

106TH CONGRESS
1ST SESSION

H. R. 2239

To amend the Federal Crop Insurance Act to improve crop insurance coverage and administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 1999

Mr. CHAMBLISS (for himself, Mr. BERRY, Mr. PICKERING, Mr. BISHOP, Mr. COOKSEY, Mr. HAYES, Mr. KINGSTON, Mr. BOYD, Mr. EVERETT, Mr. NORWOOD, and Mr. SHOWS) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Crop Insurance Act to improve crop insurance coverage and administration, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Crop Insurance Equalization Act of 1999”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—CROP INSURANCE COVERAGE

- Sec. 101. Prevented planting.
- Sec. 102. Alternative rating methodologies.
- Sec. 103. Quality adjustment.
- Sec. 104. Low-risk producer pilot program.
- Sec. 105. Catastrophic risk protection.
- Sec. 106. Loss adjustment.
- Sec. 107. Cost of production plans of insurance.
- Sec. 108. Discounts.
- Sec. 109. Adjustments to subsidy levels for catastrophic risk protection and additional coverage.
- Sec. 110. Sales closing dates.
- Sec. 111. Assigned yields.
- Sec. 112. Actual production history adjustment for disasters.
- Sec. 113. Payment of portion of premium.
- Sec. 114. Limitation on premiums included in underwriting gains.
- Sec. 115. Noninsured crop assistance program.

TITLE II—ADMINISTRATION

- Sec. 201. Board of Directors of Corporation.
- Sec. 202. Office of Risk Management.
- Sec. 203. Office of Private Sector Partnership.
- Sec. 204. Penalties for false information.
- Sec. 205. Regulations.
- Sec. 206. Program compliance.
- Sec. 207. Payments by cooperative associations.
- Sec. 208. Limitation on double insurance.
- Sec. 209. Consultation with State committees of Farm Service Agency.
- Sec. 210. Records and reporting.
- Sec. 211. Fees for plans of insurance.
- Sec. 212. Flexible subsidy pilot program.
- Sec. 213. Reinsurance agreements.
- Sec. 214. Funding.

TITLE I—CROP INSURANCE COVERAGE

SEC. 101. PREVENTED PLANTING.

Section 508(a) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)) is amended by adding at the end the following:

“(7) PREVENTED PLANTING.—

“(A) IN GENERAL.—The Corporation shall offer coverage for prevented planting of an agri-

1 cultural commodity only as an endorsement to
2 a policy.

3 “(B) EQUAL COVERAGE.—For each agri-
4 cultural commodity for which prevented plant-
5 ing coverage is available, the Corporation shall
6 offer an equal level of prevented planting cov-
7 erage.

8 “(C) PLANTING OF SUBSTITUTE AGRICUL-
9 TURAL COMMODITIES.—In the case of prevented
10 planting coverage that is offered under this
11 paragraph, the Corporation shall allow pro-
12 ducers that have the coverage, and that are eli-
13 gible to receive a prevented planting indemnity,
14 to plant an agricultural commodity, other than
15 the commodity covered by the prevented plant-
16 ing coverage, on the acreage that the producer
17 has been prevented from planting to the origi-
18 nal agricultural commodity.

19 “(D) INELIGIBILITY FOR COVERAGE.—A
20 substitute agricultural commodity described in
21 subparagraph (C) shall not be eligible for cov-
22 erage under a plan of insurance under this
23 title.”.

1 **SEC. 102. ALTERNATIVE RATING METHODOLOGIES.**

2 Section 508(a) of the Federal Crop Insurance Act (7
3 U.S.C. 1508(a)) (as amended by section 101) is amended
4 by adding at the end the following:

5 “(8) ALTERNATIVE RATING METHODOLOGIES.—

6 “(A) IN GENERAL.—Not later than Sep-
7 tember 30, 2000, the Corporation shall develop
8 and implement alternative methodologies for
9 rating plans of insurance under subsections (b)
10 and (c), and rates for the plans of insurance,
11 that take into account—

12 “(i) producers that elect not to par-
13 ticipate in the Federal crop insurance pro-
14 gram established under this title; and

15 “(ii) producers that elect only to ob-
16 tain catastrophic risk protection under
17 subsection (b).

18 “(B) REVIEW AND ADJUSTMENT.—Effec-
19 tive for the 2001 and subsequent crop years,
20 the Corporation shall review and make any nec-
21 essary adjustments to methodologies and rates
22 established under this paragraph, based on (as
23 determined by the Corporation)—

24 “(i) expected future losses, with ap-
25 propriate adjustment of any historical data
26 used in rating to remove—

1 “(I) the impact of adverse selec-
2 tion; and

3 “(II) data that no longer reflects
4 the productive capacity of the area;

5 “(ii) program errors; and

6 “(iii) any other factor that can cause
7 errors in methodologies and rates.

