

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 May 13, 2010, in Room 108 A of the Jamie Whitten Building, U.S. Department of Agriculture, Washington, D.C. The public was invited to attend the open session portion of the meeting.

Meeting
May 13, 2010

The meeting was called to order at 8:30 am, May 13, 2010 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 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 11:00 am.

Reconvene Open
Session

The Chairman requested Board members to introduce themselves. Present were Joe Glauber, Chief Economist, USDA; Luis Monterde, Susan Rogers, James Nickel, Mike Pickens , Ellen Linderman, Maggie Goode, and Bill Murphy, Manager, constituting a statutory quorum and Cindy Spoor, Secretary, FCIC.

Present

Also present were David Grahn, Office of the General Counsel (OGC); Barbara Leach, Associate Administrator, Tim Witt, Tim Hoffmann, Kent Lanclos, Mary Alonzo, Matt Kamphoefner and Sara Buettner-Connelly of RMA; Ken Ackerman, Olsen, Frank and Weeda; Rob Cerda, CIS; David Bossman, Agwin; David Graves, WPGA and Luther Markwant, ASGA.

Hearing no objection, Dr. Glauber agreed to dispense with a reading of the Manager's Report. (Exhibit 3067)

Manager's Report

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 released the final report on the results of a periodic review of its premium rating methodology and is available on the RMA website. He also mentioned that a training session for the new Common Crop Insurance Policy is being held in Overland

Park, Kansas on May 18-19, 2010. This train-the-trainer meeting is to provide approved insurance providers details regarding the changes within the new policies that combine Crop Revenue Coverage, Income Protection, Indexed Income Protection and Revenue Assurance plans of insurance with the Common Crop Insurance Policy. Lastly, Mr. Murphy reported that the RMA sponsored Future Farmers of America (FFA) contest winners came to Washington DC in celebration of their accomplishment. The contestants received their awards for their essays on risk management strategies, met with their respective Senators and Representatives, and toured Capitol Hill.

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 May 13, 2010.

Dispense with Reading – Minutes

The motion carried. (Exhibit 3068)

Approved

The next agenda item was Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 114 05-13-10 02.

Concept Proposal 114

Chairman Glauber offered the following resolution:

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 114 05-13-10 02, Exhibit 3069, as modified by agreement between the submitter and the Board during executive session, the Board approves the advance payment of \$195,850 for the Confidential Submission Section 522(b) Concept Proposal 114, 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 3069)

Approved

The next agenda item was Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 115 05-23-10 02.

Concept Proposal
115

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

WHEREAS, Section 522(b) of the Federal Crop Insurance Act (Act) requires the Board to consider paying an 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 115 05-23-10 02, Exhibit 3070, as modified by agreement between the submitter and the Board during executive session, the Board approves the advance payment of \$111,453. 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.

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.

There being no discussion the Board voted to approve the resolution. (Exhibit 3070)

Approved

Docket No. CI – Confidential Submission Section 522(b) Concept Proposal 116 05-13-10 01 was brought to the floor by Chairman Glauber, who offered the following resolution, which was seconded:

Concept Proposal
116

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 116 05-13-10 01, Exhibit 3071, the Board approves expert review for the Confidential Submission Section 522(b) Concept Proposal 116 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 Confidential Submission Section 522(b) Concept Proposal 116 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 3071)

Approved

The Chair noted that Section 522(b) Concept Proposals 109,112 and 113 had been withdrawn by the submitters.

Concept
Proposals
109,112, 113

Docket No. CI-Livestock Gross Margin for Dairy Cattle Expansion 05-13-10 01 was the next action item before the Board.

Chair Glauber offered the following resolution, which was seconded:

RESOLVED, that Docket No. CI-Livestock Gross Margin for Dairy Cattle Expansion 05-13-10 01, Exhibit 3074, authorizing the non-significant modification of the Livestock Gross Margin for Dairy Cattle plan of insurance is hereby approved beginning with the 2011 reinsurance year, as approved by the Manager of the Federal Crop Insurance Corporation as authorized under section 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 implement the changes described herein and to make the policy legally sufficient.

There being no discussion the Board voted to approve the resolution. (Exhibit 3074)

Approved

Docket No. CI – Actual Production History (APH) Grass Seed Pilot Crop Insurance Program 05-13-10 01 was then brought to the floor by Dr. Glauber.

APH Grass Seed

The Chairman called upon Mary Alonzo of RMA to brief the board regarding the APH Grass Seed Pilot Program. She stated that the APH Grass Seed program was identified in the 2008 Farm Bill for development of a multi-peril crop insurance program in North Dakota and Minnesota for Kentucky bluegrass and perennial ryegrass. The proposed pilot program includes a basic Actual Production History type of plan with coverage levels of 50 – 70 percent and only contracted production would be eligible for coverage.

Chairman Glauber then offered the following resolution which was seconded:

RESOLVED, that pursuant to the information contained in Docket

No. CI – Actual Production History (APH) Grass Seed Pilot Crop Insurance Program 05-13-10 01, Exhibit 3072, as well as other material submitted to the Board on this matter, the APH Grass Seed 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 Minnesota and North Dakota 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 3072)

Approved

Chair Glauber then stated that the Board decided to table the ARH Sugarbeet Pilot Program to resolve issues identified during the review process. He noted that the recently approved ARH pilot programs would be undergoing an evaluation period and the Board would be interested in those results. Dr. Glauber also stated that RMA was withdrawing the ARH Dry Pea and Lentil Pilot Program due to issues raised during the review of this product.

The next item before the Board was the “Approved Procedures for Determining Reasonableness of Reimbursement Expenses for 508(h) and Concept Proposal Submissions” that had been posted to RMA’s website for comment. Comments were received and

Reasonableness
Procedures for
Reimbursement
Expenses

The Chair offered the following resolution which was seconded:

WHEREAS, 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 realizes that it must make a closer review of the costs claimed in requests for reimbursement to ensure that 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 the Risk Management Agency (RMA) or expert reviewers.

To assist the Board in making a meaningful review of the reasonableness of the costs claimed, the Board directed RMA to develop procedures that would require submitters to maintain sufficient records to allow the Board to conduct a meaningful review of the costs claimed. RMA presented its draft procedures to the Board at its February 2010 Board meeting and the Board subsequently requested RMA to provide the opportunity for any party to provide comments to the draft procedures. The Board has

