

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 19, 2009, 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 19,
2009

The meeting was called to order at 8:00 a.m. 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 and advised each member to act accordingly.

Recitation

The Board then immediately went into executive session to discuss confidential matters with Risk Management Agency (RMA) staff and submitters of private products under the Federal Crop Insurance Act (FCIA).

Executive Session

The open session of the Board reconvened at 1:30 p.m.

Reconvene Open
Session

The Chairman requested Board members to introduce themselves. Present were Joe Glauber, Chief Economist, USDA; Jim Miller, Under Secretary Farm and Foreign Agricultural Services (FFAS); Curt Sindergard, Luis Monterde, Susan Rogers, James Nickel, Mike Pickens (phone), Frank Jones Jr.(phone), and Bill Murphy, Manager, constituting a statutory quorum and Cindy Spoor, Secretary, FCIC.

Present

Also present were Kim Arrigo, Office of the General Counsel (OGC); Barbara Leach, Tim Witt, Pat Engel, Tom Worth, Velerie Eddleman (phone), Kent Lanclos, Mary Alonzo, Matt Kamphoefner, Barbara Leach, and Sarah Buettner-Connelly of RMA; Ken Ackerman, Olsen, Frank and Weeda; Alex Offerdahl, Watts and Associates; Becky Bonham and Clif Parks, Texas Citrus Mutual; Robert Cerda, CIS; Steve Edwardson, NDBC; Stephan Frerichs, Rain and Hail; and Paul Bleiberg, Crop Insurance Research Bureau.

Chairman Glauber asked Bill Murphy for the Manager's Report (the Manager's Report is available on line at www.rma.usda.gov). Mr. Murphy noted that RMA is finalizing the first draft of the 2011 Standard Reinsurance Agreement and expects to release this draft during the first week of December. Comments are due from the

Manager's Report

industry the first week of January. He also noted that in response to extremely wet harvest conditions in some parts of the country, RMA has published information on its Web site reminding interested parties of RMA's current procedures for delayed harvest, poor quality grain, and high moisture grain. RMA is reopening the public comment period regarding the Apple provisions an additional 30 days due to the apple harvest coinciding with the comment period.

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 16, 2009.

Dispense with
Reading –
Minutes

The motion carried. (Exhibit 3046)

Approved

The next agenda item was Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 111 11-19-09 01.

Concept Proposal
111

Chairman Glauber offered the following resolution:

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) requires the Board to enter into contracts with persons with qualifications appropriate to review the type of concept proposal submitted for reviews of a concept proposal proposed to be developed under section 508(h) of the Act, NOW THEREFORE BE IT

RESOLVED: That pursuant to the information contained in Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 111 11-19-09 01, Exhibit 3048, the Board approves expert review for Concept Proposal 111 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 Proposal 111 prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

The item was not seconded therefore, the Chair brought Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 110 11-19-09-01 to the floor.

Concept Proposal
110

Chairman Glauber offered the following resolution, which was seconded:

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) requires the Board to enter into contracts with persons with qualifications appropriate to review the type of concept proposal submitted for reviews of a concept proposal proposed to be developed under section 508(h) of the Act, NOW THEREFORE BE

IT

RESOLVED: That pursuant to the information contained in Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 110 11-19-09-01, Exhibit 3047, the Board approves expert review for Concept Proposal 110 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 Concept Proposal 110 prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

There being no discussion the Board voted to approve the resolution. (Exhibit 3047)

Approved

The next agenda item was Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 106 11-19-09 02.

Concept Proposal
106

Chairman Glauber then offered the following resolution, which was seconded:

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) provides the Board with the authority to pay an advance payment advance payment of up to 50 percent for research and development costs of a concept proposal that will be developed in to a complete and of sufficient quality 508(h) submission, NOW THEREFORE BE IT

RESOLVED: That pursuant to the information contained in Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 106 11-19-09 02, Exhibit 3051, the Board approves the advance payment of \$24,995.00 for the Confidential Submission Section 522(b) Concept Proposal 106, as authorized under section 522(b) of the Federal Crop Insurance Act.

By approving the advance payment of estimated research and development expenses, the Board is not approving or endorsing the estimated hours, wage rates, or costs requested by the submitter. The submitter will be required to prove that all costs are necessary and reasonable.

By accepting the advance payment, the applicant agrees to provide a submission consistent with section 508(h) of the Act to the Board in the April 2010 submission period.