8 “(C) IMPLEMENTATION.—In developing,
9 implementing, and adjusting rating methodolo-
10 gies and rates under this paragraph, the Cor-
11 poration shall—

12 “(i) use methodologies for rating
13 plans of insurance under subsections (b)
14 and (c) that result in the lowest premiums
15 payable by producers of an agricultural
16 commodity in a geographic area, as deter-
17 mined by the Corporation; and

18 “(ii) update the manner in which
19 rates are applied at the individual producer
20 level, as determined by the Corporation.

21 “(D) PRIORITY.—In developing, imple-
22 menting, and adjusting alternative methodolo-
23 gies for rating plans of insurance under sub-
24 sections (b) and (c) for agricultural commod-
25 ities, the Corporation shall provide the highest

1 priority to agricultural commodities with (as de-
 2 termined by the Corporation)—

3 “(i) the largest average acreage; and

4 “(ii) the lowest percentage of pro-
 5 ducers that purchased coverage under sub-
 6 section (c).”.

7 **SEC. 103. QUALITY ADJUSTMENT.**

8 Section 508(a) of the Federal Crop Insurance Act (7
 9 U.S.C. 1508(a)) (as amended by section 102) is amended
 10 by adding at the end the following:

11 “(9) QUALITY ADJUSTMENT POLICIES.—The
 12 Corporation shall offer, only as an endorsement to a
 13 policy, coverage that permits a reduction in the
 14 quantity of production of an agricultural commodity
 15 produced during a crop year, or any similar adjust-
 16 ment, that results from the agricultural commodity
 17 not meeting the quality standards established in the
 18 policy.”.

19 **SEC. 104. LOW-RISK PRODUCER PILOT PROGRAM.**

20 Section 508(a) of the Federal Crop Insurance Act (7
 21 U.S.C. 1508(a)) (as amended by section 103) is amended
 22 by adding at the end the following:

23 “(10) LOW-RISK PRODUCER PILOT PROGRAM.—

24 “(A) IN GENERAL.—For each of the 2000
 25 through 2003 crop years, the Corporation shall

1 carry out a pilot program that is designed to
2 encourage participation in the Federal crop in-
3 surance program established under this title by
4 producers who rarely suffer insurable losses.

5 “(B) SCOPE.—The Corporation shall carry
6 out the pilot program in at least 40 counties
7 that are determined by the Corporation to be
8 adequate to provide a comprehensive evaluation
9 of the feasibility, effectiveness, and demand
10 among producers for a low-risk producer pro-
11 gram.

12 “(C) PREMIUM REFUND.—Notwith-
13 standing section 506(o) and subsection (d)(1),
14 if a producer participating in the pilot program
15 incurs a yield loss in any crop year that is more
16 than 10 percent but not more than 35 percent
17 of the yield determined under subsection (g),
18 the Corporation shall—

19 “(i) refund all or part, as determined
20 by the Corporation, of the premium that
21 was paid by the producer for a plan of in-
22 surance for the crop that incurred the
23 qualifying loss; or

24 “(ii) apply the amount to be refunded
25 under clause (i) against the premium pay-

1 able by the producer for equivalent cov-
 2 erage for the subsequent crop year.

3 “(D) REGULATIONS.—The Corporation
 4 shall promulgate such regulations as are nec-
 5 essary to carry out the pilot program.”.

6 **SEC. 105. CATASTROPHIC RISK PROTECTION.**

7 Section 508(b)(2)(A) of the Federal Crop Insurance
 8 Act (7 U.S.C. 1508(b)(2)(A)) is amended—

9 (1) in clause (i), by striking “and” at the end;
 10 (2) in clause (ii)—

11 (A) by striking “each of the 1999 and sub-
 12 sequent crop years” and inserting “the 1999
 13 crop year”; and

14 (B) by striking the period at the end and
 15 inserting “; and”; and

16 (3) by adding at the end the following:

17 “(iii) in the case of each of the 2000
 18 and subsequent crop years, catastrophic
 19 risk protection shall offer a producer cov-
 20 erage for a 60 percent loss in yield, on an
 21 individual yield or area yield basis, indem-
 22 nified at 70 percent of the expected market
 23 price, or a comparable coverage (as deter-
 24 mined by the Corporation).”.

1 **SEC. 106. LOSS ADJUSTMENT.**

2 Section 508(b)(11) of the Federal Crop Insurance
3 Act (7 U.S.C. 1508(b)(11)) is amended by striking “11
4 percent” and all that follows through the end of the para-
5 graph and inserting “\$50 for each claim that is adjusted
6 under this subsection.”.

