

106TH CONGRESS
1ST SESSION

H. R. 1536

To amend the Federal Crop Insurance Act to encourage the broadest possible participation of producers in the Federal crop insurance program and to ensure the continued availability of affordable crop insurance for producers.

IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 1999

Mr. POMEROY (for himself, Mr. THUNE, Mr. MINGE, and Mr. BOSWELL) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Crop Insurance Act to encourage the broadest possible participation of producers in the Federal crop insurance program and to ensure the continued availability of affordable crop insurance for producers.

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 Improvement Act of 1999”.

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

- Sec. 1. Short title; table of contents.
 Sec. 2. Establishment or approval of expected market price for each agricultural commodity for which insurance is offered.
 Sec. 3. Fixing adequate premium amounts for additional coverage.
 Sec. 4. Payment of portion of crop insurance premium by Corporation.
 Sec. 5. Effect of disaster declaration on determination of producer's actual production history.
 Sec. 6. Assigned yields for newly acquired lands and new crops.
 Sec. 7. Cost of production risk protection pilot project.
 Sec. 8. Rating methodologies pilot project.
 Sec. 9. Livestock coverage pilot project.
 Sec. 10. Board of directors of Corporation.

1 **SEC. 2. ESTABLISHMENT OR APPROVAL OF EXPECTED**
 2 **MARKET PRICE FOR EACH AGRICULTURAL**
 3 **COMMODITY FOR WHICH INSURANCE IS OF-**
 4 **FERED.**

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

8 “(5) EXPECTED MARKET PRICE.—

9 “(A) ESTABLISHMENT OR APPROVAL.—

10 For the purposes of this title, the Corporation
 11 shall establish or approve the price level (re-
 12 ferred to in this title as the ‘expected market
 13 price’) of each agricultural commodity for which
 14 insurance is offered.

15 “(B) AMOUNT GENERALLY.—Except as
 16 provided in subparagraphs (C) and (D), the ex-
 17 pected market price of an agricultural com-
 18 modity shall be not less than the projected mar-
 19 ket price of the agricultural commodity, as de-
 20 termined by the Corporation, but the expected

1 market price may be based on the actual mar-
2 ket price of the agricultural commodity at the
3 time of harvest, as determined by the Corpora-
4 tion.

5 “(C) REVENUE AND SIMILAR PLANS.—In
6 the case of revenue and other similar plans of
7 insurance, the expected market price of an agri-
8 cultural commodity shall be the actual market
9 price of the agricultural commodity, as deter-
10 mined by the Corporation.

11 “(D) COST OF PRODUCTION AND SIMILAR
12 PLANS.—In the case of cost of production or
13 similar plans of insurance, the expected market
14 price of an agricultural commodity shall be the
15 projected cost of producing the agricultural
16 commodity, as determined by the Corporation.”.

17 **SEC. 3. FIXING ADEQUATE PREMIUM AMOUNTS FOR ADDI-**
18 **TIONAL COVERAGE.**

19 Section 508(d)(2) of the Federal Crop Insurance Act
20 (7 U.S.C. 1508(d)(2)) is amended—

21 (1) in subparagraph (B), by striking “under all
22 policies with that level of coverage” after “antici-
23 pated losses”; and

24 (2) by striking subparagraph (C) and inserting
25 the following new subparagraphs:

1 “(C) In the case of additional coverage at
2 greater than or equal to 65 percent of the re-
3 corded or appraised average yield indemnified
4 at 100 percent of the expected market price, or
5 an equivalent coverage, but less than 75 percent
6 of the recorded or appraised average yield in-
7 demnified at 100 percent of the expected mar-
8 ket price, or an equivalent coverage, the amount
9 of the premium shall—

10 “(i) be sufficient to cover anticipated
11 losses under all policies with that level of
12 coverage and a reasonable reserve; and

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

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

1 “(i) be sufficient to cover anticipated
2 losses under all policies with that level of
3 coverage and a reasonable reserve; and

4 “(ii) include an amount for operating
5 and administrative expenses, as determined
6 by the Corporation, on an industry-wide
7 basis as a percentage of the amount of the
8 premium used to define loss ratio.”.