There being no discussion the Board voted to approve the resolution. (Exhibit 3051)

Approved

Chairman Glauber then offered the following resolution, which was seconded:

Concept Proposal
107

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) provides the Board with the authority to pay an advance payment advance payment of up to 50 percent for research and development costs of a concept proposal that will be developed in to a complete and of sufficient quality 508(h) submission, NOW THEREFORE BE IT

RESOLVED: That pursuant to the information contained in Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 107 11-19-09 02, Exhibit 3052, the Board approves the advance payment of \$83,644.00 for the Confidential Submission Section 522(b) Concept Proposal 107, as authorized under section 522(b) of the Federal Crop Insurance Act.

By approving the advance payment of estimated research and development expenses, the Board is not approving or endorsing the estimated hours, wage rates, or costs requested by the submitter. The submitter will be required to prove that all costs are necessary and reasonable.

By accepting the advance payment, the applicant agrees to provide a submission consistent with section 508(h) of the Act to the Board in the January 2011 submission period.

There being no discussion the Board voted to approve the resolution. (Exhibit 3052)

Approved

Chairman Glauber then read the following statement:

The regulations governing the reimbursements of research and development costs require the Board to examine the costs claimed for reasonableness and to reduce the costs at its sole discretion if they do not appear reasonable. The Board has accumulated over eight years of experience in providing reimbursements for research and development costs. In that time, reimbursements for numerous types of submissions have been sought. The type and number of submissions and RMA's experience in contracting for research and development have given the Board a general sense of the number of hours and the costs required to perform the work required to research and develop a crop insurance policy or plan of insurance and present it to the Board. Based on this greater base of knowledge, the Board realizes that it must make a closer review of the costs claimed in the requests for reimbursement to ensure that the taxpayer dollars are spent on actual research and development and not for startup costs for new companies, education in crop insurance, or failure or delays in making changes recommended by RMA or expert reviewers. To assist the Board in making a

meaningful review of the reasonableness of the costs claimed, the Board is directing RMA to develop procedures for the Board's approval that would require submitters to maintain sufficient records to allow the Board to conduct a meaningful review of the costs claimed. (Exhibit 3059)

Following, Dr. Glauber's statement he offered the following resolution, which was seconded:

Biotechnology
Endorsement

RESOLVED, the Board delegates to the Manager of the Federal Crop Insurance Corporation the authority to approve requests for expansion under the Biotechnology Endorsement (BE), provided the request 1) is limited to a requestor's biotechnologically traited seed and for a crop and practice previously approved by the Board, and 2) applies only in those states where BE has been previously approved by the Board for that crop and practice. If the Manager determines there are any unusual or controversial issues with such request, the Board expects the Manager to bring such issues before the Board before approval.

There being no discussion the Board voted to approve the resolution. (Exhibit 3060)

Approved

Docket No. CI –Actual Production History (APH) Sesame Pilot Crop Insurance Program - 09 – 02 was the next action item before the Board.

APH Sesame

Matt Kamphoefner of RMA stated that the proposed APH Sesame pilot program would include the basic APH design and be a multi-peril product for non-dehiscent sesame under grown under contract. He also stated that the product was proposed for certain counties in Texas and under certain counties in Oklahoma that would be subject to pay-go restrictions.

Chair Glauber offered the following resolution, which was seconded:

RESOLVED, that pursuant to the information contained in Docket No. CI –Actual Production History (APH) Sesame Pilot Crop Insurance Program - 09 - 02, Exhibit 3057, as well as other material submitted to the Board on this matter, the APH Sesame Pilot Program, with reinsurance, administrative and operating subsidy and producer subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 523 of the Federal Crop Insurance Act, is hereby approved in the proposed Texas counties and contingent upon a Pay-go offset becoming available for proposed Oklahoma counties. 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.

There being no discussion the Board voted to approve the resolution. (Exhibit 3057)

Approved

Docket No. CI – Actual Production History (APH) Grass Seed Pilot Crop Insurance Program - 09 – 01 was the next item before the Board. The Chair called upon Mary Alonzo of RMA to brief the Board regarding APH Grass Seed. She stated the proposed APH Grass Seed insurance product would cover the main perils of drought freeze and wind damage and includes the basic APH design features. She also noted that only contracted acreage would be eligible and would include Kentucky bluegrass Perennial Ryegrass grown in a few counties in North Dakota and Minnesota.

APH Grass Seed

Chairman Glauber then offered the following resolution, which was seconded:

WHEREAS, Section 505(e) of 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 – Actual Production History (APH) Grass Seed Pilot Crop Insurance Program - 09 - 01, Exhibit 3056, the Board approves expert review for the proposed Actual Production History Grass Seed Plan of Insurance 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 proposed Actual Production History Grass Seed Plan of Insurance prior to Board action; and 2) the attached task order statement of work be used to execute the contracts.

There being no discussion the Board voted to approve the resolution. (Exhibit 3056)

Approved

Next, Dr. Glauber offered the following resolution, which was seconded:

Expert Reviewer

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