7 **SEC. 107. COST OF PRODUCTION PLANS OF INSURANCE.**

8 (a) IN GENERAL.—Section 508(c) of the Federal
9 Crop Insurance Act (7 U.S.C. 1508(c)) is amended by
10 striking paragraph (5) and inserting the following:

11 “(5) EXPECTED MARKET PRICE.—

12 “(A) IN GENERAL.—For the purposes of
13 this title, the Corporation shall establish or ap-
14 prove the price level (referred to in this title as
15 the ‘expected market price’) of each agricultural
16 commodity for which insurance is offered.

17 “(B) AMOUNT.—The expected market
18 price of an agricultural commodity—

19 “(i) except as otherwise provided in
20 this subparagraph, shall be not less than
21 the projected market price of the agricul-
22 tural commodity, as determined by the
23 Corporation;

24 “(ii) may be based on the actual mar-
25 ket price of the agricultural commodity at

1 the time of harvest, as determined by the
2 Corporation; or

3 “(iii) in the case of cost of production
4 or similar plans of insurance, shall be the
5 projected cost of producing the agricultural
6 commodity, as determined by the Corpora-
7 tion in consultation with land-grant col-
8 leges and universities.”.

9 (b) CONFORMING AMENDMENTS.—Section 508(h) of
10 the Federal Crop Insurance Act (7 U.S.C. 1508(h)) is
11 amended—

12 (1) by striking paragraph (9); and

13 (2) by redesignating paragraph (10) as para-
14 graph (9).

15 **SEC. 108. DISCOUNTS.**

16 Section 508(d) of the Federal Crop Insurance Act (7
17 U.S.C. 1508(d)) is amended by adding at the end the fol-
18 lowing:

19 “(3) DISCOUNTS.—

20 “(A) IN GENERAL.—Notwithstanding sec-
21 tion 506(o) and paragraph (1), the Corporation
22 shall provide a discount in the premium payable
23 by the producer for a plan of insurance under
24 subsections (b) and (c) for an agricultural com-
25 modity in a county if the producer—

1 “(i) during each of the preceding 5
2 consecutive crop years—

3 “(I) has obtained insurance
4 under this title for the agricultural
5 commodity; and

6 “(II) has not filed any claim
7 under the insurance;

8 “(ii) if offered by the Corporation,
9 elects to have unit coverage that reduces
10 the risk of loss below the risk of loss that
11 is expected for a unit comprised of all in-
12 surable acreage of the agricultural com-
13 modity in the county;

14 “(iii) implements innovative farming
15 management practices that reduce the risk
16 of insurable loss, as determined by the
17 Corporation; or

18 “(iv) provides to the Corporation evi-
19 dence that another producer willfully and
20 intentionally provided false or inaccurate
21 information to the Corporation or to any
22 insurer with respect to an insurance plan
23 or policy under this title, and the Corpora-
24 tion assesses a civil penalty under section

1 506(n) based at least in part on that evi-
2 dence.

3 “(B) AMOUNT.—

4 “(i) IN GENERAL.—Subject to clause
5 (ii), the amount of the discount provided to
6 a producer for a crop year under subpara-
7 graph (A) shall be determined by the Cor-
8 poration.

9 “(ii) NO CLAIM DISCOUNT.—The
10 amount of the discount provided to a pro-
11 ducer for a crop year under subparagraph
12 (A)(i) shall increase for each additional
13 consecutive crop year for which the pro-
14 ducer is eligible for a discount under sub-
15 paragraph (A)(i).”.

16 **SEC. 109. ADJUSTMENTS TO SUBSIDY LEVELS FOR CATA-**
17 **STROPHIC RISK PROTECTION AND ADDI-**
18 **TIONAL COVERAGE.**

19 Section 508(e) of the Federal Crop Insurance Act (7
20 U.S.C. 1508(e)) is amended by striking paragraph (2) and
21 inserting the following:

22 “(2) AMOUNT OF PAYMENT.—Beginning with
23 the 2000 crop year, the amount of the premium to
24 be paid by the Corporation shall be as follows:

1 “(A) In the case of catastrophic risk pro-
2 tection, the amount shall be equal to a percent-
3 age of the premium established for catastrophic
4 risk protection under subsection (d)(2)(A), as
5 follows:

6 “(i) For the 2000 crop year, 100 per-
7 cent.

8 “(ii) For the 2001 crop year, 75 per-
9 cent.

10 “(iii) For the 2002 and subsequent
11 crop years, 50 percent.

12 “(B) In the case of additional coverage
13 below 65 percent of the recorded or appraised
14 average yield indemnified at 100 percent of the
15 expected market price, or an equivalent cov-
16 erage, the amount shall be equal to the sum
17 of—

18 “(i) 50 percent of the amount of the
19 premium established under subsection
20 (d)(2)(B)(i); and

21 “(ii) the amount of operating and ad-
22 ministrative expenses determined under
23 subsection (d)(2)(B)(ii).

