

106TH CONGRESS  
1ST SESSION

# S. 1108

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

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## IN THE SENATE OF THE UNITED STATES

MAY 24, 1999

Mr. COCHRAN (for himself, Mrs. LINCOLN, Mr. COVERDELL, Mr. SESSIONS, Mr. CLELAND, Mr. HOLLINGS, Mr. SHELBY, Mr. ROBB, and Mr. HUTCHINSON) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## 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 Equity 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.
- 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.

## 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.

# 1        **TITLE I—CROP INSURANCE**

# 2                                **COVERAGE**

## 3    **SEC. 101. PREVENTED PLANTING.**

4        Section 508(a) of the Federal Crop Insurance Act (7  
 5    U.S.C. 1508(a)) is amended by adding at the end the fol-  
 6    lowing:

7                                “(7) PREVENTED PLANTING.—

8                                “(A) IN GENERAL.—The Corporation shall  
 9                                offer coverage for prevented planting of an agri-  
 10                               cultural commodity only as an endorsement to  
 11                               a policy.

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

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

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

22   **SEC. 102. ALTERNATIVE RATING METHODOLOGIES.**

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

1 “(8) ALTERNATIVE RATING METHODOLOGIES.—

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

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

11 “(ii) producers that elect only to ob-  
 12 tain catastrophic risk protection under  
 13 subsection (b).

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

20 “(i) expected future losses, with ap-  
 21 propriate adjustment of any historical data  
 22 used in rating to remove—

23 “(I) the impact of adverse selec-  
 24 tion; and

1 “(II) data that no longer reflects  
2 the productive capacity of the area;  
3 “(ii) program errors; and  
4 “(iii) any other factor that can cause  
5 errors in methodologies and rates.

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

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

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

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

1 “(i) the largest average acreage; and  
 2 “(ii) the lowest percentage of pro-  
 3 ducers that purchased coverage under sub-  
 4 section (c).”.

5 **SEC. 103. QUALITY ADJUSTMENT.**

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

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

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

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

21 “(10) LOW-RISK PRODUCER PILOT PROGRAM.—  
 22 “(A) IN GENERAL.—For each of the 2000  
 23 through 2003 crop years, the Corporation shall  
 24 carry out a pilot program that is designed to  
 25 encourage participation in the Federal crop in-

1           surance program established under this title by  
2           producers who rarely suffer insurable losses.

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

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

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

22                 “(ii) apply the amount to be refunded  
23                 under clause (i) against the premium pay-  
24                 able by the producer for equivalent cov-  
25                 erage for the subsequent crop year.

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

4 **SEC. 105. CATASTROPHIC RISK PROTECTION.**

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

7                   (1) in clause (i), by striking “and” at the end;

8                   (2) in clause (ii)—

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

12                  (B) by striking the period at the end and  
13                  inserting “; and”; and

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

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

23 **SEC. 106. LOSS ADJUSTMENT.**

24                  Section 508(b)(11) of the Federal Crop Insurance  
25 Act (7 U.S.C. 1508(b)(11)) is amended by striking “11



1 percent” and all that follows through the end of the para-  
 2 graph and inserting “\$50 for each claim that is adjusted  
 3 under this subsection.”.

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

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

8 “(5) EXPECTED MARKET PRICE.—

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

14 “(B) AMOUNT.—The expected market  
 15 price of an agricultural commodity—

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

21 “(ii) may be based on the actual mar-  
 22 ket price of the agricultural commodity at  
 23 the time of harvest, as determined by the  
 24 Corporation; or

1 “(iii) in the case of cost of production  
 2 or similar plans of insurance, shall be the  
 3 projected cost of producing the agricultural  
 4 commodity, as determined by the Corpora-  
 5 tion.”.

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

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

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

12 **SEC. 108. DISCOUNTS.**

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

16 “(3) DISCOUNTS.—

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

23 “(i) during each of the preceding 5  
 24 consecutive crop years—

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

4                   “(II) has not filed any claim  
5                   under the insurance;

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

12                  “(iii) implements innovative farming  
13                  management practices that reduce the risk  
14                  of insurable loss, as determined by the  
15                  Corporation.

16                  “(B) AMOUNT.—

17                  “(i) IN GENERAL.—Subject to clause  
18                  (ii), the amount of the discount provided to  
19                  a producer for a crop year under subpara-  
20                  graph (A) shall be determined by the Cor-  
21                  poration.

22                  “(ii) NO CLAIM DISCOUNT.—The  
23                  amount of the discount provided to a pro-  
24                  ducer for a crop year under subparagraph  
25                  (A)(i) shall increase for each additional

1 consecutive crop year for which the pro-  
 2 ducer is eligible for a discount under sub-  
 3 paragraph (A)(i).”.

