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1ST SESSION

H. R. 2559

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 30, 1999

Received; read twice and referred to the Committee on Agriculture, Nutrition,
and Forestry

AN ACT

To amend the Federal Crop Insurance Act to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income loss, to improve the efficiency and integrity of 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.**

4 (a) SHORT TITLE.—This Act may be cited as the
 5 “Agricultural Risk Protection Act of 1999”.

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

Sec. 1. Short title; table of contents.

TITLE I—STRENGTHENING THE FARM SAFETY NET

- Sec. 101. Premium schedule for additional coverage.
- Sec. 102. Premium schedule for other plans of insurance.
- Sec. 103. Adjustment in actual production history to establish insurable yields.
- Sec. 104. Review and adjustment in rating methodologies.
- Sec. 105. Conduct of pilot programs, including livestock.
- Sec. 106. Cost of production as a price election.
- Sec. 107. Premium discounts for good performance.
- Sec. 108. Options for catastrophic risk protection.
- Sec. 109. Authority for nonprofit associations to pay fees on behalf of producers.
- Sec. 110. Elections regarding prevented planting coverage.
- Sec. 111. Limitations under noninsured crop disaster assistance program.
- Sec. 112. Quality grade loss adjustment.

TITLE II—IMPROVING PROGRAM INTEGRITY

- Sec. 201. Limitation on double insurance.
- Sec. 202. Improving program compliance and integrity.
- Sec. 203. Sanctions for false information.
- Sec. 204. Protection of confidential information.
- Sec. 205. Records and reporting.
- Sec. 206. Compliance with State licensing requirements.

TITLE III—ADMINISTRATION

- Sec. 301. Board of Directors of Corporation.
- Sec. 302. Promotion of submission of policies and related materials.
- Sec. 303. Research and development, including contracts regarding underserved commodities.
- Sec. 304. Funding for reimbursement and research and development.
- Sec. 305. Board consideration of submitted policies and materials.
- Sec. 306. Contracting for rating of plans of insurance.
- Sec. 307. Electronic availability of crop insurance information.
- Sec. 308. Fees for use of new policies and plans of insurance.
- Sec. 309. Clarification of producer requirement to follow good farming practices.
- Sec. 310. Reimbursements and negotiation of standard reinsurance agreement.

TITLE IV—EFFECTIVE DATE AND IMPLEMENTATION

Sec. 401. Effective date.

Sec. 402. Special rules regarding implementation of certain amendments.

Sec. 403. Savings clause.

Sec. 404. Sense of the Congress.

1 **TITLE I—STRENGTHENING THE**
2 **FARM SAFETY NET**

3 **SEC. 101. PREMIUM SCHEDULE FOR ADDITIONAL COV-**
4 **ERAGE.**

5 (a) PREMIUM AMOUNTS.—Section 508(d)(2) of the
6 Federal Crop Insurance Act (7 U.S.C. 1508(d)(2)) is
7 amended by striking subparagraphs (B) and (C) and in-
8 serting the following new subparagraph:

9 “(B) In the case of additional coverage
10 equal to or greater than 50 percent of the re-
11 corded or appraised average yield indemnified
12 at not greater than 100 percent of the expected
13 market price, or an equivalent coverage, the
14 amount of the premium shall—

15 “(i) be sufficient to cover anticipated
16 losses and a reasonable reserve; and

17 “(ii) include an amount for operating
18 and administrative expenses, as determined
19 by the Corporation, on an industry-wide
20 basis as a percentage of the amount of the
21 premium used to define loss ratio.”.

1 (b) PAYMENT SCHEDULE.—Section 508(e)(2) of the
2 Federal Crop Insurance Act (7 U.S.C. 1508(e)(2)) is
3 amended by striking subparagraphs (B) and (C) and in-
4 serting the following new subparagraphs:

5 “(B) In the case of additional coverage
6 equal to or greater than 50 percent, but less
7 than 55 percent, of the recorded or appraised
8 average yield indemnified at not greater than
9 100 percent of the expected market price, or an
10 equivalent coverage, the amount shall be equal
11 to the sum of—

12 “(i) 67 percent of the amount of the
13 premium established under subsection
14 (d)(2)(B)(i) for the coverage level selected;
15 and

16 “(ii) the amount determined under
17 subsection (d)(2)(B)(ii) for the coverage
18 level selected to cover operating and ad-
19 ministrative expenses.

20 “(C) In the case of additional coverage
21 equal to or greater than 55 percent, but less
22 than 65 percent, of the recorded or appraised
23 average yield indemnified at not greater than
24 100 percent of the expected market price, or an

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

3 “(i) 64 percent of the amount of the
4 premium established under subsection
5 (d)(2)(B)(i) for the coverage level selected;
6 and

7 “(ii) the amount determined under
8 subsection (d)(2)(B)(ii) for the coverage
9 level selected to cover operating and ad-
10 ministrative expenses.

11 “(D) In the case of additional coverage
12 equal to or greater than 65 percent, but less
13 than 75 percent, of the recorded or appraised
14 average yield indemnified at not greater than
15 100 percent of the expected market price, or an
16 equivalent coverage, the amount shall be equal
17 to the sum of—

18 “(i) 59 percent of the amount of the
19 premium established under subsection
20 (d)(2)(B)(i) for the coverage level selected;
21 and

22 “(ii) the amount determined under
23 subsection (d)(2)(B)(ii) for the coverage
24 level selected to cover operating and ad-
25 ministrative expenses.

1 “(E) In the case of additional coverage
2 equal to or greater than 75 percent, but less
3 than 80 percent, of the recorded or appraised
4 average yield indemnified at not greater than
5 100 percent of the expected market price, or an
6 equivalent coverage, the amount shall be equal
7 to the sum of—

8 “(i) 54 percent of the amount of the
9 premium established under subsection
10 (d)(2)(B)(i) for the coverage level selected;
11 and

12 “(ii) the amount determined under
13 subsection (d)(2)(B)(ii) for the coverage
14 level selected to cover operating and ad-
15 ministrative expenses.

16 “(F) In the case of additional coverage
17 equal to or greater than 80 percent, but less
18 than 85 percent, of the recorded or appraised
19 average yield indemnified at not greater than
20 100 percent of the expected market price, or an
21 equivalent coverage, the amount shall be equal
22 to the sum of—

23 “(i) 40.6 percent of the amount of the
24 premium established under subsection

1 (d)(2)(B)(i) for the coverage level selected;
2 and

3 “(ii) the amount determined under
4 subsection (d)(2)(B)(ii) for the coverage
5 level selected to cover operating and ad-
6 ministrative expenses.

7 “(G) Subject to subsection (e)(4), in the
8 case of additional coverage equal to or greater
9 than 85 percent of the recorded or appraised
10 average yield indemnified at not greater than
11 100 percent of the expected market price, or an
12 equivalent coverage, the amount shall be equal
13 to the sum of—

14 “(i) 30.6 percent of the amount of the
15 premium established under subsection
16 (d)(2)(B)(i) for the coverage level selected;
17 and

18 “(ii) the amount determined under
19 subsection (d)(2)(B)(ii) for the coverage
20 level selected to cover operating and ad-
21 ministrative expenses.”.

22 (c) PREMIUM PAYMENT DISCLOSURE.—Section
23 508(e) of the Federal Crop Insurance Act (7 U.S.C.
24 1508(e)) is amended by adding at the end the following
25 new paragraph:

1 “(ii) the dollar amount of the admin-
2 istrative and operating expenses that would
3 be paid by the Corporation under sub-
4 section (e) for a similar level of coverage.”.

5 **SEC. 103. ADJUSTMENT IN ACTUAL PRODUCTION HISTORY**
6 **TO ESTABLISH INSURABLE YIELDS.**

7 (a) USE OF PERCENTAGE OF TRANSITIONAL
8 YIELD.—Section 508(g) of the Federal Crop Insurance
9 Act (7 U.S.C. 1508(g)) is amended by adding at the end
10 the following new paragraph:

11 “(4) ADJUSTMENT IN ACTUAL PRODUCTION
12 HISTORY TO ESTABLISH INSURABLE YIELDS.—

13 “(A) APPLICATION.—This paragraph shall
14 apply whenever the Corporation uses the actual
15 production history of the producer to establish
16 insurable yields for an agricultural commodity
17 for the 2001 and subsequent crop years.

18 “(B) ELECTION TO USE PERCENTAGE OF
19 TRANSITIONAL YIELD.—If, for one or more of
20 the crop years used to establish the producer’s
21 actual production history of an agricultural
22 commodity, the producer’s recorded or ap-
23 praised yield of the commodity was less than 60
24 percent of the applicable transitional yield, as

1 determined by the Corporation, the Corporation
2 shall, at the election of the producer—

3 “(i) exclude any of such recorded or
4 appraised yield; and

5 “(ii) replace each excluded yield with
6 a yield equal to 60 percent of the applica-
7 ble transitional yield.”.

