

**Calendar No. 552**

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 4217**

**AN ACT**

To reform the Federal crop insurance program, and  
for other purposes.

AUGUST 10 (legislative day, AUGUST 8), 1994

Received: read twice and placed on the calendar

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IN THE SENATE OF THE UNITED STATES

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**AN ACT**To reform the Federal crop insurance program, 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, AND DEFINI-**  
4 **NITIONS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Federal Crop Insurance Reform Act of 1994”.

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

- Sec. 1. Short title, table of contents, and definitions.
- Sec. 2. Members of Board of Directors of Federal Crop Insurance Corporation.
- Sec. 3. General powers of Corporation.
- Sec. 4. Personnel.
- Sec. 5. General authority to offer crop insurance.
- Sec. 6. Catastrophic risk protection, buy-up levels, premiums, and yield determinations.

- Sec. 7. Preparation of policies, claims, and reinsurance.
- Sec. 8. Authorization of appropriations and crop insurance fund.
- Sec. 9. Advisory Committee.
- Sec. 10. Noninsured crop disaster assistance.
- Sec. 11. Crop insurance requirements under price support programs.
- Sec. 12. Elimination of gender references.
- Sec. 13. GAO crop insurance provider study.
- Sec. 14. Effective date.

1           (c) DEFINITIONS.—Section 502 of the Federal Crop  
2 Insurance Act (7 U.S.C. 1502) is amended—

3                   (1) by striking the section heading and “SEC.  
4           502.” and inserting the following:

5   **“SEC. 502. PURPOSE AND DEFINITIONS.**

6           “(a) PURPOSE.—”; and

7                   (2) by adding at the end the following new sub-  
8           section:

9           “(b) DEFINITIONS.—For purposes of this title:

10                   “(1) SECRETARY.—The term ‘Secretary’ means  
11           the Secretary of Agriculture.

12                   “(2) CORPORATION.—The term ‘Corporation’  
13           means the Federal Crop Insurance Corporation es-  
14           tablished under section 503.

15                   “(3) BOARD.—The term ‘Board’ means the  
16           Board of Directors of the Corporation established  
17           under section 505(a).

18                   “(4) LOSS RATIO.—The term ‘loss ratio’ means  
19           the ratio of all sums paid by the Corporation as in-  
20           demnities under all crop insurance policies to that of  
21           the premiums designated for anticipated losses and

1 a reasonable reserve, not including the portion of the  
2 premiums designated for operating and administra-  
3 tive expenses.

4 “(5) TRANSITIONAL YIELD.—The term ‘transi-  
5 tional yield’ means the maximum average production  
6 per acre or equivalent measure that is assigned to  
7 acreage for a crop year by the Corporation in ac-  
8 cordance with its regulations whenever the producer  
9 fails—

10 “(A) to certify that acceptable documenta-  
11 tion of production and acreage for that crop  
12 year is in the producer’s possession; or

13 “(B) to present such acceptable docu-  
14 mentation upon the demand of the Corporation  
15 or an insurance company reinsured by the Cor-  
16 poration.”.

17 (d) CONFORMING AMENDMENTS.—The Federal Crop  
18 Insurance Act (7 U.S.C. 1501 et seq.) is amended—

19 (1) in section 503 (7 U.S.C. 1503), by striking  
20 “(herein called the Corporation)”; and

21 (2) in section 505(a) (7 U.S.C. 1505(a)), by  
22 striking “(hereinafter called the ‘Board’)”.

1 **SEC. 2. MEMBERS OF BOARD OF DIRECTORS OF FEDERAL**  
2 **CROP INSURANCE CORPORATION.**

3 Section 505(a) of the Federal Crop Insurance Act (7  
4 U.S.C. 1505(a)) is amended in the second sentence—

5 (1) by striking “or Assistant Secretary” the  
6 first place it appears; and

7 (2) by striking “the Under Secretary or Assist-  
8 ant Secretary of Agriculture responsible for the farm  
9 credit programs of the Department of Agriculture”  
10 and inserting “one additional Under Secretary of  
11 Agriculture (as designated by the Secretary of Agri-  
12 culture)”.

13 **SEC. 3. GENERAL POWERS OF CORPORATION.**

14 (a) CLAIMS SETTLEMENT.—Section 506 of the Fed-  
15 eral Crop Insurance Act (7 U.S.C. 1506) is amended—

16 (1) by redesignating subsections (j), (k), (l),  
17 (m), and (n) as subsections (k), (l), (m), (n), and  
18 (o), respectively; and

19 (2) by inserting after subsection (i) the follow-  
20 ing new subsection:

21 “(j) CLAIMS SETTLEMENT.—The Corporation shall  
22 have the authority to make final and conclusive settlement  
23 and adjustment of any claims made by or against the Cor-  
24 poration or the accounts of its fiscal officers.”.

25 (b) REGULATIONS; PREEMPTION.—Subsection (e) of  
26 such section is amended—

1           (1) by striking “governing” and inserting “to  
2 carry out this title and to govern”; and

3           (2) by adding at the end the following new sen-  
4 tence: “State and local laws or rules shall not apply  
5 to rules and regulations adopted by the Corporation  
6 to the extent that such rules and regulations so pro-  
7 vide or to the extent that State and local laws or  
8 rules are inconsistent with such rules and regula-  
9 tions.”.

10       (c) DEFINITION OF SUBSTANTIAL BENEFICIAL IN-  
11 TEREST.—Subsection (m) of such section (as redesignated  
12 by subsection (a)(1)) is amended in paragraph (4) by  
13 striking “5 percent” and inserting “10 percent”.

14       (d) PENALTY FOR FALSE INFORMATION.—Sub-  
15 section (n) of such section (as redesignated by subsection  
16 (a)(1)) is amended in paragraph (1) by striking subpara-  
17 graph (B) and inserting the following new subparagraph:

18                   “(B) disqualify the person—

19                           “(i) from purchasing catastrophic risk  
20 protection under section 508(b) or partici-  
21 pating in the noninsured assistance pro-  
22 gram under section 519 for a period not to  
23 exceed 2 years; and

1                   “(ii) from receiving any other benefit  
2                   under this title for a period not to exceed  
3                   10 years.”.

4           (e) ACTUARIAL SOUNDNESS.—Subsection (o) of such  
5 section (as redesignated by subsection (a)(1)) is amend-  
6 ed—

7           (1) in paragraph (1), by striking “beginning  
8           farmers from obtaining adequate Federal crop insur-  
9           ance, as determined by the Corporation” and insert-  
10          ing “beginning farmers, as determined by the Sec-  
11          retary, from obtaining Federal crop insurance”;

12          (2) in paragraph (3), by striking “and” at the  
13          end of the paragraph;

14          (3) by redesignating paragraph (4) as para-  
15          graph (5); and

16          (4) by inserting after paragraph (3) the follow-  
17          ing new paragraph:

18               “(4) establishing a database that contains social  
19               security numbers or employee identification numbers  
20               of insurance agents and adjusters and using the  
21               numbers to identify agents and adjusters who are  
22               high risk for actuarial purposes, and for other pur-  
23               poses permitted by law; and”.

1 (f) REGULATORY AND PAPERWORK REDUCTION.—  
2 Such section is further amended by adding at the end the  
3 following new subsection:

4 “(p) REGULATORY AND PAPERWORK REDUCTION.—

5 “(1) CATASTROPHIC RISK PROTECTION.—In de-  
6 veloping and carrying out the policies and proce-  
7 dures for catastrophic risk protection under section  
8 508(b), the Corporation shall minimize, to the maxi-  
9 mum extent practicable, the paperwork required and  
10 the complexity and costs of procedures governing the  
11 application for, and the processing and servicing of,  
12 catastrophic risk protection.

13 “(2) OTHER PLANS.—To the extent that the  
14 policies and procedures developed under paragraph  
15 (1) may be applied to other plans of insurance of-  
16 fered under this title without jeopardizing the actu-  
17 arial soundness or integrity of the crop insurance  
18 program under this title, the Corporation shall apply  
19 the policies and procedures to the other plans of in-  
20 surance within a reasonable period of time (as deter-  
21 mined by the Corporation) after the effective date of  
22 this paragraph.

23 “(3) SOLICITATION OF COST INFORMATION AND  
24 COST-REDUCTION PROPOSALS.—



1           “(A) COST INFORMATION.—The Corpora-  
2           tion shall solicit from private insurance provid-  
3           ers and agents information regarding—

4                   “(i) their average cost per policy of  
5                   complying with requirements, regulations,  
6                   procedures, and processes under this title;  
7                   and

8                   “(ii) the data upon which such costs  
9                   are determined.

10           “(B) COST-REDUCTION PROPOSALS.—The  
11           Corporation shall also solicit from private insur-  
12           ance providers and agents proposals for modify-  
13           ing or altering the requirements, regulations,  
14           procedures, and processes under this title to re-  
15           duce their total average cost per policy.

16           “(C) REPORT.—By June 1, 1995, the Cor-  
17           poration shall submit a report to Congress con-  
18           taining the information received under subpara-  
19           graph (A) and an evaluation of the cost-reduc-  
20           tion proposals received under subparagraph  
21           (B).

22           “(4) COST REDUCTION PLAN.—

23                   “(A) PLAN REQUIRED.—Subject to the  
24                   condition that the Corporation maintain the in-  
25                   tegrity of the crop insurance program under

1 this title, the Corporation shall include in the  
2 report required under paragraph (3) a plan to  
3 reduce the average cost per policy incurred by  
4 private insurance providers and agents to com-  
5 ply with requirements, regulations, procedures,  
6 and processes under this title. To the extent  
7 practicable, the Corporation shall set a target  
8 percentage by which such costs should be re-  
9 duced.