24 “(C) In the case of additional coverage
25 equal to or greater than 65 percent of the re-

corded or appraised average yield indemnified
at 100 percent of the expected market price, or
an equivalent coverage, the amount shall be
equal to the sum of—

“(i) 50 percent of the amount of the
premium established under subsection
(d)(2)(C)(i); and

“(ii) the amount of operating and ad-
ministrative expenses determined under
subsection (d)(2)(C)(ii).”.

SEC. 110. SALES CLOSING DATES.

Section 508(f)(2) of the Federal Crop Insurance Act
(7 U.S.C. 1508(f)(2)) is amended by striking the last sen-
tence.

SEC. 111. ASSIGNED YIELDS.

Section 508(g)(2)(B) of the Federal Crop Insurance
Act (7 U.S.C. 1508(g)(2)(B)) is amended—

(1) by striking “assigned a yield” and inserting

“assigned—

“(i) a yield”;

(2) by striking the period at the end and insert-
ing “; or”; and

(3) by adding at the end the following:

“(ii) a yield determined by the Cor-
poration, in the case of—

1 “(I) a person that has not been
 2 actively engaged in farming for a
 3 share of the production of the insured
 4 crop for more than 2 crop years, as
 5 determined by the Secretary;

6 “(II) a producer that produces
 7 an agricultural commodity on land
 8 that has not been farmed by the pro-
 9 ducer; and

10 “(III) a producer that rotates a
 11 crop produced on a farm to a crop
 12 that has not been produced on the
 13 farm.”.

14 **SEC. 112. ACTUAL PRODUCTION HISTORY ADJUSTMENT**
 15 **FOR DISASTERS.**

16 Section 508(g)(2) of the Federal Crop Insurance Act
 17 (7 U.S.C. 1508(g)(2)) is amended by adding at the end
 18 the following:

19 “(E) SUBSTITUTION OF TRANSITIONAL
 20 YIELD.—Effective beginning with the 2000 crop
 21 year, if the producer’s yield of an agricultural
 22 commodity in any crop year is less than 85 per-
 23 cent of the transitional yield established by the
 24 Corporation for the agricultural commodity, the
 25 Corporation shall, at the option of the producer,

1 consider the producer's yield for the crop year
2 to be 85 percent of the transitional yield for the
3 purpose of calculating the actual production
4 history for a crop of an agricultural commodity
5 under subparagraph (A).

6 “(F) CORPORATION’S SHARE OF COSTS.—

7 In the case of any yield substitution under sub-
8 paragraph (E), in addition to any other author-
9 ity to pay any portion of the premium and in-
10 demnity, the Corporation shall pay—

11 “(i) the portion of the premium or in-
12 demnity that represents the increase in
13 premium associated with the substitution
14 of the transitional yield under subpara-
15 graph (E);

16 “(ii) all additional indemnities associ-
17 ated with the substitution; and

18 “(iii) any amounts that result from
19 the difference in the administrative and op-
20 erating expenses owed to an approved in-
21 surance provider as the result of the sub-
22 stitution.”.

23 **SEC. 113. PAYMENT OF PORTION OF PREMIUM.**

24 Section 508(h)(2) of the Federal Crop Insurance Act
25 (7 U.S.C. 1508(h)(2)) is amended in the second sentence

1 by inserting before the period at the end the following:
 2 “, except that the Corporation shall not pay any portion
 3 of the premium for any plan of insurance that offers cov-
 4 erage for losses associated with a change in price”.

5 **SEC. 114. LIMITATION ON PREMIUMS INCLUDED IN UNDER-**
 6 **WRITING GAINS.**

7 Section 508(k) of the Federal Crop Insurance Act (7
 8 U.S.C. 1508(k)) is amended by adding at the end the fol-
 9 lowing:

10 “(8) LIMITATION ON PREMIUMS INCLUDED IN
 11 UNDERWRITING GAINS.—Notwithstanding any other
 12 provision of law, the reinsurance agreements of the
 13 Corporation shall require that not more than 50 per-
 14 cent of any premium for catastrophic risk protection
 15 under subsection (b) be included in the calculation
 16 of gains or losses of an approved insurance provider
 17 unless the loss ratio for catastrophic risk protection
 18 exceeds 1.0.”.

19 **SEC. 115. NONINSURED CROP ASSISTANCE PROGRAM.**

20 (a) INCLUSION OF ISOLATED PRODUCERS.—Sub-
 21 section (b) of section 196 of the Agricultural Market
 22 Transition Act (7 U.S.C. 7333) is amended by adding at
 23 the end the following:

24 “(4) INCLUSION OF ISOLATED PRODUCERS.—
 25 The Secretary may not declare a producer to be in-

1 eligible for assistance under this section for an eligi-
 2 ble crop because of an lack of other production of
 3 the same crop in the producer’s area if the success-
 4 ful harvest of the eligible crop in the area for at
 5 least 2 years has been proven or demonstrated.”.

