



To: Board of Directors
Federal Crop Insurance Corporation

November 15, 2001

United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

1400 Independence
Ave, SW
Stop 0801
Washington, DC
20250-0801

FROM: Phyllis W. Honor /s/ *Phyllis W. Honor*
Acting Manager

SUBJECT: Board Memorandum No. 635
Docket No. CI-HSPE-01-1
Pilot Hybrid Seed Price Endorsement Submitted by Ag Risk Insurance Agency
Beginning with the 2002 Crop Year

There is submitted for your consideration the subject docket authorizing or not authorizing the pilot Hybrid Seed Price Endorsement (HSPE) beginning with the 2002 crop year as submitted by Ag Risk Insurance Agency with reinsurance, risk subsidy, and administrative and operating subsidy.

Section 508(h) of the Federal Crop Insurance Act (Act) requires the Federal Crop Insurance Corporation (FCIC) to provide reinsurance if the policy is actuarially sound and the interests of producers are adequately protected.

It is necessary for the Board of Directors to select one of the following options to either approve or disapprove, based on an evaluation of all expert and other reviews, Docket No. CI-HSPE-01-1.

RESOLVED, That Docket No. CI-HSPE-01-1, Exhibit No. 2077, authorizing implementation of the pilot Hybrid Seed Price Endorsement with reinsurance, risk subsidy, and administrative and operating subsidy beginning with the 2002 crop year in the states of Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Nebraska, and South Dakota as authorized under section 508(h) 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 and to resolve those problems with the policy terms identified by the reviewers.

OR

AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make technical policy changes as are necessary to make the policy legally sufficient and to resolve those problems with policy terms identified by the reviewers and the Board reserves the authority to approve those problems raised by the reviewers relating to . . .

OR

RESOLVED, That the submitting entity shall be notified that the Board hereby disapproves Docket No. CI-HSPE-01-1, Exhibit No. 2077, on the basis that the Board

has been unable to make a determination that the interests of producers are adequately protected and that the policy is actuarially sound.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: November 15, 2001

FCIC Docket No. CI-HSPE-01-1

Pilot Hybrid Seed Price Endorsement
beginning with the 2002 Crop Year

Voted on by the Board of Directors: November 15, 2001

Pilot Hybrid Seed Price Endorsement beginning with the 2002 Crop Year
Docket No. CI-HSPE-01-1

SUMMARY

If approved by the Board, this docket will authorize implementation of the pilot Hybrid Seed Price Endorsement to be sold with the multiple peril crop insurance (MPCI) policy for hybrid seed corn, with reinsurance, risk subsidy, and administrative and operating subsidy beginning with the 2002 crop year, as authorized under section 508(h) of the Federal Crop Insurance Act.

FOR FURTHER INFORMATION CONTACT:

Diana Moslak, (202) 720-2832

Pilot Hybrid Seed Price Endorsement beginning with the 2002 Crop Year
Authorization for Approval or Disapproval
Docket No. CI-HSPE-01-1

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will authorize implementation of the pilot Hybrid Seed Price Endorsement (HSPE) to be sold with the multiple peril crop insurance (MPCI) policy for hybrid seed corn with reinsurance, risk subsidy, and administrative and operating subsidy beginning in the 2002 crop year, as authorized under section 508(h) of the Federal Crop Insurance Act (Act).

II. Justification

The authority contained in this docket is needed for FCIC to implement the pilot HSPE. Section 508(h) of the Act requires FCIC to provide reinsurance to reinsured companies to provide additional insurance risk management tools to producers only if the program is actuarially sound and interests of producers are adequately protected.

III. Background Data – Pilot HSPE

The pilot HSPE is written with the MPCI Hybrid Seed Corn crop insurance policy and uses a corn price derived from the Chicago Board of Trade futures price, instead of the MPCI price election, to calculate the amount of insurance. The current rating methodology for hybrid seed corn is unchanged. The endorsement would be available in the states of Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Nebraska, and South Dakota.

B - AUTHORIZATION

I. General

Authority to approve the pilot Hybrid Seed Price Endorsement (HSPE) with reinsurance, risk subsidy, and administrative and operating subsidy to be sold with the multiple peril crop insurance (MPCI) policy for hybrid seed corn beginning with the 2002 crop year is contained in section 508(h) of the Act (7 U.S.C. 1508(h)).

II. Program Description

The 2002 crop year HSPE is written, at the grower's option, as a supplement to the FCIC

reinsured MPCCI hybrid seed corn crop policy. It provides for an optional price to the MPCCI price, determined by using the February harvest year's average daily settlement price for the harvest year's CBOT December corn futures contract. All other policy provisions remain unchanged.

III. Operating Provisions

The operating provisions for implementing this program are the pilot HSPE provisions, MPCCI Basic Provisions, MPCCI hybrid seed corn crop provisions, actuarial documents, underwriting rules, and administrative procedures approved by the Board for RMA to administer.

IV. Administration

If approved by the Board, this program may be offered by all insurance companies reinsured by FCIC and will be carried out with the provisions of the Act. The reinsurance will be provided in accordance with the provisions of the Standard Reinsurance Agreement.

V. Effective Date

This docket will become effective upon signature by Chairman of the Board.

VI. Classification

This program docket is for official use only.

VII. Availability of Funds

The availability of funds is discussed in the attached memorandum from the Chief Financial Officer of RMA.

VIII. For Official Use Only Designation

The "For Official Use Only" designation of this docket will terminate upon approval of this docket by the Board.

FINAL RESOLUTION

RESOLVED, That Docket No. CI-HSPE-01-1, Exhibit No. 2077, authorizing implementation of the pilot Hybrid Seed Price Endorsement with reinsurance, risk subsidy, and administrative and operating subsidy beginning with the 2002 crop year in the states of Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, South Dakota and Wisconsin as authorized under section 508(h) 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 and to resolve those problems with the policy terms identified by the reviewers.

Adopted by the Board of Directors on: November 15, 2001

/s/ Diana Moslak

Diana Moslak, Secretary
Federal Crop Insurance Corporation

[SEAL]

Approved by:

/s/ Keith Collins
Keith Collins
Acting Chairman of the Board

11/15/01
Date