



Federal Crop
Insurance
Corporation

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February 24, 2021

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Richard H. Flournoy /signed/
Acting Manager

SUBJECT: Manager's Report
Exhibit No. 4655

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) meeting on February 24, 2021.

Program Update

Extending COVID-19 Relief: (Manager's Bulletin MGR-20-029) In response to ongoing challenges associated with COVID-19, the Risk Management Agency (RMA) issued additional relief to extend and supplement previously issued relief measures.

2021 Crop Year County Spring Crop Program Expansions: (Manager's Bulletin MGR-20-029) RMA announced expansion into new counties for several existing commodities including buckwheat, cotton, dry beans, dry peas, fresh market tomatoes, grain sorghum, green peas, mustard, peanuts, processing beans, soybeans, and sweet corn.

Livestock Risk Protection (LRP) for Feeder Cattle, Fed Cattle, and Swine Revisions Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-21-004) RMA announced revisions to LRP for Feeder Cattle, Fed Cattle, and Swine effective for the 2021 and succeeding crop years beginning January 20, 2021. These changes include, increasing head limits; revising livestock ownership requirement to be 60 days; adding endorsement length options up to 52 weeks for swine; and adding new feeder cattle and swine types to allow for livestock to be insured before birth. The FCIC Board approved these revisions under section 508(h) of the Federal Crop Insurance Act, on August 20, 2020.

Flue Cured and Burley Tobacco Changes for the 2021 Crop Year: (Product Management Bulletin PM-20-088) RMA revised the Special Provisions of insurance for the flue cured and burley types of tobacco. The revisions were made based on stakeholder feedback. These changes will help improve the integrity of the program and make it more sustainable going forward. For flue cured tobacco, RMA will issue separate price elections for contracted and non-contracted tobacco. In addition, quality adjustment will only be available for

tobacco grown under contract. For burley tobacco RMA will be adjusting the price per pound and transitional yields for organic burley tobacco in accordance with recent data and contract pricing will no longer be allowed.

Hemp Actual Production History (APH) Insurance Program Changes Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-087) RMA announced changes to the Hemp APH insurance program effective for the 2021 crop year. The changes include expansion into Arizona, Arkansas, Nevada, and Texas as well as expansion into new counties in 13 states with existing coverage. Other changes include allowing broker contracts for hemp grain and adjusting program, reporting, and billing dates to match dates of similar crops by region. The FCIC Board approved these modifications under section 508(h) of the Federal Crop Insurance Act, on August 20, 2020.

Area Risk Protection Insurance (ARPI) Basic Provisions, Common Crop Insurance Policy (CCIP) Basic Provisions, Sunflower Seed Crop Provisions, and Dry Pea Crop Provisions Changes: (Product Management Bulletin PM-20-086) RMA revised the ARPI Basic Provisions, CCIP Basic Provisions, Sunflower Seed Crop Provisions, and Dry Pea Crop Provisions for the 2021 and succeeding crop years for crops with a contract change date on or after November 30, 2020, and for all other crops, the changes are applicable for the 2022 and succeeding crop years. A Final Rule with request for comments on the changes was published November 30, 2020, in the Federal Register.

Sweet Potato Crop Provisions Changes Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-085) RMA announced changes to the Sweet Potato Crop Provisions effective for the 2021 and succeeding crop years. These changes include: separate basic units by share and by fresh and dedicated processing types; facility inspection becomes the condition of insurance for the storage endorsement; and representative sample language reverts to the requirements contained in the Common Crop Insurance Policy Basic Provisions. The FCIC Board approved these changes under section 508(h) of the Federal Crop Insurance Act, on August 20, 2020.

Hybrid Seed Rice Crop Provisions Changes Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-084) RMA announced changes to the Hybrid Seed Rice Crop Provisions that will allow written agreements for the 2021 and succeeding crop years in Arkansas, Louisiana, Mississippi, Missouri, and Texas counties and parishes not offering Hybrid Seed Rice crop insurance but having appropriate actuarial data (T-Yields for long grain type rice, irrigated practice). The FCIC Board approved these revisions, on September 17, 2020.

