

106TH CONGRESS
1ST SESSION

S. 529

To amend the Federal Crop Insurance Act to improve crop insurance coverage, to make structural changes to the Federal Crop Insurance Corporation and the Risk Management Agency, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 4, 1999

Mr. ROBERTS (for himself, Mr. KERREY, Mr. CRAIG, Mr. BURNS, Mr. HAGEL, Mr. DASCHLE, Mr. CONRAD, Mr. BAUCUS, Mr. HARKIN, Mr. DORGAN, Mr. GRASSLEY, and Mr. JOHNSON) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Federal Crop Insurance Act to improve crop insurance coverage, to make structural changes to the Federal Crop Insurance Corporation and the Risk Management Agency, 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 for the 21st Century Act”.

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. Payment of portion of premium by Corporation.
 Sec. 102. Assigned yields.
 Sec. 103. Multiyear disaster actual production history adjustment.
 Sec. 104. Increasing coverage policy.
 Sec. 105. Rating methodologies pilot program.
 Sec. 106. Livestock insurance.

TITLE II—FEDERAL CROP INSURANCE CORPORATION AND RISK MANAGEMENT AGENCY

Sec. 201. Board of Directors of Corporation.
 Sec. 202. Office of Risk Management.
 Sec. 203. Office of Private Sector Partnership.
 Sec. 204. Adequate coverage for agricultural commodities.
 Sec. 205. Fees for plans of insurance.
 Sec. 206. Flexible subsidy pilot program.

1 **TITLE I—CROP INSURANCE** 2 **COVERAGE**

3 **SEC. 101. PAYMENT OF PORTION OF PREMIUM BY COR-** 4 **PORATION.**

5 (a) EXPECTED MARKET PRICE.—Section 508(c) of
 6 the Federal Crop Insurance Act (7 U.S.C. 1508(c)) is
 7 amended by striking paragraph (5) and inserting the fol-
 8 lowing:

9 “(5) EXPECTED MARKET PRICE.—

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

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

1 “(i) except as otherwise provided in
2 this subparagraph, shall be not less than
3 the projected market price of the agricul-
4 tural commodity, as determined by the
5 Corporation;

6 “(ii) may be based on the actual mar-
7 ket price of the agricultural commodity at
8 the time of harvest, as determined by the
9 Corporation;

10 “(iii) in the case of revenue and other
11 similar plans of insurance, shall be the ac-
12 tual market price of the agricultural com-
13 modity, as determined by the Corporation;
14 or

15 “(iv) in the case of cost of production
16 or similar plans of insurance, shall be the
17 projected cost of producing the agricultural
18 commodity, as determined by the Corpora-
19 tion.”.

20 (b) PREMIUM AMOUNTS.—Section 508(d)(2) of the
21 Federal Crop Insurance Act (7 U.S.C. 1508(d)(2)) is
22 amended by striking subparagraph (C) and inserting the
23 following:

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

1 corded or appraised average yield indemnified
2 at 100 percent of the expected market price, or
3 an equivalent coverage, but less than 75 percent
4 of the recorded or appraised average yield in-
5 demnified at 100 percent of the expected mar-
6 ket price, or an equivalent coverage, the amount
7 of the premium shall—

8 “(i) be sufficient to cover anticipated
9 losses and a reasonable reserve; and

10 “(ii) include an amount for operating
11 and administrative expenses, as determined
12 by the Corporation, on an industry-wide
13 basis as a percentage of the amount of the
14 premium used to define loss ratio.

15 “(D) In the case of additional coverage
16 equal to or greater than 75 percent of the re-
17 corded or appraised average yield indemnified
18 at 100 percent of the expected market price, or
19 an equivalent coverage, the amount of the pre-
20 mium shall—

21 “(i) be sufficient to cover anticipated
22 losses and a reasonable reserve; and

23 “(ii) include an amount for operating
24 and administrative expenses, as determined
25 by the Corporation, on an industry-wide

1 basis as a percentage of the amount of the
 2 premium used to define loss ratio.”.

3 (c) PAYMENT OF PORTION OF PREMIUM BY COR-
 4 PORATION.—Section 508(e) of the Federal Crop Insurance
 5 Act (7 U.S.C. 1508(e)) is amended—

6 (1) by striking paragraph (1) and inserting the
 7 following:

8 “(1) IN GENERAL.—

9 “(A) MANDATORY PAYMENTS.—For the
 10 purpose of encouraging the broadest possible
 11 participation of producers in the crop insurance
 12 plans of insurance authorized to be insured or
 13 reinsured under subsections (b) and (c), the
 14 Corporation shall pay a part of the premium in
 15 the amounts determined under this subsection.