6 (b) WAIVER OR REDUCTION OF REQUIRED AREA
 7 LOSS THRESHOLD.—Subsection (c)(1) of such section is
 8 amended by adding at the end the following: “The Sec-
 9 retary may completely waive application of this paragraph
 10 or reduce the required area loss imposed as a condition
 11 on the provision of assistance under this section to pro-
 12 ducers otherwise satisfying paragraph (2) or (3).”.

13 (c) CHANGE IN REQUIRED INDIVIDUAL LOSS
 14 THRESHOLD.—Subsection (c)(3) and subsection (d)(1) of
 15 such section are both amended by inserting “(or, begin-
 16 ning with the 2000 crop year, 60 percent)” after “50 per-
 17 cent”.

18 (d) INCREASE IN PERCENTAGE OF MARKET
 19 PRICE.—Subsection (d)(2) of such section is amended—

20 (1) by striking “or” at the end of subparagraph

21 (A);

22 (2) in subparagraph (B)—

23 (A) by striking “each of the 1999 and sub-
 24 sequent crop years” and inserting “the 1999
 25 crop year”; and

1 (B) by striking “; by” and inserting “; or”;

2 and

3 (3) by adding at the end the following:

4 “(C) in the case of each of the 2000 and subse-
5 quent crop years, 70 percent of the average market
6 price for the crop (or any comparable coverage de-
7 termined by the Secretary); by”.

8 (e) GROSS INCOME LIMITATION.—Subsection (i)(4)
9 of such section is amended by striking “the amount speci-
10 fied in section 2266(a) of the Food, Agriculture, Conserva-
11 tion, and Trade Act of 1990 (7 U.S.C. 1421 note) (as
12 in effect on November 28, 1990)” and inserting
13 “\$4,000,000”.

14 **TITLE II—ADMINISTRATION**

15 **SEC. 201. BOARD OF DIRECTORS OF CORPORATION.**

16 Section 505 of the Federal Crop Insurance Act (7
17 U.S.C. 1505) is amended by striking subsection (a) and
18 inserting the following:

19 “(a) BOARD OF DIRECTORS.—

20 “(1) IN GENERAL.—The management of the
21 Corporation shall be vested in a Board subject to the
22 general supervision of the Secretary.

23 “(2) COMPOSITION.—The Board shall consist
24 of—

1 “(A) 4 members who are active agricul-
2 tural producers with or without crop insurance,
3 with 1 member appointed from each of the 4 re-
4 gions of the United States (as determined by
5 the Secretary);

6 “(B) 1 member who is active in the crop
7 insurance business;

8 “(C) 1 member who is active in the rein-
9 surance business;

10 “(D) the Under Secretary for Farm and
11 Foreign Agricultural Services;

12 “(E) the Under Secretary for Rural Devel-
13 opment; and

14 “(F) the Chief Economist of the Depart-
15 ment of Agriculture.

16 “(3) APPOINTMENT AND TERMS OF PRIVATE
17 SECTOR MEMBERS.—The members of the Board de-
18 scribed in subparagraphs (A), (B), and (C) of para-
19 graph (2)—

20 “(A) shall be appointed by, and hold office
21 at the pleasure of, the Secretary;

22 “(B) shall not be otherwise employed by
23 the Federal Government;

24 “(C) shall be appointed to staggered 4-year
25 terms, as determined by the Secretary; and

1 “(D) shall serve not more than 2 consecu-
2 tive terms.

3 “(4) CHAIRPERSON.—The Board shall select a
4 member of the Board described in subparagraph
5 (A), (B), or (C) of paragraph (2) to serve as Chair-
6 person of the Board.

7 “(5) STAFF.—The Board shall employ or con-
8 tract with 1 or more individuals who are knowledge-
9 able and experienced in quantitative mathematics
10 and actuarial rating to assist the Board in reviewing
11 and approving policies and materials with respect to
12 plans of insurance authorized or submitted under
13 section 508.”.

14 **SEC. 202. OFFICE OF RISK MANAGEMENT.**

15 (a) ESTABLISHMENT.—Section 226A(a) of the De-
16 partment of Agriculture Reorganization Act of 1994 (7
17 U.S.C. 6933(a)) is amended by striking “independent Of-
18 fice of Risk Management” and inserting “Office of Risk
19 Management, which shall be under the direction of the
20 Board of Directors of the Federal Crop Insurance Cor-
21 poration”.

22 (b) FUNCTIONS.—Section 226A(b) of the Depart-
23 ment of Agriculture Reorganization Act of 1994 (7 U.S.C.
24 6933(b)) is amended by striking paragraph (1) and insert-
25 ing the following:

1 “(1) Assistance to the Board in developing, re-
 2 viewing, and recommending plans of insurance under
 3 section 508(a)(7) of the Federal Crop Insurance Act
 4 (7 U.S.C. 1508(a)(7)) to ensure that each agricul-
 5 tural commodity (including each new or speciality
 6 crop) is adequately served by plans of insurance.”.