Silage Sorghum Pilot Endorsement Changes Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-083) RMA revised the Silage Sorghum Pilot Endorsement for the 2021 and succeeding crop years. Changes include: updating references to the Coarse Grains Crop Provisions; replacing outdated terms with those consistent with the actuarial documents; revising the deadline for providing a contract to the acreage reporting date; clarifying that all acreage in the county in which the insured has a share must be covered under the silage sorghum purchase contract in order to use the contract price as the price election; and updating loss examples with current prices and simplified the computations.

Hybrid Sweet Corn Seed Program Changes Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-081) RMA revised the Hybrid Sweet Corn Seed Crop Provisions by renaming it to Hybrid Specialty Seed Crop Provisions and expanding the program to cover both Hybrid Sweet Corn Seed and Hybrid Popcorn Seed for the 2021 and succeeding crop years. Additionally, the program was revised to: remove the approved yield process; calculate both the guarantee and production to count based on the contract price; add an appraisal method for mature production; and trigger indemnities at the same threshold based on coverage level selected whether or not a minimum payment exists in the hybrid specialty seed contract. These changes were approved by the FCIC Board on March 4, 2020.

Sesame Crop Insurance Provisions Changes Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-080) RMA announced the expansion of the sesame program for 8 counties in Georgia and Alabama and an expansion by written agreement for 55 counties without actuarial documents for the crop in Alabama, Florida, and Georgia for the 2021 and succeeding crop years. The expansion was approved by the FCIC Board on March 4, 2020.

Enhanced Coverage Option (ECO) Endorsement Effective for the 2021 and Succeeding Crop Years: (Product Management Bulletin PM-20-078) RMA announced the availability of the new ECO product that was approved for implementation on August 20, 2020, by the FCIC Board under section 508(h) of the Federal Crop Insurance Act. ECO is available for the 2021 crop year for select crops with a contract change date of November 30, 2020, or later. ECO provides area-based coverage for a portion of the policyholder's underlying policy deductible like the Supplemental Coverage Option (SCO). The underlying policy must be under the Basic Provisions of the Common Crop Insurance Policy—Yield Protection, Revenue Protection, or Revenue Protection with the Harvest Price Exclusion. It uses the same expected and final area yields, projected and harvest prices and payment factors as SCO. ECO covers a band from 86 percent (where SCO coverage ends) up to 90 or 95 percent of expected crop value.

Research, Contracts, Studies, and Workgroups

Pasture Rangeland and Forage (PRF): RMA contracted for an independent evaluation of the PRF Rainfall Index Crop Insurance Program. The primary purpose of this contract was to conduct a comprehensive review of the methodology and calculations along with the County Base Values to determine if this was an effective risk management tool for livestock producers. RMA requested comments from the industry on the recommendations made by the contractor and some alternative recommendations to improve the PRF program. The comment period ended December 21, 2020. RMA received comments from over 200 individuals or organizations. The contractor and RMA are currently reviewing the comments.

Apple Workgroup: RMA continues to work with the apple industry and Approved Insurance Providers (AIPs) to evaluate potential changes to the apple program. RMA is targeting the 2023 crop year for implementation of policy revisions.

Guar: On March 19, 2020, a request for contractor proposals was issued to gather data, perform analysis, and develop a marketable and viable crop insurance program for guar producers. The focus of the effort will be the top guar producing states. On May 14, 2020, RMA awarded the contract to Agralytica. The contractor delivered a Data Gathering Report in November 2020. Based on the results of the report, RMA is requiring the contractor to develop a crop insurance program submission package for guar. The deliverable is due in May 2021.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of November 3, 2020, through January 26, 2021:

- Premium overstatements of \$367,124;
- Indemnity overpayments \$1,111,877;
- Premium understatements of \$8,745;
- Indemnity underpayments of \$18,459; and
- A&O Reduction of \$510,354.