8 (b) APH ADJUSTMENT TO REFLECT PARTICIPATION
9 IN MAJOR PEST CONTROL EFFORTS.—Section 508(g) of
10 the Federal Crop Insurance Act (7 U.S.C. 1508(g)) is
11 amended by inserting after paragraph (4), as added by
12 subsection (a), the following new paragraph:

13 “(5) ADJUSTMENT TO REFLECT INCREASED
14 YIELDS FROM SUCCESSFUL PEST CONTROL EF-
15 FORTS.—

16 “(A) SITUATIONS JUSTIFYING ADJUST-
17 MENT.—The Corporation shall develop a meth-
18 odology for adjusting the actual production his-
19 tory of a producer when each of the following
20 apply:

21 “(i) The producer’s farm is located in
22 an area where systematic, area-wide efforts
23 have been undertaken using certain oper-
24 ations or measures, or the producer’s farm
25 is a location at which certain operations or

1 measures have been undertaken, to detect,
2 eradicate, suppress, or control, or at least
3 to prevent or retard the spread of, a plant
4 disease or plant pest, including a plant
5 pest covered by the definition in section
6 102 of the Department of Agriculture Or-
7 ganic Act of 1944 (7 U.S.C. 147a).

8 “(ii) The presence of the plant disease
9 or plant pest has been found to adversely
10 affect the yield of the agricultural com-
11 modity for which the producer is applying
12 for insurance.

13 “(iii) The efforts described in clause
14 (i) have been effective.

15 “(B) ADJUSTMENT AMOUNT.—The amount
16 by which the Corporation adjusts the actual
17 production history of a producer of an agricul-
18 tural commodity shall reflect the degree to
19 which the success of the systematic, area-wide
20 efforts described in paragraph (1)(A), on aver-
21 age, increases the yield of the commodity on the
22 producer’s farm, as determined by the Corpora-
23 tion.”.

1 **SEC. 104. REVIEW AND ADJUSTMENT IN RATING METH-**
2 **ODOLOGIES.**

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

6 “(7) REVIEW AND ADJUSTMENT OF RATES.—

7 “(A) REVIEW REQUIRED.—To maximize
8 participation in the Federal crop insurance pro-
9 gram and to ensure equity for producers, the
10 Corporation shall periodically review the meth-
11 odologies employed for rating plans of insur-
12 ance under this title consistent with section
13 507(c)(2).

14 “(B) PREMIUM ADJUSTMENT.—The Cor-
15 poration shall analyze the rating and loss his-
16 tory of approved policies and plans of insurance
17 for agricultural commodities by area. If the
18 Corporation makes a determination that pre-
19 mium rates are excessive for an agricultural
20 commodity in an area relative to the require-
21 ments of subsection (d)(2)(B) for that area,
22 then, in the 2000 crop year or as soon as prac-
23 ticable after the determination is made, the
24 Corporation shall make appropriate adjust-
25 ments in the premium rates for that area for
26 that agricultural commodity.”.

1 **SEC. 105. CONDUCT OF PILOT PROGRAMS, INCLUDING**
2 **LIVESTOCK.**

3 (a) REPEAL OF OBSOLETE PILOT PROGRAMS.—Sec-
4 tion 508(h) of the Federal Crop Insurance Act (7 U.S.C.
5 1508(h)) is amended by striking paragraphs (6) and (8).

6 (b) GENERAL REQUIREMENTS.—Section 508(h) of
7 the Federal Crop Insurance Act (7 U.S.C. 1508(h)) is
8 amended by inserting after paragraph (7) the following
9 new paragraph:

10 “(8) GENERAL REQUIREMENTS APPLICABLE TO
11 PILOT PROGRAMS.—In conducting any pilot program
12 of insurance or reinsurance authorized or required
13 by this title, the Corporation—

14 “(A) may offer the pilot program on a re-
15 gional, whole State, or national basis after con-
16 sidering the interests of affected producers and
17 the interests of and risks to the Corporation;

18 “(B) may operate the pilot program, in-
19 cluding any modifications thereof, for a period
20 of up to 3 years; and

21 “(C) may extend the time period for the
22 pilot program for additional periods, as deter-
23 mined appropriate by the Corporation.”.

24 (c) EXPEDITED CONSIDERATION.—Section 508(h)(4)
25 of the Federal Crop Insurance Act (7 U.S.C. 1508(h)(4))
26 is amended—

1 (1) by redesignating subparagraphs (A), (B),
2 (C), and (D) as clauses (i), (ii), (iii), and (iv), re-
3 spectively;

4 (2) by moving the text of the clauses (as so des-
5 ignated) 2 ems to the right;

6 (3) by striking “The Corporation” in the first
7 sentence and inserting the following:

8 “(A) GUIDELINES REQUIRED.—Not later
9 than 180 days after the date of the enactment
10 of the Agricultural Risk Protection Act of 1999,
11 the Corporation”; and

12 (4) by adding at the end the following new sub-
13 paragraph:

14 “(B) EXPEDITED CONSIDERATION OF PRO-
15 POSED PILOT PROGRAMS.—The regulations re-
16 quired by subparagraph (A) shall include
17 streamlined guidelines for the submission, and
18 Board review, of pilot programs that the Board
19 determines are limited in scope and duration
20 and involve a reduced level of liability to the
21 Federal Government, and an increased level of
22 risk to approved insurance providers partici-
23 pating in the pilot program, relative to other
24 policies or materials submitted under this sub-
25 section. The streamlined guidelines shall be con-

1 sistent with the guidelines established under
2 subparagraph (A), except as follows:

3 “(i) Not later than 60 days after sub-
4 mission of the proposed pilot program, the
5 Corporation shall provide an applicant with
6 notification of its intent to recommend dis-
7 approval of the proposal to the Board.

8 “(ii) Not later than 90 days after the
9 proposed pilot program is submitted to the
10 Board, the Board shall make a determina-
11 tion to approve or disapprove the pilot pro-
12 gram. Any determination by the Board to
13 disapprove the pilot program shall be ac-
14 companied by a complete explanation of
15 the reasons for the Board’s decision to
16 deny approval. In the event the Board fails
17 to make a determination within the pre-
18 scribed time period, the pilot program sub-
19 mitted shall be deemed approved by the
20 Board for the initial reinsurance year des-
21 ignated for the pilot program, except in the
22 case where the Board and the applicant
23 agree to an extension.”.

24 (d) LIVESTOCK PILOT PROGRAMS.—

1 (1) PROGRAMS REQUIRED.—Section 508(h) of
2 the Federal Crop Insurance Act (7 U.S.C. 1508(h))
3 is amended by striking paragraph (10) and inserting
4 the following new paragraph:

5 “(10) LIVESTOCK PILOT PROGRAMS.—

6 “(A) PROGRAMS REQUIRED.—

7 “(i) NUMBER AND TYPES OF PRO-
8 GRAMS.—The Corporation shall conduct
9 two or more pilot programs to evaluate the
10 effectiveness of risk management tools for
11 livestock producers, including the use of—

12 “(I) futures and options con-
13 tracts and policies and plans of insur-
14 ance that provide livestock producers
15 with reasonable protection from the fi-
16 nancial risks of price or income fluc-
17 tuations inherent in the production
18 and marketing of livestock, provide
19 protection for production losses, and
20 otherwise protect the interests of live-
21 stock producers; and

22 “(II) policies and plans of insur-
23 ance that, notwithstanding the second
24 sentence of subsection (a)(1), and
25 subject to the exclusions in subsection

1 (a)(3), provide livestock producers
2 with reasonable protection from liabil-
3 ity to mitigate or compensate for ad-
4 verse environmental impacts from pro-
5 ducers' operations caused by natural
6 disasters, unusual weather or climatic
7 conditions, third-party acts, or other
8 forces or occurrences beyond the pro-
9 ducers' control, and with coverage to
10 satisfy obligations established by law
11 for closure of producers' operations.

12 “(ii) PURPOSE OF PROGRAMS.—To
13 the maximum extent practicable, the Cor-
14 poration shall evaluate the greatest num-
15 ber and variety of pilot programs described
16 in clause (i) to determine which of the of-
17 fered risk management tools are best suit-
18 ed to protect livestock producers from the
19 financial risks associated with the produc-
20 tion and marketing of livestock.

21 “(B) IMPLEMENTATION; ASSISTANCE.—
22 The Corporation shall begin conducting live-
23 stock pilot programs under this paragraph dur-
24 ing fiscal year 2001, and any policy or plan of
25 insurance offered under this paragraph may be

1 prepared without regard to the limitations con-
2 tained in this title. As part of such a pilot pro-
3 gram, the Corporation may provide assistance
4 to producers to purchase futures and options
5 contracts or policies and plans of insurance of-
6 fered under that pilot program. However, no ac-
7 tion may be undertaken with respect to a risk
8 under this paragraph if the Corporation deter-
9 mines that insurance protection for livestock
10 producers against the risk is generally available
11 from private companies.

12 “(C) LOCATION.—The Corporation shall
13 conduct the livestock pilot programs under this
14 paragraph in a number of counties that is de-
15 termined by the Corporation to be adequate to
16 provide a comprehensive evaluation of the feasi-
17 bility, effectiveness, and demand among pro-
18 ducers for the risk management tools evaluated
19 in the pilot programs.

20 “(D) ELIGIBLE PRODUCERS; LIVESTOCK.—
21 Any producer of a type of livestock covered by
22 a pilot program under this paragraph who owns
23 or operates a farm or ranch in a county selected
24 as a location for that pilot program shall be eli-
25 gible to participate in that pilot program. In

1 this paragraph, the term ‘livestock’ means cat-
2 tle, sheep, swine, goats, and poultry.