7 **SEC. 203. OFFICE OF PRIVATE SECTOR PARTNERSHIP.**

8 The Federal Crop Insurance Act is amended by in-
 9 serting after section 507 (7 U.S.C. 1507) the following:

10 **“SEC. 507A. OFFICE OF PRIVATE SECTOR PARTNERSHIP.**

11 “(a) ESTABLISHMENT.—The Secretary shall estab-
 12 lish and maintain in the Department an Office of Private
 13 Sector Partnership, which shall be under the direction of
 14 the Board.

15 “(b) FUNCTIONS.—The Office shall—

16 “(1) provide at least monthly reports to the
 17 Board on crop insurance issues, which shall be based
 18 on comments received from producers, approved in-
 19 surance providers, and other sources that the Office
 20 considers appropriate;

21 “(2)(A) review policies and materials with re-
 22 spect to—

23 “(i) subsidized plans of insurance author-
 24 ized under section 508; and

1 “(ii) unsubsidized plans of insurance sub-
2 mitted to the Board under section 508(h); and

3 “(B) make recommendations to the Board with
4 respect to approval of the policies and materials;

5 “(3) administer the reinsurance functions de-
6 scribed in section 508(k) on behalf of the Corpora-
7 tion;

8 “(4) review and make recommendations to the
9 Board with respect to methodologies for rating plans
10 of insurance under this title; and

11 “(5) perform such other functions as the Board
12 considers appropriate.

13 “(c) ADMINISTRATOR.—The Office shall be headed
14 by an Administrator who shall be appointed by the Sec-
15 retary.

16 “(d) STAFF.—The Administrator shall appoint such
17 employees pursuant to title 5, United States Code, as are
18 necessary for the administration of the Office, including
19 employees who have commercial reinsurance and actuarial
20 experience.”.

21 **SEC. 204. PENALTIES FOR FALSE INFORMATION.**

22 Section 506(n)(1) of the Federal Crop Insurance Act
23 (7 U.S.C. 1506(n)(1)) is amended—

24 (1) in subparagraph (A), by inserting “for each
25 claim” after “\$10,000”; and

1 (2) in subparagraph (B), by striking “non-
2 insured assistance” and inserting “any loan, pay-
3 ment, or benefit described in section 1211 of the
4 Food Security Act of 1985 (16 U.S.C. 3811)”.

5 **SEC. 205. REGULATIONS.**

6 Section 506(p) of the Federal Crop Insurance Act (7
7 U.S.C. 1506(p)) is amended—

8 (1) by striking “The Secretary” and inserting
9 the following:

10 “(1) IN GENERAL.—The Secretary”; and

11 (2) by adding at the end the following:

12 “(2) TERMS OF INSURANCE.—

13 “(A) IN GENERAL.—Regulations issued by
14 the Secretary and the Corporation specifying
15 the terms of insurance under section 508 shall
16 be issued without regard to—

17 “(i) the notice and comment provi-
18 sions of section 553 of title 5, United
19 States Code;

20 “(ii) the Statement of Policy of the
21 Secretary of Agriculture effective July 24,
22 1971 (36 Fed. Reg. 13804), relating to no-
23 tices of proposed rulemaking and public
24 participation in rulemaking; and

1 “(iii) chapter 35 of title 44, United
 2 States Code (commonly known as the ‘Pa-
 3 perwork Reduction Act’).

4 “(B) CONGRESSIONAL REVIEW OF AGENCY
 5 RULEMAKING.—In carrying out this paragraph,
 6 the Secretary shall use the authority provided
 7 under section 808 of title 5, United States
 8 Code.”.

9 **SEC. 206. PROGRAM COMPLIANCE.**

10 Section 506(q) of the Federal Crop Insurance Act (7
 11 U.S.C. 1506(q)) is amended—

12 (1) by redesignating paragraph (2) as para-
 13 graph (6); and

14 (2) by striking paragraph (1) and inserting the
 15 following:

16 “(1) IN GENERAL.—Not later than 180 days
 17 after the date of enactment of the Crop Insurance
 18 Equalization Act of 1999, the Corporation shall es-
 19 tablish a program for monitoring compliance with
 20 this title by all Federal crop insurance participants,
 21 including producers, agents, adjusters, and approved
 22 insurance providers.

23 “(2) CONSULTATION.—The Corporation shall
 24 consult with approved insurance providers in devel-
 25 oping the compliance program.

1 “(3) OVERSIGHT OF LOSS ADJUSTMENT.—As
 2 part of the compliance program, the Corporation
 3 shall provide for a mechanism to independently re-
 4 view the performance of loss adjusters.

