

**RMA/Industry Meeting**  
**March 27, 2002**

**Risk Management Agency**  
**Research and Evaluation Division Update**  
**Bob Vollmert**

# **FY 2001 Projects**

## **New Product Development Pool Contracts:**

- **Cost of Production Pilot Program (Full program research and development)**
- **Cotton Boll Weevil Eradication Program Impact on APH Yields (Feasibility)**
- **Cut Flowers and Cut Floral Greens Pilot Program (Feasibility Study)**
- **Fresh Vegetables Pilot Program (Feasibility Study)**
- **Hawaii Tropical Fruits and Trees Pilot Program (Feasibility Study)**
- **Multi-Year Coverage (Feasibility Study)**
- **Pasture and Rangeland Pilot Program (Feasibility Study)**
- **Perennial Pathogen Destruction Pilot Program (Feasibility Study)**
- **Quarantine Pilot Program (Feasibility Study)**
- **Revenue Coverage Plans (Feasibility Study)**

**Other Projects – Aquaculture (R&D), Organics (FS), Revenue for Cattle & Hogs (FS)**

# FY 2001 Projects

## Increased Emphasis on Pilot Program Evaluations:

- **Income Protection (Including Rating and Pricing)**
- **Pecan Evaluation (Listening sessions completed via contract and approved for in-house expedited evaluation)**
- **Sweetpotato Evaluation**
- **Avocado APH Evaluation (Approved for in-house expedited evaluation)**
- **Florida Fruit Tree/Avocado and Mango Tree Evaluation (Completed)**
- **Blueberry Evaluation (Approved by the Board to Convert to Regulatory Program)**
- **Millet Evaluation (Completed)**

# FY 2002 Projects

- **Projects from FY 2001 Feasibility Studies/Research Reports**
- **Other New Initiatives:**
  - **Biomass (Feasibility Study)**
  - **Livestock Risk Management Tools (Feasibility Study)**
  - **Tree, Vine, and Bush Replacement Program (Feasibility Study)**
  - **Melon Pilot Program (Feasibility Study)**
  - **Lawn Seed Pilot Program (Feasibility Study)**
  - **Vegetable and Flower Seed Pilot Program (Feasibility Study)**
  - **Christmas Tree Pilot Program (Research and Development)**
  - **Sesame, Triticale, and Minor Grains Pilot Program (Feasibility Study)**
  - **Risk Management Stabilization Accounts (ERS - Feasibility Study)**
  - **Livestock Disease Risk Management Program (APHIS - Feasibility Study)**
  - **Acts of Terrorism and Other Events Impacting Ag Risk Management (FS)**
  - **Direct Marketing of Perishable Crops (GovWorks – Feasibility Study)**

# FY 2002 Projects

## ■ Evaluations

- **Sweetpotato Evaluation Report (Contract)**
- **Income Protection Evaluation Report (Contract)**
- **Cabbage Evaluation (Contract)**
- **Cherry Evaluation (Contract)**
- **Crambe Evaluation (Expedited in-house)**
- **Mustard Evaluation (Expedited in-house)**
- **Rangeland GRP Evaluation (Contract)**
- **Squash and Pumpkin Evaluation (Contract)**
- **Wild Rice Evaluation (Contract)**

# FY 2003 – Potential Projects

- **Program Development for Projects from FY 2001 Feasibility Studies**
- **Program Development for Projects from FY 2002 Feasibility Studies**
- **Other Research and Development Contract Projects:**
  - **Herbs**
  - **Bulbs, Corms, Rhizomes, and Tubers**
  - **Bees and Honey**
  - **Olives**
  - **Maple Syrup**
  - **Hazelnuts**
- **Pilot Program Evaluations**

# Basic Provisions for 2003 (at the earliest)

- **Prevented Planting**
- **Limitation on Double Insurance**

# Basic Provisions

- Organic Practices
- Good Farming Practices
- Misreporting – Acreage/Yields
- Entities/Partnerships

## Crop Provisions 2003/2004

- Millet - 2003 - Final Rule 02/22/02
- Nursery - 2004
- Small Grains - 2004
- Sugarcane - 2004