3 “(E) RELATION TO OTHER LAWS.—The
4 terms and conditions of any policy or plan of
5 insurance offered under this paragraph that is
6 reinsured by the Corporation is not subject to
7 the jurisdiction of the Commodity Futures
8 Trading Commission or the Securities and Ex-
9 change Commission or considered as accounts,
10 agreements (including any transaction which is
11 of the character of, or is commonly known to
12 the trade as, an ‘option’, ‘privilege’, ‘indemnity’,
13 ‘bid’, ‘offer’, ‘put’, ‘call’, ‘advance guaranty’, or
14 ‘decline guaranty’), or transactions involving
15 contracts of sale of a commodity for future de-
16 livery, traded or executed on a contract market
17 for the purposes of the Commodity Exchange
18 Act (7 U.S.C. 1 et seq.). Nothing in this sub-
19 paragraph is intended to affect the jurisdiction
20 of the Commodity Futures Trading Commission
21 or the applicability of the Commodity Exchange
22 Act to any transaction conducted on a des-
23 ignated contract market (as that term is used
24 in such Act) by an approved insurance provider

1 to offset the provider’s risk under a plan or pol-
2 icy of insurance under this paragraph.

3 “(F) LIMITATION ON EXPENDITURES.—

4 The Corporation shall conduct all livestock pro-
5 grams under this title so that, to the maximum
6 extent practicable, all costs associated with con-
7 ducting the livestock programs (other than re-
8 search and development costs covered by para-
9 graph (6) or subsection (m)(4)) are not ex-
10 pected to exceed the following:

11 “(i) \$20,000,000 for fiscal year 2001.

12 “(ii) \$30,000,000 for fiscal year 2002.

13 “(iii) \$40,000,000 for fiscal year
14 2003.

15 “(iv) \$55,000,000 for fiscal year 2004
16 and each subsequent fiscal year.”.

17 (2) CONFORMING AMENDMENT TO DEFINITION
18 OF AGRICULTURAL COMMODITY.—Section 518 of the
19 Federal Crop Insurance Act (7 U.S.C. 1518) is
20 amended by striking “livestock and” after “com-
21 modity, excluding”.

22 (e) FUNDING OF LIVESTOCK PILOT PROGRAMS.—

23 (1) AUTHORIZATION OF APPROPRIATIONS.—

24 Section 516(a)(2) of the Federal Crop Insurance Act
25 (7 U.S.C. 1516(a)(2)) is amended—

1 (A) by striking “years—” and inserting
2 “years the following:”;

3 (B) by capitalizing the first letter of the
4 first word of each subparagraph;

5 (C) by striking “; and” at the end of sub-
6 paragraph (A) and inserting a period; and

7 (D) by adding at the end the following new
8 subparagraph:

9 “(C) Costs associated with the conduct of
10 livestock pilot programs carried out under sec-
11 tion 508(h)(10), subject to subparagraph (F) of
12 such section.”.

13 (2) USE OF INSURANCE FUND.—Section
14 516(b)(1) of the Federal Crop Insurance Act (7
15 U.S.C. 1516(b)(1)) is amended—

16 (A) by striking “including—” and insert-
17 ing “including the following:”;

18 (B) by capitalizing the first letter of the
19 first word of each subparagraph;

20 (C) by striking the semicolon at the end of
21 subparagraph (A) and inserting a period;

22 (D) by striking “; and” at the end of sub-
23 paragraph (B) and inserting a period; and

24 (E) by adding at the end the following new
25 subparagraph:

1 “(D) Costs associated with the conduct of
2 livestock pilot programs carried out under sec-
3 tion 508(h)(10), subject to subparagraph (F) of
4 such section.”.

5 **SEC. 106. COST OF PRODUCTION AS A PRICE ELECTION.**

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

8 (1) by striking “The Corporation shall establish
9 a price” in the matter preceding subparagraph (A)
10 and inserting “For purposes of this title, the Cor-
11 poration shall establish or approve a price”;

12 (2) by striking “or” at the end of subparagraph
13 (A);

14 (3) by striking the period at the end of sub-
15 paragraph (B) and inserting “; or”; and

16 (4) by adding at the end the following—

17 “(C) in the case of cost of production or
18 similar plans of insurance, shall be the pro-
19 jected cost of producing the agricultural com-
20 modity (as determined by the Corporation).”.

21 **SEC. 107. PREMIUM DISCOUNTS FOR GOOD PERFORMANCE.**

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

25 “(3) PREMIUM DISCOUNTS.—

1 “(A) PERFORMANCE-BASED DISCOUNT.—
2 The Corporation may provide a performance-
3 based premium discount for a producer of an
4 agricultural commodity who has good insurance
5 or production experience relative to other pro-
6 ducers of that agricultural commodity in the
7 same area, as determined by the Corporation.

8 “(B) DISCOUNT FOR REDUCED PRICE FOR
9 CERTAIN COMMODITIES.—A producer who in-
10 sured wheat, barley, oats, or rye during at least
11 2 of the 1995 through 1999 crop years may be
12 eligible to receive an additional 20 percent pre-
13 mium discount on the producer-paid premium
14 for any 2000 crop policy if the producer dem-
15 onstrates that the producer’s wheat, barley,
16 oats, or rye crop was subjected to a discounted
17 price due to Scab or Vomitoxin damage, or
18 both, during any 2 years of that period. The
19 2000 insured crop or crops need not be wheat,
20 barley, oats, or rye to qualify for the discount
21 under this subparagraph. The 2 years of insur-
22 ance and the 2 years of discounted prices need
23 not be the same.”.

1 **SEC. 108. OPTIONS FOR CATASTROPHIC RISK PROTECTION.**

2 Section 508(b) of the Federal Crop Insurance Act (7
3 U.S.C. 1508(b)) is amended by striking paragraph (3) and
4 inserting the following new paragraph:

5 “(3) ALTERNATIVE CATASTROPHIC COV-
6 ERAGE.—Beginning with the 2000 crop year, the
7 Corporation shall offer producers of an agricultural
8 commodity the option of selecting either of the fol-
9 lowing:

10 “(A) The catastrophic risk protection cov-
11 erage available under paragraph (2)(A).

12 “(B) An alternative catastrophic risk pro-
13 tection coverage that—

14 “(i) indemnifies the producer on an
15 area yield and loss basis if such a plan of
16 insurance is offered for the agricultural
17 commodity in the county in which the farm
18 is located;

19 “(ii) provides, on a uniform national
20 basis, a higher combination of yield and
21 price protection than the coverage available
22 under paragraph (2)(A); and

23 “(iii) the Corporation determines is
24 comparable to the coverage available under
25 paragraph (2)(A) for purposes of sub-
26 section (e)(2)(A).”.

1 **SEC. 109. AUTHORITY FOR NONPROFIT ASSOCIATIONS TO**
2 **PAY FEES ON BEHALF OF PRODUCERS.**

3 Section 508(b)(5) of the Federal Crop Insurance Act
4 (7 U.S.C. 1508(b)(5)) is amended by adding at the end
5 the following new subparagraph:

6 “(F) PAYMENT OF FEES ON BEHALF OF
7 PRODUCERS.—

8 “(i) PAYMENT AUTHORIZED.—Not-
9 withstanding any other subparagraph of
10 this paragraph, a cooperative association of
11 agricultural producers or a nonprofit trade
12 association may pay to the Corporation, on
13 behalf of a member of the association who
14 consents to be insured under such an ar-
15 rangement, all or a portion of the fees im-
16 posed under subparagraphs (A) and (B)
17 for catastrophic risk protection.

18 “(ii) TREATMENT OF LICENSING
19 FEES.—A licensing fee or other payment
20 made by the insurance provider to the co-
21 operative association or trade association
22 in connection with the issuance of cata-
23 strophic risk protection or additional cov-
24 erage under this section to members of the
25 cooperative association or trade association
26 shall not be considered to be a rebate to

1 the members if the members are informed
2 in advance of the fee or payment.

3 “(iii) SELECTION OF PROVIDER; DE-
4 LIVERY.—Nothing in this subparagraph
5 shall be construed so as to limit the ability
6 of a producer to choose the licensed insur-
7 ance agent or other approved insurance
8 provider from whom the member will pur-
9 chase a policy or plan of insurance or to
10 refuse coverage for which a payment is of-
11 fered to be made under clause (i). A policy
12 or plan of insurance for which a payment
13 is made under clause (i) shall be delivered
14 by a licensed insurance agent or other ap-
15 proved insurance provider.

16 “(iv) ADDITIONAL COVERAGE EN-
17 COURAGED.—Cooperatives and trade asso-
18 ciations and any approved insurance pro-
19 vider with whom a licensing fee or other
20 arrangement under this subparagraph is
21 made shall encourage producer members to
22 purchase appropriate levels of additional
23 coverage in order to meet the risk manage-
24 ment needs of such member producers.”