9 **SEC. 4. PAYMENT OF PORTION OF CROP INSURANCE PRE-**
10 **MIUM BY CORPORATION.**

11 (a) PAYMENT REQUIRED.—Section 508(e) of the
12 Federal Crop Insurance Act (7 U.S.C. 1508(e)) is
13 amended—

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

16 “(1) IN GENERAL.—

17 “(A) MANDATORY PAYMENTS.—For the
18 purpose of encouraging the broadest possible
19 participation of producers in the crop insurance
20 plans of insurance authorized to be insured or
21 reinsured under subsections (b) and (c), the
22 Corporation shall pay a part of the premium in
23 the amounts determined under this subsection.

24 “(B) DISCRETIONARY PAYMENTS.—In the
25 case of a plan of insurance approved by the

1 Corporation under subsection (h), the Corpora-
2 tion may pay a part of the premium in the
3 amounts not to exceed the amounts determined
4 under this subsection.”; and

5 (2) in paragraph (2), by striking subparagraphs
6 (B) and (C) and inserting the following new sub-
7 paragraphs:

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

14 “(i) 45 percent of the amount of the
15 premium established under subsection
16 (d)(2)(B) to satisfy the requirements of
17 clause (i) of such subsection; and

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

21 “(C) In the case of coverage at greater
22 than or equal to 65 percent of the recorded or
23 appraised average yield indemnified at 100 per-
24 cent of the expected market price, or an equiva-
25 lent coverage, but less than 75 percent of the

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

5 “(i) 50 percent of the amount of the
6 premium established under subsection
7 (d)(2)(C) to satisfy the requirements of
8 clause (i) of such subsection; and

9 “(ii) the amount of operating and ad-
10 ministrative expenses included under sub-
11 section (d)(2)(C)(ii).

12 “(D) In the case of coverage equal to or
13 greater than 75 percent of the recorded or ap-
14 praised average yield indemnified at 100 per-
15 cent of the expected market price, or an equiva-
16 lent coverage, the amount shall be equal to the
17 sum of—

18 “(i) 55 percent of the amount of the
19 premium established under subsection
20 (d)(2)(D) to satisfy the requirements of
21 clause (i) of such subsection for coverage
22 at 75 percent of the recorded or appraised
23 average yield indemnified at 100 percent of
24 the expected market price; and

1 “(ii) the amount of operating and ad-
2 ministrative expenses included under sub-
3 section (d)(2)(D)(ii).”.

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

7 **SEC. 5. EFFECT OF DISASTER DECLARATION ON DETER-**
8 **MINATION OF PRODUCER’S ACTUAL PRODUC-**
9 **TION HISTORY.**

10 (a) DEFINITION OF DESIGNATED DISASTER AREA.—
11 Section 502(b) of the Federal Crop Insurance Act (7
12 U.S.C. 1502(b)) is amended—

13 (1) by redesignating paragraphs (6), (7), and
14 (8) as paragraphs (7), (8), and (9), respectively; and

15 (2) by inserting after paragraph (5) the fol-
16 lowing new paragraph:

17 “(6) DESIGNATED DISASTER AREA.—The term
18 ‘designated disaster area’ means an area—

19 “(A) covered by a Presidential declaration
20 of major disaster issued under section 401 of
21 the Robert T. Stafford Disaster Relief and
22 Emergency Assistance Act (42 U.S.C. 5170); or

23 “(B) determined to be a disaster area by
24 the Secretary under subpart A of part 1945 of
25 title 7, Code of Federal Regulations.”.