10 “(B) IMPLEMENTATION OF PLAN.—Not  
11 later than 60 days after submitting the report  
12 required under paragraph (3), and in accord-  
13 ance with the plan contained in the report, the  
14 Corporation shall adopt such measures consist-  
15 ent with maintaining the integrity of the crop  
16 insurance program under this title as the Cor-  
17 poration determines are appropriate—

18 “(i) to improve Corporation liaison  
19 with policyholders and private insurance  
20 providers; and

21 “(ii) to reduce the average cost per  
22 policy to meet the target percentage set by  
23 the Corporation.”.

1 (g) IMPROVED PROGRAM COMPLIANCE.—Such sec-  
2 tion is further amended by inserting after subsection (p)  
3 (as added by subsection (f)) the following new subsection:

4 “(q) PROGRAM COMPLIANCE.—

5 “(1) TIMELINESS.—The Corporation shall work  
6 actively with private insurance providers to address  
7 program compliance and integrity issues as such is-  
8 sues develop.

9 “(2) NOTIFICATION OF COMPLIANCE PROB-  
10 LEMS.—The Corporation shall notify in writing any  
11 private insurance provider with whom the Corpora-  
12 tion has an agreement under this title of any error,  
13 omission, or failure to follow Corporation regulations  
14 or procedures for which the private insurance pro-  
15 vider may be responsible and which may result in a  
16 debt owed the Corporation. Such notice shall be  
17 given within 3 years of the end of the insurance pe-  
18 riod during which the error, omission, or failure is  
19 alleged to have occurred, except that such time limit  
20 shall not apply with respect to errors, omissions, or  
21 procedural violations that are willful or intentional.  
22 The failure to timely provide the notice required  
23 under this subsection shall relieve the private insur-  
24 ance provider from the debt owed the Corporation.”.

1 **SEC. 4. PERSONNEL.**

2 Section 507 of the Federal Crop Insurance Act (7  
3 U.S.C. 1507) is amended—

4 (1) in subsection (a), by striking “, and county  
5 crop insurance committeemen”;

6 (2) in subsection (c), by striking “, in which  
7 case the agent or broker” in the first sentence and  
8 all that follows through the period at the end of the  
9 second sentence and inserting the following: “, ex-  
10 cept that the rate established by the Board to reim-  
11 burse approved insurance providers and agents for  
12 their administrative and operating costs shall not ex-  
13 ceed, for the 1997 crop year, 29 percent of the pre-  
14 mium used to define loss ratio under section 502,  
15 and for the 1998 and 1999 crops, such reimburse-  
16 ment rate shall not exceed 28 percent of the pre-  
17 mium used to define loss ratio under section 502.  
18 Consistent with the provisions of section 506(p), the  
19 Board shall provide regulatory relief to such ap-  
20 proved insurance providers and agents in an amount  
21 proportional to the reduction in the reimbursement  
22 rate established by the Board for the 1997, 1998,  
23 and 1999 crop years. No action shall be taken which  
24 would jeopardize program integrity, enhance oppor-  
25 tunities for fraud or abuse, hinder program expan-  
26 sion or diminish quality of service to customers.”;

1           (3) in subsection (d), by striking “, except  
2           that” and all that follows through the period at the  
3           end of the subsection and inserting a period; and

4           (4) by adding at the end the following new sub-  
5           section:

6           “(g) SPECIALTY CROPS COORDINATOR.—The Cor-  
7           poration shall establish a senior-level position to be known  
8           as the Specialty Crops Coordinator. The Specialty Crops  
9           Coordinator shall have primary responsibility for address-  
10          ing the needs of specialty crop producers and for providing  
11          information and advice in connection with the Corpora-  
12          tion’s activities to improve and expand the insurance pro-  
13          gram for specialty crops. In carrying out such responsibil-  
14          ity, the Specialty Crops Coordinator shall act as the Cor-  
15          poration’s liaison with representatives of specialty crop  
16          producers and provide the Corporation with the producers’  
17          knowledge, expertise, and familiarity with risk manage-  
18          ment and production issues pertaining to specialty crops.  
19          The Specialty Crops Coordinator shall also use informa-  
20          tion collected from Corporation field office directors in  
21          States in which specialty crops have a significant economic  
22          effect and from other sources, including the extension  
23          service and colleges and universities.”.

1 **SEC. 5. GENERAL AUTHORITY TO OFFER CROP INSURANCE.**

2 (a) GENERAL AUTHORITY TO OFFER INSURANCE.—

3 Subsection (a) of section 508 of the Federal Crop Insur-  
4 ance Act (7 U.S.C. 1508) is amended to read as follows:

5 “(a) AUTHORITY TO OFFER INSURANCE.—

6 “(1) GENERAL AUTHORITY AND LOSSES COV-  
7 ERED.—If sufficient actuarial data are available, as  
8 determined by the Board, the Corporation may in-  
9 sure (or provide reinsurance for insurers of) produc-  
10 ers of agricultural commodities grown in the United  
11 States under any plan or plans of insurance deter-  
12 mined by the Board to be adapted to the agricul-  
13 tural commodity involved. To qualify for coverage  
14 under these plans of insurance, the losses of the in-  
15 sured commodity shall be due to drought, flood, or  
16 other natural disaster, as determined by the Sec-  
17 retary.

18 “(2) PERIOD OF COVERAGE.—Except in the  
19 case of tobacco, insurance shall not extend beyond  
20 the period the insured commodity is in the field. For  
21 the purpose of the foregoing sentence, in the case of  
22 aquacultural species, the term ‘field’ means the envi-  
23 ronment in which the commodity is produced.

24 “(3) EXCLUSIONS.—Insurance provided under  
25 this section shall not cover losses—

1           “(A) due to the neglect or malfeasance of  
2 the producer;

3           “(B) due to the failure of the producer to  
4 reseed to the same crop in those areas and  
5 under such circumstances where it is customary  
6 to reseed; or

7           “(C) due to the failure of the producer to  
8 follow good farming practices, as determined by  
9 the Corporation.

10           “(4) EXPANSION TO OTHER AREAS OR SINGLE  
11 PRODUCERS.—

12           “(A) AREA EXPANSION.—The Corporation  
13 may offer plans of insurance or reinsurance for  
14 production of agricultural commodities in the  
15 Commonwealth of Puerto Rico, the Virgin Is-  
16 lands of the United States, Guam, American  
17 Samoa, the Commonwealth of the Northern  
18 Mariana Islands, and the Trust Territory of the  
19 Pacific Islands in the same manner as provided  
20 in this section for production of agricultural  
21 commodities in the United States.

22           “(B) PRODUCER EXPANSION.—In areas in  
23 the United States or specified in subparagraph  
24 (A) where crop insurance is not available for a  
25 particular agricultural commodity, the Corpora-

1           tion may offer to enter into a written agree-  
2           ment with an individual producer operating in  
3           that area for insurance coverage under this title  
4           if the producer has actuarially sound data relat-  
5           ing to the producer's production of that com-  
6           modity and such data is acceptable to the Cor-  
7           poration.

8           “(5) DISSEMINATION OF CROP INSURANCE IN-  
9           FORMATION.—The Corporation shall make available  
10          to producers through local offices of the Department  
11          of Agriculture—

12                 “(A) current and complete information on  
13                 all aspects of Federal crop insurance; and

14                 “(B) a listing of insurance agents and  
15                 companies offering to sell crop insurance in  
16                 their area.

17          “(6) ADDITION OF NEW AND SPECIALTY  
18          CROPS.—

19                 “(A) DATA COLLECTION.—Not later than  
20                 6 months after the date of the enactment of  
21                 this paragraph, the Secretary shall issue guide-  
22                 lines for publication in the Federal Register for  
23                 data collection to assist the Corporation in for-  
24                 mulating crop insurance policies for new and  
25                 specialty crops.



1           “(B) ADDITION OF NEW CROPS.—Not later  
2 than 1 year after the date of the enactment of  
3 this paragraph, and annually thereafter, the  
4 Corporation shall report to Congress on the  
5 progress and expected timetable for expanding  
6 crop insurance coverage under this title to new  
7 and specialty crops.

8           “(C) ADDITION OF DIRECT SALE PERISH-  
9 ABLE CROPS.—Not later than 1 year after the  
10 date of the enactment of this paragraph, the  
11 Corporation shall report to Congress on the fea-  
12 sibility of offering a crop insurance program de-  
13 signed to meet the needs of specialized produc-  
14 ers of vegetables and other perishable crops who  
15 market through direct marketing channels.”.

16       (b) REPORT ON IMPROVING DISSEMINATION OF  
17 CROP INSURANCE INFORMATION.—Not later than 6  
18 months after the date of the enactment of this Act, the  
19 Federal Crop Insurance Corporation shall submit a report  
20 to Congress containing a plan to implement a sound pro-  
21 gram for producer education regarding the crop insurance  
22 program and for the dissemination of crop insurance infor-  
23 mation to producers, as required by section 508(a)(5) of  
24 the Federal Crop Insurance Act. Subsequent reports on

1 the progress of the implementation of the program shall  
2 be submitted to Congress in 1996 and 1997.

3 **SEC. 6. CATASTROPHIC RISK PROTECTION, BUY-UP COV-**  
4 **ERAGE, PREMIUMS, AND YIELD DETERMINA-**  
5 **TIONS.**

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

8 (1) by striking subsections (c), (e), (f), (g), (h),  
9 (i), (l), (m), and (n);

10 (2) by redesignating subsections (b) and (d) as  
11 subsections (h) and (i), respectively; and

12 (3) by inserting after subsection (a) the follow-  
13 ing new subsections:

14 “(b) CATASTROPHIC RISK PROTECTION.—

15 “(1) CATASTROPHIC RISK PROTECTION RE-  
16 QUIRED.—The Corporation shall offer to producers  
17 of agricultural commodities grown in the United  
18 States a catastrophic risk protection plan to indem-  
19 nify a producer for crop losses due to loss of yield  
20 or prevented planting resulting from drought, flood,  
21 or other natural disaster, as determined by the Sec-  
22 retary, if the producer is unable to plant other crops  
23 for harvest on that acreage for that crop year.