1 **SEC. 110. ELECTIONS REGARDING PREVENTED PLANTING**
2 **COVERAGE.**

3 Section 508(a) of the Federal Crop Insurance Act (7
4 U.S.C. 1508(a)) is amended by inserting after paragraph
5 (7), as added by section 104, the following new paragraph:

6 “(8) PREVENTED PLANTING COVERAGE.—

7 “(A) ELECTION NOT TO RECEIVE COV-
8 ERAGE.—

9 “(i) ELECTION.—A producer may
10 elect not to receive coverage for prevented
11 planting of an agricultural commodity.

12 “(ii) REDUCTION.—In the case of an
13 election under clause (i), the Corporation
14 shall provide a reduction in the premium
15 payable by the producer for a plan of in-
16 surance in an amount equal to the pre-
17 mium for the prevented planting coverage,
18 as determined by the Corporation.

19 “(B) EQUAL COVERAGE.—For each agri-
20 cultural commodity for which prevented plant-
21 ing coverage is available, the Corporation shall
22 offer an equal percentage level of prevented
23 planting coverage.

24 “(C) AREA CONDITIONS REQUIRED FOR
25 PAYMENT.—The Corporation shall limit pre-
26 vented planting payments to producers to those

1 situations in which producers in the area in
2 which the farm is located are generally affected
3 by the conditions that prevent an agricultural
4 commodity from being planted.

5 “(D) SUBSTITUTE COMMODITY.—

6 “(i) AUTHORITY TO PLANT.—Subject
7 to clause (iv), a producer who has pre-
8 vented planting coverage and who is eligi-
9 ble to receive an indemnity under such cov-
10 erage may plant an agricultural com-
11 modity, other than the commodity covered
12 by the prevented planting coverage, on the
13 acreage originally prevented from being
14 planted.

15 “(ii) NONAVAILABILITY OF INSUR-
16 ANCE.—A substitute agricultural com-
17 modity planted as authorized by clause (i)
18 for harvest in the same crop year shall not
19 be eligible for coverage under a policy or
20 plan of insurance under this title or for
21 noninsured crop disaster assistance under
22 section 196 of the Federal Agriculture Im-
23 provement and Reform Act of 1996 (7
24 U.S.C. 7333). For purposes of subsection
25 (b)(7) only, the substitute commodity shall

1 be deemed to have at least catastrophic
2 risk protection so as to satisfy the require-
3 ments of that subsection.

4 “(iii) EFFECT ON ACTUAL PRODUC-
5 TION HISTORY.—If a producer plants a
6 substitute agricultural commodity as au-
7 thorized by clause (i) for a crop year, the
8 Corporation shall assign the producer a re-
9 corded yield, for that crop year for the
10 commodity that was prevented from being
11 planting, equal to 60 percent of the pro-
12 ducer’s actual production history for such
13 commodity for purposes of determining the
14 producer’s actual production history for
15 subsequent crop years.

16 “(iv) EFFECT ON PREVENTED PLANT-
17 ING PAYMENT.—If a producer plants a
18 substitute agricultural commodity as au-
19 thorized by clause (i) before the latest
20 planting date established by the Corpora-
21 tion for the agricultural commodity pre-
22 vented from being planted, the Corporation
23 shall not make a prevented planting pay-
24 ment with regard to the commodity pre-
25 vented from being planted.”.

1 **SEC. 111. LIMITATIONS UNDER NONINSURED CROP DIS-**
2 **ASTER ASSISTANCE PROGRAM.**

3 (b) LIMITATION.—Section 196(i) of the Federal Agri-
4 culture Improvement and Reform Act of 1996 (7 U.S.C.
5 7333(i)) is amended—

6 (1) in paragraph (1)(B)—

7 (A) by striking “GROSS REVENUES” in the
8 subparagraph heading and inserting “AD-
9 JUSTED GROSS INCOME”; and

10 (B) by striking “gross revenue” and “gross
11 revenues” each place they appear and inserting
12 “adjusted gross income”; and

13 (2) by striking paragraph (4) and inserting the
14 following new paragraph:

15 “(4) LIMITATION.—A person who has quali-
16 fying adjusted gross income in excess of \$2,000,000
17 during the taxable year shall not be eligible to re-
18 ceive any noninsured crop disaster assistance pay-
19 ment under this section.”.

20 **SEC. 112. QUALITY GRADE LOSS ADJUSTMENT.**

21 Section 508(a) of the Federal Crop Insurance Act (7
22 U.S.C. 1508(a)) is amended by inserting after paragraph
23 (8), as added by section 110, the following new paragraph:

24 “(9) QUALITY GRADE LOSS ADJUSTMENT.—
25 Consistent with subsection (m)(4), by the 2000 crop
26 year, the Corporation shall enter into a contract to

1 analyze its quality loss adjustment procedures and
2 make such adjustments as may be necessary to more
3 accurately reflect local quality discounts that are ap-
4 plied to agricultural commodities insured under this
5 title, taking into consideration the actuarial sound-
6 ness of the adjustment and the prevention of fraud,
7 waste and abuse.”.

8 **TITLE II—IMPROVING PROGRAM** 9 **INTEGRITY**

10 **SEC. 201. LIMITATION ON DOUBLE INSURANCE.**

11 Section 508(a) of the Federal Crop Insurance Act (7
12 U.S.C. 1508(a)) is amended by inserting after paragraph
13 (9), as added by section 112, the following new paragraph:

14 “(10) LIMITATION ON DOUBLE INSURANCE.—

15 “(A) RESTRICTED TO CATASTROPHIC RISK
16 PROTECTION.—Except for situations covered by
17 subparagraph (B), no policy or plan of insur-
18 ance may be offered under this title for more
19 than one agricultural commodity planted on the
20 same acreage in the same crop year unless the
21 coverage for the additional crop is limited to
22 catastrophic risk protection available under sub-
23 section (b).

24 “(B) EXCEPTION FOR DOUBLE-CROP-
25 PING.—A policy or plan of insurance may be of-

1 ferred under this title for an agricultural com-
2 modity and for an additional agricultural com-
3 modity when both agricultural commodities are
4 normally harvested within the same crop year
5 on the same acreage if the following conditions
6 are met:

7 “(i) There is an established practice
8 of double-cropping in the area and the ad-
9 ditional agricultural commodity is custom-
10 arily double-cropped in the area with the
11 first agricultural commodity, as determined
12 by the Corporation.

13 “(ii) A policy or plan of insurance for
14 the first agricultural commodity and the
15 additional agricultural commodity is avail-
16 able under this title.

17 “(iii) The additional commodity is
18 planted on or before the final planting date
19 or late planting date for that additional
20 commodity, as established by the Corpora-
21 tion.”.

1 **SEC. 202. IMPROVING PROGRAM COMPLIANCE AND INTEG-**
2 **RITY.**

3 (a) **ADDITIONAL METHODS.**—Section 506(q) of the
4 Federal Crop Insurance Act (7 U.S.C. 1506(q)) is
5 amended—

6 (1) by redesignating paragraphs (1) and (2) as
7 paragraphs (2) and (3);

8 (2) by inserting after the subsection heading
9 the following new paragraph (1):

10 “(1) **PURPOSE.**—The purpose of this subsection
11 is to improve compliance with the Federal crop in-
12 surance program and to improve program integ-
13 rity.”; and

14 (3) by adding at the end the following new
15 paragraphs:

16 “(4) **RECONCILING PRODUCER INFORMATION.**—
17 The Secretary shall develop and implement a coordi-
18 nated plan for the Corporation and the Adminis-
19 trator of the Farm Service Agency to reconcile all
20 relevant information received by the Corporation or
21 the Farm Service Agency from a producer who ob-
22 tains crop insurance coverage under this title. Begin-
23 ning with the 2000 crop year, the Secretary shall re-
24 quire that the Corporation and the Farm Service
25 Agency reconcile such producer-derived information

1 on at least an annual basis in order to identify and
2 address any discrepancies.

3 “(5) IDENTIFICATION AND ELIMINATION OF
4 FRAUD, WASTE, AND ABUSE.—

5 “(A) FSA MONITORING PROGRAM.—The
6 Secretary shall develop and implement a coordi-
7 nated plan for the Farm Service Agency to as-
8 sist the Corporation in the ongoing monitoring
9 of programs carried out under this title,
10 including—

11 “(i) conducting fact finding relative to
12 allegations of program fraud, waste, and
13 abuse, both at the request of the Corpora-
14 tion or on its own initiative after consulta-
15 tion with the Corporation;

16 “(ii) reporting any allegation of fraud,
17 waste, and abuse or identified program
18 vulnerabilities to the Corporation in a
19 timely manner; and

20 “(iii) assisting the Corporation and
21 approved insurance providers in auditing a
22 statistically appropriate number of claims
23 made under any policy or plan of insurance
24 under this title.

1 “(B) USE OF FIELD INFRASTRUCTURE.—
2 The plan required by this paragraph shall use
3 the field infrastructure of the Farm Service
4 Agency, and the Secretary shall ensure that rel-
5 evant Farm Service Agency personnel are ap-
6 propriately trained for any responsibilities as-
7 signed to them under the plan. At a minimum,
8 such personnel shall receive the same level of
9 training and pass the same basic competency
10 tests as required of loss adjusters of approved
11 insurance providers.