16 “(B) DISCRETIONARY PAYMENTS.—In the
 17 case of a plan of insurance approved by the
 18 Corporation under subsections (a)(7) and (h),
 19 the Corporation may pay a part of the premium
 20 in the amounts not to exceed the amounts de-
 21 termined under this subsection.”; and

22 (2) in paragraph (2), by striking subparagraphs
 23 (B) and (C) and inserting the following:

24 “(B) In the case of additional coverage less
 25 than 65 percent of the recorded or appraised

1 average yield indemnified at 100 percent of the
2 expected market price, or an equivalent cov-
3 erage, the amount shall be equal to the sum
4 of—

5 “(i) 45 percent of the amount of the
6 premium established under subsection
7 (d)(2)(B)(i); and

8 “(ii) the amount of operating and ad-
9 ministrative expenses determined under
10 subsection (d)(2)(B)(ii).

11 “(C) In the case of coverage at greater
12 than or equal to 65 percent of the recorded or
13 appraised average yield indemnified at 100 per-
14 cent of the expected market price, or an equiva-
15 lent coverage, but less than 75 percent of the
16 recorded or appraised average yield indemnified
17 at 100 percent of the expected market price, or
18 an equivalent coverage, the amount shall be
19 equal to the sum of—

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

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

“(D) In the case of coverage equal to or greater than 75 percent of the recorded 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) 55 percent of the amount of the premium established for coverage at 75 percent of the recorded or appraised average yield indemnified at 100 percent of the expected market price under subsection (d)(2)(D)(i); and

“(ii) the amount of operating and administrative expenses determined under subsection (d)(2)(D)(ii).”.

(d) CONFORMING AMENDMENT.—Section 508(h)(2) of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(2)) is amended by striking the second sentence.

SEC. 102. 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”;

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

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

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

6 “(I) a person that has not been
7 actively engaged in farming for a
8 share of the production of the insured
9 crop for more than 2 crop years, as
10 determined by the Secretary;

11 “(II) a producer that produces
12 an agricultural commodity on land
13 that has not been farmed by the pro-
14 ducer; and

15 “(III) a producer that rotates a
16 crop produced on a farm to a crop
17 that has not been produced on the
18 farm.”.

19 **SEC. 103. MULTIYEAR DISASTER ACTUAL PRODUCTION HIS-**
20 **TORY ADJUSTMENT.**

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

24 “(4) **TRANSITIONAL ADJUSTMENT FOR DISAS-**
25 **TERS.—**

1 “(A) DEFINITION OF A PRODUCER THAT
2 HAS SUFFERED A MULTIYEAR DISASTER.—In
3 this paragraph, the term ‘a producer that has
4 suffered a multiyear disaster’ means a producer
5 that has suffered a natural disaster during at
6 least 3 of the immediately preceding 5 crop
7 years that resulted in a cumulative reduction of
8 at least 25 percent in the actual production his-
9 tory of the crop of an agricultural commodity.

10 “(B) ELIMINATION OF CERTAIN YEARS OF
11 PRODUCTION HISTORY.—Effective beginning
12 with the 2000 crop year, for the purpose of cal-
13 culating the actual production history for a crop
14 of an agricultural commodity, a producer that
15 has suffered a multiyear disaster with respect
16 to the crop may exclude 1 year of production
17 history for each 5 years included in the actual
18 production history calculation of the crop for
19 which the producer purchased crop insurance.

20 “(C) CORPORATION’S SHARE OF CHANGED
21 COSTS.—In the case of an exclusion under sub-
22 paragraph (B), in addition to any other author-
23 ity to pay any portion of premium, the Corpora-
24 tion shall pay—

1 “(i) the portion of the premium that
2 represents the increase in premium associ-
3 ated with the exclusion;

4 “(ii) all additional indemnities associ-
5 ated with the exclusion; and

6 “(iii) any amounts that result from
7 the difference in the administrative and op-
8 erating expenses owed to an approved in-
9 surance provider as the result of an adjust-
10 ment in actual production history under
11 this paragraph.

12 “(D) INCREASE IN ACTUAL PRODUCTION
13 HISTORY AFTER EXCLUSIONS.—In the case of a
14 producer that has received an exclusion under
15 subparagraph (B), the Corporation shall not
16 limit the increase of the actual production his-
17 tory based on the producer’s actual production
18 of the crop of an agricultural commodity in suc-
19 ceeding crop years until the actual production
20 history for the producer reaches the level for
21 the crop year immediately preceding the first
22 year of the multiyear disaster.