24 “(2) AMOUNT OF COVERAGE.—

1           “(A) IN GENERAL.—Subject to subpara-  
2 graph (B), under catastrophic risk protection,  
3 the Corporation shall offer producers—

4           “(i) coverage equal to 50 percent loss  
5 in yield (determined on an area or individ-  
6 ual yield basis as described in subsection  
7 (g)) indemnified at 60 percent of the ex-  
8 pected market price of the commodity (as  
9 determined by the Corporation); or

10           “(ii) other coverage established by the  
11 Corporation that is comparable to the cov-  
12 erage described in clause (i).

13           “(B) REDUCTION IN ACTUAL PAYMENT.—  
14 The amount paid to a producer on a claim  
15 under catastrophic risk protection may reflect a  
16 reduction that is proportional to the out-of-  
17 pocket expenses that are not incurred by the  
18 producer as a result of not planting, growing,  
19 or harvesting the crop for which the claim is  
20 made, as determined by the Corporation.

21           “(3) YIELD AND LOSS BASIS.—Producers shall  
22 have the option of purchasing catastrophic risk pro-  
23 tection based on either an individual yield and loss  
24 basis or on an area yield and loss basis, as described

1 in subsection (g), when both options are offered by  
2 the Corporation.

3 “(4) APPLICATION.—To participate in cata-  
4 strophic risk protection, producers shall submit an  
5 application at the local office of the Department of  
6 Agriculture or to a private insurance provider ap-  
7 proved by the Corporation.

8 “(5) ADMINISTRATIVE FEE.—

9 “(A) FEE REQUIRED.—Producers shall  
10 pay an administrative fee for catastrophic risk  
11 protection. The administrative fee for each pro-  
12 ducer shall be \$50 per crop per county, but not  
13 to exceed \$200 per producer per county up to  
14 a maximum of \$600 per producer for all coun-  
15 ties in which a producer has insured crops. The  
16 administrative fee shall be paid by the producer  
17 at the time the producer applies for cata-  
18 strophic risk protection.

19 “(B) WAIVER OF FEE.—The Corporation  
20 shall waive the administrative fee for limited re-  
21 source farmers, as defined by the Corporation.

22 “(C) USE OF FEES.—There are authorized  
23 to be appropriated from fees required under  
24 subparagraph (A) such sums as may be nec-  
25 essary for operating and administrative ex-

1           penses incurred for the delivery of catastrophic  
2           risk protection.

3           “(6) COVERAGE OF ALL CROPS.—To be eligible  
4           for benefits under any commodity price support, pro-  
5           duction adjustment, or conservation program admin-  
6           istered by the Department of Agriculture, or for the  
7           farmer loan programs of the Farmers Home Admin-  
8           istration or any successor of that agency, a producer  
9           must obtain at least catastrophic risk protection for  
10          each crop of economic significance produced on each  
11          farm in any county in which the producer has an in-  
12          terest, if insurance is available in the county for  
13          those crops. For purposes of this paragraph, the  
14          term ‘crop of economic significance’ means a crop  
15          that has contributed, or is expected to contribute, 10  
16          percent or more of the total expected value of all  
17          crops grown by the producer.

18          “(7) COVERAGE UNDER ONE POLICY.—If a pro-  
19          ducer applies for catastrophic risk protection for a  
20          crop produced by the producer in a county, the pro-  
21          ducer shall be required to secure such protection  
22          under a single policy.

23          “(8) AUTHORITY TO LIMIT CATASTROPHIC RISK  
24          PROTECTION.—The Board may limit the availability  
25          of catastrophic risk protection in any county or area,

1 or on any farm, on the basis of the insurance risk  
2 involved.

3 “(9) TRANSITIONAL COVERAGE FOR 1995  
4 CROPS.—Effective only for the 1995 crops and for  
5 which the sales period for crop insurance expires be-  
6 fore the date of the enactment of the Federal Crop  
7 Insurance Reform Act of 1994, the Corporation  
8 shall allow producers of such crops until at least the  
9 end of the 6-month period beginning on such date  
10 to obtain catastrophic risk protection for such crops.  
11 Upon the enactment of such Act, producers who  
12 made timely purchases of a crop insurance policy be-  
13 fore the date of the enactment of such Act, under  
14 the provisions then in effect, shall be eligible for the  
15 same benefits to which a producer would be entitled  
16 under comparable buy-up coverage under subsection  
17 (c).

18 “(c) COVERAGE LEVELS GREATER THAN CATA-  
19 STROPHIC RISK PROTECTION.—

20 “(1) BUY-UP COVERAGE GENERALLY.—The  
21 Corporation shall offer to producers of agricultural  
22 commodities grown in the United States plans of  
23 crop insurance providing levels of coverage greater  
24 than that available under catastrophic risk protec-  
25 tion under subsection (b). Plans of insurance under

1 this subsection shall be known as ‘buy-up coverage’.  
2 Producers shall apply to private insurance providers  
3 approved by the Corporation for purchase of buy-up  
4 coverage if such coverage is available from private  
5 insurance providers. If buy-up coverage is unavail-  
6 able privately, the Corporation may offer buy-up cov-  
7 erage plans of insurance directly to producers. If a  
8 producer applies for catastrophic risk protection at  
9 an office of the Department of Agriculture but then  
10 elects to purchase buy-up coverage under this sub-  
11 section, the insurance file for that producer shall be  
12 transferred to the approved private insurance pro-  
13 vider servicing the buy-up coverage policy.

14 “(2) ADMINISTRATIVE FEE.—

15 “(A) FEE REQUIRED.—If a producer elects  
16 to purchase buy-up coverage for a crop at a  
17 level less than 65 percent of the recorded or ap-  
18 praised average yield indemnified at 100 per-  
19 cent of the expected market price, or an equiva-  
20 lent coverage, the producer shall pay an admin-  
21 istrative fee for such buy-up coverage. Sub-  
22 section (b)(5) shall apply in determining the  
23 amount and use of the administrative fee or in  
24 determining whether to waive the administra-  
25 tive fee.

1           “(B) EXCEPTION.—If a producer elects to  
2           purchase buy-up coverage for a crop equal to  
3           65 percent or more of the recorded or appraised  
4           average yield indemnified at 100 percent of the  
5           expected market price, or an equivalent cov-  
6           erage, the producer shall not be subject to the  
7           administrative fee required by this paragraph or  
8           subsection (b)(5). If the producer has already  
9           paid the administrative fee for a lower level of  
10          coverage for that crop, the administrative fee  
11          shall be refunded to the producer unless the re-  
12          fund would reduce to less than \$200 the total  
13          amount of the administrative fees paid by the  
14          producer for 2 or more crops in the same coun-  
15          ty for which a lower level of coverage is ob-  
16          tained.

17          “(3) YIELD AND LOSS BASIS.—Producers shall  
18          have the option of purchasing buy-up coverage based  
19          on either an individual yield and loss basis or on an  
20          area yield and loss basis, as described in subsection  
21          (g), when both options are offered by the Corpora-  
22          tion.

23          “(4) YIELD ELECTIONS.—Yield coverage shall  
24          be made available to the producer on the basis of  
25          any yield election that equals or is less than 85 per-



1 cent of the individual yield or 95 percent of the area  
2 yield, as determined by the Corporation.

3 “(5) PRICE LEVELS.—

4 “(A) IN GENERAL.—The Corporation shall  
5 establish a price level for each commodity on  
6 which buy-up coverage is offered that—

7 “(i) shall not be less than the ex-  
8 pected market price for the commodity, as  
9 determined by the Corporation; or

10 “(ii) at the discretion of the Corpora-  
11 tion, may be based on the actual market  
12 price at the time of harvest, as determined  
13 by the Corporation.

14 “(B) SPECIAL RULE FOR MALTING BAR-  
15 LEY.—For malting barley covered by a contract  
16 between a producer and a processor, the Cor-  
17 poration may offer a plan of insurance that al-  
18 lows the producer to select the contract price as  
19 the price election if—

20 “(i) the contract is definite as to the  
21 quantity and the price;

22 “(ii) the producer submits a copy of  
23 the contract with the application for insur-  
24 ance prior to the sales closing date for the  
25 crop;

1           “(iii) coverage does not exceed the  
2           quantity contained in the contract;

3           “(iv) the contracted quantity does not  
4           exceed the production guarantee;

5           “(v) the contract is usual and cus-  
6           tomary in form and content for the area;

7           “(vi) the processor is completely inde-  
8           pendent from the producer; and

9           “(vii) the processor does not have an  
10          insurable interest in the crop.

11          “(6) PRICE ELECTIONS.—Subject to paragraph  
12          (10), insurance coverage shall be made available to  
13          the producer on the basis of any price election that  
14          equals or is less than that established by the Board.

15          “(7) LEVEL OF COVERAGE.—Not later than the  
16          beginning of the 1996 crop year, the level of cov-  
17          erage shall be quoted in terms of dollars per acre.

18          “(8) REDUCTION IN ACTUAL PAYMENT.—The  
19          amount paid to a producer on a claim under buy-up  
20          coverage may reflect a reduction that is proportional  
21          to the out-of-pocket expenses that are not incurred  
22          by the producer as a result of not planting, growing,  
23          or harvesting the crop for which the claim is made,  
24          as determined by the Corporation.

1           “(9) FIRE AND HAIL COVERAGE.—For levels of  
2           buy-up coverage equal to 65 percent or more of the  
3           recorded or appraised average yield indemnified at  
4           100 percent of the expected market price, or an  
5           equivalent coverage, the producer may elect to delete  
6           from the buy-up coverage any coverage against dam-  
7           age caused by fire and hail if the producer obtains  
8           an equivalent or greater dollar amount of coverage  
9           for damage caused by fire and hail from a private  
10          insurance provider. Upon written notice of such elec-  
11          tion to the company issuing the policy providing  
12          buy-up coverage and submission of evidence of sub-  
13          stitute coverage on the commodity insured, the pro-  
14          ducer’s premium shall be reduced by an amount de-  
15          termined by the Corporation to be actuarially appro-  
16          priate, taking into account the actuarial value of the  
17          remaining coverage provided by the Corporation. In  
18          no event shall the producer be given credit for an  
19          amount of premium determined to be greater than  
20          the actuarial value of the protection against losses  
21          caused by fire and hail that is included in the buy-  
22          up coverage for the crop.