12 “(C) MAINTENANCE OF PROVIDER EF-
13 FORT; COOPERATION.—The activities of the
14 Farm Service Agency under this paragraph do
15 not affect the responsibility of approved insur-
16 ance providers to conduct any audits of claims
17 or other program reviews required by the Cor-
18 poration. If an insurance provider reports to the
19 Corporation that it suspects intentional mis-
20 representation, fraud, waste, or abuse, the Cor-
21 poration shall make a determination and pro-
22 vide a written response within 90 days after re-
23 ceiving the report. The insurance provider and
24 the Corporation shall take coordinated action in

1 any case where misrepresentation, fraud, waste,
2 or abuse has occurred.

3 “(6) CONSULTATION WITH STATE COMMIT-
4 TEES.—The Corporation shall establish a mecha-
5 nism under which State committees of the Farm
6 Service Agency are consulted concerning policies and
7 plans of insurance offered in a State under this title.

8 “(7) ANNUAL REPORT ON COMPLIANCE EF-
9 FORTS.—The Secretary shall submit to the Com-
10 mittee on Agriculture of the House of Representa-
11 tives and the Committee on Agriculture, Nutrition,
12 and Forestry of the Senate an annual report con-
13 taining findings relative to the efforts undertaken
14 pursuant to paragraphs (4) and (5). The report
15 shall identify specific occurrences of waste, fraud,
16 and abuse and contain an outline of actions that
17 have been or are being taken to eliminate the identi-
18 fied waste, fraud, and abuse.”.

19 (b) TECHNICAL CORRECTION.—Paragraph (3) of sec-
20 tion 506(q) of the Federal Crop Insurance Act (7 U.S.C.
21 1506(q)), as redesignated by subsection (a), is amended
22 by striking “this subsection” and inserting “this para-
23 graph”.

1 **SEC. 203. SANCTIONS FOR FALSE INFORMATION.**

2 (a) AUTHORIZED SANCTIONS.—Section 506(n) of the
3 Federal Crop Insurance Act (7 U.S.C. 1506(n)) is
4 amended—

5 (1) in the subsection heading, by striking
6 “PENALTIES” and inserting “SANCTIONS FOR VIO-
7 LATIONS”;

8 (2) by redesignating paragraph (2) as para-
9 graph (3) and, in such paragraph, by striking “PEN-
10 ALTY” and “assessing penalties” and inserting
11 “SANCTION” and “imposing a sanction”, respec-
12 tively; and

13 (3) by striking paragraph (1) and inserting the
14 following new paragraphs:

15 “(1) FALSE INFORMATION.—If a producer, an
16 agent, a loss adjuster, an approved insurance pro-
17 vider, or any other person willfully and intentionally
18 provides any false or inaccurate information to the
19 Corporation or to an approved insurance provider
20 with respect to a policy or plan of insurance under
21 this title, the Corporation may, after notice and an
22 opportunity for a hearing on the record, impose one
23 or more of the sanctions specified in paragraph (2).

24 “(2) AUTHORIZED SANCTIONS.—The following
25 sanctions may be imposed for a violation under
26 paragraph (1):

1 “(A) The Corporation may impose a civil
2 fine for each violation not to exceed the greater
3 of—

4 “(i) the amount of the pecuniary gain
5 obtained as a result of the false or inac-
6 curate information provided; or

7 “(ii) \$10,000.

8 “(B) If the violation is committed by a
9 producer, the producer may be disqualified for
10 a period of up to 5 years from—

11 “(i) participating in, or receiving any
12 benefit provided under this title, the non-
13 insured crop disaster assistance program
14 under section 196 of the Federal Agri-
15 culture Improvement and Reform Act of
16 1996 (7 U.S.C. 7333), the Agricultural
17 Market Transition Act (7 U.S.C. 7201 et
18 seq.), the Agricultural Act of 1949 (7
19 U.S.C. 1421 et seq.), the Commodity Cred-
20 it Corporation Charter Act (15 U.S.C. 714
21 et seq.), or the Agricultural Adjustment
22 Act of 1938 (7 U.S.C. 1281 et seq.);

23 “(ii) receiving any loan made, insured,
24 or guaranteed under the Consolidated

1 Farm and Rural Development Act (7
2 U.S.C. 1921 et seq.);

3 “(iii) receiving any benefit provided,
4 or indemnity made available, under any
5 other law to assist a producer of an agri-
6 cultural commodity due to a crop loss or a
7 decline in commodity prices; or

8 “(iv) receiving any cost share assist-
9 ance for conservation or any other assist-
10 ance provided under title XII of the Food
11 Security Act (16 U.S.C. 3801 et seq.).

12 “(C) If the violation is committed by an
13 agent, loss adjuster, approved insurance pro-
14 vider, or any other person (other than a pro-
15 ducer), the violator may be disqualified for a
16 period of up to 5 years from participating in,
17 or receiving any benefit provided under this
18 title.

19 “(D) If the violation is committed by a
20 producer, the Corporation may require the pro-
21 ducer to forfeit any premium owed under the
22 policy, notwithstanding a denial of claim or col-
23 lection of an overpayment, if the false or inac-
24 curate information was material.”.

1 (b) DISCLOSURE OF SANCTIONS.—Section 506(n) of
2 the Federal Crop Insurance Act (7 U.S.C. 1506(n)) is
3 amended by adding at the end the following new para-
4 graph:

5 “(4) DISCLOSURE OF SANCTIONS.—Each policy
6 or plan of insurance under this title shall promi-
7 nently indicate the sanctions prescribed under para-
8 graph (2) for willfully and intentionally providing
9 false or inaccurate information to the Corporation or
10 to an approved insurance provider.”.

11 **SEC. 204. PROTECTION OF CONFIDENTIAL INFORMATION.**

12 Section 502 of the Federal Crop Insurance Act (7
13 U.S.C. 1502) is amended by adding at the end the fol-
14 lowing new subsection:

15 “(c) PROTECTION OF CONFIDENTIAL INFORMA-
16 TION.—

17 “(1) AUTHORIZED DISCLOSURE.—In the case of
18 information furnished by a producer to participate in
19 or receive any benefit under this title, the Secretary,
20 any other officer or employee of the Department or
21 an agency thereof, an approved insurance provider
22 and its employees and contractors, and any other
23 person may not disclose the information to the pub-
24 lic, unless the information has been transformed into
25 a statistical or aggregate form that does not allow

1 the identification of the person who supplied par-
2 ticular information.

3 “(2) VIOLATIONS; PENALTIES.—Subsection (c)
4 of section 1770 of the Food Security Act of 1985 (7
5 U.S.C. 2276) shall apply with respect to the release
6 of information collected in any manner or for any
7 purpose prohibited by paragraph (1).”.

8 **SEC. 205. RECORDS AND REPORTING.**

9 (a) **CONDITION OF OBTAINING COVERAGE.**—Section
10 508(f)(3)(A) of the Federal Crop Insurance Act (7 U.S.C.
11 1508(f)(3)(A)) is amended by striking “provide, to the ex-
12 tent required by the Corporation, records acceptable to the
13 Corporation of historical acreage and production of the
14 crops for which the insurance is sought” and inserting
15 “provide annually records acceptable to the Secretary re-
16 garding crop acreage, acreage yields, and production for
17 each agricultural commodity insured under this title”.

18 (b) **COORDINATION OF RECORDS.**—Section 506(h) of
19 the Federal Crop Insurance Act (7 U.S.C. 1506(h)) is
20 amended—

21 (1) by striking “The Corporation” and insert-
22 ing the following:

23 “(1) **IN GENERAL.**—The Corporation”; and

24 (2) by adding at the end the following new
25 paragraph:

1 “(2) COORDINATION AND USE OF RECORDS.—

2 “(A) COORDINATION BETWEEN AGEN-
3 CIES.—The Secretary shall ensure that record-
4 keeping and reporting requirements under this
5 title and section 196 of the Federal Agriculture
6 Improvement and Reform Act of 1996 (7
7 U.S.C. 7333) are coordinated by the Corpora-
8 tion and the Farm Service Agency to avoid du-
9 plication of such records, to streamline proce-
10 dures involved with the submission of such
11 records, and to enhance the accuracy of such
12 records.

13 “(B) USE OF RECORDS.—Notwithstanding
14 section 502(c), records submitted in accordance
15 with this title and section 196 of the Federal
16 Agriculture Improvement and Reform Act of
17 1996 (7 U.S.C. 7333) shall be available to
18 agencies and local offices of the Department,
19 appropriate State and Federal agencies and di-
20 visions, and approved insurance providers for
21 use in carrying out this title and such section
22 196 as well as other agricultural programs and
23 related responsibilities.”.

24 (c) NONINSURED CROP DISASTER ASSISTANCE PRO-
25 GRAM.—Section 196(b) of the Federal Agriculture Im-

1 provement and Reform Act of 1996 (7 U.S.C. 7333(b))
2 is amended—

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

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

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

12 **SEC. 206. COMPLIANCE WITH STATE LICENSING REQUIRE-**
13 **MENTS.**

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

17 “(o) COMPLIANCE WITH STATE LICENSING RE-
18 QUIREMENTS.—Any person who sells or solicits the pur-
19 chase of a policy or plan of insurance under this title, in-
20 cluding catastrophic risk protection, in any State shall be
21 licensed and otherwise qualified to do business in that
22 State.”.