4 **SEC. 109. ADJUSTMENTS TO SUBSIDY LEVELS.**

5 (a) IN GENERAL.—Section 508(e)(2) of the Federal  
 6 Crop Insurance Act (7 U.S.C. 1508(e)(2)) is amended by  
 7 striking subparagraphs (B) and (C) and inserting the fol-  
 8 lowing:

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

15 “(i) 50 percent of the amount of the  
 16 premium established under subsection  
 17 (d)(2)(B)(i); and

18 “(ii) the amount of operating and ad-  
 19 ministrative expenses determined under  
 20 subsection (d)(2)(B)(ii).

21 “(C) In the case of additional coverage  
 22 equal to or greater than 65 percent of the re-  
 23 corded or appraised average yield indemnified  
 24 at 100 percent of the expected market price, or

1 an equivalent coverage, the amount shall be  
 2 equal to the sum of—

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

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

9 (b) APPLICATION.—The amendment made by sub-  
 10 section (a) applies beginning with the 2000 crop year.

11 **SEC. 110. SALES CLOSING DATES.**

12 Section 508(f)(2) of the Federal Crop Insurance Act  
 13 (7 U.S.C. 1508(f)(2)) is amended by striking the last sen-  
 14 tence.

15 **SEC. 111. ASSIGNED YIELDS.**

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

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

20 “(i) a yield”;

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

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

24 “(ii) a yield determined by the Cor-  
 25 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  
 3 the 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 **TITLE II—ADMINISTRATION**

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

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

24 “(a) BOARD OF DIRECTORS.—



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

4           “(2) COMPOSITION.—The Board shall consist  
5           of—

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

11                  “(B) 1 member who is active in the crop  
12                  insurance business;

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

15                  “(D) the Under Secretary for Farm and  
16                  Foreign Agricultural Services;

17                  “(E) the Under Secretary for Rural Devel-  
18                  opment; and

19                  “(F) the Chief Economist of the Depart-  
20                  ment of Agriculture.

21           “(3) APPOINTMENT AND TERMS OF PRIVATE  
22           SECTOR MEMBERS.—The members of the Board de-  
23           scribed in subparagraphs (A), (B), and (C) of para-  
24           graph (2)—

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

3           “(B) shall not be otherwise employed by  
4           the Federal Government;

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

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

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

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

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

21          (a) ESTABLISHMENT.—Section 226A(a) of the De-  
22          partment of Agriculture Reorganization Act of 1994 (7  
23          U.S.C. 6933(a)) is amended by striking “independent Of-  
24          fice of Risk Management” and inserting “Office of Risk  
25          Management, which shall be under the direction of the

1 Board of Directors of the Federal Crop Insurance Cor-  
 2 poration”.

3 (b) FUNCTIONS.—Section 226A(b) of the Depart-  
 4 ment of Agriculture Reorganization Act of 1994 (7 U.S.C.  
 5 6933(b)) is amended by striking paragraph (1) and insert-  
 6 ing the following:

7 “(1) Assistance to the Board in developing, re-  
 8 viewing, and recommending plans of insurance under  
 9 section 508(a)(7) of the Federal Crop Insurance Act  
 10 (7 U.S.C. 1508(a)(7)) to ensure that each agricul-  
 11 tural commodity (including each new or speciality  
 12 crop) is adequately served by plans of insurance.”.

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

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

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

17 “(a) ESTABLISHMENT.—The Secretary shall estab-  
 18 lish and maintain in the Department an Office of Private  
 19 Sector Partnership, which shall be under the direction of  
 20 the Board.

21 “(b) FUNCTIONS.—The Office shall—

22 “(1) provide at least monthly reports to the  
 23 Board on crop insurance issues, which shall be based  
 24 on comments received from producers, approved in-

1       surance providers, and other sources that the Office  
2       considers appropriate;

3               “(2)(A) review policies and materials with re-  
4       spect to—

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

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

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

11               “(3) administer the reinsurance functions de-  
12      scribed in section 508(k) on behalf of the Corpora-  
13      tion;

14               “(4) review and make recommendations to the  
15      Board with respect to methodologies for rating plans  
16      of insurance under this title; and

17               “(5) perform such other functions as the Board  
18      considers appropriate.

19               “(c) ADMINISTRATOR.—The Office shall be headed  
20      by an Administrator who shall be appointed by the Sec-  
21      retary.

22               “(d) STAFF.—The Administrator shall appoint such  
23      employees pursuant to title 5, United States Code, as are  
24      necessary for the administration of the Office, including

1 employees who have commercial reinsurance and actuarial  
 2 experience.”.