23          “(10) LIMITATIONS ON BUY-UP COVERAGE.—  
24          The Board may limit the availability of buy-up cov-  
25          erage under this subsection in any county or area,

1 or on any farm, on the basis of the insurance risk  
2 involved. The Board shall not offer buy-up coverage  
3 equal to less than 50 percent of the recorded or ap-  
4 praised average yield indemnified at 100 percent of  
5 the expected market price, or an equivalent coverage.

6 “(d) PREMIUMS.—

7 “(1) PREMIUMS REQUIRED.—The Corporation  
8 shall fix adequate premiums for all its plans of in-  
9 surance at such rates as the Board deems actuari-  
10 ally sufficient to attain an expected loss ratio of not  
11 greater than 1.1.

12 “(2) PREMIUM AMOUNTS.—The premium  
13 amounts for catastrophic risk protection under sub-  
14 section (b) and buy-up coverage under subsection (c)  
15 shall be fixed as follows:

16 “(A) In the case of catastrophic risk pro-  
17 tection, the amount of the premium shall be  
18 sufficient to cover anticipated losses and a rea-  
19 sonable reserve.

20 “(B) In the case of buy-up coverage below  
21 65 percent of the recorded or appraised average  
22 yield indemnified at 100 percent of the expected  
23 market price, or an equivalent coverage, but  
24 greater than 50 percent of the recorded or ap-  
25 praised average yield indemnified at 100 per-

1 cent of the expected market price, or an equiva-  
2 lent coverage, the amount of the premium  
3 shall—

4 “(i) be sufficient to cover anticipated  
5 losses and a reasonable reserve; and

6 “(ii) include an amount for operating  
7 and administrative expenses, as determined  
8 by the Corporation, that is less than the  
9 amount established for coverage at 65 per-  
10 cent of the recorded or appraised average  
11 yield indemnified at 100 percent of the ex-  
12 pected market price, or an equivalent cov-  
13 erage.

14 “(C) In the case of buy-up coverage equal  
15 to or greater than 65 percent of the recorded  
16 or appraised average yield indemnified at 100  
17 percent of the expected market price, or an  
18 equivalent coverage, the amount of the premium  
19 shall—

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

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

1 premium used to define loss ratio under  
2 section 502.

3 “(3) PREMIUM REDUCTION.—If a private insur-  
4 ance provider determines that it may provide insur-  
5 ance more efficiently than the expense reimburse-  
6 ment amount established by the Corporation, the  
7 private insurance provider may reduce, subject to  
8 the approval of the Corporation, the premium  
9 charged the insured by an amount corresponding to  
10 such efficiency. The private insurance provider shall  
11 apply to the Corporation for authority to reduce the  
12 premium before making such a reduction, and the  
13 reduction shall be subject to the rules, limitations,  
14 and procedures established by the Corporation.

15 “(4) INDIVIDUAL AND AREA CROP INSURANCE  
16 COVERAGE.—The Corporation shall allow approved  
17 insurance providers to offer to producers a plan of  
18 insurance that combines both individual yield cov-  
19 erage and area yield coverage at a premium rate de-  
20 termined by the provider, subject to the following  
21 conditions:

22 “(A) The individual yield coverage shall be  
23 equal to or greater than catastrophic risk pro-  
24 tection, as described in subsection (b).

1           “(B) The combined policy shall include  
2 area yield coverage that is offered by the Cor-  
3 poration or similar area coverage, as deter-  
4 mined by the Corporation.

5           “(C) The Corporation shall provide rein-  
6 surance on the area yield portion of the com-  
7 bined policy at the request of the provider, ex-  
8 cept that the provider shall agree to pay to the  
9 producer any portion of the area yield and loss  
10 indemnity payment received from the Corpora-  
11 tion or a commercial reinsurer that exceeds the  
12 individual indemnity payment made by the pro-  
13 vider to the producer.

14           “(D) The Corporation shall pay a part of  
15 the premium equivalent to—

16                   “(i) the amount authorized under sub-  
17 section (e)(2) (except provisions regarding  
18 operating and administrative expenses);  
19 and

20                   “(ii) the amount of operating and ad-  
21 ministrative expenses authorized by the  
22 Corporation for the area yield coverage  
23 portion of the combined policy.

24           “(E) The provider shall provide all under-  
25 writing services for the combined policy, includ-

1           ing the determination of individual yield cov-  
2           erage premium rates, the terms and conditions  
3           of the policy, and the acceptance and classifica-  
4           tion of applicants into risk categories, subject to  
5           subparagraph (F).

6           “(F) The Corporation shall approve the  
7           combined policy unless the Corporation deter-  
8           mines that the policy is not actuarially sound or  
9           that the interests of producers are not ade-  
10          quately protected.”.

11          “(e) PAYMENT OF PORTION OF PREMIUM BY COR-  
12          PORATION.—

13           “(1) IN GENERAL.—For the purpose of encour-  
14          aging the broadest possible participation of produc-  
15          ers in the catastrophic risk protection provided  
16          under subsection (b) and the buy-up coverage pro-  
17          vided under subsection (c), the Corporation shall pay  
18          a part of the premium in the amounts provided in  
19          this subsection.

20           “(2) AMOUNT OF PAYMENT.—The amount of  
21          the premium to be paid by the Corporation shall be  
22          as follows:

23           “(A) In the case of catastrophic risk pro-  
24          tection, the amount shall be equivalent to the



1 premium established for catastrophic risk pro-  
2 tection under subsection (d)(2)(A).

3 “(B) In the case of coverage below 65 per-  
4 cent of the recorded or appraised average yield  
5 indemnified at 100 percent of the expected mar-  
6 ket price, or an equivalent coverage, but greater  
7 than 50 percent of the recorded or appraised  
8 average yield indemnified at 100 percent of the  
9 expected market price, or an equivalent cov-  
10 erage, the amount shall be equivalent to the  
11 amount of premium established for catastrophic  
12 risk protection coverage and the amount of op-  
13 erating and administrative expenses established  
14 under subsection (d)(2)(B).

15 “(C) In the case of coverage equal to or  
16 greater than 65 percent of the recorded or ap-  
17 praised average yield indemnified at 100 per-  
18 cent of the expected market price, or an equiva-  
19 lent coverage, on an individual or area basis,  
20 the amount shall be equivalent to an amount  
21 equal to the premium established for 50 percent  
22 loss in yield indemnified at 75 percent of the  
23 expected market price and the amount of oper-  
24 ating and administrative expenses established  
25 under subsection (d)(2)(C).

1           “(3) STATE SUBSIDY AUTHORIZED.—The  
2 Board may enter into agreements with any State or  
3 agency of a State under which the State or agency  
4 may pay to the approved insurance provider an addi-  
5 tional premium subsidy to further reduce the portion  
6 of the premium paid by producers in the State.

7           “(f) ELIGIBILITY REQUIREMENTS.—

8           “(1) PERSONS ELIGIBLE.—Except as otherwise  
9 provided in this title, no producer may be denied in-  
10 surance under this section if the producer meets the  
11 definition of person, as defined by the Secretary. In  
12 the case of plans of insurance under this title other  
13 than catastrophic risk protection, the definition of  
14 person shall include a producer who is over 18 years  
15 of age or older and has a bona fide insurable inter-  
16 est in a crop as an owner, owner-operator, landlord,  
17 tenant, or sharecropper.

18           “(2) SALES CLOSING DATE.—A producer who  
19 desires to obtain catastrophic risk protection under  
20 subsection (b) or buy-up coverage under subsection  
21 (c) for a crop shall submit an application by the  
22 sales closing date for the crop. The Corporation  
23 shall establish sales closing dates to maximize con-  
24 venience to producers in obtaining benefits under  
25 commodity price support and production adjustment

1 programs of the Department whenever feasible; ex-  
2 cept that, in establishing such dates, the Corporation  
3 shall ensure that the goal of actuarial soundness for  
4 the crop insurance program under this title is met.  
5 Beginning with the 1995 crop year, the Corporation  
6 shall establish for each insurable crop a sales closing  
7 date that is 30 days earlier than the corresponding  
8 sales closing date that was established for the 1994  
9 crop year.

10 “(3) RECORDS AND REPORTING.—To obtain  
11 catastrophic risk protection under subsection (b) or  
12 buy-up coverage under subsection (c), a producer  
13 shall—

14 “(A) provide, to the extent required by the  
15 Corporation, records acceptable to the Corpora-  
16 tion of historical acreage and production of the  
17 crops for which the insurance is sought or ac-  
18 cept a yield determined by the Corporation; and

19 “(B) report acreage planted and prevented  
20 from planting by the designated acreage report-  
21 ing date for that crop and location as estab-  
22 lished by the Corporation.

23 “(4) LIMITATION ON MULTIPLE BENEFITS FOR  
24 SAME LOSS.—If a producer who is eligible to receive  
25 benefits under catastrophic risk protection under

1 subsection (b) or noninsured crop disaster assistance  
2 under section 519 is also eligible to receive assist-  
3 ance for the same loss under any other program ad-  
4 ministered by the Secretary, the producer shall be  
5 required to elect whether to receive benefits under  
6 this title or under such other program, but not both.  
7 A producer who purchases buy-up coverage under  
8 subsection (c) may also receive assistance for the  
9 same loss under other programs administered by the  
10 Secretary, except that the amount received for the  
11 loss under the buy-up coverage together with the  
12 amount received under such other programs may not  
13 exceed the amount of the producer's actual loss.