5 “(4) PROGRAM REVIEW.—Not later than 90
 6 days after the date of enactment of the Crop Insur-
 7 ance Equalization Act of 1999, the Corporation shall
 8 submit to the Board and the Office of Private Sector
 9 Partnership for their review the proposed compliance
 10 program under this subsection.

11 “(5) ANNUAL REPORTS.—Beginning with fiscal
 12 year 2001, the Corporation shall submit an annual
 13 report to the Committee on Agriculture of the House
 14 of Representatives, the Committee on Agriculture,
 15 Nutrition, and Forestry of the Senate, the Board,
 16 and the Office of Private Sector Partnership con-
 17 cerning the compliance program established under
 18 this subsection, including any recommendations for
 19 legislative or administrative changes that could fur-
 20 ther improve program compliance.”.

21 **SEC. 207. PAYMENTS BY COOPERATIVE ASSOCIATIONS.**

22 Section 507(e) of the Federal Crop Insurance Act (7
 23 U.S.C. 1507(e)) is amended—

24 (1) by striking “(e) In” and inserting the fol-
 25 lowing:

1 “(e) COOPERATIVE ASSOCIATIONS.—

2 “(1) IN GENERAL.—In”; and

3 (2) by adding at the end the following:

4 “(2) PAYMENTS.—A cooperative association de-
 5 scribed in paragraph (1) that is licensed and acts as
 6 an agent or approved insurance provider with re-
 7 spect to any plan of insurance offered under this
 8 title may provide to the members of the association
 9 all or part of any funds received from the Corpora-
 10 tion under this title.”.

11 **SEC. 208. LIMITATION ON DOUBLE INSURANCE.**

12 Section 508(a) of the Federal Crop Insurance Act (7
 13 U.S.C. 1508(a)) (as amended by section 104) is amended
 14 by adding at the end the following:

15 “(11) LIMITATION ON DOUBLE INSURANCE.—

16 The Corporation may offer plans of insurance or re-
 17 insurance for only 1 agricultural commodity on spe-
 18 cific acreage during a crop year, unless—

19 “(A) there is an established practice of
 20 double-cropping in an area, as determined by
 21 the Corporation;

22 “(B) the additional plan of insurance is of-
 23 fered with respect to an agricultural commodity
 24 that is customarily double-cropped in the area;
 25 and

1 “(C) the producer has a history of double
2 cropping or the acreage has historically been
3 double-cropped.”.

4 **SEC. 209. CONSULTATION WITH STATE COMMITTEES OF**
5 **FARM SERVICE AGENCY.**

6 Section 508(a) of the Federal Crop Insurance Act (7
7 U.S.C. 1508(a)) (as amended by section 208) is amended
8 by adding at the end the following:

9 “(12) CONSULTATION WITH STATE COMMIT-
10 TEES OF FARM SERVICE AGENCY.—The Corporation
11 shall establish a mechanism under which State com-
12 mittees of the Farm Service Agency are consulted
13 concerning policies of insurance offered in a State
14 under this title.”.

15 **SEC. 210. RECORDS AND REPORTING.**

16 (a) CATASTROPHIC RISK PROTECTION.—Section
17 508(f)(3)(A) of the Federal Crop Insurance Act (7 U.S.C.
18 1508(f)(3)(A)) is amended by striking “provide, to the ex-
19 tent required by the Corporation,” and inserting “to the
20 extent required by the Corporation, provide to the Sec-
21 retary, acting through the Farm Service Agency,”.

22 (b) NONINSURED CROP DISASTER ASSISTANCE PRO-
23 GRAM.—Section 196(b) of the Agricultural Market Transi-
24 tion Act (7 U.S.C. 7333(b)) is amended—

1 (1) by striking paragraph (2) and inserting the
2 following:

3 “(2) RECORDS.—To be eligible for assistance
4 under this section, a producer shall provide annually
5 to the Secretary, acting through the Farm Service
6 Agency, records of crop acreage, acreage yields, and
7 production for each eligible crop.”; and

8 (2) in paragraph (3), by inserting “annual”
9 after “shall provide”.

10 **SEC. 211. FEES FOR PLANS OF INSURANCE.**

11 Section 508(h)(5) of the Federal Crop Insurance Act
12 (7 U.S.C. 1508(h)(5)) is amended—

13 (1) by striking “Any policy” and inserting the
14 following:

15 “(A) IN GENERAL.—Any policy”; and

16 (2) by adding at the end the following:

17 “(B) FEES FOR NEW PLANS OF INSUR-
18 ANCE.—

19 “(i) IN GENERAL.—If an approved in-
20 surance provider elects to sell a plan of in-
21 surance that was developed by another ap-
22 proved insurance provider after the date of
23 enactment of this subparagraph and the
24 plan of insurance offered coverage that was
25 not available for any crop at the time the

1 plan of insurance was approved by the
2 Board (as determined by the Corporation),
3 the approved insurance provider that devel-
4 oped the plan of insurance shall have the
5 right to receive a fee from the approved in-
6 surance provider that elects to sell the plan
7 of insurance.