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

4 Section 506(n)(1) of the Federal Crop Insurance Act  
 5 (7 U.S.C. 1506(n)(1)) is amended—

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

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

12 **SEC. 205. REGULATIONS.**

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

15 (1) by striking “The Secretary” and inserting  
 16 the following:

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

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

19 “(2) TERMS OF INSURANCE.—

20 “(A) IN GENERAL.—Regulations issued by  
 21 the Secretary and the Corporation specifying  
 22 the terms of insurance under section 508 shall  
 23 be issued without regard to—

1 “(i) the notice and comment provi-  
 2 sions of section 553 of title 5, United  
 3 States Code;

4 “(ii) the Statement of Policy of the  
 5 Secretary of Agriculture effective July 24,  
 6 1971 (36 Fed. Reg. 13804), relating to no-  
 7 tices of proposed rulemaking and public  
 8 participation in rulemaking; and

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

12 “(B) CONGRESSIONAL REVIEW OF AGENCY  
 13 RULEMAKING.—In carrying out this paragraph,  
 14 the Secretary shall use the authority provided  
 15 under section 808 of title 5, United States  
 16 Code.”.

17 **SEC. 206. PROGRAM COMPLIANCE.**

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

20 (1) by redesignating paragraph (2) as para-  
 21 graph (6); and

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

24 “(1) IN GENERAL.—Not later than 180 days  
 25 after the date of enactment of the Crop Insurance

1 Equity Act of 1999, the Corporation shall establish  
2 a program for monitoring compliance with this title  
3 by all Federal crop insurance participants, including  
4 producers, agents, adjusters, and approved insurance  
5 providers.

6 “(2) CONSULTATION.—The Corporation shall  
7 consult with approved insurance providers in devel-  
8 oping the compliance program.

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

13 “(4) PROGRAM REVIEW.—Not later than 90  
14 days after the date of enactment of the Crop Insur-  
15 ance Equity Act of 1999, the Corporation shall sub-  
16 mit to the Board and the Office of Private Sector  
17 Partnership for their review the proposed compliance  
18 program under this subsection.

19 “(5) ANNUAL REPORTS.—Beginning with fiscal  
20 year 2001, the Corporation shall submit an annual  
21 report to the Committee on Agriculture of the House  
22 of Representatives, the Committee on Agriculture,  
23 Nutrition, and Forestry of the Senate, the Board,  
24 and the Office of Private Sector Partnership con-  
25 cerning the compliance program established under

1       this subsection, including any recommendations for  
 2       legislative or administrative changes that could fur-  
 3       ther improve program compliance.”.

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

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

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

9       “(e) COOPERATIVE ASSOCIATIONS.—

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

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

12           “(2) PAYMENTS.—A cooperative association de-  
 13       scribed in paragraph (1) that is licensed and acts as  
 14       an agent or approved insurance provider with re-  
 15       spect to any plan of insurance offered under this  
 16       title may provide to the members of the association  
 17       all or part of any funds received from the Corpora-  
 18       tion under this title.”.

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

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

23           “(11) LIMITATION ON DOUBLE INSURANCE.—

24       The Corporation may offer plans of insurance or re-



1 insurance for only 1 agricultural commodity on spe-  
 2 cific acreage during a crop year, unless—

3 “(A) there is an established practice of  
 4 double-cropping in an area, as determined by  
 5 the Corporation;

6 “(B) the additional plan of insurance is of-  
 7 fered with respect to an agricultural commodity  
 8 that is customarily double-cropped in the area;  
 9 and

10 “(C) the producer has a history of double  
 11 cropping or the acreage has historically been  
 12 double-cropped.”.

13 **SEC. 209. CONSULTATION WITH STATE COMMITTEES OF**  
 14 **FARM SERVICE AGENCY.**

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

18 “(12) CONSULTATION WITH STATE COMMIT-  
 19 TEES OF FARM SERVICE AGENCY.—The Corporation  
 20 shall establish a mechanism under which State com-  
 21 mittees of the Farm Service Agency are consulted  
 22 concerning policies of insurance offered in a State  
 23 under this title.”.

1 **SEC. 210. RECORDS AND REPORTING.**

2 (a) CATASTROPHIC RISK PROTECTION.—Section  
3 508(f)(3)(A) of the Federal Crop Insurance Act (7 U.S.C.  
4 1508(f)(3)(A)) is amended by striking “provide, to the ex-  
5 tent required by the Corporation,” and inserting “to the  
6 extent required by the Corporation, provide to the Sec-  
7 retary, acting through the Farm Service Agency,”.