23 “(E) TERMINATION OF EXCLUSION AU-
24 THORITY.—The authority to apply this para-
25 graph to a producer shall terminate with re-

1 spect to the first crop year in which crop insur-
 2 ance is available to the producer that ade-
 3 quately insures against natural disasters that
 4 occur in multiple crop years, as determined by
 5 the Corporation.”.

6 **SEC. 104. INCREASING COVERAGE POLICY.**

7 Section 508(h) of the Federal Crop Insurance Act (7
 8 U.S.C. 1508(h)) is amended by striking paragraph (6) and
 9 inserting the following:

10 “(6) INCREASING COVERAGE POLICY.—In the
 11 case of a plan of insurance that includes coverage
 12 for that percentage of coverage that is not covered
 13 under other crop insurance plans offered under this
 14 title, the Corporation may pay a portion of the pre-
 15 mium of the policy in an amount not to exceed the
 16 sum of—

17 “(A) the cost of administrative and operat-
 18 ing expenses, as determined by Corporation;
 19 and

20 “(B) the amount authorized under sub-
 21 section (e)(2)(D)(i).”.

22 **SEC. 105. RATING METHODOLOGIES PILOT PROGRAM.**

23 (a) IN GENERAL.—Section 508(h) of the Federal
 24 Crop Insurance Act (7 U.S.C. 1508(h)) is amended by
 25 striking paragraph (8) and inserting the following:

1 “(8) RATING METHODOLOGIES PILOT PRO-
2 GRAM.—Not later than September 30, 2000, the Of-
3 fice of Risk Management shall—

4 “(A) review the methodologies that are
5 used to rate plans of insurance under this title;
6 and

7 “(B) enter into a contract with a person in
8 the private sector to develop new methodologies
9 for rating plans of insurance under this title
10 that take into account the lower risk pool of—

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

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

17 (b) CONFORMING AMENDMENT.—Section 507(c) of
18 the Federal Crop Insurance Act (7 U.S.C. 1507(c)) is
19 amended in the last sentence by striking “Nothing” and
20 inserting “Except as provided in section 508(h)(8), noth-
21 ing”.

22 **SEC. 106. LIVESTOCK INSURANCE.**

23 Section 518 of the Federal Crop Insurance Act (7
24 U.S.C. 1518) is amended by striking “livestock and”.

1 **TITLE II—FEDERAL CROP IN-**
 2 **SURANCE CORPORATION AND**
 3 **RISK MANAGEMENT AGENCY**

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

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

8 “(a) BOARD OF DIRECTORS.—

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

12 “(2) COMPOSITION.—The Board shall consist
 13 of—

14 “(A) 2 members who are active agricul-
 15 tural producers with or without crop insurance;

16 “(B) 1 member who is active in the crop
 17 insurance business;

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

20 “(D) the Under Secretary for Farm and
 21 Foreign Agricultural Services;

22 “(E) the Under Secretary for Rural Devel-
 23 opment; and

24 “(F) the Chief Economist of the Depart-
 25 ment of Agriculture.

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

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

7 “(B) shall not be otherwise employed by
8 the Federal Government;

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

11 “(D) shall serve not more than 2 consec-
12 utive terms.

13 “(4) CHAIRPERSON.—The Board shall select a
14 member of the Board described in subparagraph
15 (A), (B), or (C) of paragraph (2) to serve as Chair-
16 person of the Board.”.

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

18 Section 226A of the Department of Agriculture Reor-
19 ganization Act of 1994 (7 U.S.C. 6933) is amended—

20 (1) in subsection (a), by striking “independent
21 Office of Risk Management” and inserting “Office
22 of Risk Management, which shall be under the direc-
23 tion of the Board of Directors of the Federal Crop
24 Insurance Corporation”; and

1 (2) in subsection (b), by striking paragraph (1)
 2 and inserting the following:

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

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

10 (a) IN GENERAL.—The Federal Crop Insurance Act
 11 is amended by inserting after section 507 (7 U.S.C. 1507)
 12 the following:

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

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

18 “(b) FUNCTIONS.—The Office shall—

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

24 “(2)(A) review policies and materials with re-
 25 spect to—

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

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

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

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

10 “(4) perform such other functions as the Board
11 considers appropriate.

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

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

20 (b) FUNDING.—Section 516 of the Federal Crop In-
21 surance Act (7 U.S.C. 1516) is amended—

22 (1) in subsection (a)(2)—

23 (A) in subparagraph (A), by striking

24 “and” at the end;

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

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

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

6 (2) in subsection (b)(1)—

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

9 (B) in subparagraph (C), by striking the
10 period at the end and inserting a semicolon;
11 and

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

13 “(D) salaries and expenses of the Office of
14 Private Sector Partnership, but not to exceed
15 \$5,000,000 for each fiscal year; and”.