1 **TITLE III—ADMINISTRATION**

2 **SEC. 301. BOARD OF DIRECTORS OF CORPORATION.**

3 (a) CHANGE IN COMPOSITION.—Section 505 of the
4 Federal Crop Insurance Act (7 U.S.C. 1505) is amended
5 by striking the section heading, “SEC. 505.”, and sub-
6 section (a) and inserting the following:

7 **“SEC. 505. MANAGEMENT OF CORPORATION.**

8 “(a) BOARD OF DIRECTORS.—

9 “(1) ESTABLISHMENT.—The management of
10 the Corporation shall be vested in a Board of Direc-
11 tors subject to the general supervision of the Sec-
12 retary.

13 “(2) COMPOSITION.—The Board shall consist of
14 only the following members:

15 “(A) The manager of the Corporation, who
16 shall serve as a nonvoting ex officio member.

17 “(B) The Under Secretary of Agriculture
18 responsible for the Federal crop insurance pro-
19 gram.

20 “(C) One additional Under Secretary of
21 Agriculture (as designated by the Secretary).

22 “(D) The Chief Economist of the Depart-
23 ment of Agriculture.

24 “(E) One person experienced in the crop
25 insurance business.

1 “(F) One person experienced in the regula-
2 tion of insurance.

3 “(G) Four active producers who are policy
4 holders, are from different geographic areas of
5 the United States, and represent a cross-section
6 of agricultural commodities grown in the United
7 States. At least one of the four shall be a spe-
8 cialty crop producer.

9 “(3) APPOINTMENT OF PRIVATE SECTOR MEM-
10 BERS.—The members of the Board described in sub-
11 paragraphs (E), (F), and (G) of paragraph (2)—

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

14 “(B) shall not be otherwise employed by
15 the Federal Government.

16 “(4) CHAIRPERSON.—The Board shall select a
17 member of the Board to serve as Chairperson.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall take effect 30 days after the date of
20 the enactment of this Act.

21 (c) EFFECT ON EXISTING BOARD.—A member of the
22 Board of Directors of the Federal Crop Insurance Cor-
23 poration on the effective date specified in subsection (b)
24 may continue to serve as a member of the Board until
25 the earlier of the following:

1 (1) The date the replacement Board is ap-
2 pointed.

3 (2) The end of the 180-day period beginning on
4 the effective date specified in subsection (b).

5 **SEC. 302. PROMOTION OF SUBMISSION OF POLICIES AND**
6 **RELATED MATERIALS.**

7 (a) REIMBURSEMENT AUTHORITY.—Section 508(h)
8 of the Federal Crop Insurance Act (7 U.S.C. 1508(h)),
9 as amended by section 105(a) of this Act, is amended by
10 inserting after paragraph (5) the following new paragraph:

11 “(6) REIMBURSEMENT OF RESEARCH, DEVEL-
12 OPMENT, AND MAINTENANCE COSTS.—

13 “(A) REIMBURSEMENT PROVIDED.—Sub-
14 ject to the conditions of this paragraph, the
15 Corporation shall provide a payment to reim-
16 burse an applicant for research, development,
17 and maintenance costs directly related to a pol-
18 icy or other material that is—

19 “(i) submitted to, and approved by,
20 the Board under this subsection for rein-
21 surance; and

22 “(ii) if applicable, offered for sale to
23 producers.

24 “(B) DURATION.—Payments under sub-
25 paragraph (A) may be made available beginning

1 in fiscal year 2001. Payments with respect to
2 the maintenance of an approved policy or other
3 material may be provided for a period of not
4 more than 4 reinsurance years following Board
5 approval. Upon the expiration of that 4-year pe-
6 riod, or earlier upon the agreement of the Cor-
7 poration and the person receiving the payment,
8 the Corporation shall assume responsibility for
9 maintenance of a successful policy, as deter-
10 mined by the Corporation based on the market
11 share attained by the policy, the total number
12 of policies sold, the total amount of premium
13 paid, and the performance of the policy in the
14 States where the policy is sold.

15 “(C) TREATMENT OF PAYMENT.—Pay-
16 ments made under subparagraph (A) for a pol-
17 icy or other material shall be considered as pay-
18 ment in full for the research and development
19 conducted with regard to the policy or material
20 and any property rights to the policy or mate-
21 rial.

22 “(D) REIMBURSEMENT AMOUNT.—The
23 Corporation shall determine the amount of the
24 payment under subparagraph (A) for an ap-
25 proved policy or other material based on the

1 complexity of the policy or material and the size
2 of the area in which the policy or material is ex-
3 pected to be used.”.

4 (b) ISSUANCE OF REGULATIONS.—Not later than Oc-
5 tober 1, 2000, the Corporation shall issue final regulations
6 to carry out the amendment made by subsection (a).

7 **SEC. 303. RESEARCH AND DEVELOPMENT, INCLUDING CON-**
8 **TRACTS REGARDING UNDERSERVED COM-**
9 **MODITIES.**

10 (a) SUPPORT FOR PRIVATE RESEARCH AND DEVEL-
11 OPMENT.—Section 508(m) of the Federal Crop Insurance
12 Act (7 U.S.C. 1508(m)) is amended by adding at the end
13 the following new paragraph:

14 “(4) PRIVATE RESEARCH AND DEVELOPMENT
15 OF POLICIES AND OTHER MATERIALS.—

16 “(A) USE OF REIMBURSEMENT AUTHOR-
17 ITY.—To encourage and promote the necessary
18 research and development for policies, plans of
19 insurance, and related materials, including poli-
20 cies, plans, and materials under the livestock
21 pilot programs under subsection (h)(10), the
22 Corporation shall make full use of private re-
23 sources by providing payment for research and
24 development for approved policies and plans of

1 insurance, and related materials, pursuant to
2 subsection (h)(6).

3 “(B) CONTRACTS FOR UNDERSERVED COM-
4 MODITIES.—

5 “(i) DEVELOPMENT OF PRODUCTS
6 AND RELATED MATERIALS.—In the event
7 the Corporation determines that an agri-
8 cultural commodity, including a specialty
9 crop, is not adequately served by policies
10 and plans of insurance and related mate-
11 rials submitted under subsection (h) or any
12 other provision of this title, the Corpora-
13 tion may enter into a contract, under pro-
14 cedures prescribed by the Corporation, di-
15 rectly with any person or entity with expe-
16 rience in crop insurance or farm or ranch
17 risk management, including universities,
18 providers of crop insurance, and trade and
19 research organizations, to carry out re-
20 search and development for policies and
21 plans of insurance and related materials
22 for that agricultural commodity without re-
23 gard to the limitations contained in this
24 title.

1 “(ii) TYPES OF CONTRACTS.—A con-
2 tract under this subparagraph may provide
3 for research and development regarding
4 new or expanded policies and plans of in-
5 surance and related materials, including
6 policies based on adjusted gross income,
7 cost-of-production, quality losses, and an
8 intermediate base program with a higher
9 coverage and cost than catastrophic risk
10 protection.

11 “(iii) DELAYED EFFECTIVE DATE FOR
12 CONTRACTS.—A contract entered into
13 under this subparagraph may not take ef-
14 fect before October 1, 2000.

15 “(iv) USE OF RESULTING POLICIES
16 AND PLANS.—The Corporation may offer
17 any policy or plan of insurance developed
18 under this subparagraph that is approved
19 by the Board.

20 “(C) CONTRACT FOR REVENUE COVERAGE
21 PLAN.—The Corporation shall enter into a con-
22 tract for research and development regarding
23 one or more revenue coverage plans designed to
24 enable producers to take maximum advantage
25 of fluctuations in market prices and thereby

1 maximize revenue realized from the sale of a
2 crop. Such a plan may include market instru-
3 ments currently available or may involve the de-
4 velopment of new instruments to achieve this
5 goal. Not later than 15 months after the date
6 of the enactment of this paragraph, the Cor-
7 poration shall submit to Congress a report con-
8 taining the results of the contract.”.

9 (b) RELIANCE ON PRIVATE DEVELOPMENT OF NEW
10 POLICIES.—Section 508(m)(2) of the Federal Crop Insur-
11 ance Act (7 U.S.C. 1508(m)(2)) is amended—

12 (1) by striking “EXCEPTION.—No action” and
13 inserting—

14 “(2) EXCEPTIONS.—

15 “(A) PRIVATE AVAILABILITY.—No action”;

16 and

17 (2) by adding at the end the following new sub-
18 paragraph:

19 “(B) PROHIBITED RESEARCH AND DEVEL-
20 OPMENT BY CORPORATION.—Notwithstanding
21 paragraphs (1) and (5), on and after October 1,
22 2000, the Corporation shall not conduct re-
23 search and development for any new policy or
24 plan of insurance for an agricultural commodity
25 offered under this title. Any policy or plan of

1 insurance developed by the Corporation under
2 this title before that date shall, at the discretion
3 of the Corporation, continue to be offered for
4 sale to producers.”.