8 “(ii) AMOUNT.—

9 “(I) IN GENERAL.—Subject to
10 subclause (II), the amount of the fee
11 that is payable by an approved insur-
12 ance provider for a plan of insurance
13 under clause (i) shall be an amount
14 that is—

15 “(aa) determined by the ap-
16 proved insurance provider that
17 developed the plan; and

18 “(bb) approved by the
19 Board.

20 “(II) APPROVAL.—The Board
21 shall not approve the amount of a fee
22 under clause (i) if the amount of the
23 fee unnecessarily inhibits the use of
24 the plan of insurance, as determined
25 by the Board.

1 “(C) PAYMENTS.—The Corporation shall
2 annually—

3 “(i) collect from an approved insur-
4 ance provider the amount of any fees that
5 are payable by the approved insurance pro-
6 vider under subparagraph (B); and

7 “(ii) credit any fees that are payable
8 to an approved insurance provider under
9 subparagraph (B).”.

10 **SEC. 212. FLEXIBLE SUBSIDY PILOT PROGRAM.**

11 Section 508(h) of the Federal Crop Insurance Act (7
12 U.S.C. 1508(h)) is amended by adding at the end the fol-
13 lowing:

14 “(11) FLEXIBLE SUBSIDY PILOT PROGRAM.—
15 For each of the 2000 through 2002 crop years, the
16 Corporation shall carry out a pilot program under
17 which flexible subsidies are provided under this title
18 to encourage private sector innovation through ex-
19 clusive marketing rights and premium rate competi-
20 tion.”.

21 **SEC. 213. REINSURANCE AGREEMENTS.**

22 Section 508(k) of the Federal Crop Insurance Act (7
23 U.S.C. 1508(k)) is amended by striking paragraph (3) and
24 inserting the following:

25 “(3) REINSURANCE AGREEMENTS.—

1 “(A) SHARE OF RISK.—Each reinsurance
2 agreement of the Corporation with a reinsured
3 company shall require the reinsured company to
4 bear a sufficient share of any potential loss
5 under the agreement so as to ensure that the
6 reinsured company will sell and service policies
7 of insurance in a sound and prudent manner,
8 taking into consideration the financial condition
9 of the reinsured company and the availability of
10 private reinsurance.

11 “(B) COMPLIANCE.—To promote program
12 compliance and integrity, the Corporation, after
13 notice and an opportunity for a hearing on the
14 record—

15 “(i)(I) shall assess civil fines in an
16 amount not to exceed \$10,000 per viola-
17 tion against agents, loss adjusters, and ap-
18 proved insurance providers that are deter-
19 mined by the Corporation to have recur-
20 ring compliance problems; and

21 “(II) may deposit any civil fines col-
22 lected under subclause (I) in the insurance
23 fund established under section 516(c); and

24 “(ii) shall disqualify the agents, loss
25 adjusters, and approved insurance pro-

1 viders described in clause (i)(I) from par-
 2 ticipation in the Federal crop insurance
 3 program for a period not to exceed 5 years.

4 “(C) REVIEW OF AGREEMENTS.—As soon
 5 as practicable after the date of enactment of
 6 this subparagraph and regularly thereafter, in
 7 consultation with the Office of Private Sector
 8 Partnership, the Corporation shall review the
 9 Standard Reinsurance Agreement issued by the
 10 Corporation to ensure that the allocation of risk
 11 between the Corporation and the reinsured
 12 companies is equitable, as determined by the
 13 Corporation.”.

14 **SEC. 214. FUNDING.**

15 Section 516 of the Federal Crop Insurance Act (7
 16 U.S.C. 1516) is amended—

17 (1) in subsection (a)(2)—

18 (A) in subparagraph (A), by striking
 19 “and” at the end;

20 (B) in subparagraph (B), by striking the
 21 period at the end and inserting “; and”; and

22 (C) by adding at the end the following:

23 “(C) salaries and expenses of the Office of
 24 Private Sector Partnership.”;

25 (2) in subsection (b)(1)—

1 (A) in subparagraph (B), by striking “;
2 and” and inserting a semicolon;

3 (B) in subparagraph (C), by striking the
4 period at the end and inserting a semicolon;
5 and

6 (C) by adding at the end the following:

7 “(D) salaries and expenses of the Office of
8 Private Sector Partnership, but not to exceed
9 \$5,000,000 for each fiscal year;

10 “(E) administrative expenses of collecting
11 information under section 508(f)(3); and

12 “(F) payment of fees in accordance with
13 section 508(h)(5)(B).”; and

14 (3) in subsection (c)(1), by inserting “, fees
15 under section 508(h)(5)(B), civil fines under section
16 508(k)(3)(B)(i)(II),” after “premium income”.

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