# Livestock Price Insurance

- Livestock Risk Protection
- Web delivery - Tentative
  - Materials to be placed on web site
    - Specific Coverage Endorsement
    - Special Provisions
    - Coverage Prices/Rates
    - Forms
    - Premium Calculation Instructions
    - Basic Policy
    - Underwriting Rules
    - Draft Manual 13
- Livestock Gross Margin to be released shortly after Livestock Risk Protection

# Nutrient – Best Management Practices (BMP)

- Provides protection for crop losses as a result of following a nutrient best management practice for nitrogen and phosphorus.
- Tentative release for 2003 spring crop

# Other Issues

## Late Filed Acreage

- Prevented planting payment based on historic acres of crop
- The rest of acreage prevented from being planted can be rolled to eligible acreage of another crop
- A late filed acreage report is needed and will have NO
  - Admin fee- Late filed acreage reduction

# Irrigation Water/Drought Issues

- A new Manager's Bulletin will reinstate MGR-01-017 – Irrigation Issues

# Actuarial Design Filing Dates

<b>Filings</b>	<b>Documents Released</b>	<b>ADM Released</b>
<b>4/30 Filing</b>	<b>April 2</b>	<b>April 2</b>
<b>6/30 Filing</b>	<b>May 13</b>	<b>May 21</b>
<b>8/31, 9/30, 10/31 Filings</b>	<b>July 19</b>	<b>July 24</b>
<b>11/30, 12/31 Filings</b>	<b>Oct 1</b>	<b>Oct 11</b>
<b>3/15 Filing</b>	<b>Dec 20</b>	<b>Dec 20</b>

# Actuarial Design 2003 Filing Status

## 4/30 Filing

- Documents generated and being reviewed
  - Awaiting OMB Price Approval for one crop
- Regional Office Approval/Concurrence in Progress
- Will Include Livestock Revenue Program (LRP)
- Proposed Release Date of 4/2

# **Actuarial Design**

## **2003 Filing Status (Continued)**

### **6/30 & Subsequent Filings**

- **Changes in Statements, Types/Practices, Dates, etc. in progress**
- **T-Yields being reviewed and updated**
- **Rates are being reviewed and updated**
- **Price Elections under development**
- **Will Include Livestock Gross Margin (LGM)**

# Actuarial Design

## 2003 Program Expansions

### County Crop Program Expansion for the 4/30 Filing

#### CROP

0032 Forage Seeding

#### STATE

06 California

#### COUNTY

077 San Joaquin

095 Solano

099 Stanislaus

113 Yolo

# Actuarial Design

## 2003 Program Deletions

### County Crop Program Deletion for the 6/30 Filing

#### CROP

0011 Wheat

#### STATE

19 Iowa

#### COUNTY

013 Black Hawk

029 Cass

031 Cedar

073 Greene

099 Jasper

105 Jones

113 Linn

131 Mitchell

149 Plymouth

153 Polk

157 Poweshiek

169 Story

# Actuarial Design

## 2003 Program Deletions (Continued)

### County Crop Program Deletion for the 6/30 Filing

#### CROP

0011 Wheat

#### STATE

26 Michigan

#### COUNTY

003 Alger  
039 Crawford  
053 Gogebic  
071 Iron  
103 Marquette  
135 Oscoda  
143 Roscommon

# Actuarial Design

## Livestock Programs

- **Livestock Revenue Program (LRP)**
  - **AFS Structure Established**
  - **New ADM Records Developed**
  - **Special Provisions Documents (in Draft)**
- **Livestock Gross Margin Program (LGM)**

# Actuarial Design

## Implementation of Swine Programs

- **Livestock Revenue Program (LRP)**
  - **Daily Verification of Company-Provided Rate Information**
  - **Periodic Verification of Price Information**
  - **Retrieval of Website Data from:**
    - **Chicago Mercantile Exchange (CME)**
    - **Agricultural Marketing Service (AMS)**
  - **Development of an Automated Verification Process that will turn Sales “On” and “Off”**
  - **Actuarial Design Implementation Initiatives are on Schedule**

# Actuarial Design

## Implementation of Swine Programs (Continued)

- **Livestock Gross Margin (LGM)**
  - **Some LRP Processes can be Directly Utilized**
  - **Will Verify Company-provided Data**
  - **Bi-annual Sales Period**
  - **Actuarial Design Implementation Initiatives are on Schedule**

