



Federal Crop
Insurance
Corporation

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September 24, 2021

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Richard H. Flournoy /signed/
Acting Manager

SUBJECT: Manager's Report
Exhibit No. 4600

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

Program Update

Drought Determination for the Sugar Beet Early Harvest Adjustment: (Manager's Bulletin MGR-21-009) The Sugar Beet Crop Provisions state that the Early Harvest Adjustment will not be made if the sugar beets are damaged by an insurable cause of loss and leaving the crop in the field will reduce production. Due to widespread drought conditions and the need for consistent Approved Insurance Provider (AIP) application of the Early Harvest Adjustment, the Risk Management Agency (RMA) reached out to agricultural experts familiar with sugar beet growth and development. The agricultural experts advised that leaving drought-damaged sugar beets in the field increases the risk of reduced production (sugar content). Therefore, RMA issued guidance stating that for the 2021 crop year, the Early Harvest Adjustment will not apply to any sugar beet units when the notice of loss results in a determination that drought is the primary insurable cause of loss, regardless of whether there is an indemnity.

Rainfall Index – Pasture, Rangeland, Forage and Apiculture Changes Effective for the 2022 and Succeeding Crop Years: (Product Management Bulletin PM-21-051) RMA announced changes to the Apiculture (API) and Pasture, Rangeland, Forage (PRF) crop insurance programs approved by the FCIC Board on August 25, 2021. The following changes are effective for the 2022 and succeeding crop years: modify the sales closing date, termination date, cancellation date, API colony reporting date, and PRF acreage reporting date from November 15 to December 1; allow the Farm Service Agency's (FSA) form FSA-578 to be used in conjunction with other documentation in determining shares; revise the definition of "veteran farmer or rancher" to allow a legal entity, comprised only of the veteran and their spouse, to qualify as a veteran farmer or rancher when a qualifying veteran has a non-veteran spouse; allow a producer to

report acreage as certified organic, or as acreage in transition to certified organic, when the producer has requested an organic certification by the acreage reporting date; and clarify the responsibility is on the producer to start dispute resolution through arbitration when the producer disagrees with an AIP determination.

Whole-Farm Revenue Protection (WFRP) Pilot Plan of Insurance Changes Effective for the 2022 and Succeeding Policy Years: (Product Management Bulletin PM-21-049) The Agricultural Improvement Act of 2018 (2018 Farm Bill) included provisions to improve the effectiveness of WFRP. Per the 2018 Farm Bill, RMA has continued to solicit stakeholder recommendations. In response to stakeholder feedback from organic groups, aquaculture producers, and small, highly diversified producers, RMA announced changes to the WFRP program that were approved by the FCIC Board on August 25, 2021. The following changes to the WFRP plan of insurance are applicable for the 2022 and succeeding policy years: increase the expansion limits for organic producers to the higher of \$500,000 or 35 percent from the current limit of 35 percent for all operations; increase the limit of insurance for aquaculture producers to \$8.5 million; allow producers to report acreage as certified organic when the producers have requested an organic certification by the date the Revised Farm Operation Report is due; and provide flexibility to report a partial yield history for producers lacking records by inserting a zero yield for missing years.

Florida Citrus Crop Insurance Changes Effective for the 2023 and Succeeding Crop Years: (Product Management Bulletin PM-21-048) RMA announced changes to the Actual Production History Florida Citrus Fruit Crop Insurance Program, approved by the FCIC Board under Section 508(h) of the Federal Crop Insurance Act on May 21, 2021. The following changes are applicable for the 2023 and succeeding crop years: expand coverage for lemons to Highlands and Charlotte counties in Florida; move the deadline for a revised acreage report and the date insurance attaches following a revised acreage report from March 1 to May 15; remove the acreage limitation for contract pricing; allow state required detailed trip tickets to be considered as acceptable production records; and provide quality adjustment for low juice content due to an insurable cause of loss to fruit production insured as fresh but sold as juice.

Sweet and Tart Cherry Pilot Crop Insurance Changes Effective for the 2022 and Succeeding Crop Years: (Product Management Bulletin PM-21-047) RMA announced changes to the Actual Revenue History Sweet and Tart Cherry Pilot Programs approved by the FCIC Board on May 21, 2021. The following changes are applicable for the 2022 and succeeding crop years: extend the end of insurance for revenue losses from January 15 to March 1; recognize sweet cherries in Michigan as a distinct processing type; and expand coverage by allowing written agreement requests for tart cherries in Canyon County, Idaho; Yamhill County, Oregon; and Walla Walla County, Washington.

Pistachio Crop Insurance Changes Effective for the 2022 and Succeeding Crop Years: (Product Management Bulletin PM-21-046) RMA revised the Pistachio Crop Provisions. The following changes are applicable for the 2022 and succeeding crop years:

revise the calculation for the Variability Adjustment Factor to utilize the policyholder's actual yields; and establish minimums and maximums to be used when the calculated Variability Adjustment Factor is outside an established range.

Grape Crop Insurance Changes Effective for the 2022 and Succeeding Crop Years: (Product Management Bulletin PM-21-045) RMA revised the Grape crop insurance program in California, Idaho, Oregon, Texas, and Washington. The following changes are applicable for the 2022 and succeeding crop years: allow producers with both contracted and non-contracted production the ability to use a weighted average price for their production; extend the acreage reporting date from January 15 to May 15 to allow producers additional time to finalize their contracts (Idaho, Oregon, and Washington); and clarify how to convert a contract price expressed in dollars per acre to dollars per ton.