14 “(g) YIELD COVERAGE DETERMINATIONS.—

15 “(1) IN GENERAL.—The Corporation shall im-  
16 plement crop insurance underwriting rules that en-  
17 sure that yield coverage, as specified in this sub-  
18 section, is provided to eligible producers obtaining  
19 catastrophic risk protection under subsection (b) or  
20 buy-up coverage under subsection (c).

21 “(2) INDIVIDUAL YIELD BASIS.—

22 “(A) ACTUAL PRODUCTION HISTORY.—The  
23 Corporation shall determine yield coverage  
24 using the producer's actual production history  
25 over a period of not less than the 4 previous

1 consecutive crop years and not more than 10  
2 consecutive crop years. Subject to subparagraph  
3 (B), the yield for insurance purposes for the  
4 year for which insurance is sought shall be  
5 equal to the average of the producer's actual  
6 production history during the period considered.

7 “(B) ASSIGNMENT OF YIELD.—Except as  
8 provided in subparagraphs (C) and (D), if a  
9 producer does not submit adequate documenta-  
10 tion of production history to determine crop  
11 yield under subparagraph (A), the Corporation  
12 shall assign to the producer a yield equal to not  
13 less than 65 percent of the transitional yield of  
14 the producer (adjusted to reflect actual produc-  
15 tion reflected in the records acceptable to the  
16 Corporation for continuous years), as specified  
17 in regulations issued by the Corporation based  
18 on production history requirements.

19 “(C) PILOT PROGRAM OF ASSIGNED  
20 YIELDS FOR NEW PRODUCERS.—

21 “(i) PROGRAM REQUIRED.—For each  
22 of the 1995 and 1996 crop years, the Cor-  
23 poration shall carry out a pilot program to  
24 assign to eligible new producers higher as-  
25 signed yields than would otherwise be as-

1 signed to such producers under subpara-  
2 graph (B). The Corporation shall include  
3 in the pilot program 30 counties that are  
4 determined by the Corporation to be ade-  
5 quate to provide a comprehensive evalua-  
6 tion of the feasibility, effectiveness, and de-  
7 mand among new producers for increased  
8 assigned yields.

9 “(ii) INCREASED ASSIGNED YIELDS.—

10 In the case of an eligible new producer  
11 participating in the pilot program, the Cor-  
12 poration shall assign to the new producer  
13 a yield equal to not less than 110 percent  
14 of the transitional yield otherwise estab-  
15 lished by the Corporation.

16 “(iii) ELIGIBLE NEW PRODUCER.—

17 The Secretary shall establish a definition  
18 of new producer for purposes of determin-  
19 ing eligibility to participate in the pilot  
20 program.

21 “(D) ALTERNATIVE ASSIGNED YIELDS FOR

22 PRODUCERS OF FEED OR FORAGE.—

23 “(i) FEED OR FORAGE YIELDS.—For

24 the first crop year for which an eligible  
25 producer described in clause (ii) obtains

1 catastrophic risk protection under sub-  
2 section (b) or buy-up coverage under sub-  
3 section (c) for a feed or forage crop, the  
4 Corporation shall assign to the producer a  
5 yield equal to not less than 80 percent of  
6 the transitional yield established by the  
7 Corporation (adjusted to reflect the actual  
8 production history of the producer) if the  
9 producer does not provide satisfactory evi-  
10 dence of the yield under subparagraph (A).  
11 For not more than three additional years,  
12 the Corporation shall provide the producer  
13 with a yield based on the greater of—

14 “(I) the producer’s actual pro-  
15 duction history for the preceding year  
16 (or years if available); and

17 “(II) the assigned yield deter-  
18 mined under this clause.

19 “(ii) ELIGIBLE PRODUCERS.—An eli-  
20 gible producer referred to in clause (i) is a  
21 producer that, as determined by the Sec-  
22 retary—

23 “(I) grows the insured feed or  
24 forage crop primarily for on-farm use

1 in a livestock, dairy, or poultry oper-  
2 ation; and

3 “(II) derives over 50 percent of  
4 the producer’s gross farm income  
5 from the livestock, dairy, or poultry  
6 operation.

7 “(iii) TERMINATION OF AUTHORITY.—  
8 The authority provided by this subpara-  
9 graph shall apply only during the 1995  
10 through 1998 crop years.

11 “(3) AREA YIELD BASIS.—The Corporation may  
12 offer a crop insurance plan based on an area yield  
13 that allows an insured producer to qualify for an in-  
14 demnity if a loss occurs in an area, as specified by  
15 the Corporation, in which the farm of the producer  
16 is located. Under an area yield plan, an insured pro-  
17 ducer shall be allowed to select the level of area pro-  
18 duction at which an indemnity will be paid consist-  
19 ent with the terms and conditions established by the  
20 Corporation.

21 “(4) COMMODITY-BY-COMMODITY BASIS.—A  
22 producer may choose between either individual yield  
23 or area yield coverage, where available, on a com-  
24 modity-by-commodity basis.”.

25 (b) CONFORMING AMENDMENTS.—



1           (1) REPEAL OF EXISTING CROP INSURANCE  
2           YIELD COVERAGE.—Section 508A of the Federal  
3           Crop Insurance Act (7 U.S.C. 1508A) is repealed.

4           (2) PREEMPTION.—Section 511 of such Act (7  
5           U.S.C. 1511) is amended by adding at the end the  
6           following sentence: “The Corporation’s contracts of  
7           insurance and the contracts of insurance reinsured  
8           by the Corporation shall be exempt from taxation  
9           imposed by any State, municipality, or local taxing  
10          authority.”.

11          (3) PERSONS UNDER 21 YEARS OF AGE.—Sec-  
12          tion 520 of such Act (7 U.S.C. 1520) is repealed.

13 **SEC. 7. PREPARATION OF POLICIES, CLAIMS, AND REIN-**  
14 **SURANCE.**

15          (a) SUBMISSION OF POLICIES.—Subsection (h) of  
16          section 508 of the Federal Crop Insurance Act (7 U.S.C.  
17          1508), as redesignated by section 6(a)(2), is amended—

18               (1) in paragraph (1), by striking “subsection  
19               (a)” and inserting “subsection (c)”; and

20               (2) by striking paragraphs (2), (3), and (4) and  
21               inserting the following new paragraphs:

22                       “(2) SUBMISSION OF POLICIES.—A policy or  
23                       other material submitted to the Board under this  
24                       subsection may be prepared without regard to the  
25                       limitations contained in this title, including the re-

1        requirements concerning the levels of coverage and  
2        rates and the requirement that a price level for each  
3        commodity insured must equal the expected market  
4        price for the commodity as established by the Board.  
5        In the case of such a policy, the payment by the  
6        Corporation of a portion of the premium of the pol-  
7        icy may not exceed the amount that would otherwise  
8        be authorized under subsection (e).

9            “(3) REVIEW AND APPROVAL BY THE BOARD.—  
10        A policy or other material submitted to the Board  
11        under this subsection shall be reviewed by the Board  
12        and, if the Board finds that the interests of produc-  
13        ers are adequately protected and that any premiums  
14        charged to such producers are actuarially appro-  
15        priate, shall be approved by the Board for reinsur-  
16        ance and for sale to producers as an additional  
17        choice at actuarially appropriate rates and under ap-  
18        propriate terms and conditions. The Corporation  
19        may enter into more than one reinsurance agree-  
20        ment with the private insurance provider simulta-  
21        neously to facilitate the offering of such new policies.

22            “(4) GUIDELINES FOR SUBMISSION AND RE-  
23        VIEW.—The Corporation shall issue regulations to  
24        establish guidelines for the submission and Board  
25        review of policies or other material submitted to the

1 Board under this subsection. At a minimum, the  
2 guidelines shall ensure the following:

3 “(A) Proposals submitted to the Board  
4 under this subsection shall be considered as  
5 confidential commercial or financial information  
6 for purposes of section 552(b)(4) of title 5,  
7 United States Code, until approved by the  
8 Board. Proposals disapproved by the Board  
9 shall remain confidential commercial or finan-  
10 cial information.

11 “(B) The Board shall provide an applicant  
12 with the opportunity to present the proposal to  
13 the Board in person if the applicant so desires.

14 “(C) The Board shall provide an applicant  
15 with notification of intent to disapprove a pro-  
16 posal not later than 30 days prior to taking  
17 such action. An applicant that receives such no-  
18 tification may modify such application, and  
19 such modification shall be considered an origi-  
20 nal application for purposes of this paragraph.

21 “(D) Specific guidelines shall deal with the  
22 timing of submission of proposals under this  
23 subsection and timely consideration by the  
24 Board so that any approved proposal may be  
25 made available to all persons reinsured by the

1 Corporation in a manner permitting them to  
2 participate, if they so desire, in offering such a  
3 proposal in the first crop year in which it is ap-  
4 proved by the Board for reinsurance, premium  
5 subsidy, or other support offered by this title.

6 “(5) REQUIRED PUBLICATION.—Any policies,  
7 provisions of policies, and rates approved under this  
8 subsection shall be published as a notice in the Fed-  
9 eral Register and made available to all persons con-  
10 tracting with or reinsured by the Corporation under  
11 the same terms and conditions as between the Cor-  
12 poration and the person originally submitting the  
13 policy or other material.”.

14 (b) CLAIMS FOR LOSSES AND REINSURANCE.—Sec-  
15 tion 508 of the Federal Crop Insurance Act (7 U.S.C.  
16 1508) is further amended—

17 (1) by redesignating subsections (j) and (k) as  
18 subsections (l) and (m), respectively; and

19 (2) inserting after subsection (i), as redesign-  
20 nated by section 6(a)(2), the following new sub-  
21 sections:

22 “(j) CLAIMS FOR LOSSES.—

23 “(1) IN GENERAL.—Under rules prescribed by  
24 the Corporation, the Corporation may provide for  
25 adjustment and payment of claims for losses. The

1 rules prescribed by the Corporation shall establish  
2 standards to ensure that all claims for losses are ad-  
3 justed, to the extent practicable, in a uniform and  
4 timely manner.