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

Reviews: Regional Compliance Offices (RCOs) are currently issuing Final Findings for any IPERIA policy in which an Initial Finding was submitted to the AIPs. Of the 330 policies sampled, approximately 297 reviews have been completed and the case policies closed. The Final Findings process will continue through March 2021.

AIP Performance Reviews (APRs): Regional Compliance Offices have completed their review of past performance data and developed Performance Review Plans in preparation for their meetings with the AIPs. All reviews will be conducted virtually and are scheduled to be completed by March 5, 2021.

Audits:

- OIG Audit 05401-0012-11 Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for fiscal years (FY) 2020 and 2019 report issued on December 8, 2020.

Sanctions:

On February 21, 2020, the Administrator issued a Notice of Suspension to a Nebraska crop insurance agent. The agent advertised and presented to producer's false statements regarding the application deadline for crop insurance. Not only did he encourage producers to apply for crop insurance beyond the deadline, he also mislead producers to double-insure their crop in violation of the Federal Crop Insurance Program procedures. RMA referred the case to USDA's Office of the Inspector General (OIG) for further investigation, which is ongoing. On January 28, 2021, the agent entered into a Final Compliance and Settlement Agreement with FCIC. In consideration of FCIC's agreement to resolve all issues regarding suspension and proposed debarment, the agent agreed to a voluntary exclusion from participating as either a participant or a principal in covered transactions under non-procurement and procurement programs through the executive branch of the United States Government until August 20, 2021. He also agreed to pay \$25,000 to FCIC and subject himself to a 3-year monitoring plan that will verify his compliance with the applicable sales closing date regulations. The Final Compliance and Settlement Agreement did not waive any potential criminal or civil claims, demands, or causes of action that could be brought by the United States in Federal or State court.

Illinois Insured's 3-Year Voluntary Exclusion Increased to 10-Year Debarment. An Illinois insured who entered a plea agreement and a 3-year voluntary exclusion from the crop insurance program had his 3-year exclusion from the crop insurance program increased to a 10-year debarment. The Midwest Regional Compliance Office working with the Office of Inspector General determined that the insured conspired with another family member to circumvent the terms of his voluntary exclusion. The scheme and devise permitted the insured to continue to carry out the day to day financial and operational management of the farm under a false/factitious entity. Upon discovering the scheme, the U.S. Attorney successfully petitioned the U.S. District Court to revoke the insured's plea agreement and probation. Because of the plea agreement revocation, the insured was required to serve a year in prison and his 3-year voluntary exclusion was increased to a 10-year debarment.

Criminal Convictions: The following represent criminal cases RMA's Special Investigations Staff worked with USDA's OIG:

Kentucky Agent and Adjuster Pleads Guilty to Conspiracy to Commit Wire & Crop Insurance Fraud. A husband and wife who served as an adjuster and agent in Mt. Sterling, Kentucky pled guilty to conspiracy to commit wire fraud and crop insurance fraud associated with multiple tobacco policies.

Kentucky Insured Sentenced to Multiple Criminal Charges. On Monday, December 7, 2020, a Kentucky insured was sentenced to 13 months of incarceration and 3 years of probation for conspiracy, false claims, as well as, wire/mail fraud charges in Eastern Kentucky. The involved parties conspired to profit through the filing of false MPCI. The insured was required to pay restitution totaling \$517,794.

Michigan Insured Sentenced for Bank and Crop Insurance Fraud. On January 19, 2021, a Michigan insured was sentenced for crop insurance and bank fraud charges. The insured was sentenced to 96 months of incarceration, 5 years of supervised release, fined \$200, and ordered to pay restitutions totaling \$22.9 million. Wells Fargo will receive \$17.6 million of the total restitution; while RMA and the Farm Service Agency will receive \$4.5 million and \$776,160, respectively.

Personnel Announcements: Keith Gray was named Associate Administrator.