# Actuarial Design

## Rate Studies

### ■ Yield Plug Analysis

#### ○ Why Needed?

*Analyze and evaluate ARPA change permitting producers to replace yields that are less than 60% of the T-Yield. Board Requested Study.*

#### ○ Expectations?

*The study investigates and recommends the extent that rates need to be increased to maintain actuarial soundness.*

### ■ Annual Rating Cycle

#### ○ Why Needed?

*Less Frequent reviews reduce administrative costs & may stabilize rates.*

#### ○ Expectations?

*The study will evaluate the feasibility of updating target rates annually or on a less-frequent basis.*

# Actuarial Design

## Rate Studies

### ■ Catastrophic Load & Data Review

#### ○ Why Needed?

*Review rate methodology used to determine catastrophic rate loads.*

#### ○ Expectations?

*The study will present viable options to determine catastrophic load. It will also evaluate the current methodology used to convert revenue plans of insurance to APH experience for use in the rate review process.*

### ■ CAT Coverage Data

#### ○ Why Needed?

*Catastrophic (CAT) coverage policy data are not currently incorporated in determining target rates.*

#### ○ Expectations?

*The study will evaluate whether CAT insureds are statistically different from buy-up insureds, recommend a method to adjust 50% coverage experience to the 65% level, and analyze the impact of CAT experience on target rates and premiums.*

# Actuarial Design

## Rate Studies

### ■ Credibility Theory

#### ○ Why Needed?

*To determine most appropriate way to measure credibility of crop county program experience.*

#### ○ Expectations?

*Based on existing rate making data pool, the study will recommend the most actuarially appropriate method to measure credibility and how to best incorporate it into the ratemaking methodology.*

### ■ Unit Structure Review

#### ○ Why Needed?

*To evaluate the impact of various unit formats on current procedures for underwriting, yield reporting, and rate determination*

#### ○ Expectations?

*The study will evaluate current RMA unit division structure, recommend an optimal unit structure, and develop rating methodology to accommodate any proposed change.*

# Actuarial Design

## Rate Studies

### ■ Review of Rates Between Plans of Insurance and Excessive Marginal Premium

#### ○ Why Needed?

*Premium rates between plans of insurance with essentially the same coverage may differ substantially.*

#### ○ Expectations?

*To review rating methodologies of each plan, identify areas of differences, and recommend rate models within and across coverage levels.*

### ■ Harvesting Cost Inclusion in Price Elections

#### ○ Why Needed?

*Harvesting costs are included in some price elections and not in others.*

#### ○ Expectations?

*The study will evaluate current RMA procedures and recommend a consistent methodology and process.*

# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

- 2002 Processing Issues
- Livestock Implementation
- 2003 Modifications
- GIS
- May IT Managers' Meeting

# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

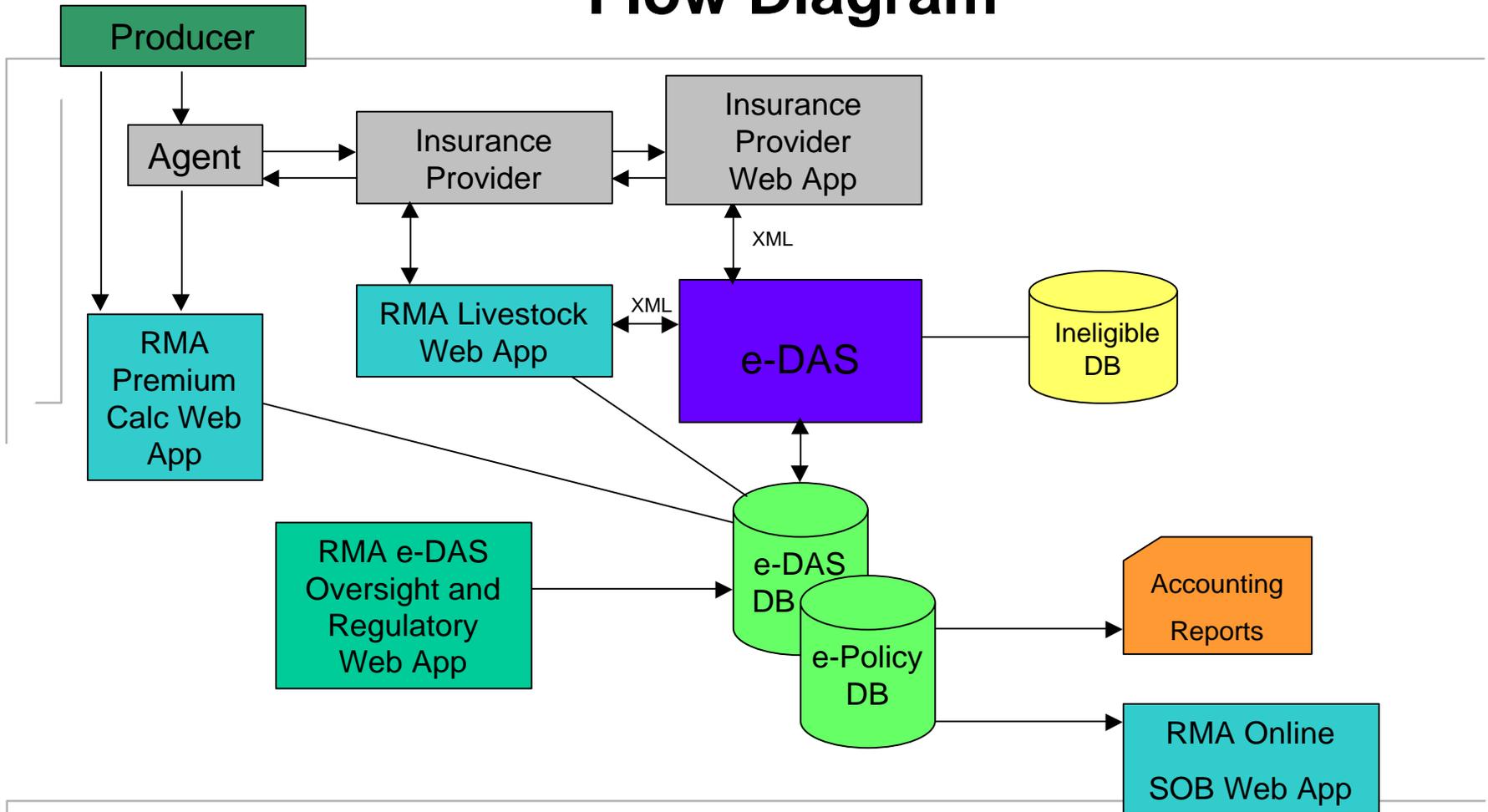
- 2002 Processing Issues
  - New Producer Edits
  - Reliability of the System
  - Virtual Private Network (VPN) Transmission
  - Disaster Recovery

# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

- Livestock Implementation
  - Industry Teleconferences
    - February 14, 2002 - Introduction
    - March 7, 2002 – Review of Testing Procedures
  - e DAS Transmission Process
    - March 8, 2002
  - Test Schedule
    - Agent - March 25, 2002
    - Producer Records - April 15, 2002
    - Premium Records – May 6, 2002

# e-DAS Data Flow Diagram



# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

- 2003 Modifications
  - New Fields
    - Market Price Indicator
    - Multi-county Tracking
    - Previous Year's Yield Limitation Flag
  - Enhanced Output Records to Companies
- 2003 Discussion Items
  - eDAS applicability to other Plans
  - Land Location Reporting Options

# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

- 2003 Modifications
  - Reduce Maintenance Costs
    - Eliminate redundancies in databases/data between accounting processes and DAS processes
  - Identify additional information to be published on the RMA website
    - Report format
    - Data downloads
  - Increase Number of Financial Reviews

# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

### ■ GIS

- RMA Cross Functional Workgroup Formed
- Business Functions Identified
- May be able to see some benefits for 2004 actuarial filings

### ■ Propose

- Workgroup to identify GIS issues critical to successful implementation
  - Timeline
  - Representation

# ACTUARIAL DIVISION

## Data Acceptance & Reinsurance Accounting Update

### ■ May IT Meeting

➤ May 14 – 16, 2002

➤ RMA Kansas City Offices

➤ May 14

Insurance Services

Product Development

Research and Evaluation

Compliance

➤ May 15 & 16

■ IT Managers Meeting with Accounting Breakout