5 “(2) DENIAL OF CLAIMS.—

6 “(A) IN GENERAL.—Subject to subpara-  
7 graph (B), if a claim for indemnity is denied by  
8 the Corporation, an action on the claim may be  
9 brought against the Corporation or Secretary  
10 only in the United States district court for the  
11 district in which the insured farm is located.

12 “(B) STATUTE OF LIMITATIONS.—A suit  
13 on the claim may be brought not later than 1  
14 year after the date on which written notice of  
15 denial of the claim is provided to the claimant.

16 “(3) INDEMNIFICATION.—The Corporation shall  
17 provide private insurance providers with indemnifica-  
18 tion, including costs and reasonable attorney fees in-  
19 curred by the private insurance provider, due to er-  
20 rors or omissions on the part of the Corporation.

21 “(k) REINSURANCE.—Notwithstanding any other  
22 provision of this title, the Corporation shall, to the maxi-  
23 mum extent practicable, provide reinsurance to insurers  
24 approved by the Corporation that insure producers of any  
25 agricultural commodity under a plan or plans acceptable

1 to the Corporation. Such reinsurance shall be provided  
2 upon such terms and conditions as the Board may deter-  
3 mine to be consistent with subsections (b) and (c) and  
4 sound reinsurance principles. The Corporation's reinsur-  
5 ance agreements with the reinsured companies shall re-  
6 quire the reinsured companies to bear a sufficient share  
7 of any potential loss under such agreement so as to ensure  
8 that the reinsured company will sell and service policies  
9 of insurance in a sound and prudent manner, taking into  
10 consideration the financial condition of the reinsured com-  
11 panies and the availability of private reinsurance.”.

12 (c) CROSS REFERENCES.—

13 (1) CLAIMS FOR LOSSES.—Section 506(d) of  
14 the Federal Crop Insurance Act (7 U.S.C. 1506(d))  
15 is amended in the first sentence by striking “section  
16 508(f)” and inserting “section 508(j)”.

17 (2) SUBMISSION OF MATERIALS TO BOARD.—  
18 Section 507(c) of such Act (7 U.S.C. 1507(c)) is  
19 amended in the last sentence by striking “section  
20 508(b)” and inserting “section 508(h)”.

21 (3) DEFINITION OF AGRICULTURAL COMMOD-  
22 ITY.—Section 518 of such Act (7 U.S.C. 1518) is  
23 amended by striking “or (k)” and inserting “or  
24 (m)”.

1 **SEC. 8. AUTHORIZATION OF APPROPRIATIONS AND CROP**  
2 **INSURANCE FUND.**

3 Section 516 of the Federal Crop Insurance Act (7  
4 U.S.C. 1516) is amended to read as follows:

5 **“SEC. 516. FUNDING.**

6 “(a) AUTHORIZATION OF APPROPRIATIONS FOR COR-  
7 PORATION SALARIES AND AGENT COMMISSIONS.—There  
8 are hereby authorized to be appropriated such sums as  
9 are necessary to cover the salaries and administrative ex-  
10 penses of the Corporation and the administrative and op-  
11 erating expenses of the Corporation for the sales commis-  
12 sions of agents.

13 “(b) CROP INSURANCE FUND.—

14 “(1) ESTABLISHMENT.—There is hereby estab-  
15 lished an insurance fund for deposit of premiums  
16 collected under section 508(d), income from reinsur-  
17 ance operations, and appropriations made available  
18 under paragraph (2).

19 “(2) AUTHORIZATION OF APPROPRIATIONS.—  
20 There are hereby authorized to be appropriated such  
21 sums as may be necessary to carry out the purposes  
22 of the insurance fund.

23 “(c) PURPOSES OF INSURANCE FUND.—In such ag-  
24 gregate amount as is provided in advance in appropria-  
25 tions Acts, the Corporation may use amounts in the insur-  
26 ance fund to pay the following:

1           “(1) Beginning with the 1998 crop year, the  
2           administrative and operating expenses of approved  
3           insurance providers, other than expenses for which  
4           funds are authorized to be appropriated under sub-  
5           section (a).

6           “(2) All other expenses of the Corporation  
7           (other than expenses for which funds are authorized  
8           to be appropriated under subsection (a)), including  
9           all premium subsidies and indemnities.

10           “(3) For the 1995, 1996, and 1997 crop years,  
11           all administrative and expense reimbursements due  
12           under a reinsurance agreement with an approved  
13           private insurance provider.

14           “(4) Expenses incurred by the Corporation to  
15           carry out research and development.

16           “(d) PURCHASE OF AMERICAN-MADE EQUIPMENT  
17           AND PRODUCTS.—

18           “(1) SENSE OF CONGRESS.—It is the sense of  
19           the Congress that, to the greatest extent practicable,  
20           all equipment and products purchased by the Cor-  
21           poration using funds made available to the Corpora-  
22           tion should be American-made.

23           “(2) NOTICE REQUIREMENT.—In providing fi-  
24           nancial assistance to, or entering into any contract  
25           with, any entity for the purchase of equipment and



1 products to carry out this title, the Corporation, to  
2 the greatest extent practicable, shall provide to such  
3 entity a notice describing the statement made in  
4 paragraph (1) by the Congress.”.

5 **SEC. 9. ADVISORY COMMITTEE.**

6 The Federal Crop Insurance Act is amended by in-  
7 serting after section 514 (7 U.S.C. 1514) the following  
8 new section:

9 **“SEC. 515. ADVISORY COMMITTEE FOR FEDERAL CROP IN-**  
10 **SURANCE.**

11 “(a) ESTABLISHMENT AND TERMINATION.—The  
12 Secretary may establish within the Department of Agri-  
13 culture an advisory committee to be known as the Advisory  
14 Committee for Federal Crop Insurance. If established, the  
15 Advisory Committee shall remain in existence until Sep-  
16 tember 30, 1998.

17 “(b) PRIMARY RESPONSIBILITY.—The primary re-  
18 sponsibility of the Advisory Committee shall be to advise  
19 the Secretary on the implementation of this title and on  
20 other issues related to crop insurance, as determined by  
21 the Manager.

22 “(c) MEMBERSHIP.—The Advisory Committee shall  
23 be composed of the Manager of the Corporation, the Sec-  
24 retary (or a designee of the Secretary), and not less than  
25 12 members representing organizations and agencies in-

1 volved in the provision of crop insurance under this title.  
2 Not less than 3 of the members of the Advisory Committee  
3 shall be representatives of the specialty crops industry.  
4 The organizations or agencies represented by members on  
5 the Advisory Committee may include insurance companies,  
6 insurance agents, farm producer organizations, experts on  
7 agronomic practices, and banking and lending institutions.

8 “(d) ADMINISTRATIVE PROVISIONS.—

9 “(1) TERMS.—Members of the Advisory Com-  
10 mittee shall be appointed by the Secretary for a  
11 term of up to 2 years from nominations made by the  
12 organizations and agencies specified in subsection  
13 (c). The terms of the members shall be staggered.

14 “(2) CHAIRPERSON.—The Advisory Committee  
15 shall be chaired by the Manager of the Corporation.

16 “(3) MEETINGS.—The Advisory Committee  
17 shall meet at least annually. The meetings of the  
18 Advisory Committee shall be publicly announced in  
19 advance and shall be open to the public. Appropriate  
20 records of the activities of the Advisory Committee  
21 shall be kept and made available to the public on re-  
22 quest.

23 “(e) REPORTS.—Not later than June 30 of each year,  
24 the Advisory Committee shall submit to the Secretary a

1 report specifying its conclusions and recommendations re-  
2 garding—

3 “(1) the progress toward implementation of the  
4 provisions of this title;

5 “(2) the actuarial soundness of the Federal  
6 crop insurance program;

7 “(3) the rate of producer participation in both  
8 catastrophic risk protection under section 508(b)  
9 and buy-up coverage under section 508(c); and

10 “(4) the progress toward improved crop insur-  
11 ance coverage for new and specialty crops.”.

12 **SEC. 10. NONINSURED CROP DISASTER ASSISTANCE.**

13 (a) IN GENERAL.—Section 519 of the Federal Crop  
14 Insurance Act (7 U.S.C. 1519) is amended to read as fol-  
15 lows:

16 **“SEC. 519. NONINSURED CROP DISASTER ASSISTANCE PRO-**  
17 **GRAM.**

18 “(a) ESTABLISHMENT OF PROGRAM.—

19 “(1) ESTABLISHMENT.—In the case of an eligi-  
20 ble crop described in paragraph (2), the Corporation  
21 shall establish a noninsured crop disaster assistance  
22 program to provide coverage equivalent to the cata-  
23 strophic risk protection otherwise available under  
24 section 508(b).

25 “(2) ELIGIBLE CROPS.—

1           “(A) IN GENERAL.—For purposes of this  
2 section, the term ‘eligible crop’ means each  
3 commercial crop or other agricultural commod-  
4 ity (except livestock)—

5                   “(i) for which catastrophic risk pro-  
6 tection under section 508(b) is not avail-  
7 able; and

8                   “(ii) which is produced for food or  
9 fiber.

10           “(B) CROPS SPECIFICALLY INCLUDED.—  
11 The term ‘eligible crop’ shall include floricult-  
12 tural, ornamental nursery, and Christmas tree  
13 crops and turfgrass sod.

14           “(3) CAUSE OF LOSS.—To qualify for assist-  
15 ance under this section, the losses of the noninsured  
16 commodity shall be due to drought, flood, or other  
17 natural disaster, as determined by the Secretary.

18           “(b) APPLICATION FOR NONINSURED CROP DISAS-  
19 TER ASSISTANCE.—

20                   “(1) TIMELY APPLICATION.—To be eligible for  
21 assistance under this section, producers shall submit  
22 an application for noninsured crop disaster assist-  
23 ance at a local office of the Department of Agri-  
24 culture. The application shall be in such form, con-

1       tain such information, and be submitted at such  
2       time as the Corporation may require.