16 **SEC. 204. ADEQUATE COVERAGE FOR AGRICULTURAL COM-**
17 **MODITIES.**

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

21 “(7) ADEQUATE COVERAGE FOR AGRICULTURAL
22 COMMODITIES.—

23 “(A) REVIEW.—The Board shall review
24 the plans of insurance that are offered by ap-
25 proved insurance providers under this Act to

1 determine if each agricultural commodity (in-
 2 cluding each new or speciality crop) is ade-
 3 quately served by the plans.

4 “(B) RECOMMENDATIONS.—If the Board
 5 determines that an agricultural commodity (in-
 6 cluding a new or specialty crop) is not ade-
 7 quately served by the plans, the Board shall
 8 recommend to the Office of Risk Management
 9 that the Office—

10 “(i) develop or (through the Corpora-
 11 tion) contract to develop plans of insurance
 12 for the agricultural commodity; and

13 “(ii) provide the plans to approved in-
 14 surance providers, to be offered for sale to
 15 producers.”.

16 **SEC. 205. FEES FOR PLANS OF INSURANCE.**

17 (a) IN GENERAL.—Section 508(h)(5) of the Federal
 18 Crop Insurance Act (7 U.S.C. 1508(h)(5)) is amended—

19 (1) by striking “Any policy” and inserting the
 20 following:

21 “(A) IN GENERAL.—Any policy”; and

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

23 “(B) FEES FOR EXISTING PLANS OF IN-
 24 SURANCE.—

1 “(i) IN GENERAL.—Effective begin-
 2 ning with the 2000 reinsurance year, if an
 3 approved insurance provider elects to sell a
 4 plan of insurance that was developed by
 5 another approved insurance provider and
 6 the plan of insurance was approved by the
 7 Board before January 1, 1999, the ap-
 8 proved insurance provider that developed
 9 the plan of insurance shall have the right
 10 to receive a fee from the approved insur-
 11 ance provider that elects to sell the plan of
 12 insurance.

13 “(ii) AMOUNT.—The amount of the
 14 fee that is payable by an approved insur-
 15 ance provider for a plan of insurance
 16 under clause (i) shall be—

17 “(I) for each of the first 5 crop
 18 years that the plan is sold, \$2.00 for
 19 each policy under the plan that is sold
 20 by the approved insurance provider;

21 “(II) for each of the next 3 crop
 22 years that the plan is sold, \$1.00 for
 23 each policy under the plan that is sold
 24 by the approved insurance provider;
 25 and

1 “(III) for each crop year there-
 2 after that the plan is sold, 50 cents
 3 for each policy under the plan that is
 4 sold by the approved insurance pro-
 5 vider.

6 “(C) FEES FOR NEW PLANS OF INSUR-
 7 ANCE.—

8 “(i) IN GENERAL.—Effective begin-
 9 ning with the 2000 reinsurance year, if an
 10 approved insurance provider elects to sell a
 11 plan of insurance that was developed by
 12 another approved insurance provider, the
 13 plan of insurance was approved by the
 14 Board on or after January 1, 1999, and
 15 the plan of insurance was not available at
 16 the time the plan of insurance was ap-
 17 proved by the Board, the approved insur-
 18 ance provider that developed the plan of
 19 insurance shall have the right to receive a
 20 fee from the approved insurance provider
 21 that elects to sell the plan of insurance.

22 “(ii) AMOUNT.—

23 “(I) IN GENERAL.—Subject to
 24 subclause (II), the amount of the fee
 25 that is payable by an approved insur-

1 ance provider for a plan of insurance
2 under clause (i) shall be an amount
3 that is—

4 “(aa) determined by the ap-
5 proved insurance provider that
6 developed the plan; and

7 “(bb) approved by the
8 Board.

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

15 “(D) PAYMENTS.—The Corporation shall
16 annually—

17 “(i) collect from an approved insur-
18 ance provider the amount of any fees that
19 are payable by the approved insurance pro-
20 vider under subparagraphs (B) and (C);
21 and

22 “(ii) credit any fees that are payable
23 to an approved insurance provider under
24 subparagraphs (B) and (C).”.

1 (b) FUNDING.—Section 516 of the Federal Crop In-
 2 surance Act (7 U.S.C. 1516) (as amended by section
 3 203(b)(2)) is amended—

4 (1) in subsection (b)(1), by adding at the end
 5 the following:

6 “(E) payment of fees in accordance with
 7 section 508(h)(5)(C).”; and

8 (2) in subsection (c)(1), by inserting “and fees”
 9 after “premium income”.

10 **SEC. 206. 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.”.

○