5 (c) PARTNERSHIPS FOR RISK MANAGEMENT DEVEL-
6 OPMENT AND IMPLEMENTATION.—Section 508(m) of the
7 Federal Crop Insurance Act (7 U.S.C. 1508(m)) is
8 amended by inserting after paragraph (4), as added by
9 subsection (a), the following new paragraph:

10 “(5) PARTNERSHIPS FOR RISK MANAGEMENT
11 DEVELOPMENT AND IMPLEMENTATION.—

12 “(A) PURPOSE.—The purpose of this para-
13 graph is to authorize the Corporation to enter
14 into partnerships with public and private enti-
15 ties for the purpose of increasing the avail-
16 ability of loss mitigation, financial, and other
17 risk management tools for crop producers, with
18 priority given to risk management tools for pro-
19 ducers of agricultural commodities covered by
20 section 196 of the Federal Agriculture Improve-
21 ment and Reform Act of 1996 (7 U.S.C. 7333)
22 and specialty and underserved commodity pro-
23 ducers.

24 “(B) AUTHORITY.—Subject to subpara-
25 graphs (D) and (E), the Corporation may enter

1 into partnerships with the Cooperative State
2 Research, Education, and Extension Service,
3 the Agricultural Research Service, the National
4 Oceanic Atmospheric Administration, and other
5 appropriate public and private entities with
6 demonstrated capabilities in developing and im-
7 plementing risk management and marketing op-
8 tions for specialty crops and underserved com-
9 modities.

10 “(C) OBJECTIVES.—The Corporation may
11 enter into a partnership under subparagraph
12 (B)—

13 “(i) to enhance the notice and timeli-
14 ness of notice of weather conditions that
15 could negatively affect crop yields, quality,
16 and final product use in order to allow pro-
17 ducers to take preventive actions to in-
18 crease end-product profitability and mar-
19 ketability and to reduce the possibility of
20 crop insurance claims;

21 “(ii) to develop a multifaceted ap-
22 proach to pest management and fertiliza-
23 tion to decrease inputs, decrease environ-
24 mental exposure, and increase application
25 efficiency;

1 “(iii) to develop or improve techniques
2 for planning, breeding, planting, growing,
3 maintaining, harvesting, storing, shipping,
4 and marketing that will address quality
5 and quantity challenges associated with
6 year-to-year and regional variations;

7 “(iv) to clarify labor requirements and
8 assist producers in complying with require-
9 ments to better meet the physically intense
10 and time-compressed planting, tending,
11 and harvesting requirements associated
12 with the production of specialty crops and
13 underserved commodities;

14 “(v) to provide assistance to State for-
15 esters or equivalent officials for the pre-
16 scribed use of burning on private forest
17 land for the prevention, control, and sup-
18 pression of fire;

19 “(vi) to provide producers with train-
20 ing and informational opportunities so that
21 they will be better able to use financial
22 management, crop insurance, marketing
23 contracts, and other existing and emerging
24 risk management tools; and

1 “(vii) to develop other risk manage-
2 ment tools to further increase economic
3 and production stability.

4 “(D) FUNDING SOURCE.—If the Corpora-
5 tion determines that the entire amount avail-
6 able to provide reimbursement payments under
7 subsection (h) and contract payments under
8 paragraph (4) (in this subparagraph referred to
9 as ‘reimbursement and contract payments’) for
10 a fiscal year is not needed for such purposes,
11 the Corporation may use a portion of the excess
12 amount to carry out this paragraph, subject to
13 the following:

14 “(i) During fiscal years 2001 through
15 2004, amounts available for reimburse-
16 ment and contract payments may be used
17 to carry out this paragraph only if the
18 total amount to be used for reimbursement
19 and contract payments is less than
20 \$44,000,000 for fiscal year 2001,
21 \$47,000,000 for fiscal year 2002,
22 \$50,000,000 for fiscal year 2003, and
23 \$52,000,000 for fiscal year 2004.

24 “(ii) During fiscal years 2001 through
25 2004, the total amount used to carry out

1 this paragraph for a fiscal year may not
2 exceed the difference between the amount
3 specified in clause (i) for that fiscal year
4 and the amount actually used for reim-
5 bursement and contract payments.

6 “(E) DELAYED AUTHORITY.—The Cor-
7 poration may not enter into a partnership
8 under the authority of this paragraph before
9 October 1, 2000.”.

10 **SEC. 304. FUNDING FOR REIMBURSEMENT AND RESEARCH**
11 **AND DEVELOPMENT.**

12 (a) EXPENDITURES.—Section 508(h)(6) of the Fed-
13 eral Crop Insurance Act (7 U.S.C. 1508(h)(6)), as added
14 by section 302(a) of this Act, is amended by adding at
15 the end the following new subparagraph:

16 “(E) EXPENDITURES.—

17 “(i) SPECIALTY CROPS.—Of the total
18 amount made available to provide pay-
19 ments under this paragraph and subsection
20 (m)(4)(B) for a fiscal year, \$25,000,000
21 shall be reserved for research and develop-
22 ment contracts under subsection
23 (m)(4)(B). The Corporation may use a
24 portion of the reserved amount for other
25 purposes under this paragraph, with pri-

1 ority given to underserved commodities, if
2 the Corporation determines that the entire
3 amount is not needed for such contracts. If
4 the reserved amount is insufficient for a
5 fiscal year, the Corporation may use
6 amounts in excess of the reserved amount
7 for such contracts.

8 “(ii) LIMITATION.—In providing pay-
9 ments under this paragraph and subsection
10 (m)(4)(B), the Corporation shall not obli-
11 gate or expend more than \$55,000,000
12 during any fiscal year.”.

13 (b) FUNDING.—

14 (1) AUTHORIZATION OF APPROPRIATIONS.—
15 Section 516(a)(2) of the Federal Crop Insurance Act
16 (7 U.S.C. 1516(a)(2)) is amended by adding at the
17 end the following new subparagraph:

18 “(D) Costs associated with the reimburse-
19 ment for research, development, and mainte-
20 nance costs of approved policies and other ma-
21 terials provided under section 508(h)(6) and
22 contracting for research and development under
23 section 508(m)(4)(B).”.

24 (2) USE OF INSURANCE FUND.—Section
25 516(b)(1) of the Federal Crop Insurance Act (7

1 U.S.C. 1516(b)(1)) is amended by adding at the end
2 the following new subparagraph:

3 “(E) Reimbursement for research, develop-
4 ment, and maintenance costs of approved poli-
5 cies and other materials provided under section
6 508(h)(6) and contracting for research and de-
7 velopment under section 508(m)(4)(B).”.

8 **SEC. 305. BOARD CONSIDERATION OF SUBMITTED POLI-**
9 **CIES AND MATERIALS.**

10 (a) **PERSONS AUTHORIZED TO SUBMIT.**—Section
11 508(h)(1) of the Federal Crop Insurance Act (7 U.S.C.
12 1508(h)(1)) is amended by inserting after “a person” the
13 following: “(including an approved insurance provider, a
14 college or university, a cooperative or trade association,
15 or any other person)”.

16 (b) **SALE BY APPROVED INSURANCE PROVIDERS.**—
17 Section 508(h)(3) of the Federal Crop Insurance Act (7
18 U.S.C. 1508(h)(3)) is amended by inserting after “for
19 sale” the following: “by approved insurance providers”.

20 (c) **TIME PERIODS FOR APPROVAL OR DIS-**
21 **APPROVAL.**—Section 508(h)(4)(A) of the Federal Crop In-
22 surance Act (7 U.S.C. 1508(h)(4)(A)), as amended by sec-
23 tion 105(c), is amended—

24 (1) in clause (iii), as redesignated by section
25 105(c), by striking “of the applicant.” and all that

1 follows through the end of the clause and inserting
2 “, and such application, as modified, shall be consid-
3 ered by the Board in the manner provided in clause
4 (iv) within the 30-day period beginning on the date
5 the modified application is submitted. Any notifica-
6 tion of intent to disapprove a policy or other mate-
7 rial submitted under this subsection shall be accom-
8 panied by a complete explanation as to the reasons
9 for the Board’s intention to deny approval.”; and

10 (2) by striking clause (iv), as redesignated by
11 section 105(c), and inserting the following new
12 clause:

13 “(iv) Not later than 120 days after a
14 policy or other material is submitted under
15 this subsection, the Board shall make a de-
16 termination to approve or disapprove such
17 policy or material. Any determination by
18 the Board to disapprove any policy or
19 other material shall be accompanied by a
20 complete explanation of the reasons for the
21 Board’s decision to deny approval. In the
22 event the Board fails to make a determina-
23 tion within the prescribed time period, the
24 submitted policy or other material shall be
25 deemed approved by the Board for the ini-

1 tial reinsurance year designated for the
2 policy or material, except in the case where
3 the Board and the applicant agree to an
4 extension.”.

5 (d) **FUNDING TO EXPEDITE CONSIDERATION.**—Ef-
6 fective October 1, 2000, section 516(b)(2) of the Federal
7 Crop Insurance Act (7 U.S.C. 1516(b)(2)) is amended—

8 (1) by striking “RESEARCH AND DEVELOPMENT
9 EXPENSES.—” and inserting “POLICY CONSIDER-
10 ATION EXPENSES.—”; and

11 (2) in subparagraph (A), by striking “research
12 and development expenses of the Corporation” and
13 inserting “costs associated with considering for ap-
14 proval or disapproval policies and other materials
15 under subsections (h) and (m)(4) of section 508,
16 costs associated with implementing such subsection
17 (m)(4), and costs to contract out for assistance in
18 considering such policies and other materials”.