3           “(2) RECORDS AND REPORTS.—To obtain  
4       noninsured crop disaster assistance, a producer  
5       shall—

6           “(A) provide records acceptable to the Cor-  
7       poration of historical acreage and production of  
8       the eligible crops for which assistance is sought  
9       or accept a yield determined by the Corpora-  
10      tion; and

11          “(B) report acreage planted and prevented  
12      from planting by the designated acreage report-  
13      ing date for that crop and location as estab-  
14      lished by the Corporation.

15          “(3) EXCLUSIONS.—Noninsured crop disaster  
16      assistance under this section shall not cover losses  
17      due to—

18          “(A) the neglect or malfeasance of the pro-  
19      ducer;

20          “(B) the failure of the producer to reseed  
21      to the same crop in those areas and under such  
22      circumstances where it is customary to reseed;  
23      or

1           “(C) the failure of the producer to follow  
2           good farming practices, as determined by the  
3           Corporation.

4           “(4) REVENUE LIMITATION.—A person who has  
5           qualifying gross revenues in excess of \$2,000,000  
6           annually, as determined by the Secretary, shall not  
7           be eligible to receive any noninsured crop disaster  
8           assistance payments. For purposes of this section,  
9           the term ‘qualifying gross revenues’ means—

10           “(A) if a majority of the person’s gross  
11           revenue is received from farming, ranching, and  
12           forestry operations, the gross revenue from the  
13           person’s farming, ranching, and forestry oper-  
14           ations; and

15           “(B) if less than a majority of the person’s  
16           gross revenue is received from farming, ranch-  
17           ing, and forestry operations, the person’s gross  
18           revenue from all sources.

19           “(c) LOSS REQUIREMENTS.—

20           “(1) REQUIRED AREA LOSS.—A producer of an  
21           eligible crop shall not receive noninsured crop disas-  
22           ter assistance unless the average yield for that crop,  
23           or an equivalent measure in the event yield data are  
24           not available, in an area falls below 65 percent of

1 the expected area yield, as established by the Cor-  
2 poration.

3 “(2) PREVENTED PLANTING.—Subject to para-  
4 graph (1), the Corporation shall make a prevented  
5 planting noninsured crop disaster assistance pay-  
6 ment if the producer is prevented from planting  
7 more than 35 percent of the acreage intended for  
8 the eligible crop because of drought, flood, or other  
9 natural disaster, as determined by the Secretary.

10 “(3) REDUCED YIELDS.—Subject to paragraph  
11 (1), the Corporation shall make a reduced yield  
12 noninsured crop disaster assistance payment if the  
13 total quantity of the eligible crop that a producer is  
14 able to harvest on any farm is, because of drought,  
15 flood, or other natural disaster as determined by the  
16 Secretary, less than 50 percent of the expected indi-  
17 vidual yield for the crop, as determined by the Cor-  
18 poration, factored for the producer’s interest for the  
19 crop.

20 “(d) PAYMENTS.—

21 “(1) REDUCED YIELDS.—If the producer is eli-  
22 gible for reduced yield noninsured crop disaster as-  
23 sistance, payments shall be made for farm losses in  
24 excess of 50 percent of the established farm yield for  
25 the eligible crop indemnified at 60 percent of the av-

1 erage market price for that crop, or a comparable  
2 coverage as determined by the Corporation. Any eli-  
3 gible crop that is produced with significant and vari-  
4 able, post-planting expenses, the payment shall be  
5 reduced to reflect reduced production costs and har-  
6 vesting costs if the crop is not harvested.

7 “(2) PREVENTED PLANTING.—If the producer  
8 is eligible for a prevented planting payment under  
9 this section, the amount paid to the producer on a  
10 claim under this section may reflect a reduction that  
11 is proportional to the out-of-pocket expenses that are  
12 not incurred by the producer as a result of not  
13 planting, growing, or harvesting the crop for which  
14 the claim is made, as determined by the Corpora-  
15 tion.

16 “(e) YIELD DETERMINATIONS.—

17 “(1) ESTABLISHMENT.—The Corporation shall  
18 establish farm yields for purposes of providing  
19 noninsured crop disaster assistance under this sec-  
20 tion.

21 “(2) ACTUAL PRODUCTION HISTORY.—The Cor-  
22 poration shall determine yield coverage using the  
23 producer’s actual production history over a period of  
24 not less than the 4 previous consecutive crop years  
25 and not more than 10 consecutive crop years. Sub-



1       ject to paragraph (3), the yield for the year in which  
2       noninsured crop disaster assistance is sought shall  
3       be equal to the average of the producer's actual pro-  
4       duction history during the period considered.

5           “(3) ASSIGNMENT OF YIELD.—If a producer  
6       does not submit adequate documentation of produc-  
7       tion history to determine a crop yield under para-  
8       graph (2), the Corporation shall assign to the pro-  
9       ducer a yield equal to not less than 65 percent of  
10      the transitional yield of the producer (adjusted to re-  
11      flect actual production reflected in the records ac-  
12      ceptable to the Corporation for continuous years), as  
13      specified in regulations issued by the Corporation  
14      based on production history requirements.

15          “(4) PROHIBITION ON ASSIGNED YIELDS IN  
16      CERTAIN COUNTIES.—If the acreage of a crop in a  
17      county has increased by more than 100 percent  
18      since the 1987 crop year, a producer who produces  
19      that crop on a farm located in that county may not  
20      obtain an assigned yield under paragraph (3). In-  
21      stead, the producer must provide detailed docu-  
22      mentation of production costs, acres planted, and  
23      yield (as required by the Corporation) to become eli-  
24      gible for a noninsured assistance payment.

1           “(5) LIMITATION ON RECEIPT OF SUBSEQUENT  
2           ASSIGNED YIELD.—A producer who receives an as-  
3           signed yield for the current year of a natural disas-  
4           ter because required production records were not  
5           submitted to the local office of the Department shall  
6           not be eligible for an assigned yield for the year of  
7           the next natural disaster unless the required produc-  
8           tion records of the previous 1 or more years (as ap-  
9           plicable) are provided to the local office.

10           “(6) YIELD VARIATIONS DUE TO DIFFERENT  
11           FARMING PRACTICES.—The Corporation shall ensure  
12           that noninsured crop disaster assistance accurately  
13           reflects significant yield variations due to different  
14           farming practices, such as between irrigated and  
15           nonirrigated acreage.

16           “(f) PAYMENT OF LOSSES.—Payments for  
17           noninsured crop disaster assistance losses under this sec-  
18           tion shall be made from the insurance fund established  
19           under section 516. Such losses shall not be included in  
20           calculating the premiums charged to producers for insur-  
21           ance under section 508.

22           “(g) PAYMENT LIMITATIONS.—The total amount of  
23           payments that a person shall be entitled to receive annu-  
24           ally under this section may not exceed \$100,000. For pur-  
25           poses of applying this limitation, the Secretary shall issue

1 regulations defining the term ‘person’ that shall conform,  
2 to the extent practicable, to the regulations defining ‘per-  
3 son’ issued under section 1001 of the Food Security Act  
4 of 1985 (7 U.S.C. 1308).’.

5 (b) CONFORMING AMENDMENTS.—

6 (1) EXISTING EMERGENCY CROP LOSS ASSIST-  
7 ANCE PROGRAM.—Effective July 1, 1995, chapter 3  
8 of subtitle B of title XXII of the Food, Agriculture,  
9 Conservation, and Trade Act of 1990 (7 U.S.C.  
10 1421 note) is amended by striking subchapter A.

11 (2) EMERGENCY APPROPRIATIONS.—Effective  
12 July 1, 1995, the Balanced Budget and Emergency  
13 Deficit Control Act of 1985 is amended—

14 (A) in section 251(b)(2)(D)(i) (2 U.S.C.  
15 901(b)(2)(D)(i)), by adding at the end the fol-  
16 lowing new sentence: “The preceding sentence  
17 shall not apply to appropriations to cover agri-  
18 cultural crop disaster assistance.”; and

19 (B) in section 252(e) (2 U.S.C. 902(e)), by  
20 adding at the end the following new sentence:  
21 “The preceding sentence shall not apply to di-  
22 rect spending provisions to cover agricultural  
23 crop disaster assistance.”.

1 **SEC. 11. CROP INSURANCE REQUIREMENTS UNDER PRICE**  
2 **SUPPORT PROGRAMS.**

3 (a) RICE.—Section 101B(c) of the Agricultural Act  
4 of 1949 (7 U.S.C. 1441–2(c)) is amended—

5 (1) by striking paragraph (1)(F); and

6 (2) by striking paragraph (2) and inserting in  
7 lieu thereof the following:

8 “(2) CROP INSURANCE REQUIREMENT.—As a  
9 condition of receiving any benefit (including pay-  
10 ments) under this section, a producer must obtain at  
11 least catastrophic risk protection insurance coverage  
12 under section 508(b) of the Federal Crop Insurance  
13 Act for the crop and crop year in which the benefit  
14 is sought, if such coverage is offered by the Federal  
15 Crop Insurance Corporation.”.

16 (b) EXTRA LONG STAPLE COTTON.—Section 103(h)  
17 of the Agricultural Act of 1949 (7 U.S.C. 1444(h)) is  
18 amended—

19 (1) by redesignating paragraph (16) as para-  
20 graph (17) and moving the margin 2 ems to the left;  
21 and

22 (2) by inserting after paragraph (15) the fol-  
23 lowing new paragraph:

24 “(16) CROP INSURANCE REQUIREMENT.—As a con-  
25 dition of receiving any benefit (including payments) under  
26 this section, a producer must obtain at least catastrophic

1 risk protection insurance coverage under section 508(b)  
2 of the Federal Crop Insurance Act for the crop and crop  
3 year in which the benefit is sought, if such coverage is  
4 offered by the Federal Crop Insurance Corporation.”.

