was scaled back in October due to funding limitations. The previous project plan was for eWA to begin the deployment of new systems in January of 2008 with completion scheduled for the 2011 fiscal year. This would have allowed the introduction of the new COMBO insurance product for the 2009 reinsurance year. The new project plan is for deployment of new systems to begin in January of 2009 and COMBO to be introduced for the 2010 reinsurance year. This new schedule is still contingent upon RMA receiving additional IT funding to support the project. Without additional funding, this schedule will need to be further extended.

Comprehensive Information Management System (CIMS) Update - The CIMS project was initiated by the 2002 Farm Bill, and is an effort to create a consolidated repository for FSA and FCIC information. The project will allow the appropriate sharing of program information between Farm Service Agency (FSA), RMA, and the AIPs, resulting in approved efficiencies in both the RMA and FCIC programs. System of Records Notices by both Agencies that will allow this sharing of information are in the final approval process. Once this is accomplished, the next phases include the actual sharing of information, and the implementation of utilization of the Common Land Unit in the crop insurance program. Continuation of the CIMS project beyond mid-2008 will be contingent upon RMA receiving additional funding to support the project.

IT Internal Controls - Each year, as part of the Office of Inspector General's (OIG) annual audit of FCIC's financial statement, RMA's IT systems are audited for security and reliability. Over the past several years, OIG has contracted the audit to the auditing firm of Deloitte and Touche. During the IT audit for the FY 2007 Financial Statement Review, no material weaknesses nor significant deficiencies were found in the IT systems. Deloitte noted four minor IT observations in a Comment Letter, the lowest number of observations noted since Deloitte began conducting the FCIC financial audits.

Compliance:

Ongoing Investigations/Audits/Sanctions Update – Compliance continues to wait on the Department of Justice (DOJ) to release announcements pertaining to two significant cases involving crop insurance program fraud. As with all criminal cases, the Risk Management Agency is precluded from discussing the specifics of these cases until DOJ has released their initial information to the public.

National Program Operations Reviews (NPOR) – On November 8, 2007, the Compliance Directors met in Kansas City in conjunction with the Annual National Crop Insurance Services Spring Update Conference, which was held November 6 and 7, 2007. Staff from the Center for Agricultural Excellence at Tarleton University provided an overview of some of their current data observations and discussed new approaches for the 2007 crop year NPOR reviews. NPOR’s for the upcoming year will be conducted on the following Approved Insurance Providers:

RO Code	AIP Name	Compliance Office
AB	ARMtech Insurance Services	WRCO - Davis, CA
AU	CGB Diversified Services	MRCO – Indianapolis, IN
EF	Rural Community Insurance Services	ERCO – Raleigh, NC
GA	Great American Insurance Company	SRCO – Dallas, TX
NA	NAU Country Insurance Company	NRCO – Minneapolis, MN
PL	Producers Agriculture Insurance Company	CRCO – Kansas City, MO

Compliance continues to monitor findings from last year’s NPORs and one Approved Insurance Provider’s progress in resolving internal control and other organizational issues. Compliance is working closely with Reinsurance Services Division to validate this provider’s corrective actions.

The Compliance offices are also in the report writing phase of the 2006 crop year NPOR’s. Completing the current reports will finalize the three-year review cycle and will provide RMA with the first full program error rate since it began the NPOR process. On May 25, 2007, RMA reported a 2-year program error rate of 2.68 percentage based upon the first 600 randomly policy reviews conducted to date. We expect to report the final 3-year program error rate in January 2008.

Update GAO Report on Fraud, Waste, and Abuse – This audit provided recommendations to RMA as to how we could improve compliance efforts. RMA agreed in principle with most of the GAO recommendations and agreed to proceed on the following items:

- Adjusting the producer spot-check list procedures to permit FSA to review fall seeded crops for the following year as opposed to the current year, which was ineffective. RMA discussed the possibility of separating the data mining algorithms for the fall and spring, but determined that

essential data would be excluded in the process. Farm Service Agency has stated that without additional resources, it will be unable to perform 100 percent of the designated growing season inspections.

Status - Complete.

- Distributing to each AIP the listing of its policyholders whose tax identification numbers or shareholders with substantial beneficial interests did not reconcile with FSA's permitted entity file. RMA will formally require the AIPs to review the discrepancies under Appendix IV and report the results in the future.

Status – The Farm Service Agency (FSA) did not add “Taxpayer Identification Number Data Mining by RMA” to its routine use listing under the Privacy Act. Subsequently, until FSA completes this task, RMA cannot use FSA entity information to implement the GAO recommendation. *On November 13, 2007, FSA reported that the Notice was at OGC for review.*

- Finalizing a quality control program for the AIPs intended to help RMA assess the effectiveness of the quality controls used by the AIPs. In addition, RMA Compliance will continue to test AIP quality control programs during scheduled national operations reviews.

Status – RMA continues to work on this recommendation. On April 30, 2007, companies were required to have all their quality control inspections electronically submitted to RMA on “Type 57” records. In the initial review of the data, Compliance identified processing errors that appear to have corrupted some of the data and we are continuing the testing of the data.

- Finalizing the ARPA-implemented sanctions regulations as soon as OGC has completed its review of the current draft. RMA informed GAO that the lack of these regulations had not hindered RMA from using the statutory authority to sanction some producers. However, getting the regulations in place should help improve the overall sanctions process.

Status – The proposed rule to amend the *General Administrative Regulations, Administrative Remedies for Non-Compliance* provisions published in the Federal Register on May 18, 2007, with the comment period ending on June 18, 2007. Compliance has reviewed the comments to the proposed regulation and forwarded the final rule to OGC for clearance. RMA received 17 comments within the comment period. The proposed rule and the comments received are now available online at www.regulations.gov under the Federal Crop Insurance Corporation.

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