19 **SEC. 306. CONTRACTING FOR RATING OF PLANS OF INSUR-**
20 **ANCE.**

21 Section 507(c)(2) of the Federal Crop Insurance Act
22 (7 U.S.C. 1507(c)(2)) is amended—

23 (1) by striking “actuarial, loss adjustment,”
24 and inserting “actuarial services, services relating to
25 loss adjustment and rating plans of insurance,”; and

1 (2) by inserting after “private sector” the fol-
2 lowing: “and to enable the Corporation to con-
3 centrate on regulating the provision of insurance
4 under this title and evaluating new products and
5 materials submitted under section 508(h)”.

6 **SEC. 307. ELECTRONIC AVAILABILITY OF CROP INSURANCE**
7 **INFORMATION.**

8 Section 508(a)(5) of the Federal Crop Insurance Act
9 (7 U.S.C. 1508(a)(5)) is amended—

10 (1) by redesignating subparagraphs (A) and
11 (B) as clauses (i) and (ii) and moving such clauses
12 2 ems to the right;

13 (2) by striking “The Corporation” and insert-
14 ing the following:

15 “(A) AVAILABLE INFORMATION.—The Cor-
16 poration”; and

17 (3) by adding at the end the following new sub-
18 paragraph:

19 “(B) USE OF ELECTRONIC METHODS.—
20 The Corporation shall make the information de-
21 scribed in subparagraph (A) available electroni-
22 cally to producers and approved insurance pro-
23 viders. To the maximum extent practicable, the
24 Corporation shall also allow producers and ap-
25 proved insurance providers to use electronic

1 methods to submit information required by the
2 Corporation.”.

3 **SEC. 308. FEES FOR USE OF NEW POLICIES AND PLANS OF**
4 **INSURANCE.**

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) FEES FOR NEW POLICIES AND PLANS OF
9 INSURANCE.—

10 “(A) AUTHORITY TO IMPOSE FEE.—Effec-
11 tive beginning with fiscal year 2001, if a person
12 develops a new policy or plan of insurance and
13 does not apply for reimbursement of research,
14 development, and maintenance costs under
15 paragraph (6), the person shall have the right
16 to receive a fee from any approved insurance
17 provider that elects to sell the new policy or
18 plan of insurance. Notwithstanding paragraph
19 (5), once the right to collect a fee is asserted
20 with respect to a new policy or plan of insur-
21 ance, no approved insurance provider may offer
22 the new policy or plan of insurance in the ab-
23 sence of a fee agreement with the person who
24 developed the policy or plan.

1 “(B) DEFINITION.—For purposes of this
2 paragraph only, the term ‘new policy or plan of
3 insurance’ means a policy or plan of insurance
4 that was approved by the Board on or after Oc-
5 tober 1, 2000, and was not available at the time
6 the policy or plan of insurance was approved by
7 the Board.

8 “(C) AMOUNT.—The amount of the fee
9 that is payable by an approved insurance pro-
10 vider to offer a new policy or a plan of insur-
11 ance under subparagraph (A) shall be an
12 amount that is determined by the person that
13 developed the new policy or plan of insurance,
14 subject to the approval of the Board under sub-
15 paragraph (D).

16 “(D) APPROVAL.—The Board shall ap-
17 prove the amount of a fee determined under
18 subparagraph (C) for a new policy or plan of
19 insurance unless the Board can demonstrate
20 that the fee amount—

21 “(i) is unreasonable in relation to the
22 research and development costs associated
23 with the new policy or plan of insurance;
24 and

1 “(ii) unnecessarily inhibits the use of
2 the new policy or plan of insurance.”.

3 **SEC. 309. CLARIFICATION OF PRODUCER REQUIREMENT TO**
4 **FOLLOW GOOD FARMING PRACTICES.**

5 Section 508(a)(3)(C) of the Federal Crop Insurance
6 Act (7 U.S.C. 1508(a)(3)(C)) is amended by inserting
7 after “good farming practices” the following: “, including
8 scientifically sound sustainable and organic farming prac-
9 tices”.

10 **SEC. 310. REIMBURSEMENTS AND RENEGOTIATION OF**
11 **STANDARD REINSURANCE AGREEMENT.**

12 (a) REIMBURSEMENT RATE CHANGES.—

13 (1) CAT LOSS ADJUSTMENT.—Section
14 508(b)(11) of the Federal Crop Insurance Act (7
15 U.S.C. 1508(b)(11)) is amended by striking “11
16 percent” and inserting “8 percent”.

17 (2) REIMBURSEMENT FOR ADMINISTRATIVE
18 AND OPERATING COSTS.—Section 508(k)(4)(A)(ii) of
19 the Federal Crop Insurance Act (7 U.S.C.
20 1508(k)(4)(A)(ii)) is amended by striking “24.5 per-
21 cent” and inserting “24 percent”.

22 (3) APPLICATION OF AMENDMENTS.—The
23 amendments made by this subsection shall apply
24 with respect to the 2001 and subsequent reinsurance
25 years.

1 (b) RENEGOTIATION.—Effective for the 2002 rein-
2 surance year, the Federal Crop Insurance Corporation
3 may renegotiate the Standard Reinsurance Agreement.

4 **TITLE IV—EFFECTIVE DATE AND** 5 **IMPLEMENTATION**

6 **SEC. 401. EFFECTIVE DATE.**

7 Except as provided in sections 301(b) and 305(d),
8 this Act and the amendments made by this Act shall take
9 effect on the date of the enactment of this Act. The actual
10 implementation by the Secretary of Agriculture and the
11 Federal Crop Insurance Corporation of an amendment
12 made by this Act shall depend on the terms of the amend-
13 ment or, in the absence of an express implementation date
14 in the amendment, the special rules specified in section
15 402.

16 **SEC. 402. SPECIAL RULES REGARDING IMPLEMENTATION** 17 **OF CERTAIN AMENDMENTS.**

18 (a) IMPLEMENTATION FOR 2000 CROP YEAR.—The
19 amendments made by the following sections of this Act
20 shall apply beginning with the 2000 crop year:

21 (1) Section 104, relating to review and adjust-
22 ment in rating methodologies.

23 (2) Section 106, relating to cost of production
24 as a price election.

1 (3) Section 107, relating to premium discounts
2 for good performance.

3 (4) Section 202, relating to improving program
4 compliance and integrity.

5 (5) Section 203, relating to sanctions for false
6 information.

7 (6) Section 204, relating to protection of con-
8 fidential information.

9 (7) Section 205, relating to records and report-
10 ing.

11 (8) Section 206, relating to compliance with
12 State licensing requirements.

13 (9) Section 309, relating to requirement to fol-
14 low good farming practices.

15 (b) IMPLEMENTATION FOR FISCAL YEAR 2000.—The
16 amendments made by the following sections of this Act
17 shall apply beginning with fiscal year 2000:

18 (1) Section 105(a), relating to repeal of obso-
19 lete pilot programs.

20 (2) Subsections (a), (b), and (c) of section 305,
21 relating to Board consideration of submitted policies
22 and materials.

23 (3) Section 306, relating to contracting for rat-
24 ing plans of insurance.

1 (4) Section 307, relating to electronic avail-
2 ability of crop insurance information.

3 (c) IMPLEMENTATION FOR 2001 CROP YEAR.—The
4 amendments made by the following sections of this Act
5 shall apply beginning with the 2001 crop year:

6 (1) Section 101, relating to premium schedule
7 for additional coverage.

8 (2) Section 102, relating to premium schedule
9 for other plans of insurance.

10 (3) Section 103(b), relating to adjustment in
11 production history to reflect pest control.

12 (4) Section 109, relating to authority for non-
13 profit associations to pay fees on behalf of pro-
14 ducers.

15 (5) Section 110, relating to elections regarding
16 prevented planting coverage.

17 (6) Section 111, relating to limitations under
18 noninsured crop disaster assistance program.

19 (7) Section 201, relating to limitation on double
20 insurance.

21 (d) IMPLEMENTATION FOR FISCAL YEAR 2001.—The
22 amendments made by the following sections of this Act
23 shall apply beginning with fiscal year 2001:

24 (1) Section 105(b), relating to general require-
25 ments applicable to pilot programs.

1 (2) Section 304, relating to funding for reim-
2 bursement and research and development.

3 **SEC. 403. SAVINGS CLAUSE.**

4 The Federal Crop Insurance Act (7 U.S.C. 1501 et
5 seq.) and section 196 of the Federal Agriculture Improve-
6 ment and Reform Act of 1996 (7 U.S.C. 7333), as in ef-
7 fect on day before the date of the enactment of this Act,
8 shall continue to apply with respect to the 1999 crop year
9 and shall apply with respect to the 2000 crop year, to the
10 extent the application of an amendment made by this Act
11 is delayed under section 402 or by the terms of the amend-
12 ment.

13 **SEC. 404. SENSE OF THE CONGRESS.**

14 It is the Sense of the Congress that the Department
15 of Agriculture should ensure the full participation of mi-
16 nority and limited-resource farmers and ranchers in the
17 programs operating under the Federal Crop Insurance
18 Act, as amended by the Agriculture Risk Protection Act
19 of 1999.

 Passed the House of Representatives September 29,
1999.

Attest:

JEFF TRANDAHL,

Clerk.