5 (c) UPLAND COTTON.—Section 103B(c) of the Agri-  
6 cultural Act of 1949 (7 U.S.C. 1444–2(c)) is amended—

7 (1) by striking paragraph (1)(F); and

8 (2) by striking paragraph (2) and inserting in  
9 lieu thereof the following:

10 “(2) CROP INSURANCE REQUIREMENT.—As a  
11 condition of receiving any benefit (including pay-  
12 ments) under this section, a producer must obtain at  
13 least catastrophic risk protection insurance coverage  
14 under section 508(b) of the Federal Crop Insurance  
15 Act for the crop and crop year in which the benefit  
16 is sought, if such coverage is offered by the Federal  
17 Crop Insurance Corporation.”.

18 (d) FEED GRAINS.—Section 105B(c) of the Agricul-  
19 tural Act of 1949 (7 U.S.C. 1444f(c)) is amended—

20 (1) by striking paragraph (1)(G); and

21 (2) by striking paragraph (2) and inserting in  
22 lieu thereof the following:

23 “(2) CROP INSURANCE REQUIREMENT.—As a  
24 condition of receiving any benefit (including pay-  
25 ments) under this section, a producer must obtain at

1 least catastrophic risk protection insurance coverage  
2 under section 508(b) of the Federal Crop Insurance  
3 Act for the crop and crop year in which the benefit  
4 is sought, if such coverage is offered by the Federal  
5 Crop Insurance Corporation.”.

6 (e) TOBACCO.—Section 106 of the Agricultural Act  
7 of 1949 (7 U.S.C. 1445) is amended by striking sub-  
8 section (e) and inserting in lieu thereof the following:

9 “(e) CROP INSURANCE REQUIREMENT.—As a condi-  
10 tion of receiving any benefit (including payments) under  
11 this section, a producer must obtain at least catastrophic  
12 risk protection insurance coverage under section 508(b)  
13 of the Federal Crop Insurance Act for the crop and crop  
14 year in which the benefit is sought, if such coverage is  
15 offered by the Federal Crop Insurance Corporation.”.

16 (f) WHEAT.—Section 107B(c) of the Agricultural Act  
17 of 1949 (7 U.S.C. 1444b–3a(c)) is amended—

18 (1) by striking paragraph (1)(G); and

19 (2) by striking paragraph (2) and inserting in  
20 lieu thereof the following:

21 “(2) CROP INSURANCE REQUIREMENT.—As a  
22 condition of receiving any benefit (including pay-  
23 ments) under this section, a producer must obtain at  
24 least catastrophic risk protection insurance coverage  
25 under section 508(b) of the Federal Crop Insurance

1 Act for the crop and crop year in which the benefit  
2 is sought, if such coverage is offered by the Federal  
3 Crop Insurance Corporation.”.

4 (g) PEANUTS.—Section 108B of the Agricultural Act  
5 of 1949 (7 U.S.C. 1445c–3) is amended—

6 (1) by redesignating subsection (h) as sub-  
7 section (i); and

8 (2) by inserting after subsection (g) the follow-  
9 ing new subsection:

10 “(h) CROP INSURANCE REQUIREMENT.—As a condi-  
11 tion of receiving any benefit (including payments) under  
12 this section, a producer must obtain at least catastrophic  
13 risk protection insurance coverage under section 508(b)  
14 of the Federal Crop Insurance Act for the crop and crop  
15 year in which the benefit is sought, if such coverage is  
16 offered by the Federal Crop Insurance Corporation.”.

17 (h) OILSEEDS.—Section 205 of the Agricultural Act  
18 of 1949 (7 U.S.C. 1446f) is amended—

19 (1) by redesignating subsection (n) as sub-  
20 section (o); and

21 (2) by inserting after subsection (m) the follow-  
22 ing new subsection:

23 “(n) CROP INSURANCE REQUIREMENT.—As a condi-  
24 tion of receiving any benefit (including payments) under  
25 this section, a producer must obtain at least catastrophic

1 risk protection insurance coverage under section 508(b)  
2 of the Federal Crop Insurance Act for the crop and crop  
3 year in which the benefit is sought, if such coverage is  
4 offered by the Federal Crop Insurance Corporation.”.

5 (i) SUGAR.—Section 206 of the Agricultural Act of  
6 1949 (7 U.S.C. 1446g) is amended—

7 (1) by redesignating subsection (j) as sub-  
8 section (k); and

9 (2) by inserting after subsection (i) the follow-  
10 ing new subsection:

11 “(j) CROP INSURANCE REQUIREMENT.—As a condi-  
12 tion of receiving any benefit (including payments) under  
13 this section, a producer must obtain at least catastrophic  
14 risk protection insurance coverage under section 508(b)  
15 of the Federal Crop Insurance Act for the crop and crop  
16 year in which the benefit is sought, if such coverage is  
17 offered by the Federal Crop Insurance Corporation.”.

18 (j) HONEY.—Section 207 of the Agricultural Act of  
19 1949 (7 U.S.C. 1446h) is amended—

20 (1) by redesignating subsection (j) as sub-  
21 section (k); and

22 (2) by inserting after subsection (i) the follow-  
23 ing new subsection:

24 “(j) CROP INSURANCE REQUIREMENT.—As a condi-  
25 tion of receiving any benefit (including payments) under



1 this section, a producer must obtain at least catastrophic  
2 risk protection insurance coverage under section 508(b)  
3 of the Federal Crop Insurance Act for the crop and crop  
4 year in which the benefit is sought, if such coverage is  
5 offered by the Federal Crop Insurance Corporation.”.

6 (k) DISASTER PAYMENTS.—Section 208 of the Agri-  
7 cultural Act of 1949 (7 U.S.C. 1446i) is repealed.

8 **SEC. 12. ELIMINATION OF GENDER REFERENCES.**

9 (a) MANAGEMENT OF CORPORATION.—Section 505  
10 of the Federal Crop Insurance Act (7 U.S.C. 1505) is  
11 amended—

12 (1) in subsection (a), by striking the third sen-  
13 tence and inserting “The Board shall be appointed  
14 by, and hold office at the pleasure of, the Secretary.  
15 The Secretary shall not be a member of the Board.”;  
16 and

17 (2) in subsection (d)—

18 (A) by striking “upon him”; and

19 (B) by striking “He shall be appointed  
20 by,” and inserting “The manager shall be ap-  
21 pointed by,”.

22 (b) PERSONNEL.—Section 507 of such Act (7 U.S.C.  
23 1507) is amended—

24 (1) in subsection (a), by striking “as he may  
25 determine: *Provided*, That” and inserting “as the

1 Secretary may determine appropriate. However,”;  
2 and

3 (2) in subsection (d), by striking “as he may re-  
4 quest” and inserting “that the Secretary requests”.

5 (c) INDEMNITIES EXEMPT FROM LEVY.—Section  
6 509 of such Act (7 U.S.C. 1509) is amended by striking  
7 “or his estate” and inserting “or the estate of the in-  
8 sured”.

9 **SEC. 13. GAO CROP INSURANCE PROVIDER STUDY.**

10 (a) The General Accounting Office shall, within 2  
11 years of enactment, investigate the contractual relation-  
12 ships between the Federal Crop Insurance Corporation  
13 and approved insurance providers to determine the qual-  
14 ity, costs and efficiency of the provision of multiperil crop  
15 insurance to producers of agricultural commodities cov-  
16 ered under the Federal Crop Insurance Act. The study  
17 shall be completed in two parts. The first, to be completed  
18 within one year of enactment, shall examine the currently  
19 available data to make the determinations required by this  
20 section. The second part shall examine the changes that  
21 occur because of the expansion of the program as partici-  
22 pation increases.

23 (b) This study shall include, but not be limited to,  
24 an investigation of providers’ actual cost of delivery of  
25 multiperil crop insurance for which providers receive reim-

1 bursement from the Corporation, cost differences for dif-  
2 ferent provider firm sizes, and changes in cost resulting  
3 from the expansion of the program. The study shall also  
4 compare delivery costs of multiperil crop insurance to  
5 other insurance coverage that the provider may sell and  
6 identify any cross-subsidization from federally reimbursed  
7 delivery to delivery costs of other insurance coverage.

8 (c) The study shall assess, to the extent practicable,  
9 alternative methods of reimbursing delivery costs to pro-  
10 viders. In addition, the study shall identify unnecessary  
11 expenditures, if any, required by the Corporation for com-  
12 pliance and program integrity.

13 (d) In addition, the study shall include, but not be  
14 limited to, the provisions of the standard reinsurance  
15 agreement between the Corporation and approved provid-  
16 ers, including the risk transferred to the Corporation  
17 under the terms of the agreement, the return on providers'  
18 capital, a determination of the return on capital relative  
19 to differences in provider firm size, and a determination  
20 of the return on providers' capital in multiperil crop insur-  
21 ance relative to other insurance coverage.

22 (e) The study shall assess, to the extent practicable,  
23 the potential for provider firm concentration in the  
24 multiperil crop insurance industry and any economic dis-  
25 tortions that might occur from such concentration.

1 (f) In conducting this study, the General Accounting  
 2 Office shall maintain the privacy of provider proprietary  
 3 information. The General Accounting Office shall have full  
 4 powers to subpoena any required information from any  
 5 provider firm.

6 **SEC. 14. EFFECTIVE DATE.**

7 Except as provided in section 10(b) and section 13,  
 8 this Act and the amendments made by this Act shall take  
 9 effect on the date of the enactment of this Act and shall  
 10 apply to the provision of crop insurance under the Federal  
 11 Crop Insurance Act (7 U.S.C. 1501 et seq.) beginning  
 12 with the 1995 crop year. With respect to the 1994 crop  
 13 year, the Federal Crop Insurance Act (as in effect on the  
 14 day before the date of the enactment of this Act) shall  
 15 continue to apply.

Passed the House of Representatives August 5,  
 1994.

Attest: DONNALD K. ANDERSON,  
*Clerk.*

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