Research, Contracts, Studies, and Workgroups

Apple Workgroup: RMA continues to work with the apple industry and AIP's to evaluate potential changes to the apple program. RMA is targeting the 2023 crop year for implementation of policy revisions.

Aquaculture: RMA awarded a contract to Agrilogic on July 19, 2021, to determine the validity and feasibility of developing a single or limited peril shellfish program or a revenue-based shellfish program with a focus on coverage that recognizes the difference in perils at different phases of growth.

Controlled Environment Agriculture (CEA): The 2018 Farm Bill required RMA to research feasibility of offering a crop insurance program for CEA. Based on a contracted research report, RMA is planning to move forward with the contracted development of a crop insurance program for CEA.

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. On July 14, 2021, the contractor delivered to RMA the Final Guar Board Submission Package for review. RMA intends to present the proposed program to the FCIC Board of Directors at the September 2021 Board meeting.

Production and Revenue History (PRH) for Fresh Tomatoes, Sweet Corn, and Peppers: RMA has contracted with Agralytica for the development of PRH policy for fresh market tomatoes, fresh market sweet corn, and fresh market peppers. The PRH contract kick off meeting was held with Agralytica on May 13, 2021. The Data Gathering Report is due from the contractor for Fresh Market Tomatoes on September 30, 2021.

The contractor conducted listening sessions for Fresh Market Tomatoes and Fresh Market Peppers in August for Florida and Georgia producers and other stakeholders.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of August 3, 2021 through August 30, 2021:

- Premium overstatements of \$54,141;
- Indemnity overpayments \$37,003;
- Premium understatements of \$18,982;
- Indemnity underpayments of \$3,303; and
- A&O Reduction of \$3,347.

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

Reviews: Regional Compliance Offices (RCOs) continue to conduct IPERIA reviews to determine if any improper payments were made. Of the 372 policies included in the RY2020 IPERIA sample 171 have been closed with no improper payments identified. RCOs will continue conducting reviews through the end of October.

AIP Performance Reviews (APRs)

The following AIPs have been identified for fiscal year 2022 AIP Performance Review: American Agricultural Insurance Company, American Agri-Business Insurance Company, Great American Insurance Company, and Rural Community Insurance Company. The AIPs were advised of the upcoming review and their assigned Regional Compliance Office reviewers by letter on September 7, 2021. The APRs are scheduled to begin in November.

Investigations, Indictments, & Convictions

Kentucky Tobacco Cases. Seven Kentucky tobacco insureds were sentenced and ordered to pay restitution in excess of \$2.13 million. The following provides an overview of the cases and investigative activities carried out by RMA's Special Investigation Staff and U.S. Department of Agriculture's Office of Inspector General.

Three Kentucky Insureds Sentenced & Ordered to Pay Over \$758K in Restitution. On August 20, 2021, a Kentucky insured was sentenced to 30 months incarceration and 36 months of probation. He is ordered to pay \$681,407 restitution, of which \$537,992 is due to FCIC. An associate was sentenced to 6 months' incarceration and 36 months of probation. He is joint and severally liable for \$110,257 restitutions, due to FCIC. Another Kentucky associate was sentenced to 6 months' incarceration and 36 months of probation. He is joint and severally liable for \$110,526 restitution, due to FCIC. The three men participated in an elaborate scheme with other producers, agents, and adjusters to hide production and make false claims beginning around 2010 - 2015.

Kentucky Insured Sentenced & Ordered to Pay Over \$313K in Restitution.

On August 20, 2021, a Kentucky insured was sentenced to 12 months incarceration and 36 months of probation. He is ordered to pay \$313,652 restitution to FCIC for false claims made to RMA from 2014-2015. He provided false tobacco sale bills and false grade reports to inflate or cause a false claim to be paid under policies in his and his son's names.

Kentucky Insured Sentenced for Paying Kickbacks to Agents & Adjusters. A

Kentucky insured was sentenced to 36 months for crop insurance fraud and related charges occurring from 2010 through 2015. The charges include paying kickbacks to agents and adjusters who inflated private crop hail and MPCl claims. A restitution hearing is set for October 25, 2021.

Kentucky Insured Sentenced and Ordered to Pay Restitutions in Excess of

\$940K. A Kentucky insured was sentenced to 5 years' probation and ordered to pay \$940,754 in restitution for his conspiracy in making false crop insurance claims in 1999 and again from 2006-2013. Beginning in 1999, the producer allowed a third party to use their name for insurance policies and made false claims under the producer's name. The third party laundered the crop insurance proceeds back to their accounts; the producer did not receive insurance proceeds.

Kentucky Insured Sentenced and Ordered to Pay Restitutions in Excess of

\$116K. A Kentucky insured was sentenced to time served and probation for 3 years (including a period of home incarceration). In addition, the producer is ordered to pay \$116,845 restitution for their conspiracy in making false crop insurance claims. From 2006-2012, the producer allowed a third party to use their name for tobacco insurance policies and made false claims under their name, causing \$945,970 in false indemnity payments. The producer did not receive proceeds from the false claims.

California Grape Buyer Pleads Guilty to Aiding & Abetting Mail Fraud. A

California grape buyer pled guilty to criminal charges of aiding and abetting mail fraud. He also agreed to resolve civil settlement charges of crop insurance fraud. The buyer altered an insured's grape production records to enable him to underreport his grape production resulting in the insured receiving false crop insurance claims from 2012 through 2015 crop years. The subject is required to pay over \$1.25 million in criminal and civil restitutions. The buyer's sentencing is scheduled for February 2022.

Personnel Announcements

None.