



Federal Crop
Insurance
Corporation

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TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Martin R. Barbre */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 4464

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on May 24, 2018.

Research, Contracts, Studies, and Workgroups

Deviations from the Natural Resources Conservation Service (NRCS) Cover Crop Termination Guidelines: The Risk Management Agency (RMA) allows for deviations from NRCS Cover Crop Termination Guidelines (NRCS Guidelines) via a Special Provisions statement, which states in relevant part: "If growing conditions warrant a deviation from the guidelines, producers should contact either Extension or the local NRCS for management guidance." Following questions regarding the process for requesting a deviation from the NRCS Guidelines, RMA released a Manager's Bulletin on May 11, 2018, providing instructions and required documentation that insureds can provide to their Approved Insurance Providers (AIP) in order to receive approval to deviate from the NRCS guidelines and maintain insurability.

Apple Fresh Quality Option: An Indefinite Delivery/Indefinite Quantity (IDIQ) contract was awarded to Agralytica on February 7, 2018, regarding the FCIC apple policy. The objective of the first task order is to provide a comprehensive review of the apple policy, with a focus on the optional coverage for Fresh Fruit Quality Adjustment (Quality Option) in areas where the program has experienced consistent high loss ratios. As part of this task order, the contractor recently conducted nine formal listening sessions in major apple growing regions across the country. Locations of these listening sessions include: Wenatchee, WA; Yakima, WA; Comstock Park, MI; Rochester, NY; Highland, NY; Winchester, VA; Harrisburg, PA; Hendersonville, NC; and Goffstown, NH. Additionally, the contractor has been conducting informal meetings and teleconferences with apple growers, approved insurance providers, and RMA employees. The final deliverable for the task order is scheduled to be submitted on September 7, 2018, and will include recommendations for changes to the current apple program.

Actual Revenue History (ARH) Evaluations: A contract was awarded to evaluate the ARH plan of insurance, including the ARH Sweet Cherry and ARH Tart Cherry Pilot Programs. The contract includes a comprehensive analysis of the programs to determine if any problems exist and if the programs are effective risk management

tools for producers, as well as being acceptable to AIPs, and other interested parties. The first contracted deliverable has been received and is under review at RMA.

Program Changes

Removal of Livestock Capacity \$20 million limitation: On February 9, 2018, the Bipartisan Budget Act of 2018 was signed into law removing the \$20 million fund limitation placed on livestock plans of insurance offered by RMA. The Underwriting Capacity Manager, which was used by RMA to monitor funding capacity used for each livestock program, was updated to reflect the change in the law. Producers were reminded of the prohibition of participating in both Livestock Gross Margin for Dairy Cattle and the Farm Service Agency's Margin Protection Program.

Cotton Production Reporting Date Extended Due to 2017 Crop Year Abnormal Cotton Ginning Delays in Texas, Oklahoma, and Kansas: In areas of Texas, Oklahoma, and Kansas, an increase in planted cotton acreage and subsequent high cotton yields have caused abnormal delays in the completion of the ginning process of harvested cotton production for the 2017 crop year. As a result, many cotton insureds in these three states will not have gin records of their 2017 cotton crop available by the production reporting date (PRD).

For the 2018 crop year, AIPs are authorized to accept production reports up to 60 days after the current PRD, for cotton policies with a sales closing date of March 15, 2018. For cotton insureds who provide an acceptable production report by June 29, 2018, and who still have unginmed cotton from the 2017 crop year after that date, eligibility for a temporary yield will be determined in accordance with FCIC 18010 Crop Insurance Handbook, Paragraph 1503.

Cotton insureds who do not provide an acceptable production report by June 29, 2018, will be considered to have failed to comply with the requirements of section 3(f) of the Common Crop Insurance Policy Basic Provisions.

Regulatory Changes

General Administrative Regulations; Subpart L-Reinsurance Agreement- Standards for Approval; Regulations for the 2019 and Subsequent Reinsurance Years:

Nursery Correction: FCIC amended the Nursery Crop Provisions to provide technical corrections to the definitions of "over-report factor" and "under-report factor." The changes were published March 23, 2018.

Cultivated Clams Correction: On April 17, 2018, a technical correction was published for the Cultivated Clams Crop Provisions final rule with requests for comments which was published in the Federal Register on December 27, 2017. The

technical correction removes sections from the existing rule which prohibit the use of written agreements.

California Avocados Correction: On April 17, 2018, a technical correction was published for the California Avocado Crop Provisions final rule with requests for comments which was published in the Federal Register on December 27, 2017. The technical correction removes sections from the existing rule which prohibit the use of written agreements.

Outreach

Acree Crop Reporting Streamlining Initiative (ACRSI) – Request for external providers for acreage data submission: On March 26, 2018, RMA circulated a memo requesting any interested parties to contact RMA if they would like to engage in becoming an ACRSI provider.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of February 2018 through May 2018:

Premium overstatements of \$136,072;

Indemnity overpayments of \$467,992;

Premium understatements of \$402,046; and

Indemnity underpayments of \$29,721

Improper Payment Elimination and Recovery Improvement Act (IPERIA):

RMA's Regional Compliance Offices (RCOs) are in the process of finalizing fiscal year (FY) 2018 IPERIA reviews. The FY 2019 IPERIA sample has been pulled and consists of 405 policies. The office of the Deputy Administrator for Compliance (DAC) hosted its annual IPERIA Kick Off call with the AIPs on April 25, 2018. Notification letters and document request lists were uploaded to the AIPs on May 4, 2018, and all Policyholder Notifications will be mailed no earlier than May 10, 2018.

AIP Performance Reviews (APR):

RMA is conducting six APRs to evaluate and assess each AIP's compliance with the terms and conditions of the Standard Reinsurance Agreement as well as their operational and control activities. Compliance will issue the FY 2018 APR reports to the select AIPs during the beginning of the third quarter of FY 2018.