1 (b) YIELD DETERMINATIONS.—Section 508(g) of
2 such Act (7 U.S.C. 1508(g)) is amended by striking para-
3 graph (3) and inserting the following new paragraph (3):

4 “(3) EXCLUSION OF ONE OR MORE CROP
5 YEARS.—In establishing the actual production his-
6 tory of a producer for a crop under paragraph
7 (2)(A) or using the producer’s actual production
8 records for any other purpose under this subsection,
9 the Corporation shall exclude any crop year of the
10 crop at the producer’s election if, at any time during
11 the crop year, the county in which the crop was
12 grown (or an adjacent county) was included in a
13 designated disaster area declared as a result of dam-
14 aging weather.”.

15 **SEC. 6. ASSIGNED YIELDS FOR NEWLY ACQUIRED LANDS**
16 **AND NEW CROPS.**

17 Section 508(g)(2)(B) of the Federal Crop Insurance
18 Act (7 U.S.C. 1508(g)(2)(B)) is amended by adding at
19 the end the following new sentence: “However, if the lack
20 of satisfactory yield evidence is the result of the recent
21 acquisition of land by the producer, the conversion of
22 noncrop land to production, or the conversion of cropland
23 to a different crop, as determined by the Corporation, then
24 at the election of the producer, the Corporation shall as-
25 sign the producer a yield for that land that is equal to

1 100 percent of the average transitional yield for the com-
2 modity involved in the county in which the land is lo-
3 cated.”.

4 **SEC. 7. COST OF PRODUCTION RISK PROTECTION PILOT**
5 **PROJECT.**

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

8 (1) in subparagraph (A), by striking “, to the
9 extent practicable,”;

10 (2) in subparagraph (B)(i), by striking “1996
11 and 1997 crop years” and inserting “2000 through
12 2004 crop years”; and

13 (3) by striking subparagraph (C) and inserting
14 the following new subparagraph:

15 “(C) **COVERAGE LEVEL; DETERMINATION**
16 **OF COST OF PRODUCTION.**—A producer electing
17 to participate in the pilot project may select a
18 coverage level not to exceed 90 percent of the
19 applicable cost of production determined by the
20 Office of Risk Management for the county or
21 an area of the county in which the producer’s
22 farm is located. The cost of production coverage
23 determined by the Office shall be based on cost
24 of production data prepared and published by

1 the land-grant college or university for the
2 State in which the producer’s farm is located.”.

3 **SEC. 8. RATING METHODOLOGIES PILOT PROJECT.**

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

8 “(8) RATING METHODOLOGIES PILOT
9 PROJECT.—Not later than September 30, 2000, the
10 Office of Risk Management shall—

11 “(A) review the methodologies that are
12 used to rate plans of insurance under this title;
13 and

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

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

21 “(ii) producers that elect only to ob-
22 tain catastrophic risk protection under
23 subsection (b).”.

24 (b) CONFORMING AMENDMENT.—Section 507(c) of
25 the Federal Crop Insurance Act (7 U.S.C. 1507(c)) is

1 amended in the last sentence by striking “Nothing” and
2 inserting “Except as provided in section 508(h)(8), noth-
3 ing”.

4 **SEC. 9. LIVESTOCK COVERAGE PILOT PROJECT.**

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

8 “(11) LIVESTOCK COVERAGE PILOT PROJECT.—
9 Notwithstanding section 518, the Corporation shall
10 carry out a pilot project in a limited number of
11 counties, to be selected by the Corporation, under
12 which a producer of livestock may elect to receive
13 federally reinsured coverage under this title.”.

14 **SEC. 10. BOARD OF DIRECTORS OF CORPORATION.**

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

18 “(a) BOARD OF DIRECTORS.—

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

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

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

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

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

5 “(D) the Under Secretary for Farm and
6 Foreign Agricultural Services;

7 “(E) the Under Secretary for Rural Devel-
8 opment; and

9 “(F) the Chief Economist of the Depart-
10 ment of Agriculture.

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

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

17 “(B) shall not be otherwise employed by
18 the Federal Government;

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

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

23 “(4) CHAIRPERSON.—The Board shall select a
24 member of the Board described in subparagraph

1 (A), (B), or (C) of paragraph (2) to serve as Chair-
2 person of the Board.”.

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