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

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

13 “(2) RECORDS.—To be eligible for assistance  
14 under this section, a producer shall provide annually  
15 to the Secretary, acting through the Farm Service  
16 Agency, records of crop acreage, acreage yields, and  
17 production for each eligible crop.”; and

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

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

21 Section 508(h)(5) of the Federal Crop Insurance Act  
22 (7 U.S.C. 1508(h)(5)) is amended—

23 (1) by striking “Any policy” and inserting the  
24 following:

25 “(A) IN GENERAL.—Any policy”; and

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

1           “(B) FEES FOR NEW PLANS OF INSUR-  
2           ANCE.—

3                   “(i) IN GENERAL.—If an approved in-  
4                   surance provider elects to sell a plan of in-  
5                   surance that was developed by another ap-  
6                   proved insurance provider after the date of  
7                   enactment of this subparagraph and the  
8                   plan of insurance offered coverage that was  
9                   not available for any crop at the time the  
10                  plan of insurance was approved by the  
11                  Board (as determined by the Corporation),  
12                  the approved insurance provider that devel-  
13                  oped the plan of insurance shall have the  
14                  right to receive a fee from the approved in-  
15                  surance provider that elects to sell the plan  
16                  of insurance.

17                   “(ii) AMOUNT.—

18                           “(I) IN GENERAL.—Subject to  
19                           subclause (II), the amount of the fee  
20                           that is payable by an approved insur-  
21                           ance provider for a plan of insurance  
22                           under clause (i) shall be an amount  
23                           that is—

1 “(aa) determined by the ap-  
 2 proved insurance provider that  
 3 developed the plan; and

4 “(bb) approved by the  
 5 Board.

6 “(II) APPROVAL.—The Board  
 7 shall not approve the amount of a fee  
 8 under clause (i) if the amount of the  
 9 fee unnecessarily inhibits the use of  
 10 the plan of insurance, as determined  
 11 by the Board.

12 “(C) PAYMENTS.—The Corporation shall  
 13 annually—

14 “(i) collect from an approved insur-  
 15 ance provider the amount of any fees that  
 16 are payable by the approved insurance pro-  
 17 vider under subparagraph (B); and

18 “(ii) credit any fees that are payable  
 19 to an approved insurance provider under  
 20 subparagraph (B).”.

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

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

1           “(11) FLEXIBLE SUBSIDY PILOT PROGRAM.—  
 2           For each of the 2000 through 2002 crop years, the  
 3           Corporation shall carry out a pilot program under  
 4           which flexible subsidies are provided under this title  
 5           to encourage private sector innovation through ex-  
 6           clusive marketing rights and premium rate competi-  
 7           tion.”.

8   **SEC. 213. REINSURANCE AGREEMENTS.**

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

12           “(3) REINSURANCE AGREEMENTS.—

13                 “(A) SHARE OF RISK.—Each reinsurance  
 14                 agreement of the Corporation with a reinsured  
 15                 company shall require the reinsured company to  
 16                 bear a sufficient share of any potential loss  
 17                 under the agreement so as to ensure that the  
 18                 reinsured company will sell and service policies  
 19                 of insurance in a sound and prudent manner,  
 20                 taking into consideration the financial condition  
 21                 of the reinsured company and the availability of  
 22                 private reinsurance.

23                 “(B) COMPLIANCE.—To promote program  
 24                 compliance and integrity, the Corporation, after

1 notice and an opportunity for a hearing on the  
2 record—

3 “(i)(I) shall assess civil fines in an  
4 amount not to exceed \$10,000 per viola-  
5 tion against agents, loss adjusters, and ap-  
6 proved insurance providers that are deter-  
7 mined by the Corporation to have recur-  
8 ring compliance problems; and

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

12 “(ii) shall disqualify the agents, loss  
13 adjusters, and approved insurance pro-  
14 viders described in clause (i)(I) from par-  
15 ticipation in the Federal crop insurance  
16 program for a period not to exceed 5 years.

17 “(C) REVIEW OF AGREEMENTS.—As soon  
18 as practicable after the date of enactment of  
19 this subparagraph and regularly thereafter, in  
20 consultation with the Office of Private Sector  
21 Partnership, the Corporation shall review the  
22 Standard Reinsurance Agreement issued by the  
23 Corporation to ensure that the allocation of risk  
24 between the Corporation and the reinsured

1 companies is equitable, as determined by the  
 2 Corporation.”.

3 **SEC. 214. FUNDING.**

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

6 (1) in subsection (a)(2)—

7 (A) in subparagraph (A), by striking  
 8 “and” at the end;

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

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

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

14 (2) in subsection (b)(1)—

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

17 (B) in subparagraph (C), by striking the  
 18 period at the end and inserting a semicolon;

19 and

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

21 “(D) salaries and expenses of the Office of  
 22 Private Sector Partnership, but not to exceed  
 23 \$5,000,000 for each fiscal year;

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

1                   “(F) payment of fees in accordance with  
2                   section 508(h)(5)(B).”; and  
3                   (3) in subsection (c)(1), by inserting “, fees  
4                   under section 508(h)(5)(B), civil fines under section  
5                   508(k)(3)(B)(i)(II),” after “premium income”.

○